

OFFICIAL STATEMENT DATED JUNE 9, 2015

NEW ISSUE – Book-Entry Only

Ratings: See "RATINGS" herein

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as herein defined) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX EXEMPTION" herein.

\$4,609,000
SCHOOL BONDS, SERIES 2015
THE BOARD OF EDUCATION OF THE TOWNSHIP OF SADDLE BROOK
IN THE COUNTY OF BERGEN, NEW JERSEY
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)

CALLABLE
BANK-QUALIFIED

Dated: Date of Delivery

Due: February 15, as shown below

The \$4,609,000 aggregate principal amount of School Bonds, Series 2015 (the "Bonds"), of The Board of Education of the Township of Saddle Brook in the County of Bergen, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board, and unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully registered bonds in book-entry only form (without certificates) 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 and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases may be made in the principal amount of \$1,000 each, or any integral multiple thereof with a minimum purchase of \$5,000 required, 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 Bond 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.

The Bonds shall bear interest from their date of delivery, which interest shall be payable semi-annually on the fifteenth day of February and August in each year, commencing August 15, 2016, until maturity or prior redemption. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each immediately preceding August 1 and February 1 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS – Redemption" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



MATURITY SCHEDULE,
INTEREST RATES AND YIELDS

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2017	\$175,000	2.00%	0.75%	2022	\$340,000	2.00%	2.20%
2018	320,000	2.00	1.10	2023	345,000	3.00	2.30
2019	325,000	2.00	1.35	2024	345,000	3.00	2.50
2020	330,000	2.00	1.65	2025*	345,000	3.00	2.60
2021	335,000	2.00	1.95	2026*	350,000	3.00	2.65

\$700,000 Term Bond at 3.00% Due February 15, 2028, Yield 2.70%*

\$699,000 Term Bond at 3.00% Due February 15, 2030, Yield 2.90%*

* Priced to the February 15, 2024 call date.

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 approval of legality by the law firm of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Board, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by the Machado Law Group, Clark, New Jersey, General Counsel to the Board. Delivery of the Bonds in definitive form to DTC in New York, New York is anticipated to occur on or about June 23, 2015.

UBS FINANCIAL SERVICES

**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF SADDLE BROOK
IN THE COUNTY OF BERGEN, NEW JERSEY**

BOARD MEMBERS

President – David Gierek
Vice President – Stephen Quinn
Michael Accomando
Regina Barrale
Carmine Bufi
Sarah Sanchez
Kim Scanapieco
Parampreet Singh
Sylvia Zottarelli

SUPERINTENDENT

Richard Katz, Ed.D.

BUSINESS ADMINISTRATOR/BOARD SECRETARY

Raymond G. Karaty

BOARD ATTORNEY

Machado Law Group
Clark, New Jersey

BOARD AUDITOR

Lerch, Vinci & Higgins, LLP
Fair Lawn, New Jersey

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Board. 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.

The information contained herein has been provided by the Board, DTC and other sources deemed reliable by the Board; however, such information is not guaranteed as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Board, as to information from sources other than itself. The Board has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities law, but the Underwriter does not guarantee the accuracy or completeness of such information.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX E – Specimen Municipal Bond Insurance Policy."

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION.....	1
DESCRIPTION OF THE BONDS	1
BOND INSURANCE.....	4
BOOK-ENTRY ONLY SYSTEM.....	6
THE SCHOOL DISTRICT AND THE BOARD	8
THE STATE'S ROLE IN PUBLIC EDUCATION	9
STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY	9
SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT.....	11
SUMMARY OF STATE AID TO SCHOOL DISTRICTS.....	13
SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS.....	15
MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES.....	16
FINANCIAL STATEMENTS	20
LITIGATION	20
TAX EXEMPTION	21
BANK-QUALIFIED BONDS	22
RISK TO HOLDERS OF BONDS	22
APPROVAL OF LEGAL PROCEEDINGS	23
PREPARATION OF OFFICIAL STATEMENT	23
RATINGS	24
UNDERWRITING	24
SECONDARY MARKET DISCLOSURE.....	24
ADDITIONAL INFORMATION	25
CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT.....	25
MISCELLANEOUS.....	25
APPENDIX A	
Certain Economic and Demographic Information Relating to the School District and the Township of Saddle Brook in the County of Bergen, State of New Jersey	A-1
APPENDIX B	
Financial Statements of the Saddle Brook School District Fiscal Year Ended June 30, 2014	B-1
APPENDIX C	
Form of Bond Counsel's Approving Legal Opinion	C-1
APPENDIX D	
Form of Continuing Disclosure Certificate.....	D-1
APPENDIX E	
Specimen Municipal Bond Insurance Policy	E-1

OFFICIAL STATEMENT

OF

**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF SADDLE BROOK
IN THE COUNTY OF BERGEN, NEW JERSEY**

\$4,609,000

SCHOOL BONDS, SERIES 2015

(NEW JERSEY SCHOOL BOND RESERVE ACT, 1980 N.J. Laws c. 72, as amended)

**CALLABLE
BANK-QUALIFIED**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the Township of Saddle Brook in the County of Bergen, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the offering, sale and issuance of its \$4,609,000 aggregate principal amount of School Bonds, Series 2015 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the offering and sale of the Bonds have been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds shall be dated their date of delivery and shall mature on February 15, in each of the years and in the amounts set forth on the cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the fifteenth day of February and August (each an "Interest Payment Date"), commencing on August 15, 2016, in each of the years and at the interest rates set forth on the cover page hereof until maturity or prior redemption by check mailed by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each August 1 and February 1 immediately preceding the respective Interest Payment Date (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 the Bonds maturing in each year, and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Bonds (the "Securities Depository"). 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 each, or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and 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

Optional Redemption

The Bonds of this issue maturing prior to February 15, 2025 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after February 15, 2025 are redeemable at the option of the Board in whole or in part on any date on or after February 15, 2024 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing on February 15, 2028 are subject to mandatory redemption from sinking fund installments made on each February 15, beginning February 15, 2027, and shall be redeemed on the dates set forth below at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Bonds called for redemption, plus interest accrued and unpaid to the date fixed for redemption, according to the schedule set forth below:

<u>Date</u>	<u>Sinking Fund Installment</u>
February 15, 2027	\$350,000
February 15, 2028*	350,000

The Bonds maturing on February 15, 2030 are subject to mandatory redemption from sinking fund installments made on each February 15, beginning February 15, 2029, and shall be redeemed on the dates set forth below at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Bonds called for redemption, plus interest accrued and unpaid to the date fixed for redemption, according to the schedule set forth below:

<u>Date</u>	<u>Sinking Fund Installment</u>
February 15, 2029	\$350,000
February 15, 2030	349,000

* Final Maturity

Notice of Redemption

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities 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, such Bonds 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 the Bonds after the date fixed for redemption.

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 real property within the School District without limitation as to rate or amount. The Bonds are additionally secured by the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

School Bond Reserve Act (1980 N.J. Laws c. 72)

All school bonds are secured by the School Bond Reserve (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 2003 amendments to the Act provide that the Fund will be divided into two School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (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 funded in an amount equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (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 School Bond 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 School Bond 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 school district, county or municipality and shall not obligate the State to make, nor entitle the school 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 school district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. currently maintains a rating of "A" and Moody's Investors Service, Inc. currently maintains a rating of "Aa3" in connection with the School Bond Reserve.

Authorization and Purpose

The Bonds have been authorized and are issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes, Chapter 271 of the Laws of 1967, as amended and supplemented, (ii) a proposal adopted by the Board on October 8, 2014, and approved by the affirmative vote of a majority of the legal voters present and voting at a special school district election held on December 9, 2014 and (iii) a resolution duly adopted by the Board on May 13, 2015 (the "Resolution").

The proceeds of the Bonds will be used to finance various capital improvements in and for the School District (the "Project") and to pay the costs of issuance associated with the issuance of the Bonds. The State has awarded the School District aid for the Project in the amount of 40% of the eligible costs of such Project. As such, the State has agreed to pay 40% of the annual debt service on the eligible costs financed by the Bonds each year.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). On February 18, 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Capitalization of AGM

At March 31, 2015, AGM's policyholders' surplus and contingency reserve were approximately \$3,730 million and its net unearned premium reserve was approximately \$1,702 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 231, 2015 (filed by AGL with the SEC on May 8, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

BOOK-ENTRY ONLY SYSTEM

The description which follows 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 (as such terms are defined or used herein), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Board. Accordingly, the Board does not make any representations concerning these matters.

DTC will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, as set forth on the inside front cover hereof, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities

transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by 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 and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

Paying Agent, upon direction of the Board, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository). In that event, Bond certificates will be printed and delivered.

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

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 or Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the registrar for such purposes only upon the surrender thereof to the Board or Paying Agent together with the duly executed assignment in form satisfactory to the Board or Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Board or 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 Record Dates.

THE SCHOOL DISTRICT AND THE BOARD

The Board is a nine (9) member board with members elected for staggered three (3) year terms. The Superintendent of Schools is the chief administrative officer of the School District. The Business Administrator/Board Secretary is the chief financial officer of the School District and oversees the Board's business functions. The Business Administrator/Board Secretary reports through the Superintendent of Schools.

The School District provides a full range of educational services appropriate to Kindergarten (K) through grade twelve (12), including regular and special education programs for the students of the Township of Saddle Brook (the "Township"). The School District operates four (4) elementary schools and one (1) middle school/high school. See APPENDIX A.

THE STATE'S ROLE IN PUBLIC EDUCATION

The Constitution of the State of New Jersey provides that the State shall provide for the maintenance and support of a thorough and efficient ("T&E") system of free public schools for the instruction of all children 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 State 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, to acquire land and other property and to decide appeals from decisions of the Commissioner (as hereinafter defined) on matters of school law or State Board regulations.

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 approved by a board of school estimate or by the voters.

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner 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 classified 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. The 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, and approves all fiscal matters;

(2) Type II, in which the registered voters within a school district elect the members of a board of education and either (a) the registered voters also vote upon all fiscal matters with the exception set forth in the new Budget Election Law (as hereinafter defined in "School Budgetary Process"), 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 school 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 within the school district elect members of the board of education and vote upon all fiscal matters with certain exceptions. 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; and

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

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

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

In a Type I school district, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year's operating budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes if such certified budget is less than or equal to the maximum T&E budget and may appeal to the Commissioner if such certified budget amount is in excess of the maximum T&E budget. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein.

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

The New Budget Election Law (P.L. 2011, c. 202, effective January 17, 2012) (the "Budget Election Law") establishes procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to the first Tuesday after the first

Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least fifteen percent (15%) of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four (4) years.

School districts that opt to move the annual school election to November would no longer be required to submit the budget to the voters for approval if the budget is at or below the two percent (2%) property tax levy cap as provided in the New Cap Law (as hereinafter defined). For school districts that opt to change the annual school election date to November, proposals to spend above the two percent (2%) property tax levy cap would be presented to voters at the annual school election in November.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

School districts in the State do not levy or collect taxes to pay those budgeted amounts which 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 of education or the board of school estimate, as the case may be. Every budget submitted must provide no less than the minimum permissible amount deemed necessary under State law to provide for a thorough and efficient education as mandated by the State Constitution. The Commissioner may not approve any budget unless the Commissioner is satisfied that the school district has adequately implemented within the budget the Core Curriculum Content Standards (as defined herein) 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 (as 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 limitations were 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 (the "QEA") (now repealed), also limited the annual increase in the school district's current expense and capital outlay budgets by a statutory formula linked to the annual percentage increase in per capita income. The QEA was amended and revised by chapter 62 of the Laws of New Jersey of 1991, and further amended by chapter 7 of the Laws of New Jersey of 1993.

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 (the "CEIFA"), as amended by P.L. 2004, c. 732, effective July 1, 2004 and P.L. 2010, c. 44, effective July 13, 2010, which followed QEA, also limits the annual increase in a school district's general fund tax levy which does not exceed the school district's adjusted tax levy, defined as

the amount raised by property taxation for the purposes of the school district, excluding any debt service payments (the "Adjusted Tax Levy"). The CEIFA limited the amount school districts can increase their annual current expenses and capital outlay budgets (the "Spending Growth Limitations"). Generally, budgets could increase either by two and one-half percent (2.5%) or the consumer price index, whichever is greater. Prior amendments to the CEIFA decreased the budget cap to two and one-half percent (2.5%) from three percent (3%). As a result of recent amendments to CEIFA, the budget presented to the voters may not have an increase in the Adjusted Tax Levy that exceeds the pre-budget year Adjusted Tax Levy and an adjustment for enrollment by two percent (2%). See the description of the New Cap Law (as defined herein) below. A school district is required to submit, as applicable, to the board of school estimate or to the voters of the district at the annual school budget election, a general fund tax levy if it exceeds the school district's Adjusted Tax Levy as calculated by N.J.S.A. 18A:7F-38 and 39. Any school district may also submit at the annual school budget election, a separate proposal or proposals for additional funds, including interpretive statements, specifically identifying the program purposes for which the proposed funds shall be used. The Executive County Superintendent may prohibit the submission of such a separate proposal if he or she determines that the district has not implemented all potential efficiencies in the administrative operations of the district, which efficiencies would eliminate the need for such additional funds. Parts of the CEIFA have been found to be unconstitutional. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein.

P.L. 2010, c. 44, effective July 13, 2010 (the "New Cap Law"), further provides limitations on school district spending by limiting the amount a school district can raise for school district purposes through the property tax levy by two percent (2%) over the prior year's tax levy. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein. The New Cap Law provides for certain adjustments to the tax levy cap for specific circumstances relating to enrollment increases, health care cost increases and increases in amounts for certain normal and accrued liability pension contributions.

The New Cap Law provides that school districts may submit to voters during April school elections or on other dates set by regulation of the Commissioner, a proposal or proposals to increase the Adjusted Tax Levy by more than the allowable amount authorized pursuant to N.J.S.A. 18A:7F-38. The proposal or proposals to increase the Adjusted Tax Levy shall be approved if a majority of the people voting shall vote affirmatively. For school districts with boards of school estimate, the additional Adjusted Tax Levy shall be authorized only if a quorum is present for the vote and a majority of those board members who are present vote affirmatively to authorize the Adjusted Tax Levy.

Debt service on bonds, such as the Bonds, is not limited either by the two percent (2%) cap on the tax levy increase imposed by the New Cap Law.

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 of education (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.

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 must include in each annual budget the amount of interest due and payable in each fiscal year on all outstanding temporary notes.

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase agreements cannot exceed five (5) 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 (5) years. The payment of rent on an equipment lease and on a five (5) year and under facilities lease is treated as a current expense and within the cap on the school district's budget. Under the CEIFA, lease purchase payments on leases in excess of five (5) years issued under prior law 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 tax levy cap.

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 grades Kindergarten (K) through 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 Information on the Township."

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). A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

Energy Saving Obligations

Under P.L. 2009, c. 4, approved January 21, 2009 and effective 60 days thereafter, school 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 amount of the savings will cover the cost of the improvements.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

In 1973, the Supreme Court of the State of New Jersey (the "Court") 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 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") (as 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, as 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 ("Abbott 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.

The School District is not an "Abbott District".

The legislative response to *Abbott v. Burke* was the passage of the QEA (now repealed). The QEA established a new formula for the distribution of State aid for public education, beginning with the 1991-92 fiscal year. The QEA provided a formula that took into account property values and personal income to determine a school district's capacity to raise money for public education. A budgetary limitation, or "CAP" on expenditures, was also provided in the law. The "CAP" was intended to control the growth in local property taxes. The QEA was amended and revised by chapter 62 of the Laws of New Jersey of 1991, and further amended by chapter 7 of the Laws of New Jersey of 1993.

On July 12, 1994, the Court declared the school aid formula under the QEA unconstitutional on several grounds as it applied to the 28 Abbott Districts in the ongoing litigation commonly known as *Abbott v. Burke II*. No specific remediation was ordered, but the Court ultimately held that the Legislature and the Governor were required to have a new funding formula in effect by December 31, 1996 so that any new formula would be implemented during the 1997-1998 fiscal period and thereafter.

In keeping with the Court's deadline, the Governor signed the CEIFA into law on December 20, 1996. The CEIFA departed from other funding formulas adopted in the State by defining what constituted a "thorough and efficient" education, as is required by the Constitution of the State. The CEIFA further established the costs necessary provide each student with such an education.

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

On May 14, 1997, the Court held that the CEIFA was unconstitutional as applied to the Abbott Districts because (1) its funding provisions failed to assure that students in such districts would receive a thorough and efficient education and (2) supplemental programs to increase student performance in such districts were neither adequately identified nor funded. The Court recognized the Core Curriculum Content Standards as a valid means of identifying a "thorough and efficient" education under the State Constitution, but found that the State did not adequately determine or provide the adequate funding level to allow those standards to be met in the Abbott Districts. To bridge the gap between Abbott Districts and non-special needs districts, the Court ordered the parity remedy, designed as an interim remedy whereby the State would provide parity aid and supplemental funding to Abbott Districts. The CEIFA has not been used to calculate State aid for public schools since the 2001-2002 school year.

Pursuant to the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (the "EFCFA"), which became law on July 18, 2000, the State provides aid to school facilities projects. Under the EFCFA, the State provides one hundred percent (100%) State funding for school facilities projects undertaken by Abbott Districts; for non-Abbott Districts, the State provides aid in an amount equal to the greater of the district aid percentage or forty percent (40%) times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of the aid is established prior to the authorization of the project.

Since the 2010-2011 fiscal year, the State has funded debt service aid at eighty-five (85%) of the amount that a School District was entitled to receive under the EFCFA. See "Recent Developments in the Reduction of State Aid" herein.

The School Funding Reform Act of 2008

The School Funding Reform Act of 2008 (the "SFRA") was signed into law in January 2008 and is a five-year product of the State's latest effort to craft a redesigned school funding formula that satisfies the constitutional standard. While the SFRA maintains the Core Curriculum Content Standards

established by the CEIFA, it repeals the provisions of the CEIFA which established State aid formulas for programs to support the Core Curriculum Content Standards and has established new formulas. Essentially, the SFRA provides State aid to school districts while also requiring certain levels of local funding. It is a weighted school funding formula which identifies a base cost associated with the education of an elementary pupil without any particular special needs. Once the per-pupil amount is identified, the amount is increased to reflect factors that increase the cost of education, such as (i) grade level, and whether the pupil is (ii) an at-risk pupil (eligible for free or reduced-price lunch), (iii) a Limited English Proficiency (“LEP”) pupil, or (iv) a special education student of mild, moderate or severe classification.

The formula is further comprised of several funding mechanisms, the central component being the Adequacy Budget, a wealth equalized budget based on the school district’s ability to provide funding through local resources (the “Adequacy Budget”). The Adequacy Report (the “Adequacy Report”) establishes the base pupil cost necessary to provide the thorough and efficient education for an elementary school student. Such amount will be adjusted to reflect the differing cost of education a student at the middle and high school levels and various other factors as set forth in the SFRA. Based upon the school district’s property and personal income wealth, a local share of such Adequacy Budget is determined. State aid will be provided for that portion of the Adequacy Budget which cannot be supported locally. The SFRA guarantees a minimum two percent (2%) increase in State aid for each school district.

The Department must provide an Adequacy Report every three (3) years addressing the weighted factors that comprise the Adequacy Budget and the various additional components of the SFRA: equalization aid, categorical aid, preschool aid, extraordinary aid, adjustment aid and education adequacy aid.

Under the SFRA, the base per pupil amount for 2013-2014 was \$11,009.

The constitutionality of the SFRA was challenged and was held to be constitutional by the Court on May 28, 2009.

Recent Developments in the Reduction of State Aid

The State provides aid to school districts in accordance with amounts provided annually in the State budget. Such aid includes equalization aid, special education categorical aid, transportation aid, preschool education aid, supplemental core curriculum standards aid, choice aid, education adequacy aid, security aid, adjustment aid and other aid as determined in the discretion of the Commissioner.

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

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

Federal funds are available for certain programs approved by the Federal government with allocation decided by the State, which assigns a proportion to each local school district. The Elementary and Secondary Education Act of 1965, 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, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"), governs the issuance of bonds and notes to finance certain municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A five percent (5%) cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Township of Saddle Brook (the "Township") are general full faith and credit obligations.

The authorized bonded indebtedness of the Township is limited by statute, subject to certain exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. The average for the last three (3) years of the equalized value of all taxable real property and improvements and certain Class II railroad property within each respective constituent municipality as annually determined by the New Jersey Board of Taxation are set forth in APPENDIX A.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

A municipality may exceed its debt limit with the approval of the Local Finance Board, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, a municipality 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 municipality or substantially reduce the ability of the municipality to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the municipality to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, 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).

A municipality may sell "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as it may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for periods not exceeding one (1) year. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit must adopt an annual operating budget in the form required by the Division of Local Government Services, New Jersey Department of Community Affairs (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it has been certified by the Director of the Division (the "Director"), or in the case of a local unit's examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law, N.J.S.A. 40A:4-1 et seq. (the "Local Budget Law") requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit, may review the adequacy of such appropriations.

Tax anticipation notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year in which they were issued.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the budgetary 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.

A provision in the Local Budget Law, N.J.S.A. 40A:4-26, provides that: "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall 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 a municipality's calendar fiscal 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 local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (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 (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between appropriation accounts are prohibited until the last two (2) months of the year. Appropriation reserves may be transferred during the first three (3) months of the year, to the previous year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a 2/3 vote of the full

membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Certain types of appropriations are excluded from the provisions permitting transfers. Generally, transfers cannot be made from the down payment account, interest or debt redemption charges or the capital improvement fund or for contingent expenses.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon taxable property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

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 (6) 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 (6) 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.

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

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

Fiscal Year Adjustment Law (1991 N.J. Laws c. 75)

Chapter 75 of the Laws of New Jersey of 1991, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year. Municipalities that change fiscal years must adopt a six (6) month transition budget for January 1 through June 30. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the act authorizes the issuance of Fiscal Year Adjustment Bonds to fund the one time deficit for the six (6) month transition budget. The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of Fiscal Year Adjustment Bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue Fiscal Year Adjustment Bonds to finance the deficit on a permanent basis. The purpose of the act is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue Fiscal Year Adjustment Bonds as well.

State Supervision

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two

(2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law, or the Local Fiscal Affairs Law, N.J.S.A. 40A:5-1 et seq., which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

Appropriations “Cap”

The New Jersey “Cap Law” (the “Cap Law”) (N.J.S.A. 40A:4-45.1 et seq.) places limits on municipal tax levies and expenditures. The Cap Law provides that a local unit shall limit any increase in its budget to two and one-half percent (2.5%) or the Cost-Of-Living Adjustment (as defined in the Cap Law), whichever is less, of the previous year’s final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than two and one-half percent (2.5%), a local unit may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the local unit for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than three and one-half percent (3.5%) over the previous year’s final appropriations. In addition, N.J.S.A. 40A:4-45.15a restored “CAP” banking to the Local Budget Law. Municipalities are permitted to appropriate available “CAP Bank” in either of the next two (2) succeeding years’ final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the “CAP”.

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

The Division has advised that counties and municipalities must comply with both the budget “CAP” and the tax levy limitation. Neither the tax levy limitation nor the “CAP” law, however, limits the obligation of the county or municipality to levy *ad valorem* taxes upon all taxable property within its boundaries to pay debt service on its bonds and notes.

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 result 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. However, a divergence of the assessment ratio to true value is typically due to changes in market value over time.

Upon the filing of certified adopted budgets by the municipality’s local school district and the county, the tax rate is struck by the county Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, the 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 the State for various special services rendered to the properties located within the special districts.

Generally, tax bills are mailed annually in June of the current fiscal year. The taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged for the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first \$1,500.00 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500.00. Pursuant to 1991 N.J. Laws c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These penalties and interest are the highest permitted under State Statutes. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State Statutes.

Tax Appeals

State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the county Board of Taxation on or before April 1 of the current year 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 the State of New Jersey (the "State Tax Court") 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 nonbudgetary 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's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division's "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the Director. A synopsis of the report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the local unit's receipt of the audit report.

FINANCIAL STATEMENTS

The audited financial statements of the Board as of and for the fiscal year ended June 30, 2014 together with the notes to the financial statements have been provided by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey (the "Auditor"), and are presented in APPENDIX B to this Official Statement (the "Financial Statements"). See "APPENDIX B - Audited Financial Statements for the Year Ended June 30, 2014."

LITIGATION

To the knowledge of the Board Attorney, Machado Law Group, Clark, New Jersey, (the "Board Attorney"), without independent inquiry or investigation and based upon the representation of the Board's Business Administrator/Board Secretary, there is no litigation of any nature now pending or threatened against the Board, 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, without independent inquiry or investigation and based upon the representation of the Board's Business Administrator/Board Secretary, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a materially adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

TAX EXEMPTION

Federal Income Tax Treatment

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Bonds in order for the interest thereon to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause such interest to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Board has covenanted to comply with the provisions of the Code applicable to the Bonds, and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Board with the requirements of the Code described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals and corporations.

Additional Federal Income Tax Consequences Relating to Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds, and any gain on the sale of the Bonds, are not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds. See "APPENDIX C – Form of Approving Legal Opinion" for the complete text of the proposed form of Bond Counsel's approving legal opinion.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the Federal and State tax-exempt status of interest on the Bonds and the State tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, State, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See APPENDIX C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO ALL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF HOLDING THE BONDS.

BANK-QUALIFIED BONDS

The Bonds will be designated as "qualified tax-exempt obligations" under Section 265 of the Code by the Issuer for an exemption from the denial of deduction for interest paid by financial institutions to purchase or carry tax-exempt obligations. The Board will furnish to the Underwriter (as herein after defined) at the time of delivery of any payment for the Bonds, a certificate executed by the Business Administrator/Board Secretary of the Board designating the Bonds "qualified tax-exempt obligations" within the meaning of section 265(b)(3)(B)(ii) of the Code, and in such certificate the Board will represent that it reasonably expects that, collectively, neither it nor its subordinate entities, if any, will issue more than \$10,000,000 of tax-exempt obligations in the current calendar year.

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

RISK TO HOLDERS OF BONDS

It is understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Municipal Bankruptcy

THE BOARD HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOARD EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

The undertakings of the Board should be considered with reference to 11 U.S.C. §101 *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 priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of at least one (1) impaired 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 political subdivision 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, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. 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 be avoided pursuant to certain preferential transfer provisions set forth in such act.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a political subdivision, including the Board, 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 Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

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 the Financial Statements, are true and correct in all material respects and it will confirm same to the Underwriter by a certificate signed by the Board President and Business Administrator/Board Secretary. See "CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT" herein.

Bond Counsel has participated in the preparation and review of this Official Statement but has not participated in the collection of financial, statistical or demographic information contained in this Official Statement nor verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

The Auditor has not participated in the preparation of the information contained in this Official Statement and has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the Financial Statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

The Board Attorney has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (the "Rating Agency") has assigned its rating of "A+" (stable outlook) to the Bonds based upon the creditworthiness of the School District. The Bonds are additionally secured by the New Jersey School Bond Reserve Act.

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P and "AA+" (stable outlook) from Kroll Bond Rating Agency, Inc. ("KBRA"), each based upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds.

The ratings reflect only the view of the Rating Agency and an explanation of the significance of such ratings may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. The Board forwarded to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the ratings will be maintained for any given period of time or that the ratings may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of, such ratings may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds are being purchased from the Board by UBS Financial Services (the "Underwriter") at a price of \$4,609,000.00. The purchase price of the Bonds reflects the par amount of Bonds equal to \$4,609,000.00, minus an Underwriter's discount of \$91,913.43 plus a net original issue premium of \$91,913.43. The Underwriter is obligated to purchase all of the Bonds if any Bonds are so purchased.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at yields higher than the public offering yields set forth on the cover page, and such public offering yields may be changed, from time to time, by the Underwriter without prior notice. The Underwriter may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the Bonds.

SECONDARY MARKET DISCLOSURE

The Board has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Board by no later than each January 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2015 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Board with the Municipal Securities Rulemaking Board (the "MSRB") or any other entity designated by the MSRB. The notices of material events will be filed by the Board with the MSRB through its Electronic Municipal Market Access ("EMMA") system and with any other entity designated by the MSRB, as applicable. The nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

With respect to the Board's compliance with its previously executed undertakings, as of the date hereof and during the past five years, the Board failed to file with EMMA in a timely manner: (i) required annual financial information for the fiscal year ending June 30, 2009, (ii) notices of material events for the failure to file annual required information in a timely manner and (iii) notices of material events relating to ratings changes on the Board's underlying rating and ratings changes of bond insurers.

The Board will engage the services of a disclosure agent to ensure compliance with its undertakings going forward.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Business Administrator/Board Secretary, Raymond G. Karaty, (201) 843-1142, or to Lisa A. Gorab, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel to the Board, (732) 855-6459.

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 or more of its authorized officials to the effect that he/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 his 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 otherwise), 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 among the Board, the Underwriter and the 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 the 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 Board has authorized the preparation of a final Official Statement containing pertinent information relative to the Bonds, and said Official Statement is deemed to be the final Official Statement as required by Rule 15c2-12, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented. By awarding the Bonds to the Underwriter, the Board agrees that, within the earlier of seven (7) business days following the date of such award or to accompany the purchasers' confirmations requesting payment for the Bonds, it shall provide without cost to the Underwriter, for distribution purposes, copies of such final Official Statement. The underwriter agrees that (i) it shall accept such designation, and (ii) it shall assure the distribution of the final Official Statement.

**THE BOARD OF EDUCATION OF THE TOWNSHIP OF
SADDLE BROOK IN THE COUNTY OF BERGEN, NEW
JERSEY**

/s/ Raymond G. Karaty
RAYMOND G. KARATY,
Business Administrator/Board Secretary

DATED: June 9, 2015

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APPENDIX A

**Certain Economic and Demographic Information Relating to the
School District and the Township of Saddle Brook,
in the County of Bergen, State of New Jersey**

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**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING
TO THE SCHOOL DISTRICT AND THE TOWNSHIP OF
SADDLE BROOK, IN THE COUNTY OF BERGEN, STATE OF NEW JERSEY**

Summary

The public school system in the Township of Saddle Brook, in the County of Bergen, State of New Jersey (the “Township”) is operated by The Board of Education of the Township of Saddle Brook in the County of Bergen, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed thereby), as a Type II School District. It functions independently through a nine (9) member board, elected by the voters in staggered three (3) year terms. The Board appoints a Superintendent who is responsible for budgeting, planning and operational functions of the School District. The Board operates a Kindergarten through grade twelve (12) district which houses its students among five (5) school facilities. These facilities include class rooms with rooms for music, art, sciences, computer studies, business, home economics, industrial arts, libraries, multi-purpose rooms, cafeterias and gymnasiums.

SCHOOL DISTRICT ENROLLMENT

<u>Fiscal Year</u>	<u>Total School District Enrollment</u>
2013-2014	1,738
2012-2013	1,748
2011-2012	1,759
2010-2011	1,785
2009-2010	1,785

Staff¹

The Superintendent is the chief administrative officer of the School District. The School Business Administrator/Board Secretary oversees the business functions of the Board and reports through the Superintendent to the Board. As of June 30, 2014, the School District employed the following staff (Including part-time employees):

<u>Description</u>	
Teaching Staff	155
Administrators/Professionals	13
Office Staff.....	6
Custodial/Maintenance.....	24
Other.....	42
Total	240

Labor Relations²

The Board has settled a three (3) year contract with the Saddle Brook Teachers Association and the Saddle Brook Educational Secretaries Association from July 1, 2013 through June 30, 2015.

¹ Source: School Business Administrator/Board Secretary; Board records.

² Source: School Business Administrator/Board Secretary; Board records.

Comparison of General Fund Revenues and Appropriations

	(Budget) Fiscal Year <u>2015-2016</u>	(Budget) Fiscal Year <u>2014-2015</u>	(Actual) Fiscal Year <u>2013-2014</u>	(Actual) Fiscal Year <u>2012-2013</u>
GENERAL FUND				
REVENUES				
Budgeted Fund Balance		\$ 300,000		
Transfer from Other Funds		300,000		
Local Sources:				
Local Tax Levy	\$ 28,731,061	28,167,707	\$ 27,349,334	\$ 26,813,073
Tuition	100,000	50,000		
Interest Earned on Capital Reserve Funds	500	500	-	-
Miscellaneous	285,548	283,300	382,738	317,593
State Sources	1,390,217	1,407,217	1,381,621	1,428,975
Federal Sources	<u>25,252</u>	<u>16,728</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 30,532,578</u>	<u>\$ 30,525,452</u>	<u>\$ 29,113,693</u>	<u>\$ 28,559,641</u>
APPROPRIATIONS				
Instruction:				
Regular Programs	\$ 7,961,214	\$ 7,851,794	\$ 7,961,798	\$ 7,827,594
Special Education	2,609,596	2,485,028	2,195,855	2,355,696
Basic Skills/Remedial	291,825	443,347	456,159	439,379
Bilingual Education	68,666	66,795	64,016	62,569
School-Sponsored Co-Curricular Activities	130,410	101,026	96,900	86,919
School-Sponsored Athletic Activities	386,754	367,254	343,430	341,607
Undistributed Expenditures:				
Instruction	3,043,426	3,736,448	3,705,338	3,367,958
Attendance and Social Work Services	-	-	-	13,716
Health	372,921	359,000	348,362	346,512
Speech, OT, PT, Related & Extraordinary Svcs.	1,784,496	1,710,592	1,585,213	1,509,311
Guidance	783,779	727,633	548,250	530,044
Child Study Teams	805,406	807,508	760,482	746,389
Improvement of Instructional Services	375,464	322,803	125,432	157,026
Media/Library	155,566	170,957	145,747	131,327
Instructional Staff Training	130,672	17,000	5,922	2,075
General Administration	605,752	598,662	527,837	595,459
School Administration	1,239,551	1,201,630	1,133,680	1,111,604
Central Services & Admin. Info. Tech.	575,265	570,880	551,098	524,027
Operation and Maintenance of Plant Services	2,485,496	2,494,069	2,652,046	2,580,438
Transportation	1,142,229	1,097,958	1,065,596	988,765
Personnel Services - Employee Benefits	<u>5,189,250</u>	<u>4,941,901</u>	<u>4,398,657</u>	<u>4,331,555</u>
	30,137,738	30,072,285	28,671,818	28,049,970
Capital Outlay	66,119	56,119	654,248	1,245,573
Transfers to Charter School	<u>328,721</u>	<u>397,048</u>	<u>396,950</u>	<u>239,383</u>
TOTAL APPROPRIATIONS/EXPENDITURES	<u>\$ 30,532,578</u>	<u>\$ 30,525,452</u>	<u>29,723,016</u>	<u>29,534,926</u>
Other Financing Sources			<u>147,525</u>	<u>607,968</u>
Excess (Deficiency) of Revenues Over/(Under)				
Expenditures and Other Financing Uses			(461,798)	(367,317)
Fund Balance, Beginning of Year			<u>1,559,556</u>	<u>1,926,873</u>
Fund Balance, End of Year			<u>\$ 1,097,758</u>	<u>\$ 1,559,556</u>

* All years exclude TPAF Pension and Social Security on behalf payments.

School District Debt Limit and Borrowing Margin³

The debt limitation of the School District is established pursuant to N.J.S.A. 18A:24-19. The School District is permitted to incur debt up to four percent (4.0%) of the average equalized valuation of taxable property in the School District before requiring an extension of credit from the Township and the Local Finance Board. The total equalized valuation of real property, including improvements, in the Borough for the last three (3) years and the School District's available borrowing margin as of December 31, 2014 (Unaudited) are summarized below:

<u>Year</u>	<u>Amount</u>
2012	\$ 2,296,409,362
2013	2,221,649,562
2014	<u>2,228,925,829</u>
Average for the Three (3) Year Period	<u>\$ 2,248,994,918</u>
School District Borrowing Margin (4.0% of \$2,248,994,918)	89,959,797
School Debt as of December 31, 2014	<u>13,805,000</u>
Available School District Borrowing Margin	<u>\$ 76,154,797</u>

COMPUTATION OF SCHOOL AND OVERLAPPING DEBT AS OF DECEMBER 31, 2014 (UNAUDITED)⁴

Debt of School District as of December 31, 2014	\$ 13,805,000
Overlapping Debt of School District:	
Township of Saddle Brook	27,134,711
Passaic Valley Sewerage Commission	1,688,409
County of Bergen	<u>10,902,044</u>
Total School and Overlapping Bonded Debt	<u>\$ 53,530,163</u>

³ Source: The Township Saddle Brook 2014 Annual Debt Statement

⁴ Source: The Township Saddle Brook 2014 Annual Debt Statement

**GENERAL INFORMATION OF THE TOWNSHIP OF SADDLE BROOK,
IN THE COUNTY OF BERGEN, STATE OF NEW JERSEY**

General Information

The Township is located in central Bergen County. Neighboring communities include Elmwood Park, Fair Lawn, Garfield, Lodi and Rochelle Park. The Township is adjacent to Routes 46 and 80 and the Garden State Parkway. In addition, many major interstate and local highways are just minutes away, including Routes 3, 4, and 17 and the New Jersey Turnpike.

The Township is fifteen (15) miles west of the George Washington Bridge giving residents easy access to New York City. Bus service is also available in the Township to New York City and other areas of Bergen County.

Population Trends⁵

Population trends for the Township, County and State since 1980 are shown below:

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2014</u>
Township	14,084	13,296	13,155	13,659	13,895
County	845,385	825,380	884,118	905,116	925,328
State	7,365,011	7,730,188	8,414,350	8,791,894	8,899,339

Money Income as of 2013⁶

	Median Household <u>Income</u>	Median Family <u>Income</u>	Per Capita <u>Income</u>
Township	\$ 76,535	\$ 92,740	\$ 36,507
County	83,794	102,222	43,347
State	71,629	87,347	36,027

⁵ Source: State of New Jersey, Data Center, Census Data

⁶ Source: U.S. Census Bureau, 2009 - 2013 American Community Survey

Employment and Unemployment Data⁷

For the years 2009 to 2013 the New Jersey Department of Labor reported the following annual average employment information for the Township, the County and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2013	7,409	6,801	608	8.2%
2012	7,577	6,738	839	11.1%
2011	7,516	6,697	819	10.9%
2010	7,525	6,692	833	11.1%
2009	7,571	6,752	819	10.8%
<u>County</u>				
2013	477,410	443,734	33,676	7.1%
2012	483,097	443,956	39,141	8.1%
2011	479,131	441,277	37,854	7.9%
2010	477,342	438,688	38,654	8.1%
2009	480,483	442,452	38,031	7.9%
<u>State</u>				
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%
2010	4,502,400	4,076,700	425,700	9.5%
2009	4,536,700	4,118,400	418,300	9.2%

⁷ Source: State of New Jersey Data Center

**STATEMENT OF STATUTORY NET DEBT
FOR THE TOWNSHIP OF SADDLE BROOK⁸
AS OF DECEMBER 31, 2014 (UNAUDITED)**

GENERAL PURPOSES

Bonds, Loans and Notes Issued and Outstanding		
Bonds	\$	19,148,478
Notes		8,290,214
Loans		1,473,207
Bonds and Notes Authorized But Not Issued		<u>2,245,962</u>
	\$	31,157,861

WATER UTILITY

Debt Issued and Outstanding		<u>3,616,838</u>	3,616,838
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LOCAL SCHOOL

Debt Issued and Outstanding		<u>13,805,000</u>	<u>13,805,000</u>
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TOTAL GROSS DEBT 48,579,699

STATUTORY DEDUCTIONS

School Debt		13,805,000	
Water		3,616,838	
Municipal		<u>4,023,150</u>	
			<u>21,444,988</u>

TOTAL NET DEBT \$ 27,134,711

OVERLAPPING DEBT

County of Bergen (Note 1)	\$	10,902,044	
Passaic Valley Sewerage Commission (Note 2)		<u>1,688,409</u>	

TOTAL OVERLAPPING DEBT \$ 12,590,452

GROSS DEBT

Per Capita (2013 Census - 13,895)	\$	3,496
Percent of Net Valuation Taxable (2015 - \$1,917,774,630)		2.53%
Percent of Estimated True Value of Real Property (2015 - \$2,215,506,762)		2.19%

NET MUNICIPAL DEBT

Per Capita (2013 Census - 13,895)	\$	1,953
Percent of Net Valuation Taxable (2015 - \$1,917,774,630)		1.41%
Percent of Estimated True Value of Real Property (2015 - \$2,215,506,762)		1.22%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2013 Census - 13,895)	\$	4,402
Percent of Net Valuation Taxable (2015 - \$1,917,774,630)		3.19%
Percent of Estimated True Value of Real Property (2015 - \$2,215,506,762)		2.76%

- Note 1: Overlapping debt was computed based upon the real property ratio of equalized valuations of the Township to all municipalities within the County, as provided in the 2014 Abstract of Ratables published by the Bergen County Board of Taxation.
- Note 2: Overlapping debt was computed based upon the annual flow of the Township to all participants within the Authority.

⁸ Source: The Township's 2014 Annual Debt Statement

Largest Taxpayers⁹

The largest taxpayers in the Townships and their 2014 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>	<u>% of Total Assessed Value</u>
L&L Park 80 LLC	\$ 91,400,000	4.70%
A.O. Associates	34,000,000	1.75%
CP Saddle Brook, LLC	26,000,000	1.34%
Midland Holding CO.	23,739,800	1.22%
Condor Contracting Co. Inc	21,037,400	1.08%
Saddle Brook Mayhill	17,875,000	0.92%
Kessler Institute	15,202,300	0.78%
Peykar Brothers Realty	13,595,500	0.70%
45 Mayhill LLC	13,230,000	0.68%
Dodson Etals Trustee	12,549,000	0.65%
	<u>\$ 268,629,000</u>	<u>13.82%</u>

Assessed Valuations/Land and Improvements by Class¹⁰

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2014	14,556,100	1,219,569,100	341,476,130	292,991,600	74,807,500	1,943,400,430
2013 (1)	14,930,800	1,219,248,600	347,277,600	269,651,600	75,505,900	1,926,614,500
2012	18,354,500	1,485,483,200	378,682,945	303,470,900	81,712,700	2,267,704,245
2011	17,964,700	1,487,689,200	389,686,700	307,091,800	81,712,700	2,284,145,100
2010	18,124,000	1,482,058,700	397,401,100	309,480,900	81,712,700	2,288,777,400

(1) The Township underwent a reassessment of property effective January 1, 2013

Assessed Valuations/Net Valuation Taxable¹¹

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2015	\$ 1,917,774,630		\$ 1,917,774,630	87.19%	\$ 2,215,506,762
2014	1,943,400,430		1,943,400,430	86.72%	2,256,345,441
2013 (1)	1,926,614,500		1,926,614,500	91.73%	2,117,814,471
2012	2,267,704,245	\$ 1,889,310	2,269,593,555	94.88%	2,410,380,131
2011	2,284,145,100	2,351,315	2,286,496,415	92.00%	2,503,847,569

(1) The Township underwent a reassessment of property effective January 1, 2013

⁹ Township of Saddle Brook Tax Assessor

¹⁰ Saddle Brook Board of Education Annual Audit Reports

¹¹ Bergen County Abstract of Ratables

Components of Real Estate Tax Rate (per \$100 of Assessment)¹²

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2014	\$ 2.620	\$ 0.838	\$ 1.515	\$ 0.267
2013 (1)	2.579	0.843	1.496	0.240
2012	2.185	0.705	1.247	0.233
2011	2.142	0.699	1.216	0.227
2010	2.022	0.662	1.154	0.206

(1) The Township underwent a reassessment of property effective January 1, 2013

Board Tax Collections¹³

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Total Levy</u>	<u>Collection During</u> <u>Year of Levy</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u>	
2014	\$29,060,171	\$29,060,171	100%	
2013	28,568,691	28,568,691	100%	
2012	28,044,441	28,044,441	100%	
2011	27,573,609	26,636,052	97%	\$937,557
2010	25,298,493	25,298,493	100%	

¹² Saddle Brook Board of Education Annual Audit Reports

¹³ Saddle Brook Board of Education Annual Audit Reports

APPENDIX B

**Financial Statements of the Saddle Brook School District
Fiscal Year Ended June 30, 2014**

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Saddle Brook Board of Education
Saddle Brook, New Jersey

Report on the Financial Statements

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 Saddle Brook Board of Education as of and for the fiscal year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Saddle Brook Board of Education as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2014 on our consideration of the Saddle Brook Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Saddle Brook Board of Education's internal control over financial reporting and compliance.

By/s/

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Fair Lawn, New Jersey
December 5, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

This discussion and analysis of the Saddle Brook School District's financial performance provides an overall review of its financial activities for the fiscal year ended June 30, 2014. The intent of this is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- District-Wide Statements – The School District had \$34,807,231 in revenues, general revenues were \$29,243,223 or 84 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,564,008 or 16 percent of total revenues of \$34,807,231.
- District-Wide Statements - The School District had \$34,344,357 in expenses; only \$5,564,008 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$29,243,223 were adequate to provide for these programs.
- Fund Financials - As of the close of the current fiscal year, the Saddle Brook Board of Education's governmental funds reported combined ending fund balances of \$879,334, a decrease of \$433,688 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the district-wide financial statements, fund financial statements and notes to the financial statements.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the Saddle Brook Board of Education's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Saddle Brook Board of Education, reporting the Saddle Brook Board of Education's operation in more detail than the district-wide statements.

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The governmental fund statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities the Saddle Brook Board of Education operates like a business.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

Table A-1 summarizes the major features of the Saddle Brook Board of Education's financial statements, including the portion of the Saddle Brook Board of Education's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Table A-1 Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire district (except Fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance and food service	Activities the district operates similar to private Businesses
Required financial statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset, deferred outflows/inflows of resources and liability information	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during 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 the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

District-wide Statements

District-wide. The *District-wide financial statements* are designed to provide readers with a broad overview of the Saddle Brook Board of Education's finances, in a manner similar to a private-sector business.

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

District-wide Statements (Continued)

The *statement of net position* presents information on all of the Saddle Brook Board of Education's assets, deferred outflows/inflows of resources and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, when assessing the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of the school buildings and other facilities.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

In the district-wide financial statements the District's activities are shown in two categories:

- *Governmental activities*- Most of the District's basic services are included here, such as regular and special education, transportation, maintenance and administration services. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The District charges fees to customers to help it cover the costs of the District's Food Service Fund and Community School Program.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or “major” funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Fund Financial Statements (Continued)

The District has three kinds of funds:

Governmental Funds. The District's basic services are included in the governmental funds, which generally focus on near-term inflows and outflows of spendable resources and the balances of spendable resources at year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps to 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 district-wide statements, we provide a reconciliation at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and Debt Service Fund. Budgetary comparison statements have been provided for the General Fund, Special Revenue Fund and Debt Service Fund.

Proprietary Funds. The District maintains one type of Proprietary Fund, an Enterprise Fund, which is used to report the activity of the Food Service and the Community School Program. Proprietary Funds provide the same type of information as the district-wide financial statements and is presented as business-type activities in the district-wide financial statements.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government, such as the Payroll Agency Fund, Unemployment Trust Fund, Scholarship Fund and the Student Activity Funds. Fiduciary Funds are *not* reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

DISTRICT-WIDE FINANCIAL ANALYSIS OF THE SADDLE BROOK BOARD OF EDUCATION AS A WHOLE

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

Table A-2 provides a summary of the school district's net position for fiscal years 2014 and 2013 which were \$10,253,063 and \$9,790,189, respectively.

Net position. By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide regular and special education, transportation, maintenance and administration services and the restricted financial resources for the District's capital project school renovations and upgrades.

**Table A-2
Statement of Net Position
As of June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$ 1,336,721	\$ 1,600,758	\$ 784,376	\$ 665,366	\$ 2,121,097	\$ 2,266,124
Capital Assets	<u>23,708,310</u>	<u>24,169,165</u>	<u>80,164</u>	<u>86,582</u>	<u>23,788,474</u>	<u>24,255,747</u>
Total Assets	<u>25,045,031</u>	<u>25,769,923</u>	<u>864,540</u>	<u>751,948</u>	<u>25,909,571</u>	<u>26,521,871</u>
Deferred Outflows of Resources						
Deferred amounts on Refunding of Debt	<u>482,400</u>	<u>578,861</u>	<u>-</u>	<u>-</u>	<u>482,400</u>	<u>578,861</u>
Total Deferred Outflows of Resources	<u>482,400</u>	<u>578,861</u>	<u>-</u>	<u>-</u>	<u>482,400</u>	<u>578,861</u>
Total Assets and Deferred Outflows of Resources	<u>25,527,431</u>	<u>26,348,784</u>	<u>864,540</u>	<u>751,948</u>	<u>26,391,971</u>	<u>27,100,732</u>
Liabilities						
Current Liabilities	652,779	499,470	94,408	80,777	747,187	580,247
Noncurrent Liabilities	<u>15,388,846</u>	<u>16,729,818</u>	<u>-</u>	<u>-</u>	<u>15,388,846</u>	<u>16,729,818</u>
Total Liabilities	<u>16,041,625</u>	<u>17,229,288</u>	<u>94,408</u>	<u>80,777</u>	<u>16,136,033</u>	<u>17,310,065</u>
Deferred Inflows of Resources						
Deferred Commodities Revenue	<u>-</u>	<u>-</u>	<u>2,875</u>	<u>478</u>	<u>2,875</u>	<u>478</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>2,875</u>	<u>478</u>	<u>2,875</u>	<u>478</u>
Total Liabilities and Deferred Inflows of Resources	<u>16,041,625</u>	<u>17,229,288</u>	<u>97,283</u>	<u>81,255</u>	<u>16,138,908</u>	<u>17,310,543</u>
Net Position						
Net Investment in Capital Assets	12,219,781	11,584,587	80,164	86,582	12,299,945	11,671,169
Restricted	406,245	582,557			406,245	582,557
Unrestricted	<u>(3,140,220)</u>	<u>(3,047,648)</u>	<u>687,093</u>	<u>584,111</u>	<u>(2,453,127)</u>	<u>(2,463,537)</u>
Total Net Position	<u>\$ 9,485,806</u>	<u>\$ 9,119,496</u>	<u>\$ 767,257</u>	<u>\$ 670,693</u>	<u>\$ 10,253,063</u>	<u>\$ 9,790,189</u>

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Governmental activities. Governmental activities increased the District's net position by \$366,310 and \$489,166 for the fiscal years ended June 30, 2014 and 2013, respectively. Key elements of this increase are as follows:

**Table A-3
Changes in Net Position
For the Fiscal Year Ended June 30, 2014 and 2013**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
Revenues	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Program Revenues						
Charges for Services	\$ 223,198	\$ 166,678	\$ 813,542	\$ 808,832	\$ 1,036,740	\$ 975,510
Operating Grants and Contributions	4,366,581	4,603,526	160,687	147,968	4,527,268	4,751,494
Capital Grants and Contributions	-	2,525			-	2,525
General Revenues						
Property Taxes	29,060,171	28,568,691			29,060,171	28,568,691
Unrestricted State	18,490	19,845			18,490	19,845
Other	159,972	151,408	4,590	3,704	164,562	155,112
Total Revenues	<u>33,828,412</u>	<u>33,512,673</u>	<u>978,819</u>	<u>960,504</u>	<u>34,807,231</u>	<u>34,473,177</u>
Expenses						
Instruction						
Regular	12,048,752	11,962,134			12,048,752	11,962,134
Special	6,896,661	6,837,218			6,896,661	6,837,218
Other Instruction	853,366	849,883			853,366	849,883
School Sponsored Activities and Ath.	650,225	576,247			650,225	576,247
Support Services						
Student and Instruction Related Serv.	4,818,320	4,655,461			4,818,320	4,655,461
Educational Media/School Library	180,622	169,616			180,622	169,616
School Administrative Services	1,653,247	1,602,154			1,653,247	1,602,154
General Administrative Services	668,506	730,165			668,506	730,165
Plant Operations and Maintenance	3,259,360	3,155,476			3,259,360	3,155,476
Pupil Transportation	1,099,945	1,062,029			1,099,945	1,062,029
Central Services	732,490	670,372			732,490	670,372
Food Services			449,462	400,397	449,462	400,397
Community School			432,793	399,150	432,793	399,150
Interest on Long-Term Debt	600,608	752,752	-	-	600,608	752,752
Total Expenses	<u>33,462,102</u>	<u>33,023,507</u>	<u>882,255</u>	<u>799,547</u>	<u>34,344,357</u>	<u>33,823,054</u>
Change in Net Position	366,310	489,166	96,564	160,957	462,874	650,123
Net Position, Beginning of Year	<u>9,119,496</u>	<u>8,630,330</u>	<u>670,693</u>	<u>509,736</u>	<u>9,790,189</u>	<u>9,140,066</u>
Net Position, End of Year	<u>\$ 9,485,806</u>	<u>\$ 9,119,496</u>	<u>\$ 767,257</u>	<u>\$ 670,693</u>	<u>\$ 10,253,063</u>	<u>\$ 9,790,189</u>

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Governmental activities. The District’s total governmental revenues were \$33,828,412. The local share of the revenues, that included property taxes, interest and miscellaneous revenue, amounted to \$29,238,633 or 86% of total revenues. Funding from state, federal sources amounted to \$4,366,581 or 13%. Charges for services amounted to \$223,198 or 1%. (See Table A-4)

The District’s total governmental expenses were \$33,462,102 and are predominantly related to instruction and support services. Instruction totaled \$20,449,004 (61%), student support services totaled \$12,412,490 (37%) and interest on long-term debt total \$600,608 (2%) of total expenditures. (See Table A-5.)

Table A-4 Revenues by Source – Governmental Activities
For Fiscal Year 2014

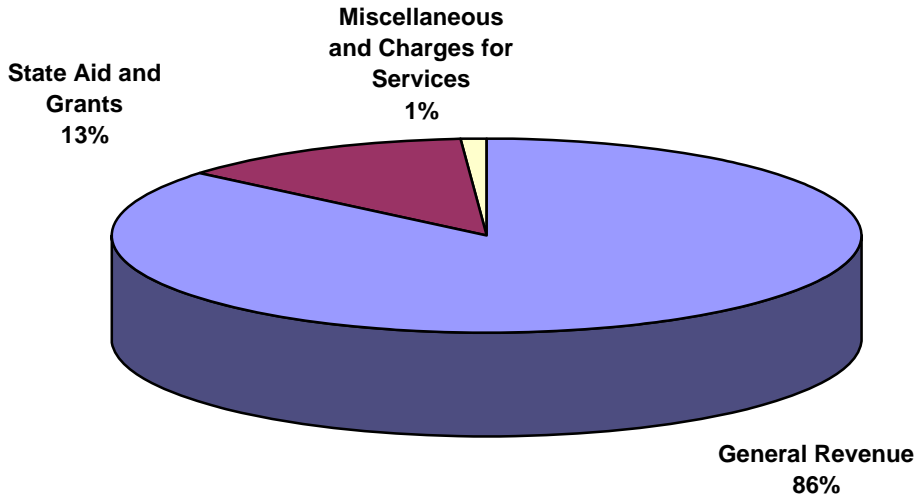
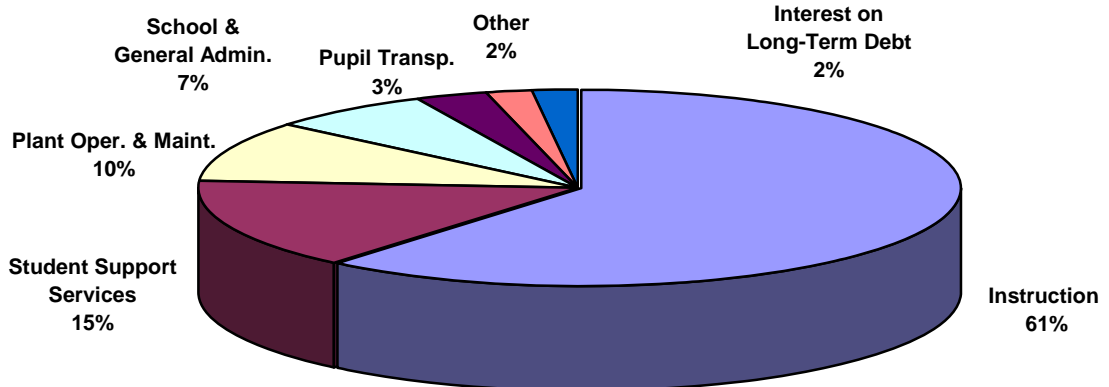


Table A-5 Expenditures by Type- Governmental Activities
For Fiscal Year 2014



**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

**Table A-6
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2014 and 2013**

<u>Functions/Programs</u>	<u>Cost of Services</u>		<u>Net Cost Services</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Governmental Activities				
Instruction				
Regular	\$ 12,048,752	\$ 11,962,134	\$ 10,845,312	\$ 10,471,783
Special Education	6,896,661	6,837,218	4,789,322	4,733,791
Other Instruction	853,366	849,883	672,071	646,114
School Sponsored Activities and Athletics	650,225	576,247	601,470	576,247
Support Services				
Student and Instruction Related Svcs.	4,818,320	4,655,461	4,239,111	4,164,541
Educational Media/School Library	180,622	169,616	168,354	153,791
General Administrative Services	668,506	730,165	626,013	697,732
School Administrative Services	1,653,247	1,602,154	1,486,432	1,462,520
Plant Operations and Maintenance	3,259,360	3,155,476	3,087,215	2,955,325
Pupil Transportation	1,099,945	1,062,029	1,023,925	990,200
Central Services	732,490	670,372	732,490	645,982
Interest on Long-Term Debt	600,608	752,752	600,608	752,752
	<u>\$ 33,462,102</u>	<u>\$ 33,023,507</u>	<u>\$ 28,872,323</u>	<u>\$ 28,250,778</u>
Total Governmental Activities				

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2014 was \$882,255. These costs were funded by operating grants, charges for services and investment earnings. (Detailed on Table A-3). The operations resulted in an increase in net position of \$96,564.

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Business-Type Activities (Continued)

Food Service Program

- Food service revenues exceeded expenses by \$42,811.
- Charges for services represent 67 percent of revenue.
- Revenues include lunches and ala carte meals paid for by the students and partial or total reimbursement provided by the district's participation in the National School Lunch Program.

Community School Program

- Revenues exceeded expenses by \$53,753.
- Charges for services represent 99 percent of revenue.
- Revenues include tuition and interest earned on investments.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the District completed the year, its governmental funds reported a combined fund balance of \$879,334. In 2012-2013 the fund balance was \$1,313,022.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$33,828,412 and expenditures were \$34,409,193.

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2014 and 2013.

	Year Ended 6/30/2014	Year Ended 6/30/2013	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources	\$ 29,478,876	\$ 28,927,532	\$ 551,344	2%
State Sources	3,776,008	4,048,867	(272,859)	-7%
Federal Sources	<u>573,528</u>	<u>536,274</u>	<u>37,254</u>	7%
 Total Revenues	 <u>\$ 33,828,412</u>	 <u>\$ 33,512,673</u>	 <u>\$ 315,739</u>	 1%

The following schedule represents a summary of general fund, special revenue fund, capital projects fund, and debt service fund expenditures for the fiscal years ended June 30, 2014 and 2013.

	Year Ended 6/30/2014	Year Ended 6/30/2013	Amount of Increase (Decrease)	Percent Increase (Decrease)
Current Expenses:				
Instruction	\$ 19,685,488	\$ 19,541,801	\$ 143,687	1%
Undistributed	12,068,830	11,669,175	399,655	3%
Capital Outlay	629,502	1,197,480	(567,978)	-47%
Debt Service				
Principal	1,416,460	1,330,913	85,547	6%
Interest and Other Charges	<u>608,913</u>	<u>1,039,854</u>	<u>(430,941)</u>	-41%
 Total Expenditures	 <u>\$ 34,409,193</u>	 <u>\$ 34,779,223</u>	 <u>\$ (370,030)</u>	 -1%

General Fund Budgeting Highlights

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

Over the course of the year, the District revised the annual operating budget several times. Revisions were made to prevent over expenditures in specific line item accounts.

- Salary accounts were adjusted to reflect: changes in staff assignments; retirements, resignations and the resulting new hires; program adjustments necessitated by student population changes.

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

General Fund Budgeting Highlights (Continued)

- Tuition and transportation costs for special education students is budgeted based on the existing and known incoming students at the time the budget is submitted. Students move into and out of the District during the summer as well as the school year. These special education costs were higher than anticipated for 2013-14.
- The number of paraprofessionals required for special education students was less than anticipated.
- As the buildings and building systems get old additional funds were needed to make the required repairs.
- The district's legal expenses decreased due to the settlement of outstanding lawsuits and personnel matters. Employment contracts with several bargaining groups were settled in a timely manner.
- The district's expense for health benefits was less than anticipated due to the increase in employee contributions per Chapter 78.
- TPAF, which is the state's contribution to the pension fund and social security is neither a revenue item nor an expenditure item to the district but is required to be reflected in the financial statements.

Capital Assets

At the end of fiscal year 2014, the District had total assets of \$23,788,474 net of depreciation invested in land, land improvements, buildings, furniture, equipment and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013.

**Table A-4
Capital Assets (Net Depreciation) as of June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 31,974	\$ 31,974			\$ 31,974	\$ 31,974
Construction in Progress	25,873	-			25,873	-
Land Improvements	485,028	485,028			485,028	485,028
Buildings and Building Improvements	31,971,633	31,579,633			31,971,633	31,579,633
Machinery, Equipment and Vehicles	<u>3,407,907</u>	<u>3,196,278</u>	\$ 177,011	\$ 172,225	<u>3,584,918</u>	<u>3,368,503</u>
Total	35,922,415	35,292,913	177,011	172,225	36,099,426	35,465,138
Less: Accumulated Depreciation	<u>12,214,105</u>	<u>11,123,748</u>	<u>96,847</u>	<u>85,643</u>	<u>12,310,952</u>	<u>11,209,391</u>
Total	<u>\$ 23,708,310</u>	<u>\$ 24,169,165</u>	<u>\$ 80,164</u>	<u>\$ 86,582</u>	<u>\$ 23,788,474</u>	<u>\$ 24,255,747</u>

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Overall capital assets decreased by \$467,273 from fiscal year 2013 to fiscal year 2014.

Additional information on Saddle Brook Board of Education's capital assets can be found in the Notes of this report.

Debt Administration

At June 30, 2014, the District had \$14,941,140 of outstanding long-term liabilities. These liabilities include serial bonds and loans for school construction and refunding bonds for the Early Retirement Incentive Program, capital leases and compensated absences.

**Table A-5
Long-Term Debt
Outstanding Long-Term Liabilities**

	<u>2014</u>	<u>2013</u>
General Obligation Bonds	\$ 13,805,000	\$ 14,990,000
Loans Payable	-	9,200
Capital Leases	495,912	571,079
Compensated Absences Payable	<u>640,228</u>	<u>623,409</u>
 Total	 <u>\$ 14,941,140</u>	 <u>\$ 16,193,688</u>

Additional information on Saddle Brook Board of Education's long-term debt can be found in the Notes of this report.

For the Future

Currently, the District is in good financial condition. Everyone associated with the Saddle Brook School District is grateful for the community support of the schools. A major concern is the financial support required to maintain appropriate class sizes and services. The uncertainty of state aid and a capped tax levy place a great burden on the district to fund new instructional programs as other fixed costs continue to rise.

In conclusion, the Saddle Brook School District has committed itself to financial and educational excellence. Its system for financial planning, budgeting, and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

**SADDLE BROOK BOARD OF EDUCATION
SADDLE BROOK, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Contacting the District's Financial Management

If you have questions about this report or need additional information, contact the School Business Administrator at the Saddle Brook Board of Education, 355 Mayhill Street, Saddle Brook, NJ 07663.

BASIC FINANCIAL STATEMENTS

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**SADDLE BROOK BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 595,925	\$ 802,904	\$ 1,398,829
Receivables, net	677,582	37,324	714,906
Internal Balances	63,214	(63,214)	-
Inventory		7,362	7,362
Capital Assets			
Not Being Depreciated	57,847		57,847
Being Depreciated, Net	<u>23,650,463</u>	<u>80,164</u>	<u>23,730,627</u>
Total Assets	<u>25,045,031</u>	<u>864,540</u>	<u>25,909,571</u>
Deferred Outflows of Resources			
	<u>482,400</u>	<u>-</u>	<u>482,400</u>
Deferred Amounts on Refunding of Debt			
	<u>482,400</u>	<u>-</u>	<u>482,400</u>
Total Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	<u>25,527,431</u>	<u>864,540</u>	<u>26,391,971</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	395,578	41,082	436,660
Payable to Other Governments	32,118		32,118
Accrued Interest Payable	195,392		195,392
Unearned Revenue	29,691	53,326	83,017
Noncurrent Liabilities			
Due Within One Year	1,485,947		1,485,947
Due Beyond One Year	<u>13,902,899</u>	<u>-</u>	<u>13,902,899</u>
Total Liabilities	<u>16,041,625</u>	<u>94,408</u>	<u>16,136,033</u>
Deferred Inflows of Resources			
Deferred Commodities Revenue	<u>-</u>	<u>2,875</u>	<u>2,875</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>2,875</u>	<u>2,875</u>
Total Liabilities and Deferred Inflows of Resources	<u>16,041,625</u>	<u>97,283</u>	<u>16,138,908</u>
NET POSITION			
Net Investment in Capital Assets	12,219,781	80,164	12,299,945
Restricted for :			
Capital Projects	350,353		350,353
Debt Service	55,892		55,892
Unrestricted	<u>(3,140,220)</u>	<u>687,093</u>	<u>(2,453,127)</u>
Total Net Position	<u>\$ 9,485,806</u>	<u>\$ 767,257</u>	<u>\$ 10,253,063</u>

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

**SADDLE BROOK BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 12,048,752	\$ 11,600	\$ 1,191,840		\$ (10,845,312)		\$ (10,845,312)
Special Education	6,896,661	78,638	2,028,701		(4,789,322)		(4,789,322)
Other Instruction	853,366		181,295		(672,071)		(672,071)
School Sponsored Activities and Athletics	650,225		48,755		(601,470)		(601,470)
Support Services					-		-
Student and Instruction Related Services	4,818,320		579,209		(4,239,111)		(4,239,111)
Educational Media/School Library	180,622		12,268		(168,354)		(168,354)
General and Business Administrative Services	668,506		42,493		(626,013)		(626,013)
School Administrative Services	1,653,247		166,815		(1,486,432)		(1,486,432)
Plant Operations and Maintenance	3,259,360	132,960	39,185		(3,087,215)		(3,087,215)
Pupil Transportation	1,099,945		76,020		(1,023,925)		(1,023,925)
Central Services	732,490				(732,490)		(732,490)
Interest and Other Charges on Long-Term Debt	600,608	-	-	-	(600,608)	-	(600,608)
Total Governmental Activities	<u>33,462,102</u>	<u>223,198</u>	<u>4,366,581</u>	<u>-</u>	<u>(28,872,323)</u>	<u>-</u>	<u>(28,872,323)</u>
Business-Type Activities							
Food Service	449,462	330,252	160,687			\$ 41,477	41,477
Community School	432,793	483,290	-	-	-	50,497	50,497
Total Business-Type Activities	<u>882,255</u>	<u>813,542</u>	<u>160,687</u>	<u>-</u>	<u>-</u>	<u>91,974</u>	<u>91,974</u>
Total Primary Government	<u>\$ 34,344,357</u>	<u>\$ 1,036,740</u>	<u>\$ 4,527,268</u>	<u>\$ -</u>	<u>(28,872,323)</u>	<u>91,974</u>	<u>(28,780,349)</u>
General Revenues and Transfers							
Property Taxes, Levied for General Purposes, Net					27,349,334		27,349,334
Taxes Levied for Debt Service					1,710,837		1,710,837
Unrestrict State Aid					18,490		18,490
Miscellaneous Income					159,972	4,590	164,562
Total General Revenues					<u>29,238,633</u>	<u>4,590</u>	<u>29,243,223</u>
Change in Net Position					366,310	96,564	462,874
Net Position, Beginning of Year					<u>9,119,496</u>	<u>670,693</u>	<u>9,790,189</u>
Net Position, End of Year					<u>\$ 9,485,806</u>	<u>\$ 767,257</u>	<u>\$ 10,253,063</u>

19

FUND FINANCIAL STATEMENTS

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SADDLE BROOK BOARD OF EDUCATION
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 AS OF JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 490,371		\$ 49,662	\$ 55,892	\$ 595,925
Receivables, Net					
Receivables from Other Governments	274,057	\$ 337,542			611,599
Due from Other Funds	397,003				397,003
Other Receivables	<u>8,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,770</u>
Total Assets	<u>\$ 1,170,201</u>	<u>\$ 337,542</u>	<u>\$ 49,662</u>	<u>\$ 55,892</u>	<u>\$ 1,613,297</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 368,025	\$ 27,553			\$ 395,578
Due to Other Funds		274,473	\$ 2,103		276,576
Payable to State Government		5,825			5,825
Payable to Federal Government	26,293				26,293
Unearned Revenue	<u>-</u>	<u>29,691</u>	<u>-</u>	<u>-</u>	<u>29,691</u>
Total Liabilities	<u>394,318</u>	<u>337,542</u>	<u>2,103</u>	<u>-</u>	<u>733,963</u>
Fund Balances					
Restricted:					
Capital Reserve	350,353				350,353
Capital Projects			47,559		47,559
Debt Service				\$ 55,892	55,892
Assigned:					
Year End Encumbrances	47,374				47,374
Desiganted for Subsequent Year's Expenditures	300,000				300,000
Unassigned:					
General Fund	<u>78,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,156</u>
Total Fund Balances	<u>775,883</u>	<u>-</u>	<u>47,559</u>	<u>55,892</u>	<u>879,334</u>
Total Liabilities and Fund Balances	<u>\$ 1,170,201</u>	<u>\$ 337,542</u>	<u>\$ 49,662</u>	<u>\$ 55,892</u>	<u>\$ 1,613,297</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$35,922,415 and the accumulated depreciation is \$12,214,105.	23,708,310
The District has financed capital assets through the issuance of Serial Bonds, Loans and Long-Term Lease Obligations. The interest accrual at year end is:	(195,392)
Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the stataement of net position and amortized over the life of the debt.	482,400
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of the following:	
General Obligation Bonds Payable, net	\$ (14,252,706)
Capital Leases	(495,912)
Compensated Absences Payable	<u>(640,228)</u>
	<u>(15,388,846)</u>
Net Position of Governmental Activities	<u>\$ 9,485,806</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**SADDLE BROOK BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 27,349,334			\$ 1,710,837	\$ 29,060,171
Miscellaneous	382,738	\$ 35,535	\$ 432	-	418,705
Total - Local Sources	27,732,072	35,535	432	1,710,837	29,478,876
State Sources	3,769,233	6,775	-		3,776,008
Federal Sources	-	573,528	-	-	573,528
Total Revenues	31,501,305	615,838	432	1,710,837	33,828,412
EXPENDITURES					
Current					
Regular Instruction	11,492,255	9,183			11,501,438
Special Education Instruction	6,359,668	382,149			6,741,817
Other Instruction	717,511	98,867			816,378
School-Sponsored Activities and Athletics	625,855				625,855
Support Services and Undistributed Costs					
Student and Instruction Related Services	4,579,126	125,639			4,704,765
Educational Media/School Library	175,117				175,117
General Administrative Services	649,438				649,438
School Administrative Services	1,578,393				1,578,393
Plant Operations and Maintenance	3,168,527				3,168,527
Pupil Transportation	1,090,970				1,090,970
Central Services	701,620				701,620
Debt Service					
Principal	222,260			1,194,200	1,416,460
Interest and Other Charges	92,276			516,637	608,913
Capital Outlay	603,629	-	25,873	-	629,502
Total Expenditures	32,056,645	615,838	25,873	1,710,837	34,409,193
Excess (Deficiency) of Revenues Over (Under) Expenditures	(555,340)	-	(25,441)	-	(580,781)
OTHER FINANCING SOURCES (USES)					
Capital Leases (Non-budget)	147,093				147,093
Transfer In	432				432
Transfer Out	-	-	(432)	-	(432)
Total Other Financing Sources and Uses	147,525	-	(432)	-	147,093
Net Change in Fund Balances	(407,815)	-	(25,873)	-	(433,688)
Fund Balance, Beginning of Year	1,183,698	-	73,432	55,892	1,313,022
Fund Balance, End of Year	\$ 775,883	\$ -	\$ 47,559	\$ 55,892	\$ 879,334

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**SADDLE BROOK BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ (433,688)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.

Capital Outlay	\$ 629,502	
Depreciation Expense	<u>(1,090,357)</u>	
		(460,855)

In the statement of activities, "the issuance of long-term debt (e.g. bonds, loans and leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums and other such items related to the refunding bonds when they are first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Discount	(1,313)	
Amortization of Bond Premium	89,737	
Amortization of Deferred Amounts on Refunding	(96,461)	
Capital Lease	(147,093)	
Principal Repayments		
Bond Principal	1,185,000	
Loan Principal	9,200	
Capital Lease Principal	<u>222,260</u>	
		1,261,330

In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used (paid):

Increase in Compensated Absences		(16,819)
----------------------------------	--	----------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest		<u>16,342</u>
------------------------------	--	---------------

Change in net position of governmental activities (Exhibit A-2) \$ 366,310

**SADDLE BROOK BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

	<u>Food Service</u>	<u>Community School</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 232,688	\$ 570,216	\$ 802,904
Intergovernmental Receivable			
State	1,509		1,509
Federal	35,815		35,815
Inventories	<u>7,362</u>	<u>-</u>	<u>7,362</u>
Total Current Assets	<u>277,374</u>	<u>570,216</u>	<u>847,590</u>
Capital Assets			
Equipment	177,011		177,011
Less: Accumulated Depreciation	<u>(96,847)</u>	<u>-</u>	<u>(96,847)</u>
Total Capital Assets	<u>80,164</u>	<u>-</u>	<u>80,164</u>
Total Assets	<u>357,538</u>	<u>570,216</u>	<u>927,754</u>
LIABILITIES			
Current Liabilities			
Due to Other Funds	2,304	60,910	63,214
Accounts Payable	31,956	9,126	41,082
Unearned Revenue	<u>-</u>	<u>53,326</u>	<u>53,326</u>
Total Current Liabilities	<u>34,260</u>	<u>123,362</u>	<u>157,622</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue	<u>2,875</u>	<u>-</u>	<u>2,875</u>
Total Deferred Inflows of Resources			
Total Liabilities and Deferred Inflows of Resources	<u>37,135</u>	<u>123,362</u>	<u>160,497</u>
NET POSITION			
Investment in Capital Assets	80,164		80,164
Unrestricted	<u>240,299</u>	<u>446,854</u>	<u>687,153</u>
Total Net Position	<u>\$ 320,463</u>	<u>\$ 446,854</u>	<u>\$ 767,317</u>

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

**SADDLE BROOK BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Food Service</u>	<u>Community School</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
OPERATING REVENUES			
Charges for Services			
Daily Sales	\$ 329,568		\$ 329,568
Special Functions	684		684
Community Service Fees	-	\$ 483,290	483,290
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	330,252	483,290	813,542
OPERATING EXPENSES			
Cost of Sales	223,720		223,720
Salaries and Employee Benefits	172,706	358,227	530,933
Contracted Services		8,880	8,880
Rentals		27,000	27,000
Other Purchased Services	23,475	7,817	31,292
Telephone		2,229	2,229
Travel		1,740	1,740
Supplies and Materials	18,357	21,769	40,126
Depreciation	11,204		11,204
Miscellaneous	-	5,131	5,131
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	449,462	432,793	882,255
Operating Income/(Loss)	<hr/> <u>(119,210)</u>	<hr/> <u>50,497</u>	<hr/> <u>(68,713)</u>
NONOPERATING REVENUES			
State Sources			
School Lunch Program	5,092		5,092
Federal Sources			
National School Lunch Program	151,127		151,127
School Breakfast Program	4,468		4,468
Interest and Investment Revenue	1,334	3,256	4,590
	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenues	162,021	3,256	165,277
Change in Net Position	42,811	53,753	96,564
Total Net Position, Beginning of Year	<hr/> <u>277,592</u>	<hr/> <u>393,101</u>	<hr/> <u>670,693</u>
Total Net Position, End of Year	<hr/> <u>\$ 320,403</u>	<hr/> <u>\$ 446,854</u>	<hr/> <u>\$ 767,257</u>

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

**SADDLE BROOK BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Food Service</u>	<u>Community School</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 330,252	\$ 484,528	\$ 814,780
Cash Payments for Employees' Salaries and Benefits	(172,706)	(468,092)	(640,798)
Cash Payments to Suppliers for Goods and Services	(209,065)	-	(209,065)
	<u>(51,519)</u>	<u>16,436</u>	<u>(35,083)</u>
Net Cash Provided/(Used) for Operating Activities			
Cash Flows from Noncapital Financing Activities			
Cash Received from State and Federal Subsidy Reimbursements	121,745	-	121,745
Cash Received from Other Funds	1,575	-	1,575
Cash Paid to Other Funds	(44,846)	-	(44,846)
	<u>78,474</u>	<u>-</u>	<u>78,474</u>
Net Cash Provided/(Used) by Noncapital Financing Activities			
Cash Flows from Capital and Related Financing Activities			
Acquisition of Fixed Assets	(4,786)	-	(4,786)
	<u>(4,786)</u>	<u>-</u>	<u>(4,786)</u>
Net Cash Used by Capital and Related Financing Activities			
Cash Flows from Investing Activities			
Interest on Investments	1,334	3,256	4,590
	<u>1,334</u>	<u>3,256</u>	<u>4,590</u>
Net Cash Provided by Investing Activities			
Net Increase/(Decrease) in Cash and Cash Equivalents	23,503	19,692	43,195
Cash and Cash Equivalents, Beginning of Year	209,185	550,524	759,709
Cash and Cash Equivalents, End of Year	<u>\$ 232,688</u>	<u>\$ 570,216</u>	<u>\$ 802,904</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities			
Operating Income (Loss)	\$ (119,210)	\$ 50,497	\$ (68,713)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Noncash Federal Assistance - Food Distribution Program	29,894		29,894
Depreciation	11,204		11,204
Change in Assets and Liabilities			
(Increase)/Decrease in Inventory	(1,585)		(1,585)
Increase/(Decrease) in Interfund Payable	729	(43,254)	(42,525)
Increase/(Decrease) in Accounts Payable	27,449	6,453	33,902
Increase/(Decrease) in Unearned Revenue	-	2,740	2,740
	<u>67,691</u>	<u>(34,061)</u>	<u>33,630</u>
Total Adjustments			
Net Cash Provided by (Used for) Operating Activities	<u>\$ (51,519)</u>	<u>\$ 16,436</u>	<u>\$ (35,083)</u>
Non-Cash Financing Activities			
Food Distribution Program Commodities Received	\$ 32,291		

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

**SADDLE BROOK BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2014**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 101,098	\$ 2,807	\$ 378,860
Total Assets	<u>101,098</u>	<u>2,807</u>	<u>\$ 378,860</u>
LIABILITIES			
Payroll Deductions and Withholdings			\$ 172,847
Accrued Salaries & Wages			122
Flex Spending			413
Due to Other Funds			57,213
Due to Student Groups			148,265
Due to State of New Jersey	\$ 13,189	-	-
Total Liabilities	<u>13,189</u>	<u>-</u>	<u>\$ 378,860</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 87,909</u>	<u>\$ 2,807</u>	

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

**SADDLE BROOK BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Fund</u>
ADDITIONS		
Investment Earnings		
Employee Contributions	\$ 59,019	
Interest	<u>31</u>	<u>\$ 3</u>
Net Investment Earnings	<u>59,050</u>	<u>3</u>
Total Additions	<u>59,050</u>	<u>3</u>
DEDUCTIONS		
Unemployment Claims and Contributions	<u>45,048</u>	<u>-</u>
Total Deductions	<u>45,048</u>	<u>-</u>
Change in Net Position	14,002	3
Net Position, Beginning of Year	<u>73,907</u>	<u>2,804</u>
Net Position, End of Year	<u>\$ 87,909</u>	<u>\$ 2,807</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Saddle Brook Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine 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. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Saddle Brook Board of Education this includes general operations, food service, community and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During fiscal year 2014, the District adopted the following GASB statement:

- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 68, *Accounting and financial Reporting for Pensions*, will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB 69, *Government Combinations and Disposals of Government Operations* will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to establish accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The District does not expect this statement to impact its financial statements.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental, while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. The District considers all of its governmental and enterprise funds to be major funds.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary funds which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

The *community school fund* accounts for the activities of the District's child care, preschool and summer camp programs.

Additionally, the government reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

2. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred inflows of resources.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$500 if purchased prior to July 1, 2001 or \$2,000 if purchased after July 1, 2001 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	15-20
Building & Building Improvements	30-40
Machinery and Equipment	5-20

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. A deferred charge on debt refunding results from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In additions to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under the accrual basis of accounting that qualifies for reporting in this category. It is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

6. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated vacation, personal and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

7. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows or resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

7. Long-Term Obligations (Continued)

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

8. Net Position/Fund Balance

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3.)

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Debt Service – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

8. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2014/2015 District budget certified for taxes.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. Property Taxes

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual “in rem” tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

3. *Tuition Revenues and Expenditures*

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2012-2013 and 2013-2014 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. *Proprietary Funds, Operating and Non-Operating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund and of the community school fund enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 6, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. 6:20-2A.2(m)1. The Board approved several budget transfers during 2013/2014. Also, during 2013/2014 the Board increased the original budget by \$395,320. The increase was funded by lease proceeds, grant awards and the reappropriation of prior year general fund encumbrances.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. 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 committed and/or assigned 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 which are reappropriated and honored during the subsequent fiscal year.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Transfers to Charter School	<u>\$ 370,722</u>	<u>\$ 396,950</u>	<u>\$ 26,228</u>

The above variance was caused by an audit adjustment and was offset with other available resources.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve

A capital reserve account was established by the District on October 8, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the fiscal year ended June 30, 2014 is as follows:

Balance, July 1, 2013		\$ 526,665
Increased by:		
Interest Earnings	\$ 764	
Excess Project Funding- Transfer Back Into Capital Reserve	<u>123,461</u>	
Total Increases		124,225
Withdrawals		
Approved in District Budget		<u>300,537</u>
Balance, June 30, 2014		<u>\$ 350,353</u>

The June 30, 2014 LRFP balance of local support costs of uncompleted capital projects is \$4,258,332. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district’s Long Range Facilities Plan.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2014, the book value of the Board's deposits were \$1,881,594 and bank and brokerage firm balances of the Board's deposits amounted to \$3,201,222. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>3,201,222</u>
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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 Board does not have a policy for custodial credit risk. As of June 30, 2014 the Board's bank balance was not exposed to custodial credit.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2014, the Board had no outstanding investments.

Investment and interest earnings in the Capital Projects Fund are assigned to the General Fund in accordance with Board policy.

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2014 for the district’s individual major funds are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	\$ 8,770			\$ 8,770
Intergovernmental	<u>274,057</u>	<u>\$ 337,542</u>	<u>\$ 37,324</u>	<u>648,923</u>
 Net Total Receivables	 <u>\$ 282,827</u>	 <u>\$ 337,542</u>	 <u>\$ 37,324</u>	 <u>\$ 657,693</u>

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

Special Revenue Fund	
Unencumbered grant draw downs	<u>\$ 29,691</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 29,691</u>

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Balance, July 1, 2013</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Balance, June 30, 2014</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,974			\$ 31,974
Construction in Progress	<u>-</u>	<u>\$ 25,873</u>	<u>-</u>	<u>25,873</u>
Total capital assets, not being depreciated	<u>31,974</u>	<u>25,873</u>	<u>-</u>	<u>57,847</u>
Capital assets, being depreciated:				
Land Improvements	485,028			485,028
Buildings and Building Improvements	31,579,633	392,000		31,971,633
Machinery and Equipment	<u>3,196,278</u>	<u>211,629</u>	<u>-</u>	<u>3,407,907</u>
Total capital assets being depreciated	<u>35,260,939</u>	<u>603,629</u>	<u>-</u>	<u>35,864,568</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	(9,059,668)	(914,072)		(9,973,740)
Land Improvements	(181,168)	(840)		(182,008)
Machinery and Equipment	<u>(1,882,912)</u>	<u>(175,445)</u>	<u>-</u>	<u>(2,058,357)</u>
Total accumulated depreciation	<u>(11,123,748)</u>	<u>(1,090,357)</u>	<u>-</u>	<u>(12,214,105)</u>
Total capital assets, being depreciated, net	<u>24,137,191</u>	<u>(486,728)</u>	<u>-</u>	<u>23,650,463</u>
Governmental activities capital assets, net	<u>\$ 24,169,165</u>	<u>\$ (460,855)</u>	<u>\$ -</u>	<u>\$ 23,708,310</u>

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2014</u>
Business-Type activities:				
Capital assets, being depreciated:				
Machinery and Equipment	\$ 172,225	\$ 4,786	-	\$ 177,011
Total capital assets being depreciated	<u>172,225</u>	<u>4,786</u>	<u>-</u>	<u>177,011</u>
Less accumulated depreciation for:				
Machinery and Equipment	<u>(85,643)</u>	<u>(11,204)</u>	<u>-</u>	<u>(96,847)</u>
Total accumulated depreciation	<u>(85,643)</u>	<u>(11,204)</u>	<u>-</u>	<u>(96,847)</u>
Total capital assets, being depreciated, net	<u>86,582</u>	<u>(6,418)</u>	<u>-</u>	<u>80,164</u>
Business-type activities capital assets, net	<u>\$ 86,582</u>	<u>\$ (6,418)</u>	<u>\$ -</u>	<u>\$ 80,164</u>

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

Instruction		
Regular		\$ 530,495
Special		154,844
Other Instruction		36,988
School-Sponsored Activities and Athletics		<u>24,370</u>
Total Instruction		<u>746,697</u>
Support Services		
Support Services - Students		113,555
Educational Media		5,505
General Administration		19,068
School Administration		74,854
Operations and Maintenance of Plant		90,833
Student Transportation		8,976
Central Services		<u>30,869</u>
Total Support Services		<u>343,660</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 1,090,357</u>
Business-Type Activities:		
Food Service Fund		<u>\$ 11,204</u>

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 274,473
General Fund	Capital Projects Fund	2,103
General Fund	Food Service	2,304
General Fund	Community School	60,910
General Fund	Payroll Agency	<u>57,213</u>
		<u>\$ 397,003</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund, expenditures paid by one fund on behalf of another fund and to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year.

Interfund transfers

	<u>Transfer In:</u>
	<u>General Fund</u>
Transfer Out:	
Capital Projects Fund	<u>\$ 432</u>
Total transfers out	<u>\$ 432</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Capital Leases

The District is leasing technology equipment, phone and computer wiring upgrades and interactive projectors totaling \$1,000,090 under capital leases. The leases are for terms of 4 to 5 years.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2015	\$ 208,857
2016	171,163
2017	<u>136,546</u>
Total minimum lease payments	516,566
Less: amount representing interest	<u>20,654</u>
Present value of minimum lease payments	<u><u>\$ 495,912</u></u>

G. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2014 are comprised of the following issues:

\$9,030,000, 2009 Refunding Bonds, due in annual installments of \$770,000 to \$860,000 through August 15, 2022, interest at 3% - 4%	\$ 7,475,000
\$2,955,000, 2012 Pension Refunding Bonds, due in annual installments of \$155,000 to \$240,000 through July 15, 2029, interest at 5.00% - 5.75%	2,800,000
\$3,530,000, 2012 Refunding Bonds, due in annual installments of \$300,000 to \$400,000 through February 15, 2024, interest at 4.25% - 4.375%	<u>3,530,000</u>
	<u><u>\$ 13,805,000</u></u>

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Year Ending June 30,	Serial Bonds		Total
	Principal	Interest	
2015	\$ 1,225,000	\$ 480,235	\$ 1,705,235
2016	1,260,000	445,945	1,705,945
2017	1,300,000	407,080	1,707,080
2018	1,345,000	361,980	1,706,980
2019	1,370,000	310,841	1,680,841
2020-2024	6,205,000	793,659	6,998,659
2025-2029	<u>1,100,000</u>	<u>119,700</u>	<u>1,219,700</u>
	<u>\$ 13,805,000</u>	<u>\$ 2,919,440</u>	<u>\$ 16,724,440</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2014 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 92,339,508
Less: Net Debt	<u>11,005,482</u>
Remaining Borrowing Power	<u>\$ 81,334,026</u>

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance, July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable	\$ 14,990,000		\$ 1,185,000	\$ 13,805,000	\$ 1,225,000
Deferred Amounts					
Add: Premium	557,130		89,737	467,393	
Less: Discount	<u>(21,000)</u>	<u>-</u>	<u>1,313</u>	<u>(19,687)</u>	<u>-</u>
Total Bonds Payable	15,526,130	-	1,276,050	14,252,706	1,225,000
Loans Payable	9,200		9,200		
Capital Leases	571,079	\$ 147,093	222,260	495,912	197,282
Compensated Absences	<u>623,409</u>	<u>56,080</u>	<u>39,261</u>	<u>640,228</u>	<u>63,665</u>
Governmental Activity					
Long-Term Liabilities	<u>\$ 16,729,818</u>	<u>\$ 203,173</u>	<u>\$ 1,546,771</u>	<u>\$ 15,388,846</u>	<u>\$ 1,485,947</u>

For the governmental activities, the liabilities for compensated absences are generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The District is a member of the Northeast Bergen County School Board Insurance Group (NESBIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the funds, to report claims on a timely basis, cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which they were a member.

NESBIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance funds are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

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

<u>Year Ended June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Food Service Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014		\$ 59,019		\$ 45,048	\$ 87,909
2013				47,233	73,907
2012	\$ 45,000		\$ 23,011	100,794	121,056

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2014, the District had no estimated arbitrage earnings due to the IRS.

D. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds (Continued)

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

The legislation's provisions impacting employee pension and health benefits include:

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS increased from age 62 to 65 for Tier 5 members.
- It increased the TPAF and PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members takes place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 76.1 percent and \$12.8 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2012 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems from 7.95 percent to 7.90 percent and (b) projected salary increases of 4.22 percent for the PERS and 3.51 % percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.6% for PERS, 6.6% for TPAF and 5.50% for DCRP of the employee's annual compensation.

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2014 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2014, 2013 and 2012 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2014	\$ 276,809	\$ 533,523	\$ 10,871
2013	269,748	780,809	5,147
2012	423,005	397,737	6,057

During fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$533,523 for normal cost pension and NCGI premium. For fiscal years 2012/2013 and 2011/2012, the state contributed \$780,809 and \$397,737, respectively for normal cost pension, accrued liability and the NCGI premium.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$925,329 during the fiscal year ended June 30, 2014 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State’s Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State’s CAFR. The post-retirement benefit programs had a total of 585 state and local participating employers and contributing entities for Fiscal Year 2013.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the State had a \$51.5 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$19.3 billion for state active and retired members and \$32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2012, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2013, there were 100,134, retirees receiving post-retirement medical benefits and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides paid 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 \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2014, 2013 and 2012 were \$874,777, \$882,897 and \$799,555, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

BUDGETARY COMPARISON SCHEDULES

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**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance Final Budget with Actual</u>
	<u>Original</u>	<u>Adjustments</u>	<u>Final</u>		
REVENUES					
Local Sources					
Local Tax Levy	\$ 27,349,334		\$ 27,349,334	\$ 27,349,334	
Miscellaneous	272,000	-	272,000	382,738	\$ 110,738
Sub-Total Local Sources	<u>27,621,334</u>	<u>-</u>	<u>27,621,334</u>	<u>27,732,072</u>	<u>110,738</u>
State Sources					
Categorical Special Education Aid	964,917		964,917	964,917	-
Equalization Aid	18,383		18,383	18,383	
Security Aid	39,026		39,026	39,026	
Transportation Aid	50,831		50,831	50,831	
Extraordinary Aid	350,000		350,000	283,109	(66,891)
Nonpublic Transportation Aid				24,922	24,922
Harassment, Intimidation & Bullying				433	433
On Behalf TPAF Pension Contribution- (Non-Budgeted)					
Normal				490,250	490,250
NCGI Premium				43,273	43,273
Post Retirement Medical Contributions				874,777	874,777
Reimbursed TPAF Social Security Contributions (Non Budgeted)	-	-	-	925,329	925,329
Sub-Total State Sources	<u>1,423,157</u>	<u>-</u>	<u>1,423,157</u>	<u>3,715,250</u>	<u>2,292,093</u>
Total Revenues	<u>29,044,491</u>	<u>-</u>	<u>29,044,491</u>	<u>31,447,322</u>	<u>2,402,831</u>
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	238,718	\$ 64,049	302,767	302,767	
Grades 1-5	3,107,974	30,227	3,138,201	3,138,201	-
Grades 6-8	1,366,411	(145,793)	1,220,618	1,220,618	-
Grades 9-12	2,723,831	16,889	2,740,720	2,740,720	-
Regular Programs- Home Instructions					
Salaries of Teachers	33,638	9,902	43,540	43,540	
Purchased Professional-Educational Services	8,000	(7,680)	320	320	-
Regular Programs- Undistributed Instruction					
Other Salaries for Instruction		751	751	751	
Other Purchased Services	73,000	237,568	310,568	310,568	-
General Supplies	124,623	563	125,186	123,082	2,104
Textbooks	81,453	(6,972)	74,481	74,481	-
Other Objects	6,750	-	6,750	6,750	-
Total Regular Programs	<u>7,764,398</u>	<u>199,504</u>	<u>7,963,902</u>	<u>7,961,798</u>	<u>2,104</u>
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	543,204	(197,779)	345,425	345,425	-
Other Salaries for Instruction	170,896	(66,538)	104,358	104,358	-
Other Purchased Services	6,000	(1,869)	4,131	3,836	295
General Supplies	3,500	1,910	5,410	5,173	237
Textbooks	1,500	(480)	1,020	517	503
Total Learning and/or Language Disabilities	<u>725,100</u>	<u>(264,756)</u>	<u>460,344</u>	<u>459,309</u>	<u>1,035</u>
Multiple Disabilities					
Salaries of Teachers		46,775	46,775	46,775	
Other Salaries for Instruction		17,123	17,123	17,123	
General Supplies	-	2,975	2,975	2,971	4
Total Multiple Disabilities	<u>-</u>	<u>66,873</u>	<u>66,873</u>	<u>66,869</u>	<u>4</u>

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance Final Budget with Actual</u>
	<u>Original</u>	<u>Adjustments</u>	<u>Final</u>		
EXPENDITURES (Continued)					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Resource Room					
Salaries of Teachers	\$ 1,186,807	\$ (9,314)	\$ 1,177,493	\$ 1,177,493	
Other Salaries for Instruction	149,251	(61,229)	88,022	88,022	
General Supplies	6,000	145	6,145	5,980	\$ 165
Textbooks	5,000	(3,919)	1,081	1,081	-
Total Resource Room	<u>1,347,058</u>	<u>(74,317)</u>	<u>1,272,741</u>	<u>1,272,576</u>	<u>165</u>
Preschool Disabilities - Part - Time					
Salaries of Teachers	61,098	(28,049)	33,049	33,049	
Other Salaries for Instruction	60,257	27,104	87,361	87,361	
General Supplies	400	-	400	399	1
Total Preschool Handicapped - Part - Time	<u>121,755</u>	<u>(945)</u>	<u>120,810</u>	<u>120,809</u>	<u>1</u>
Preschool Disabilities - Full - Time					
Salaries of Teachers	128,025	13,328	141,353	141,353	
Other Salaries for Instruction	68,616	63,988	132,604	132,604	
General Supplies	600	1,125	1,725	1,677	48
Total Preschool Handicapped - Full - Time	<u>197,241</u>	<u>78,441</u>	<u>275,682</u>	<u>275,634</u>	<u>48</u>
Home Instruction					
Purchased Professional Educational Services	2,000	-	2,000	658	1,342
Total Home Instruction	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>658</u>	<u>1,342</u>
Total Special Education	<u>2,393,154</u>	<u>(194,704)</u>	<u>2,198,450</u>	<u>2,195,855</u>	<u>2,595</u>
Basic Skills/Remedial					
Salaries of Teachers	501,089	(44,930)	456,159	456,159	
Supplies	500	-	500	-	500
Total Basic Skills/Remedial	<u>501,589</u>	<u>(44,930)</u>	<u>456,659</u>	<u>456,159</u>	<u>500</u>
Bilingual Education					
Salaries of Teachers	62,628	412	63,040	63,040	
General Supplies	1,350	-	1,350	976	374
Total Bilingual Education	<u>63,978</u>	<u>412</u>	<u>64,390</u>	<u>64,016</u>	<u>374</u>
School Sponsored Co/Extra Curricular Activities					
Salaries	80,000	4,679	84,679	84,679	
Purchased Services		354	354	354	
Other Objects	14,390	(2,152)	12,238	11,867	371
Total School Sponsored Co/Extra Curricular Activities	<u>94,390</u>	<u>2,881</u>	<u>97,271</u>	<u>96,900</u>	<u>371</u>
School Sponsored Athletics					
Salaries	284,694	(27,289)	257,405	257,405	
Purchased Services	48,000	(14,016)	33,984	33,984	
Supplies and Materials	42,250	(109)	42,141	42,141	
Other Objects	16,900	(7,000)	9,900	9,900	-
Total School Sponsored Athletics	<u>391,844</u>	<u>(48,414)</u>	<u>343,430</u>	<u>343,430</u>	<u>-</u>
Total - Instruction	<u>11,209,353</u>	<u>(85,251)</u>	<u>11,124,102</u>	<u>11,118,158</u>	<u>5,944</u>

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance Final Budget with Actual</u>
	<u>Original</u>	<u>Adjustments</u>	<u>Final</u>		
EXPENDITURES (Continued)					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to Other LEA's Within the State - Special	\$ 490,295	\$ 128,859	\$ 619,154	\$ 619,154	
Tuition to County Vocational School Dist.-Regular	453,600	13,187	466,787	466,787	
Tuition to County Vocational School Dist.-Special	249,160	(29,722)	219,438	219,438	
Tuition to CSSD & Regional Day Schools	703,800	5,454	709,254	709,254	
Tuition to Private Schools for the Handicapped - Within State	<u>1,544,812</u>	<u>145,893</u>	<u>1,690,705</u>	<u>1,690,705</u>	<u>-</u>
Total Tuition	<u>3,441,667</u>	<u>263,671</u>	<u>3,705,338</u>	<u>3,705,338</u>	<u>-</u>
Attendance and Social Work Services					
Salaries					
Other Purchased Services	10,761	(10,761)	-	-	-
	<u>350</u>	<u>(350)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Attendance and Social Work Services	<u>11,111</u>	<u>(11,111)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Health Services					
Salaries					
Purchased Prof. and Tech services	322,102	3,243	325,345	325,345	
Other Purchased Services	17,000	(710)	16,290	16,290	-
Supplies and Materials	1,500	(1,500)	-	-	-
Other Objects	5,000	(181)	4,819	4,819	-
	<u>1,500</u>	<u>408</u>	<u>1,908</u>	<u>1,908</u>	<u>-</u>
Total Health Services	<u>347,102</u>	<u>1,260</u>	<u>348,362</u>	<u>348,362</u>	<u>-</u>
Speech, OT/PT and Related Services					
Salaries					
Purchased Prof. Ed. Services	678,981	1,373	680,354	680,354	
Supplies and Materials	275,512	(91,191)	184,321	184,321	-
	<u>1,600</u>	<u>(481)</u>	<u>1,119</u>	<u>1,119</u>	<u>-</u>
Total Speech, OT/PT and Related Services	<u>956,093</u>	<u>(90,299)</u>	<u>865,794</u>	<u>865,794</u>	<u>-</u>
Other Support Services - Students - Extra. Serv.					
Salaries					
Purchased Professional-Educational Services	319,258	151,094	470,352	470,352	
	<u>264,898</u>	<u>(15,831)</u>	<u>249,067</u>	<u>249,067</u>	<u>-</u>
Total Other Support Services - Students - Extra Serv.	<u>584,156</u>	<u>135,263</u>	<u>719,419</u>	<u>719,419</u>	<u>-</u>
Guidance					
Salaries of Other Professional Staff					
Salaries of Secretarial and Clerical Assistants	398,001	(1,082)	396,919	396,919	-
Other Purchased Services	131,938	2,034	133,972	133,972	
Supplies and Materials	12,700	2,700	15,400	15,400	-
Other Objects	7,355	(5,926)	1,429	1,429	-
	<u>50</u>	<u>480</u>	<u>530</u>	<u>530</u>	<u>-</u>
Total Guidance	<u>550,044</u>	<u>(1,794)</u>	<u>548,250</u>	<u>548,250</u>	<u>-</u>

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance Final Budget with Actual</u>
	<u>Original</u>	<u>Adjustments</u>	<u>Final</u>		
EXPENDITURES (Continued)					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Child Study Team					
Salaries of Other Professional Staff	\$ 679,593	\$ 2,049	\$ 681,642	\$ 681,642	
Salaries of Secretarial and Clerical Assistants	55,464	(5,029)	50,435	50,435	
Purchased Prof. - Ed. Services	10,000	243	10,243	10,243	
Other Purchased Services	3,000	7,546	10,546	10,546	
Supplies and Materials	10,150	(2,734)	7,416	7,416	
Other Objects	500	(300)	200	200	-
Total Child Study Team	<u>758,707</u>	<u>1,775</u>	<u>760,482</u>	<u>760,482</u>	<u>-</u>
Improvement of Instructional Svcs/ Other Support					
Svcs - Instructional Staff					
Salaries of Supervisor of Instruction	88,954	21,353	110,307	110,307	
Other Salaries	41,000	(29,995)	11,005	7,625	\$ 3,380
Supplies and Materials	4,000	2,755	6,755	6,703	52
Other Objects	5,000	(4,000)	1,000	797	203
Total Improvement of Instructional Svcs	<u>138,954</u>	<u>(9,887)</u>	<u>129,067</u>	<u>125,432</u>	<u>3,635</u>
Educational Media Services/School Library					
Salaries	92,762	(15,489)	77,273	77,273	
Other Purchased Services	2,000	(2)	1,998	1,998	-
Supplies and Materials	54,200	(2,258)	51,942	51,942	-
Other Objects	14,990	(456)	14,534	14,534	-
Total Educational Media Services/School Library	<u>163,952</u>	<u>(18,205)</u>	<u>145,747</u>	<u>145,747</u>	<u>-</u>
Instructional Staff Training Services					
Other Salaries	5,000	(3,156)	1,844		1,844
Purchased Prof.-Ed. Services	11,000	(6,685)	4,315		4,315
Other Purchased Services	6,000	3,072	9,072	5,352	3,720
Supplies and Materials	-	570	570	570	-
Total Instructional Staff Training Services	<u>22,000</u>	<u>(6,199)</u>	<u>15,801</u>	<u>5,922</u>	<u>9,879</u>
Support Services General Administration					
Salaries	243,783	23,871	267,654	267,654	-
Legal Services	121,000	(75,206)	45,794	45,794	-
Audit Fees	29,500	29,737	59,237	30,637	28,600
Other Purchased Professional Services	2,445	-	2,445	2,445	
Communications/Telephone	110,800	(5,963)	104,837	104,837	-
Other Purchased Services	50,200	(2,600)	47,600	47,600	-
General Supplies	8,000	(989)	7,011	7,011	-
BOE In-House Training/Meeting Supplies	900	818	1,718	1,718	
Judgments Agst. School District		-			
Miscellaneous Expenditures	3,000	4,014	7,014	7,014	-
BOE Membership Dues and Fees	15,000	(1,873)	13,127	13,127	-
Total Support Services General Administration	<u>584,628</u>	<u>(28,191)</u>	<u>556,437</u>	<u>527,837</u>	<u>28,600</u>
Support Services School Administration					
Salaries of Principals/Asst. Principals	704,426	97,292	801,718	801,718	
Salaries of Secretarial and Clerical Assistants	236,851	12,167	249,018	249,018	
Purchased Professional & Technical Services	101,000	(99,800)	1,200	1,200	
Other Purchased Services	28,242	(7,764)	20,478	20,478	-
Supplies and Materials	53,798	(1,975)	51,823	51,823	-
Other Objects	8,500	943	9,443	9,443	-
Total Support Services School Administration	<u>1,132,817</u>	<u>863</u>	<u>1,133,680</u>	<u>1,133,680</u>	<u>-</u>

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance Final Budget with Actual</u>
	<u>Original</u>	<u>Adjustments</u>	<u>Final</u>		
EXPENDITURES (Continued)					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Central Services					
Salaries	\$ 300,519	\$ 6,794	\$ 307,313	\$ 307,313	
Purchased Professional Services	15,000	(800)	14,200	14,200	
Purchased Technical Services	1,650	6,453	8,103	7,353	\$ 750
Miscellaneous Purchased Services	14,350	16,745	31,095	31,095	-
Supplies and Materials	10,000	(935)	9,065	9,065	-
Other Objects	1,300	25	1,325	1,325	-
Total Central Services	<u>342,819</u>	<u>28,282</u>	<u>371,101</u>	<u>370,351</u>	<u>750</u>
Admin. Info. Tech.					
Salaries	126,972	(972)	126,000	126,000	
Other Purchased Services	500	(168)	332	332	
Other Objects	60,500	(6,085)	54,415	54,415	-
Total Admin. Info. Tech.	<u>187,972</u>	<u>(7,225)</u>	<u>180,747</u>	<u>180,747</u>	<u>-</u>
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	343,715	(3,467)	340,248	340,248	
General Supplies	19,000	18,345	37,345	37,345	
Other Objects	5,000	(4,140)	860	860	-
Total Required Maintenance for School Facilities	<u>367,715</u>	<u>10,738</u>	<u>378,453</u>	<u>378,453</u>	<u>-</u>
Custodial Services					
Salaries	1,056,146	80,248	1,136,394	1,136,394	
Salaries of Non-Instructional Aides	141,808	(34,627)	107,181	107,181	
Purchased Professional & Technical Services	15,000	3,150	18,150	18,150	
Cleaning, Repair and Maint. Services	98,050	(14,965)	83,085	83,085	
Insurance	165,000	5,358	170,358	170,358	
Travel	1,500	(933)	567	567	
Miscellaneous Purchased Services		-	-		
General Supplies	67,500	42,852	110,352	110,352	
Energy - Natural Gas	181,000	34,051	215,051	215,051	
Energy - Electricity	304,000	26,435	330,435	330,435	
Other Objects	1,300	(510)	790	790	-
Total Custodial Services	<u>2,031,304</u>	<u>141,059</u>	<u>2,172,363</u>	<u>2,172,363</u>	<u>-</u>
Care and Upkeep of Grounds					
Salaries	31,459	-	31,459	31,459	
Purchased Professional & Technical Services	2,000	(1,700)	300	300	-
Cleaning, Repair and Maint. Svc	75,000	(13,680)	61,320	61,320	-
General Supplies	12,000	(3,849)	8,151	8,151	-
Total Care and Upkeep of Grounds	<u>120,459</u>	<u>(19,229)</u>	<u>101,230</u>	<u>101,230</u>	<u>-</u>
Student Transportation Services					
Salaries for Pupil Transportation (Other Than Between Home and School)	152,918	(26,929)	125,989	125,989	
Cleaning, Repair and Maintenance Services	14,000	15,782	29,782	29,782	-
Contracted Services (Other Than Between Home and School) - Vendors	3,000	(2,370)	630	630	-
Contracted Services (Between Home and School) - Vendors	145,000	49,952	194,952	194,952	
Contracted Services (Special Ed Students) - Vendors	7,000	5,744	12,744	12,744	
Contracted Services (Special Ed Students) -Joint Agreements	530,000	49,973	579,973	579,973	
Contracted Services - Aid in Lieu of Payments	128,000	(28,896)	99,104	99,104	-
Misc. Purchased Services - Transportation		-			
Transportation Supplies	20,000	792	20,792	20,792	-
Other Objects	1,200	430	1,630	1,630	-
Total Student Transportation Services	<u>1,001,118</u>	<u>64,478</u>	<u>1,065,596</u>	<u>1,065,596</u>	<u>-</u>

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance Final Budget with Actual</u>
	<u>Original</u>	<u>Adjustments</u>	<u>Final</u>		
EXPENDITURES (Continued)					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Unallocated Benefits					
Social Security	\$ 315,000	\$ 30,193	\$ 345,193	\$ 345,193	
Other Retirement Contributions	325,000	(37,320)	287,680	287,680	
Unemployment Compensation	45,000	(30,000)	15,000	15,000	
Workmen's Compensation	188,419	(646)	187,773	187,773	
Health Benefits	3,581,000	(116,880)	3,464,120	3,464,120	
Tuition Reimbursement	55,000	900	55,900	55,900	
Other Employee Benefits	5,000	37,991	42,991	42,991	-
Total Unallocated Benefits	<u>4,514,419</u>	<u>(115,762)</u>	<u>4,398,657</u>	<u>4,398,657</u>	<u>-</u>
On Behalf TPAF Pension Contributions- (Non-Budgeted)					
Normal				490,250	\$ (490,250)
NCGI Premium				43,273	(43,273)
Post Retirement Medical Contribution				874,777	(874,777)
On Behalf TPAF Social Security Contribution (Non Budgeted)	-	-	-	<u>925,329</u>	<u>(925,329)</u>
Total On-Behalf Contributions	-	-	-	<u>2,333,629</u>	<u>(2,333,629)</u>
Total Undistributed Expenditures	<u>17,257,037</u>	<u>339,487</u>	<u>17,596,524</u>	<u>19,887,289</u>	<u>(2,290,765)</u>
Total Current Expenditures	<u>28,466,390</u>	<u>254,236</u>	<u>28,720,626</u>	<u>31,005,447</u>	<u>(2,284,821)</u>
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
Equipment					
Regular Programs					
Grades 1-5		13,470	13,470	13,470	
Grades 9-12		29,696	29,696	29,696	-
Special Education Programs					
Learning and/or Language Disabilities		2,113	2,113		2,113
Undistributed Expenditures					
General Admin.		2,238	2,238	2,238	-
Required Maintenance for School Facilities		19,100	19,100	18,206	894
Custodial Services	-	19,132	19,132	19,132	-
Lease Payments	263,917	(116,824)	147,093	-	147,093
Total Undistributed Expenditures	<u>263,917</u>	<u>(31,075)</u>	<u>232,842</u>	<u>82,742</u>	<u>150,100</u>
Facilities Acquisition and Construction Services					
Architect/Engineering Services	50,000	-	50,000	27,816	22,184
Construction Services	625,000	(140,000)	485,000	345,978	139,022
Assessment for Debt Service on SDA Funding	78,050	-	78,050	50,619	27,431
Total Facilities Acquisition and Construction Services.	<u>753,050</u>	<u>(140,000)</u>	<u>613,050</u>	<u>424,413</u>	<u>188,637</u>
Capital Assets Acquired under Capital Lease (Non-Budget)					
Computer Upgrade	-	-	-	147,093	(147,093)
Total Capital Assets Acquired under Capital Lease (Non-Budget)	-	-	-	<u>147,093</u>	<u>(147,093)</u>
Total Capital Outlay	<u>1,017,467</u>	<u>(171,075)</u>	<u>846,392</u>	<u>654,248</u>	<u>192,144</u>

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance Final Budget with Actual</u>
	<u>Original</u>	<u>Adjustments</u>	<u>Final</u>		
Transfers to Charter School	\$ 250,968	\$ 119,754	\$ 370,722	\$ 396,950	\$ (26,228)
Total Expenditures	<u>29,734,825</u>	<u>202,915</u>	<u>29,937,740</u>	<u>32,056,645</u>	<u>(2,118,905)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(690,334)</u>	<u>(202,915)</u>	<u>(893,249)</u>	<u>(609,323)</u>	<u>283,926</u>
Other Financing Sources(Uses)					
Capital Leases (Non-Budget)				147,093	147,093
Transfer In	-	-	-	432	432
Total Other Financing Sources(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,525</u>	<u>147,525</u>
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Sources (Uses)	<u>(690,334)</u>	<u>(202,915)</u>	<u>(893,249)</u>	<u>(461,798)</u>	<u>431,451</u>
Fund Balances, Beginning of Year	<u>1,559,556</u>	<u>-</u>	<u>1,559,556</u>	<u>1,559,556</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 869,222</u>	<u>\$ (202,915)</u>	<u>\$ 666,307</u>	<u>\$ 1,097,758</u>	<u>\$ 431,451</u>
Recapitulation					
Restricted Fund Balance:					
Capital Reserve				350,353	
Assigned Fund Balance:					
Year-end Encumbrances				47,374	
Designated for Subsequent Year's Expenditures				300,000	
Unassigned Fund Balance				<u>400,031</u>	
				1,097,758	
Reconciliation to Governmental Fund Statements (GAAP)					
Last two State Aid Payments				(38,766)	
Extraordinary Aid Payment				<u>(283,109)</u>	
Fund Balances per Governmental Funds (GAAP)				<u>\$ 775,883</u>	

**SADDLE BROOK BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Final</u>	<u>Actual</u>	<u>Variance Final Budget with Actual</u>
	<u>Original</u>	<u>Adjustments</u>			
REVENUES					
Intergovernmental					
Local		\$ 22,777	\$ 22,777	\$ 22,487	\$ (290)
State	\$ 11,500	1,100	12,600	6,775	(5,825)
Federal	405,000	168,528	573,528	573,528	-
Total Revenues	\$ 416,500	\$ 192,405	\$ 608,905	\$ 602,790	\$ (6,115)
EXPENDITURES					
Instruction					
Salaries of Teachers	\$ 60,000	\$ 42,200	\$ 102,200	\$ 102,200	
Purchased Prof. and Technical Services	4,000	(4,000)	-		
Tuition	325,000	57,149	382,149	382,149	
General Supplies		3,816	3,816	3,815	\$ 1
Textbooks	2,500	(635)	1,865	987	878
Total Instruction	391,500	98,530	490,030	489,151	879
Support Services					
Other Salaries		18,352	18,352	18,352	-
Personal Services-Employee Benefits		29,700	29,700	29,700	-
Purchased Professional/Technical Services		33,702	33,702	31,099	2,603
Other Purchased Services	5,000	(2,656)	2,344		2,344
Travel	20,000	136	20,136	20,136	-
Supplies and Materials	-	14,641	14,641	14,352	289
Total Support Services	25,000	93,875	118,875	113,639	5,236
Facilities Acquisition and Construction					
Instructional Equipment	-	-	-	-	-
Total Facilities Acquisition and Construction	-	-	-	-	-
Total Expenditures	416,500	192,405	608,905	602,790	6,115
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

**SADDLE BROOK BOARD OF EDUCATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 31,447,322	\$ 602,790
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized,		
June 30, 2013		13,048
June 30, 2014		-
Difference- Budget to GAAP		
State Aid payment and Extraordinary Aid (2012/2013) recognized for GAAP purposes, not recognized for budgetary statements.	375,858	
Difference - Budget to GAAP:		
State Aid payment and Extraordinary Aid (2013/2014) recognized for budgetary purposes not recognized for GAAP statements	<u>(321,875)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 31,501,305</u>	<u>\$ 615,838</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 32,056,645	\$ 602,790
Encumbrances for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the goods and/or services are received for financial reporting purposes.		
June 30, 2013		13,048
June 30, 2014	<u>-</u>	<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 32,056,645</u>	<u>\$ 615,838</u>

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APPENDIX C

Form of Bond Counsel's Approving Legal Opinion

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12 Admitted VI

_____, 2015

The Board of Education of the
Township of Saddle Brook
Saddle Brook, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$4,609,000 aggregate principal amount of School Bonds, Series 2015 (the "Bonds") of The Board of Education of the Township of Saddle Brook in the County of Bergen, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board).

The Bonds are issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented (the "Education Law"); (ii) a proposal adopted by the Board on October 8, 2014 (the "Proposal") and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on December 9, 2014 and (iii) a resolution adopted by the Board on May 13, 2015 (the "Resolution").

The Bonds are issued in fully registered book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Purchases of the Bonds will be made in book-entry only form in principal amounts of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book entries made on the books and records of DTC and its participants. So long as 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 directly to Cede & Co., as nominee for DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated their date of delivery and shall bear interest from such date, which interest shall be payable commencing August 15, 2016 and semi-annually thereafter on the fifteenth day of February and August in each year, and shall mature on February 15 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2017	\$175,000	2.00%	2022	\$340,000	2.00%
2018	320,000	2.00	2023	345,000	3.00
2019	325,000	2.00	2024	345,000	3.00
2020	330,000	2.00	2025	345,000	3.00
2021	335,000	2.00	2026	350,000	3.00

\$700,000 Term Bond at 3.00% Due February 15, 2028, Yield 2.70%
 \$699,000 Term Bond at 3.00% Due February 15, 2030, Yield 2.90%

The Bonds of this issue are subject to optional redemption prior to their stated maturities.

The Bonds of this issue maturing on February 15, 2028 are subject to mandatory redemption from sinking fund installments on each February 15, beginning February 15, 2027, and shall be redeemed on the dates set forth below at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Bonds called for redemption, plus interest accrued and unpaid to the date fixed for redemption, according to the schedule set forth below:

<u>Date</u>	<u>Sinking Fund Installment</u>
February 15, 2027	\$350,000
February 15, 2028*	350,000

* Final Maturity

The Bonds of this issue maturing on February 15, 2030 are subject to mandatory redemption from sinking fund installments on each February 15, beginning February 15, 2029, and shall be redeemed on the dates set forth below at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Bonds called for redemption, plus interest accrued and unpaid to the date fixed for redemption, according to the schedule set forth below:

<u>Date</u>	<u>Sinking Fund Installment</u>
March 15, 2029	\$350,000
March 15, 2030*	349,000

* Final Maturity

We have examined such matters of law, certified copies of the proceedings, including the bond referendum proceedings, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Education Law, the Proposal and the Resolution; (ii) the Bonds are valid and legally binding obligations of the Board; and (iii) all the taxable real property within the School District is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Board has covenanted to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the Board with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax imposed by Section 55 of the Code. However, the interest on the Bonds owned by corporations will be included in such corporations' "adjusted current earnings" (as defined in Section 56(g) of the Code) in calculating such corporations' alternative minimum taxable income for purposes of determining the Federal alternative minimum tax.

The Bonds maturing on February 15 of the years 2017 through 2021, inclusive and 2023 through 2030, inclusive (the "Premium Bonds"), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

We are further of the opinion that the Bonds constitute "qualified tax-exempt obligations" within the meaning of section 265(b)(3)(B) of the Code and, therefore, will be treated as if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

Except as stated in the preceding four (4) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of the executed Bonds and, in our opinion, its form and execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of June 23, 2015 (the “Disclosure Certificate”) is executed and delivered by The Board of Education of the Township of Saddle Brook in the County of Bergen, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) in connection with the issuance of its \$4,609,000 aggregate principal amount of School Bonds, Series 2015 dated their date of delivery (the “Bonds”). The Bonds are being by virtue of a proposal adopted by the Board on October 8, 2014 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on December 9, 2014 and pursuant to a resolution entitled, “RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$4,609,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2015 OF THE BOARD OF EDUCATION OF THE TOWNSHIP OF SADDLE BROOK IN THE COUNTY OF BERGEN, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH”, duly adopted by the Board on May 13, 2015 (the “Bond Resolution”). The Board covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Board for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter(s) in complying with the Rule (as defined below). The Board acknowledges it is an “Obligated Person” under the Rule (as defined below).

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

“*Annual Report*” shall mean any Annual Report provided by the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

“*Continuing Disclosure Information*” shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Board with the EMMA (as defined herein) pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Authority with EMMA pursuant to Section 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Business Administrator/Board Secretary of the Board or his designee, or such other person as the Board shall designate in writing from time to time for the purposes of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the Board or any Dissemination Agent subsequently designated in writing by the Board which has filed with the Board a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Board or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

“SEC” shall mean the United States Securities and Exchange Commission.

“SEC Release No. 34-59062” shall mean Release No. 34-59062 of the SEC dated December 5, 2008.

“State” shall mean the State of New Jersey.

“Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports. (a) The Board shall provide or cause to be provided to the Dissemination Agent not later than December 31 of each year, commencing December 31, 2015 (for the fiscal year ending June 30, 2015), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Board may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Board are not available by December 31, the Board shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Board, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Board.

(b) Not later than January 31 of each year (commencing January 31, 2016) the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Board does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Board (if the Dissemination Agent is not the Board).

(d) Each year the Dissemination Agent shall file a report with the Board (if the Dissemination Agent is not the Board), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate, stating the date it was provided.

(e) If the fiscal year of the Board changes, the Board shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Board, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

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

- (1) The audited financial statements of the Board.

The audited financial statements are to be prepared in accordance with generally accepted accounting principles (GAAP).

- (2) The general financial information and operating data of the Board consistent with the information set forth in the Official Statement dated June 9, 2015, prepared in connection with the sale of the Bonds (the "Official Statement") in Appendix A.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Board is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Board shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;

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

The Board shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in this subsection (a) of this section 5, the Board may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Board has or obtains knowledge of the occurrence of any of the Listed Events, the Board shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the Board determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Board is not the Dissemination Agent) and the Board shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Board determines that the occurrence of a Listed Event would not be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Board) and the Dissemination Agent (if the Dissemination Agent is not the Board) shall be instructed by the Board not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Board to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Board (if the Dissemination Agent is not the Board). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The Board's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Board is no longer an "Obligated Person" (as defined in the Rule). The Board shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The Board had previously failed to comply with its previous undertakings, to provide secondary market disclosure pursuant to the Rule. As of the date hereof, however, the Board is in compliance.

SECTION 8. Dissemination Agent; Compensation. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Board. The Board shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver

(supported by an opinion of counsel expert in Federal securities laws acceptable to the Board to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Board or “Obligated Person,” or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Board shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

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

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Board shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations

under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent.

The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Board agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Board) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Board further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries.

This Disclosure Certificate shall inure solely to the benefit of the Board, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices.

All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

- (a) If to the Board of Education:

The Board of Education of the
Township of Saddle Brook
355 Mayhill Street
Saddle Brook, New Jersey 07663
Attention: Business Administrator/Board Secretary

- (b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds, initially:

The Board of Education of the
Township of Saddle Brook
355 Mayhill Street
Saddle Brook, New Jersey 07663
Attention: Business Administrator/Board Secretary

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Board and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Board and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF SADDLE BROOK**

By: _____
RAYMOND G. KARATY,
Business Administrator/
Board Secretary

EXHIBIT A

**NOTICE TO EMMA OF FAILURE
TO FILE ANNUAL REPORT**

Name of Issuer: The Board of Education of the
Township of Saddle Brook
in the County of Bergen, New Jersey

Name of Issue: \$4,609,000 School Bonds, Series 2015
Dated: June 23, 2015
(CUSIP Number: 786225GY2)

Date of Issuance: June 23, 2015

NOTICE IS HEREBY GIVEN that the above designated Board has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate for the Bonds dated as of June 23, 2015 executed by the Board.

DATED: _____

DISSEMINATION AGENT
(on behalf of the Board)

cc: The Board

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APPENDIX E

Specimen Municipal Bond Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer