

OFFICIAL STATEMENT DATED FEBRUARY 26, 2015

NEW ISSUE – Book-Entry Only

Rating: See "RATING" 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.

\$18,205,000
SCHOOL BONDS, SERIES 2015
THE BOARD OF EDUCATION OF THE CALDWELL-WEST CALDWELL SCHOOL DISTRICT
IN THE COUNTY OF ESSEX, NEW JERSEY
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)

CALLABLE

Dated: Date of Delivery

Due: March 15, as shown below

The \$18,205,000 aggregate principal amount of School Bonds, Series 2015 (the "Bonds"), of The Board of Education of the Caldwell-West Caldwell School District in the County of Essex, 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 \$5,000 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 March and September in each year, commencing September 15, 2015, 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 September 1 and March 1 (the "Record Dates" for the payment of interest on the Bonds).

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

**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	\$1,000,000	2.50%	0.60%	2026*	\$1,080,000	2.75%	2.65%
2018	835,000	2.50	0.95	2027*	1,115,000	3.00	2.85
2019	860,000	2.75	1.20	2028*	1,155,000	3.00	2.95
2020	890,000	2.75	1.40	2029	1,190,000	3.00	3.00
2021	920,000	2.75	1.65	2030	1,230,000	3.00	3.05
2022	950,000	2.75	1.90	2031	1,270,000	3.00	3.10
2023	980,000	2.75	2.15	2032	1,315,000	3.00	3.15
2024*	1,015,000	2.75	2.30	2033	1,355,000	3.00	3.20
2025*	1,045,000	2.75	2.45				

* Priced to first 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 Gaccione & Pomaco, P.C., Belleville, New Jersey, General Counsel to the Board. Phoenix Advisors, LLC, Bordentown, New Jersey, served as financial advisor to the Board in connection with the Bonds. Delivery of the Bonds in definitive form to DTC in New York, New York is anticipated to occur on or about March 19, 2015.

Roosevelt & Cross, Inc. and Associates

**THE BOARD OF EDUCATION OF THE CALDWELL-WEST CALDWELL SCHOOL DISTRICT
IN THE COUNTY OF ESSEX, NEW JERSEY**

Paula Getty - President
Thomas Adams - Vice President
Dan Cipoletti
John King
Marie Lanfrank

SUPERINTENDENT

Dr. James G. Heinegg

BUSINESS ADMINISTRATOR/BOARD SECRETARY

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Belleville, New Jersey

AUDITOR

Nisivoccia LLP
Mount Arlington, New Jersey

FINANCIAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds, other than those contained in this 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.

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION.....	1
DESCRIPTION OF THE BONDS	1
BOOK-ENTRY ONLY SYSTEM.....	4
THE SCHOOL DISTRICT AND THE BOARD	6
THE STATE'S ROLE IN PUBLIC EDUCATION	6
STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY	7
SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT.....	8
SUMMARY OF STATE AID TO SCHOOL DISTRICTS.....	11
SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS.....	13
MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES.....	13
FINANCIAL STATEMENTS	18
FINANCIAL ADVISOR	18
LITIGATION	18
TAX EXEMPTION	18
RISK TO HOLDERS OF BONDS	19
APPROVAL OF LEGAL PROCEEDINGS	20
PREPARATION OF OFFICIAL STATEMENT	20
RATING.....	21
UNDERWRITING	21
SECONDARY MARKET DISCLOSURE	21
ADDITIONAL INFORMATION	22
CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT.....	22
MISCELLANEOUS.....	22
APPENDIX A	
Economic and Demographic Information Relating to the Caldwell-West Caldwell Board of Education	A-1
APPENDIX B	
Financial Statements of The Board of Education of the Caldwell-West Caldwell School District for 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

OFFICIAL STATEMENT

OF

THE BOARD OF EDUCATION OF THE CALDWELL-WEST CALDWELL SCHOOL DISTRICT IN THE COUNTY OF ESSEX, NEW JERSEY

\$18,205,000

SCHOOL BONDS, SERIES 2015

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

CALLABLE

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the Caldwell-West Caldwell School District in the County of Essex, 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 \$18,205,000 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 March 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 March and September (each an "Interest Payment Date"), commencing on September 15, 2015, 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 September 1 and March 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 \$5,000 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 owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

The Bonds of this issue maturing prior to March 15, 2024 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after March 15, 2024 are redeemable at the option of the Board in whole or in part on any date on or after March 15, 2023 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.

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 13, 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 February 9, 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 26% of the costs of such Project. As such, the State has agreed to pay 26% of the annual debt service on the Bonds each year.

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 five (5) member board with members elected for staggered three (3) year terms. Pursuant to State statute, the Board appoints a Superintendent and Business Administrator/Board Secretary.

The School District provides a full range of educational services appropriate to Pre-Kindergarten (Pre-K) through grade twelve (12), including regular and special educational programs for the constituent municipalities of the Borough of Caldwell and the Township of West Caldwell (the "Constituent Municipalities"). The School District operates one school for Pre-K, four (4) schools for grades Kindergarten (K) through grade five (5), one middle school for grades six (6) through eight (8) and one high school for grades nine (9) through twelve (12). See "APPENDIX A – Economic and Demographic Information Relating to the Caldwell-West Caldwell Board of Education."

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.

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.

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 Pre-Kindergarten (Pre-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 – Legal Debt Margin Information Last Ten Fiscal Years Unaudited."

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 Constituent Municipalities are general full faith and credit obligations.

The authorized bonded indebtedness of each of the Constituent Municipalities 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.

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 for the year ended June 30, 2014 together with the notes to the financial statements have been provided by the Board and were prepared by the Board's auditor, Nisivoccia LLP, Mount Arlington, New Jersey (the "Auditor"), and are presented in APPENDIX B to this Official Statement (the "Financial Statements See "APPENDIX B - Financial Statements of The Board of Education of the Caldwell-West Caldwell School District in the County of Essex, New Jersey for Fiscal Year Ended June 30, 2014."

FINANCIAL ADVISOR

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

LITIGATION

To the knowledge of the Board Attorney, Gaccione & Pomaco, P.C., Belleville, 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.

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.

RATING

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

The rating reflects only the view of the Rating Agency and an explanation of the significance of such rating 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 rating will be maintained for any given period of time or that the rating 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 rating, may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds are being purchased from the Board by Roosevelt & Cross, Incorporated (the "Underwriter") at a price of \$18,205,000.00. The purchase price of the Bonds reflects the par amount of Bonds equal to \$18,205,000.00, minus an Underwriter's discount of \$331,504.40 plus a net original issue premium of \$331,504.40. 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).

The Board had previously failed to file its annual financial information and operating data as required in accordance with the SEC Rule for fiscal years 2009-2013 and failed to file such information in a timely manner for fiscal year 2014. The Board has subsequently filed all such annual financial information, and material event notices regarding the failure to submit the same. The Board also failed to file notices of rating changes in regard to its prior undertaking but has subsequently filed the applicable notices of previous rating changes. The Board is now in compliance with all existing continuing disclosure agreements in all material respects and has retained Phoenix Advisors, LLC as a Continuing Disclosure Agent.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Business Administrator/Board Secretary, Thomas Lambe, (973) 228-3360, 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 CALDWELL-WEST
CALDWELL SCHOOL DISTRICT IN THE COUNTY OF
ESSEX, NEW JERSEY**

/s/ Thomas Lambe

THOMAS LAMBE,

Business Administrator/Board Secretary

DATED: February 26, 2015

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APPENDIX A

**Economic and Demographic Information Relating to the Caldwell-
West Caldwell Board of Education**

CALDWELL-WEST CALDWELL BOARD OF EDUCATION
STATISTICAL INFORMATION
TABLE OF CONTENTS

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

A-1 thru A-7

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

A-8 thru A-13

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

A-14 thru A-17

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

A-18 thru A-20

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

A-21 thru A-25

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014
Governmental Activities:										
Net Investment in Capital Assets	\$ 917,684	\$ 987,217	\$ 2,038,585	\$ 2,182,606	\$ 1,718,508	\$ 2,855,932	\$ 4,360,633	\$ 5,522,844	\$ 5,216,182	\$ 6,159,739
Restricted	1,873,519	2,149,842	1,516,172	2,095,218	2,169,786	2,263,340	2,083,084	2,659,225	1,651,092	2,100,022
Unrestricted/(Deficit)	(7,327)	35,949	(93,307)	3,825	(72,914)	142,425	652,171	(16,912)	1,539,685	945,528
Total Governmental Activities Net Position	\$ 2,783,876	\$ 3,173,008	\$ 3,461,450	\$ 4,281,649	\$ 3,815,380	\$ 5,261,697	\$ 7,095,888	\$ 8,165,157	\$ 8,406,959	\$ 9,205,289
Business-type Activities:										
Net Investment in Capital Assets	\$ 70,271	\$ 60,355	\$ 50,438	\$ 41,113	\$ 32,380	\$ 24,073	\$ 16,580	\$ 11,540	\$ 294,393	\$ 269,565
Unrestricted	471,032	523,714	587,983	644,190	706,430	681,931	698,717	683,374	311,513	263,545
Total Business-type Activities Net Position	\$ 541,303	\$ 584,069	\$ 638,421	\$ 685,303	\$ 738,810	\$ 706,004	\$ 715,297	\$ 694,914	\$ 605,906	\$ 533,110
District-wide:										
Net Investment in Capital Assets	\$ 987,955	\$ 1,047,572	\$ 2,089,023	\$ 2,223,719	\$ 1,750,888	\$ 2,880,005	\$ 4,377,213	\$ 5,534,384	\$ 5,510,575	\$ 6,429,304
Restricted	1,873,519	2,149,842	1,516,172	2,095,218	2,169,786	2,263,340	2,083,084	2,659,225	1,651,092	2,100,022
Unrestricted	463,705	559,663	494,676	648,015	633,516	824,356	1,350,888	666,462	1,851,198	1,209,073
Total District Net Position	\$ 3,325,179	\$ 3,757,077	\$ 4,099,871	\$ 4,966,952	\$ 4,554,190	\$ 5,967,701	\$ 7,811,185	\$ 8,860,071	\$ 9,012,865	\$ 9,738,399

* Restated

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
 UNAUDITED
 (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 17,210,629	\$ 16,694,959	\$ 17,733,151	\$ 17,639,836	\$ 18,084,323	\$ 17,620,118	\$ 17,288,070	\$ 18,183,952	\$ 18,699,651	\$ 17,597,863
Special Education	2,608,817	3,047,687	3,611,473	3,744,774	3,608,427	4,043,701	3,930,359	3,978,308	4,334,306	4,731,689
Other Special Education	221,004	203,592	273,582	299,873	363,106	482,953	437,846	444,186	310,318	274,181
Other Instruction	980,479	1,034,281	1,114,282	1,173,025	1,206,622	1,266,121	1,193,152	1,243,831	1,270,526	1,471,628
Support Services:										
Tuition	1,513,929	1,682,000	1,796,379	1,910,690	2,066,504	2,068,588	2,263,498	2,510,239	2,591,562	2,201,414
Student & Instruction Related Services	4,502,471	4,538,331	5,054,353	5,208,573	5,397,927	5,731,157	5,583,897	5,664,327	5,745,182	6,669,738
General Administrative Services	682,162	626,420	602,766	764,249	672,186	649,484	652,454	721,574	617,134	707,478
School Administrative Services	2,032,932	2,165,854	2,316,478	2,276,244	2,203,771	2,399,848	2,400,576	2,504,564	2,483,110	2,498,544
Central Services	527,533	552,089	577,183	581,209	588,916	632,244	655,997	697,969	571,121	662,830
Administrative Information Technology	283,642	412,600	425,050	435,933	505,947	499,754	540,943	476,397	631,273	927,055
Plant Operations and Maintenance	3,951,397	4,123,732	4,308,616	4,500,600	4,541,700	4,244,849	4,202,786	4,121,393	4,266,708	5,241,904
Pupil Transportation	826,987	911,486	1,052,180	1,263,234	1,313,889	1,108,586	1,126,584	1,075,175	1,222,320	1,186,701
Transfer of Funds to Charter School				2,560	127					
Interest on Long-term Debt	173,283	147,473	120,773	92,738	489,045	657,494	611,528	584,922	558,316	519,300
Unallocated Depreciation										176,037
Total Governmental Activities Expenses	<u>35,515,265</u>	<u>36,140,504</u>	<u>38,986,266</u>	<u>39,893,538</u>	<u>41,042,490</u>	<u>41,404,897</u>	<u>40,887,690</u>	<u>42,206,837</u>	<u>43,301,527</u>	<u>44,866,362</u>
Business-type Activities:										
Enterprise Funds	770,995	812,620	846,037							
Food Service				485,853	479,998	475,356	526,328	460,560	531,833	524,044
Continuing Education				262,259	266,779	230,623	207,418	199,188	196,336	193,360
Total Business-type Activities Expense	<u>770,995</u>	<u>812,620</u>	<u>846,037</u>	<u>748,112</u>	<u>746,777</u>	<u>705,979</u>	<u>733,746</u>	<u>659,748</u>	<u>728,169</u>	<u>717,404</u>
Total District-wide Expenses	<u>\$ 36,286,260</u>	<u>\$ 36,953,124</u>	<u>\$ 39,832,303</u>	<u>\$ 40,641,650</u>	<u>\$ 41,789,267</u>	<u>\$ 42,110,876</u>	<u>\$ 41,621,436</u>	<u>\$ 42,866,585</u>	<u>\$ 44,029,696</u>	<u>\$ 45,583,766</u>
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Regular Instruction										\$ 26,828
Pupil Transportation										1,773
Operating Grants and Contributions	\$ 3,245,075	\$ 3,507,961	\$ 4,727,730	\$ 4,880,359	\$ 3,253,887	\$ 3,883,092	\$ 3,417,756	\$ 3,726,882	\$ 4,528,522	5,904,622
Capital Grants and Contributions										12,544
Total Governmental Activities Program Revenues	<u>3,245,075</u>	<u>3,507,961</u>	<u>4,727,730</u>	<u>4,880,359</u>	<u>3,253,887</u>	<u>3,883,092</u>	<u>3,417,756</u>	<u>3,726,882</u>	<u>4,528,522</u>	<u>5,945,767</u>
Business-type Activities:										
Charges for Services:										
Food Service				504,215	456,691	459,179	508,566	434,942	439,049	228,037
Continuing Education				268,955	304,489	205,763	233,207	203,897	199,306	368,329
Operating Grants and Contributions	15,413	13,436								48,462
Total Business-type Activities Program Revenues	<u>15,413</u>	<u>13,436</u>	<u></u>	<u>773,170</u>	<u>761,180</u>	<u>664,942</u>	<u>741,773</u>	<u>638,839</u>	<u>638,355</u>	<u>644,828</u>
Total District-wide Program Revenues	<u>\$ 3,260,488</u>	<u>\$ 3,521,397</u>	<u>\$ 4,727,730</u>	<u>\$ 5,653,529</u>	<u>\$ 4,015,067</u>	<u>\$ 4,548,034</u>	<u>\$ 4,159,529</u>	<u>\$ 4,365,721</u>	<u>\$ 5,166,877</u>	<u>\$ 6,590,595</u>

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 UNAUDITED
 (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue:										
Governmental Activities	\$ (32,270,190)	\$ (32,632,543)	\$ (34,258,536)	\$ (35,013,179)	\$ (37,788,603)	\$ (37,521,805)	\$ (37,469,934)	\$ (38,479,955)	\$ (38,773,005)	\$ (38,920,595)
Business-type Activities	(755,582)	(799,184)	(846,037)	25,058	14,403	(41,037)	8,027	(20,909)	(89,814)	(72,576)
Total District-wide Net Expense	<u>\$ (33,025,772)</u>	<u>\$ (33,431,727)</u>	<u>\$ (35,104,573)</u>	<u>\$ (34,988,121)</u>	<u>\$ (37,774,200)</u>	<u>\$ (37,562,842)</u>	<u>\$ (37,461,907)</u>	<u>\$ (38,500,864)</u>	<u>\$ (38,862,819)</u>	<u>\$ (38,993,171)</u>
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 28,895,135	\$ 30,234,720	\$ 31,602,576	\$ 32,902,816	\$ 34,218,929	\$ 35,501,924	\$ 36,921,252	\$ 36,939,862	\$ 36,712,440	\$ 37,446,765
Taxes Levied for Debt Service	620,255	644,739	657,872	690,243	718,253	938,970	871,348	852,738	838,642	846,504
Unrestricted Grants and Contributions	1,899,564	1,820,770	1,772,434	1,838,963	2,151,602	2,339,205	1,290,795	1,527,089	1,720,159	401,759
Investment Earnings	75,671	156,195	210,330	161,610	55,805	15,611	4,740	1,253	1,524	3,580
Miscellaneous Income	318,576	165,253	303,765	239,746	177,745	172,412	215,989	228,282	250,722	205,658
Special Item									(18,534)	
Insurance Recovery Related to Flood Damages										807,788
Transfers										6,871
Total Governmental Activities	<u>31,809,201</u>	<u>33,021,677</u>	<u>34,546,977</u>	<u>35,833,378</u>	<u>37,322,334</u>	<u>38,968,122</u>	<u>39,304,124</u>	<u>39,549,224</u>	<u>39,504,953</u>	<u>39,718,925</u>
Business-type Activities:										
Investment Earnings	4,200	12,675	26,374	21,824	13,739	4,152	1,267	526	\$ 41	\$ 13
Miscellaneous Income	780,172	829,274	874,015	773,170	786,545	4,079			29,583	
Special Item									(31,267)	(233)
Total Business-type Activities	<u>784,372</u>	<u>841,949</u>	<u>900,389</u>	<u>794,994</u>	<u>800,284</u>	<u>8,231</u>	<u>1,267</u>	<u>526</u>	<u>(1,643)</u>	<u>(220)</u>
Total District-wide General Revenues and Other Changes in Net Position	<u>\$ 32,593,573</u>	<u>\$ 33,863,626</u>	<u>\$ 35,447,366</u>	<u>\$ 36,628,372</u>	<u>\$ 38,122,618</u>	<u>\$ 38,976,353</u>	<u>\$ 39,305,391</u>	<u>\$ 39,549,750</u>	<u>\$ 39,503,310</u>	<u>\$ 39,718,705</u>
Change in Net Position:										
Governmental Activities	\$ (460,989)	\$ 389,134	\$ 288,441	\$ 820,199	\$ (466,269)	\$ 1,446,317	\$ 1,834,190	\$ 1,069,269	\$ 731,948	\$ 798,330
Business-type Activities	28,790	42,765	54,352	820,052	814,687	(32,806)	9,294	(20,383)	(91,457)	(72,796)
Total District-wide Change in Net Position	<u>\$ (432,199)</u>	<u>\$ 431,899</u>	<u>\$ 342,793</u>	<u>\$ 1,640,251</u>	<u>\$ 348,418</u>	<u>\$ 1,413,511</u>	<u>\$ 1,843,484</u>	<u>\$ 1,048,886</u>	<u>\$ 640,491</u>	<u>\$ 725,534</u>

A-3

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014
General Fund:										
Reserved	\$ 1,733,811	\$ 1,432,275	\$ 1,486,172	\$ 1,349,505	\$ 2,169,786	\$ 2,263,340	\$ 2,083,084	\$ 2,659,225		
Restricted									\$ 3,094,436	\$ 2,028,115
Assigned										928,240
Unassigned	461,554	434,754	332,153	1,257,352	555,777	827,222	1,221,780	571,730	532,455	815,154
Total General Fund	<u>\$ 2,195,365</u>	<u>\$ 1,867,029</u>	<u>\$ 1,818,325</u>	<u>\$ 2,606,857</u>	<u>\$ 2,725,563</u>	<u>\$ 3,090,562</u>	<u>\$ 3,304,864</u>	<u>\$ 3,230,955</u>	<u>\$ 3,626,891</u>	<u>\$ 3,771,509</u>
All Other Governmental Funds:										
Reserved	\$ 80,100	\$ 717,567	\$ 30,000	\$ 95,713	\$ 5,735,683	\$ 950,836	\$ 2,073,718	\$ 1,049,050		
Restricted									\$ 85,622	\$ 71,907
Committed									58,708	174,968
Unreserved, Reported in:										
Capital Projects Fund	59,608			14,269,635	3,216,125	1,974,946	725,636	14,876		
Debt Service Fund						1				
Total All Other Governmental Funds	<u>\$ 139,708</u>	<u>\$ 717,567</u>	<u>\$ 30,000</u>	<u>\$ 14,365,348</u>	<u>\$ 8,951,808</u>	<u>\$ 2,925,783</u>	<u>\$ 2,799,354</u>	<u>\$ 1,063,926</u>	<u>\$ 144,330</u>	<u>\$ 246,875</u>
Total Governmental Funds	<u>\$ 2,335,073</u>	<u>\$ 2,584,596</u>	<u>\$ 1,848,325</u>	<u>\$ 16,972,205</u>	<u>\$ 11,677,371</u>	<u>\$ 6,016,345</u>	<u>\$ 6,104,218</u>	<u>\$ 4,294,881</u>	<u>\$ 3,771,221</u>	<u>\$ 4,018,384</u>

* Restated

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Tax Levy	\$ 29,515,390	\$ 30,879,459	\$ 32,260,448	\$ 33,593,059	\$ 34,937,182	\$ 36,440,894	\$ 37,551,082	\$ 37,792,600	\$ 37,551,082	\$ 38,293,269
Tuition from Individuals										26,828
Transportation Fees						3,694	1,424	1,161	1,424	1,773
Interest Earned on Capital Reserve Funds	8,631	26,749	11,826	16,723	6,363	1,193	101	92	101	2,329
Miscellaneous	385,616	294,699	387,269	372,133	227,187	183,135	250,722	228,282	250,722	318,689
State Sources	4,561,441	4,793,893	5,907,604	6,106,002	4,803,731	5,037,527	3,953,667	4,576,840	5,658,392	5,246,481
Federal Sources	583,199	534,837	592,560	610,821	601,758	1,184,771	754,884	677,131	590,289	960,664
Total Revenue	35,054,277	36,529,637	39,159,707	40,698,738	40,576,221	42,851,214	42,511,880	43,276,106	44,052,010	44,850,033
Expenditures:										
Instruction:										
Regular Instruction	11,565,375	11,620,272	11,875,903	12,033,197	12,933,462	12,942,086	12,364,390	12,663,677	12,364,390	12,488,647
Special Education Instruction	1,901,579	2,196,598	2,417,742	2,650,705	2,768,103	2,963,223	2,934,542	2,770,617	2,934,542	3,485,438
Other Special Instruction	167,523	156,010	183,490	217,276	284,786	358,472	215,809	311,496	215,809	192,571
School-Sponsored/Other Instruction	846,443	885,435	949,463	999,779	1,034,583	1,073,255	997,374	1,029,678	1,070,315	1,100,445
Support Services:										
Tuition	1,513,929	1,682,000	1,796,380	1,910,690	2,066,504	2,068,588	2,263,498	2,510,239	2,591,562	2,201,414
Student & Other Instruction Related Services	3,936,482	3,953,824	4,370,056	4,449,128	4,645,881	4,924,002	4,639,043	4,664,312	4,873,166	5,152,377
General Administrative Services	626,624	566,703	602,766	651,376	576,346	573,707	1,782,847	631,702	543,184	511,712
School Administrative Services	1,554,269	1,630,970	1,632,857	1,691,765	1,740,210	1,810,620	569,162	1,827,199	1,774,829	1,798,218
Central Services	450,246	466,847	485,178	495,370	504,949	523,289	535,677	564,932	465,764	466,973
Administrative Information Technology	266,149	393,232	404,073	371,549	433,809	474,930	513,258	562,857	602,217	832,683
Plant Operations and Maintenance	3,601,115	3,735,948	3,904,498	3,835,901	3,894,148	3,769,387	3,728,131	3,622,480	3,770,095	4,620,397
Student Transportation	826,987	911,486	1,034,167	1,076,665	1,126,556	1,077,685	1,088,816	1,036,595	1,222,320	1,123,218
Unallocated Benefits	6,371,605	7,081,885	8,468,857	8,716,934	7,116,549	7,866,602	8,401,009	9,120,191	9,897,159	9,604,165
Transfer of Funds to Charter School				2,560	127					
Capital Outlay	1,402,073	251,431	273,158	479,224	5,555,997	6,694,900	1,292,086	2,539,546	1,100,375	628,283
Debt Service:										
Principal	580,000	600,000	630,000	650,000	700,000	734,000	645,000	645,000	645,000	680,000
Interest and Other Charges	173,283	147,473	120,773	92,738	489,045	657,494	611,528	584,922	558,315	530,988
Total Expenditures	35,783,682	36,280,114	39,149,361	40,324,857	45,871,055	48,512,240	42,582,170	45,085,443	44,629,042	45,417,529

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Excess/(Deficit) of Revenues Over/(Under)										
Expenditures	\$ (729,405)	\$ 249,523	\$ 10,346	\$ 373,881	\$ (5,294,834)	\$ (5,661,026)	\$ (70,290)	\$ (1,809,337)	\$ (577,032)	\$ (567,496)
Other Financing Sources/(Uses):										
Long Term Debt Issued				14,765,000						
Insurance Recovery Related to Flood Damages										807,788
Capital Leases	300,000									
Transfers			(114,250)							6,871
Special Item									(18,534)	
Total Other Financing Sources/(Uses)	300,000	-0-	(114,250)	14,765,000	-0-	-0-	-0-	-0-	(18,534)	814,659
Net Change in Fund Balances	\$ (429,405)	\$ 249,523	\$ (103,904)	\$ 15,138,881	\$ (5,294,834)	\$ (5,661,026)	\$ (70,290)	\$ (1,809,337)	\$ (595,566)	\$ 247,163
Debt Service as a % of Noncapital Expenditures	2.19%	2.07%	1.93%	1.86%	2.95%	3.33%	3.04%	2.89%	2.76%	2.70%

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Basis of Accounting)

Fiscal Year Ending June 30,	Interest on Investments	Insurance Dividends	Tuition from Other LEAs	Gate Receipts	Transportation Fees	Rentals	Prior Year Refunds	Adjustment of Prior Years' Orders	Miscellaneous	Total
2005	\$ 84,632	\$ 17,355		\$ 9,160	\$ 4,172	\$ 61,222	\$ 30,802	\$ 17,278	\$ 300,376	\$ 524,997
2006	156,551	16,415		10,020	2,860	64,307	22,393	11,635	10,518	294,699
2007	210,329			7,057	2,790	145,496	14,630	6,845	122	387,269
2008	161,610			9,810	3,341	148,439	11,428	24,719	27,012	386,359
2009	56,138	35,664	\$ 8,757	31,268	4,262	62,901	17,674	579	9,307	226,550
2010	15,611		500	29,523	3,695	61,842	8,950	228	25,673	146,022
2011	4,740	3,589		36,112	3,807	69,878	58,342	11	37,262	213,741
2012	1,826			36,395	1,161	75,682	100,615		6,856	222,535
2013	672		24,597	38,098	1,424	66,488	60,665		50,586	242,530
2014	1,251		26,828	13,639	1,773	69,681	25,990		98,677	237,839

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

Year Ended Dec. 31	Vacant Land	Residential	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
<u>Borough of Caldwell</u>												
2004	\$ 549,300	\$ 81,086,200	\$ -0-	\$ 14,071,200	\$ -0-	\$ 9,306,700	\$ 105,013,400	\$ 681,747	\$ 105,695,147	\$ 52,656,300	\$ 8.55	\$ 754,242,657
2005 *	7,176,200	815,067,800	-0-	124,774,600	-0-	82,240,800	1,029,259,400	5,021,410	1,034,280,810	127,130,000	0.94	888,439,439
2006	5,760,200	813,084,000	-0-	122,047,300	-0-	82,674,900	1,023,566,400	5,021,410	1,028,587,810	127,696,300	1.02	992,726,637
2007	7,083,500	815,602,600	-0-	121,848,700	-0-	78,554,800	1,023,089,600	5,021,410	1,028,111,010	126,873,800	1.06	1,116,255,454
2008	7,095,800	819,061,100	-0-	121,736,800	-0-	77,955,000	1,025,848,700	4,009,252	1,029,857,952	126,374,300	1.09	1,143,440,806
2009	5,619,300	820,799,500	-0-	126,565,100	-0-	77,955,000	1,030,938,900	3,987,384	1,034,926,284	126,289,200	1.10	1,162,210,844
2010	4,840,100	821,868,350	-0-	126,626,300	-0-	77,655,000	1,030,989,750	4,061,607	1,035,051,357	126,252,200	1.11	1,131,875,733
2011	4,840,100	816,333,350	-0-	128,437,200	-0-	77,655,000	1,027,265,650	4,245,536	1,031,511,186	125,773,000	1.14	1,114,440,103
2012	4,583,200	809,028,850	-0-	127,391,700	-0-	77,155,000	1,018,158,750	4,262,527	1,022,421,277	126,177,800	1.15	1,074,905,267
2013	3,667,600	803,292,350	-0-	126,905,900	-0-	76,785,100	1,010,650,950	3,742,536	1,014,393,486	126,250,300	1.15	1,026,083,311
<u>Township of West Caldwell</u>												
2004	\$ 8,707,700	\$ 750,223,100	\$ 81,400	\$ 161,423,700	\$ 183,850,800	\$ 8,290,900	\$ 1,112,577,600	\$ 964,900	\$ 1,113,542,500	\$ 70,133,900	\$ 1.79	\$ 1,633,934,445
2005	9,805,300	754,399,800	81,400	160,039,800	182,640,200	8,040,700	1,115,007,200	835,500	1,115,842,700	70,244,300	1.83	1,806,978,614
2006	8,000,400	762,514,300	81,400	163,122,900	183,765,400	8,040,700	1,125,525,100	723,400	1,126,248,500	70,045,500	1.87	1,994,032,702
2007	7,507,300	771,213,200	81,400	163,515,800	182,365,400	8,040,700	1,132,723,800	665,300	1,133,389,100	69,944,300	1.94	2,254,534,266
2008	7,707,200	777,413,400	81,400	162,519,000	182,895,200	7,906,700	1,138,522,900	674,800	1,139,197,700	70,073,300	2.02	2,384,318,194
2009	6,977,900	784,492,900	81,400	163,136,800	176,637,600	7,906,700	1,139,233,300	659,800	1,139,893,100	69,773,300	2.14	2,568,255,600
2010	6,882,300	788,206,900	81,400	162,816,600	172,279,300	7,906,700	1,138,173,200	688,400	1,138,861,600	69,773,300	2.25	2,569,566,983
2011 *	14,481,200	1,514,974,700	81,800	347,629,600	338,616,100	16,160,900	2,231,944,300	1,552,700	2,233,497,000	133,024,264	1.17	2,417,264,444
2012	14,147,200	1,514,131,500	81,800	346,533,400	338,019,100	16,160,900	2,229,073,900	1,464,400	2,230,538,300	133,513,064	1.16	2,349,678,860
2013	20,189,800	1,512,331,600	81,800	342,256,700	334,247,000	16,160,900	2,225,267,800	1,633,200	2,226,901,000	134,552,264	1.18	2,346,745,819

A-8

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation.

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

^b Tax rates are per \$100 of assessed value.

* Revaluation became effective in this year.

Source: Borough of Caldwell and Township of West Caldwell Tax Assessor.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN YEARS

UNAUDITED

(Rate per \$100 of Assessed Value)

Year Ended December 31,	Caldwell-West Caldwell School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General		Total Direct	Borough of Caldwell	Essex County	
	Basic Rate ^a	Obligation Debt Service ^b				
2004	\$ 8.37	\$ 0.18	\$ 8.55	\$ 3.87	\$ 3.72	\$ 16.14
2005	* 0.92	0.02	0.94	0.52	0.42	1.88
2006	1.00	0.02	1.02	0.60	0.42	2.04
2007	1.04	0.02	1.06	0.63	0.43	2.12
2008	1.07	0.02	1.09	0.67	0.43	2.19
2009	1.07	0.03	1.10	0.68	0.44	2.22
2010	1.08	0.03	1.11	0.69	0.45	2.25
2011	1.11	0.03	1.14	0.69	0.48	2.31
2012	1.13	0.03	1.15	0.71	0.48	2.35
2013	1.13	0.03	1.15	0.72	0.50	2.37

Note: NJSA 18A:7F-5d limits the amount that the District can submit for a General Fund tax levy. The levy when added to other components of the District's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

^a The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

^b Rates for debt service are based on each year's requirements.

* Revaluation became effective in this year.

Source: Borough of Caldwell Tax Collector and School Business Administrator.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN YEARS

UNAUDITED

(Rate per \$100 of Assessed Value)

Year Ended December 31,	Caldwell-West Caldwell School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General		Total Direct	Township of West Caldwell	Essex County	
	Basic Rate ^a	Obligation Debt Service ^b				
2004	\$ 1.75	\$ 0.04	\$ 1.79	\$ 0.75	\$ 0.78	\$ 3.32
2005	1.79	0.04	1.83	0.81	0.78	3.42
2006	1.83	0.04	1.87	0.85	0.78	3.50
2007	1.90	0.04	1.94	0.91	0.78	3.63
2008	1.98	0.04	2.02	0.99	0.79	3.80
2009	2.09	0.05	2.14	1.00	0.89	4.03
2010	2.20	0.05	2.25	1.03	0.93	4.21
2011	* 1.14	0.03	1.17	0.55	0.48	2.20
2012	1.13	0.03	1.16	0.55	0.49	2.19
2013	1.15	0.03	1.18	0.56	0.52	2.26

Note: NJSA 18A:7F-5d limits the amount that the District can submit for a General Fund tax levy. The levy when added to other components of the District's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

^a The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

^b Rates for debt service are based on each year's requirements.

* Revaluation became effective in this year.

Source: Township of West Caldwell Tax Collector and School Business Administrator.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO

Borough of Caldwell

Taxpayer	2013		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Westover Associates	\$ 11,198,500	1	1.10%
Carlyle Towers, A Partnership	8,736,700	2	0.86%
Panyork Group, Inc.	8,015,000	3	0.79%
Caldwell Plaza, Inc.	6,000,000	4	0.59%
S&S 550 Bloomfield Ave. LLC	5,000,000	5	0.49%
Parkview Common Apartments	3,616,200	6	0.36%
Sidebrook Associates	3,609,500	7	0.36%
Rumsey Park Associates	3,563,000	8	0.35%
Investor's Holding Fund	3,200,000	9	0.32%
Hillside Realty	3,142,800	10	0.31%
Total	<u>\$ 56,081,700</u>		<u>5.53%</u>

Taxpayer	2004		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value

INFORMATION IS NOT AVAILABLE

Source: Borough of Caldwell Tax Assessor.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO

Township of West Caldwell

Taxpayer	2013		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Lutheran Social Ministries, Inc.	\$ 81,000,000	1	3.64%
GR/SS Caldwell	38,433,362	2	1.73%
Toyota Motor Sales	32,033,883	3	1.44%
LTS Lohmann Therapy Systems	32,016,616	4	1.44%
West Caldwell Plaza	22,912,451	5	1.03%
Leknarf Associates LLC	22,723,991	6	1.02%
Mountain Ridge Country Club	19,642,907	7	0.88%
CMI Essex Property	19,500,000	8	0.88%
Eagle Rock Convalescent Center	16,943,514	9	0.76%
Ricoh of America, Inc.	14,200,000	10	0.64%
Total	<u>\$ 299,406,725</u>		<u>13.44%</u>

Taxpayer	2004		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value

INFORMATION IS NOT AVAILABLE

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy ^a</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
<u>Borough of Caldwell</u>				
2005	\$ 9,749,933	\$ 9,749,933	100.00%	\$ -0-
2006	10,450,401	10,450,401	100.00%	-0-
2007	10,923,559	10,923,559	100.00%	-0-
2008	11,224,299	11,224,299	100.00%	-0-
2009	11,338,539	11,338,539	100.00%	-0-
2010	11,454,861	11,454,861	100.00%	-0-
2011	11,750,554	11,750,554	100.00%	-0-
2012	11,589,876	11,589,876	100.00%	-0-
2013	11,726,967	11,726,967	100.00%	-0-
2014	11,624,823	11,624,823	100.00%	-0-
<u>Township of West Caldwell</u>				
2005	\$ 20,447,492	\$ 20,447,492	100.00%	\$ -0-
2006	21,119,552	21,119,552	100.00%	-0-
2007	22,003,194	22,003,194	100.00%	-0-
2008	23,040,821	23,040,821	100.00%	-0-
2009	24,350,499	24,350,499	100.00%	-0-
2010	25,661,886	25,661,886	100.00%	-0-
2011	26,042,046	26,042,046	100.00%	-0-
2012	25,236,275	25,236,275	100.00%	-0-
2013	25,824,115	25,824,115	100.00%	-0-
2014	26,668,446	26,668,446	100.00%	-0-

^a School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the School District the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Borough of Caldwell and Township of West Caldwell School District records including the Certificate and Report of School Taxes (A4F form).

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Business-Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Obligations Under Capital Leases				
2005	\$ 3,314,000	\$ 622,103	\$ -0-	\$ 3,936,103	0.52%	\$ 214
2006	2,714,000	471,044	-0-	3,185,044	0.40%	175
2007	2,084,000	330,890	-0-	2,414,890	0.28%	135
2008	16,199,000	191,374	-0-	16,390,374	1.86%	930
2009	15,499,000	443,174	-0-	15,942,174	1.79%	911
2010	14,765,000	340,903	-0-	15,105,903	1.74%	862
2011	14,120,000	238,632	-0-	14,358,632	1.50%	773
2012	13,475,000	122,204	-0-	13,597,204	1.36%	731
2013	12,830,000	317,096	-0-	13,147,096	1.28%	703
2014	12,150,000	225,115	-0-	12,375,115	1.20%	661

A-14

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

^a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Source: Caldwell-West Caldwell School District Financial Reports.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation Taxable ^a	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 3,314,000	\$ -0-	\$ 3,314,000	0.27%	\$ 180
2006	2,714,000	-0-	2,714,000	0.13%	149
2007	2,084,000	-0-	2,084,000	0.10%	117
2008	16,199,000	-0-	16,199,000	0.75%	919
2009	15,499,000	-0-	15,499,000	0.71%	886
2010	14,765,000	-0-	14,765,000	0.68%	843
2011	14,120,000	-0-	14,120,000	0.65%	760
2012	13,475,000	-0-	13,475,000	0.41%	724
2013	12,830,000	-0-	12,830,000	0.39%	686
2014	12,150,000	-0-	12,150,000	0.37%	649

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

^a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

^b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Caldwell-West Caldwell School District Financial Reports

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2013
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes:			
Borough of Caldwell	\$ 11,936,830	100.000%	\$ 11,936,830
Township of West Caldwell	16,045,067	100.000%	16,045,067
Essex County General Obligation Debt:			
Borough of Caldwell Share	333,048,248	1.212%	4,035,061
Township of West Caldwell Share	333,048,248	2.771%	<u>9,228,552</u>
Subtotal, Overlapping Debt			41,245,510
Caldwell-West Caldwell Board of Education Direct Debt			<u>12,375,115</u>
Total Direct and Overlapping Debt			<u><u>\$ 53,620,625</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Caldwell and West Caldwell. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Sources: Assessed value data used to estimate applicable percentages provided by the Essex County Board of Taxation; debt outstanding data provided by each governmental unit.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 88,885,213	\$ 106,670,011	\$ 119,664,443	\$ 140,417,582	\$ 145,092,037	\$ 145,231,252	\$ 141,441,876	\$ 137,991,210	\$ 137,007,357	\$ 133,495,293
Total Net Debt Applicable to Limit	3,314,000	2,714,000	2,084,000	16,199,000	15,499,000	14,765,000	14,120,000	13,475,000	12,830,000	12,150,000
Legal Debt Margin	\$ 85,571,213	\$ 103,956,011	\$ 117,580,443	\$ 124,218,582	\$ 129,593,037	\$ 130,466,252	\$ 127,321,876	\$ 124,516,210	\$ 124,177,357	\$ 121,345,293
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	3.73%	2.54%	1.74%	11.54%	10.68%	10.17%	9.98%	9.77%	9.36%	9.10%

Legal Debt Margin Calculation for Fiscal Year 2014

	Borough of Caldwell	Township of West Caldwell	Total
Equalized valuation basis:			
2013	\$ 997,976,647	\$ 2,238,474,801	\$ 3,236,451,448
2012	1,024,407,637	2,337,535,549	3,361,943,186
2011	1,074,433,271	2,339,319,044	3,413,752,315
			<u>\$ 10,012,146,949</u>
Average Equalized Valuation of Taxable Property			<u>\$ 3,337,382,316</u>
Debt Limit (4% of average equalization value) ^a			\$ 133,495,293
Net Bonded School Debt			<u>12,150,000</u>
Legal Debt Margin			<u>\$ 121,345,293</u>

^a Limit set by NJSIA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts.

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Borough of Caldwell

<u>Year</u>	<u>Population ^a</u>	<u>Essex County Per Capita Personal Income ^b</u>	<u>Borough of Caldwell Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2005	7,378	\$ 43,986	\$ 324,528,708	2.20%
2006	7,246	47,627	345,105,242	2.30%
2007	7,160	49,978	357,842,480	2.10%
2008	7,106	51,039	362,683,134	2.50%
2009	7,115	49,634	353,145,910	5.10%
2010	7,823	51,448	402,477,704	5.20%
2011	7,833	53,538	419,363,154	4.90%
2012	7,854	54,879	431,019,666	5.10%
2013	7,861	54,879 *	431,403,819 ***	6.50%
2014	7,861 **	54,879 *	431,403,819 ***	N/A

* - Latest Essex County per capita personal income available (2012) was used for calculation purposes.

** - Latest population data available (2013) was used for calculation purposes.

*** - Latest available population data (2013) and latest available Essex County per capita personal income (2012) was used for calculation purposes.

N/A - Information is not available.

Sources:

- ^a Population information provided by the NJ Department of Labor and Workforce Development.
- ^b Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
- ^c Personal income has been estimated based upon the municipal population and per capita personal income presented.
- ^d Unemployment data provided by the NJ Department of Labor and Workforce Development.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Township of West Caldwell

<u>Year</u>	<u>Population ^a</u>	<u>Essex County Per Capita Personal Income ^b</u>	<u>Township of West Caldwell Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2005	10,776	\$ 43,986	\$ 473,993,136	2.20%
2006	10,597	47,627	504,703,319	3.30%
2007	10,469	49,978	523,219,682	2.90%
2008	10,391	51,039	530,346,249	3.60%
2009	10,407	49,634	516,541,038	7.30%
2010	10,761	51,448	553,631,928	7.30%
2011	10,775	53,538	576,871,950	7.00%
2012	10,838	54,879	594,778,602	7.20%
2013	10,868	54,879 *	596,424,972 ***	4.00%
2014	10,868 **	54,879 *	596,424,972 ***	N/A

* - Latest Essex County per capita personal income available (2012) was used for calculation purposes.

** - Latest population data available (2013) was used for calculation purposes.

*** - Latest available population data (2013) and latest available Essex County per capita personal income (2012) was used for calculation purposes.

N/A - Information is not available.

Sources:

- ^a Population information provided by the NJ Department of Labor and Workforce Development.
- ^b Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
- ^c Personal income has been estimated based upon the municipal population and per capita personal income presented.
- ^d Unemployment data provided by the NJ Department of Labor and Workforce Development.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF ESSEX
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Employer	2013		
	Employees	Rank	Percentage of Total Employment
St. Barnabas Health Care System	23,000	1	6.92%
Verizon	17,100	2	5.14%
Prndential Ins. Co. of America	16,850	3	5.07%
Rutgers University-Newark Campus	15,500	4	4.66%
Continental Airlines	11,000	5	3.31%
Newark Board of Education	7,050	6	2.12%
Automatic Data Processing	5,649	7	1.70%
New Jersey Transit	4,000	8	1.20%
City of Newark	4,000	9	1.20%
Essex County	3,500	10	1.05%
	107,649		32.39%
Total Employment	332,387		

Employer	2004		
	Employees	Rank (Optional)	Percentage of Total Employment

INFORMATION IS NOT AVAILABLE

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Instruction:										
Regular	159	162	164	164	165	166	161	161	164	160
Special Education	39	41	42	44	44	46	44	46	46	47
Other Special Education	9	9	9	10	10	10	10	11	8	8
Other Instruction	17	17	19	19	19	19	18	18	20	23
Support Services:										
Student & Instruction Related Services	44	44	58	62	63	63	55	50	54	55
School Administration	22	22	22	23	23	23	23	22	24	24
General Administration	9	9	9	9	9	9	9	10	5	5
Central Services	6	6	6	6	6	6	6	6	6	6
Plant Operations and Maintenance	39	39	39	39	39	39	37	40	36	37
Pupil Transportation	3	2	2	3	3	3	3	4	4	2
Total	<u>347</u>	<u>351</u>	<u>370</u>	<u>379</u>	<u>381</u>	<u>384</u>	<u>366</u>	<u>368</u>	<u>367</u>	<u>367</u>

Source: Caldwell-West Caldwell School District Personnel Records.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year End June 30,	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^b	Percentage Change	Teaching Staff ^c	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School	High School				
2005	2,618	\$ 33,628,326	\$ 12,845	11.63%	224	1:15	1:17	1:13	2,572	2,478	0.00%	96.35%
2006	2,623	35,281,210	13,451	4.72%	230	1:15	1:16	1:14	2,610	2,522	1.48%	96.63%
2007	2,626	38,125,430	14,518	7.94%	234	1:15	1:16	1:13	2,633	2,506	0.88%	95.18%
2008	2,630	39,102,895	14,868	2.41%	234	1:15	1:16	1:13	2,653	2,511	0.76%	94.65%
2009	2,656	39,126,013	14,731	-0.92%	238	1:15	1:15	1:13	2,652	2,536	-0.04%	95.63%
2010	2,591	40,425,846	15,602	5.91%	240	1:15	1:15	1:13	2,573	2,492	-2.98%	96.85%
2011	2,592	40,033,556	15,445	-1.01%	232	1:15	1:15	1:14	2,597	2,493	0.93%	96.00%
2012	2,586	41,315,975	15,977	3.44%	236	1:15	1:17	1:14	2,602	2,494	0.19%	95.85%
2013	2,631	42,325,352	16,087	0.69%	238	1:15	1:17	1:14	2,596	2,514	-0.23%	96.84%
2014	2,637	43,578,258	16,526	2.73%	238	1:15	1:17	1:14	2,635	2,522	1.50%	95.71%

Note: Enrollment based on annual October District count.

^a Operating expenditures equal total expenditures less debt service and capital outlay.

^b Cost Per Pupil calculated above is the sum of operating expenditures divided by enrollment. This may be different from the State's Cost Per Pupil calculations.

^c Teaching staff includes only full-time equivalents of certificated staff.

^d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Source: Caldwell-West Caldwell School District Records.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST NINE FISCAL YEARS
UNAUDITED

District Building	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Jefferson School (1954)										
Square Feet	37,369	37,369	37,369	37,369	37,369	37,369	37,369	37,369	37,369	37,369
Capacity (Students)	350	350	350	350	350	350	350	350	350	350
Enrollment	285	274	284	283	293	305	295	309	307	320
Lincoln School (1915)										
Square Feet	35,461	35,461	35,461	35,461	35,461	35,461	35,461	35,461	35,461	35,461
Capacity (Students)	350	350	350	350	350	350	350	350	350	350
Enrollment	247	229	230	220	227	235	234	237	256	252
Washington School (1948)										
Square Feet	46,319	46,319	46,319	46,319	46,319	46,319	46,319	46,319	46,319	46,319
Capacity (Students)	523	523	523	523	523	523	523	523	523	523
Enrollment	397	414	425	404	401	375	367	362	372	354
Wilson School (1958)										
Square Feet	35,996	35,996	35,996	35,996	35,996	35,996	35,996	35,996	35,996	35,996
Capacity (Students)	350	350	350	350	350	350	350	350	350	350
Enrollment	227	230	234	244	239	239	251	255	245	248
Grover Cleveland Middle School (1925)										
Square Feet	114,670	114,670	114,670	114,670	114,670	114,670	114,670	114,670	114,670	114,670
Capacity (Students)	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256
Enrollment	634	625	621	627	613	631	634	645	647	637
James Caldwell High School (1960)										
Square Feet	127,023	127,023	127,023	127,023	127,023	127,023	127,023	127,023	127,023	127,023
Capacity (Students)	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265	1,265
Enrollment	809	828	809	819	848	788	791	757	781	792
Harrison School Building										
Square Feet	35,759	35,759	35,759	35,759	35,759	35,759	35,759	35,759	35,759	35,759
Enrollment - PSD	19	23	23	33	35	18	20	21	23	34
Maintenance Shop										
Square Feet	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250
Field House										
Square Feet	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100

Number of Schools at June 30.

Elementary = 4
Middle School = 1
High School = 1
Other = 3

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance for School Facilities*
 Account Number 11-000-261-XXX

Fiscal Year Ended June 30,	Jefferson Elementary School	Lincoln Elementary School	Washington Elementary School	Wilson Elementary School	Harrison Elementary School	Grover Cleveland Middle School	James Caldwell High School	Total
2005	\$ 73,320	\$ 62,183	\$ 78,774	\$ 76,060	\$ 68,540	\$ 190,861	\$ 347,110	\$ 896,848
2006	91,545	70,760	92,081	72,485	86,959	182,401	374,301	970,532
2007	93,170	71,131	101,074	84,533	80,556	231,524	421,925	1,083,913
2008	75,019	69,733	91,487	80,210	77,356	217,582	521,965	1,133,352
2009	99,945	85,543	112,508	99,368	113,510	252,946	453,131	1,216,951
2010	109,705	101,258	107,298	73,888	98,130	255,585	429,048	1,174,912
2011	90,237	112,879	126,005	90,158	89,459	221,611	439,534	1,169,883
2012	101,893	102,931	129,790	91,582	92,590	228,456	377,612	1,124,854
2013	136,869	66,961	98,144	89,060	159,225	303,942	470,565	1,324,766
2014	86,994	70,353	90,428	73,210	87,956	1,281,104	302,879	1,992,924

* School facilities as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3).

A-24

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2014
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund (SAIF):		
School Package Policy:		
Building & Personal Property	\$ 250,000,000 Fund Limit	\$ 2,500
Inland Marine - Auto Physical Damage		
General Liability including Auto, Employee Benefits:		
Per Occurrence	5,000,000	
General Aggregate	100,000,000 Fund Aggregate	
Product/Completed Ops		
Personal Injury		
Fire Damage	2,500,000	
Medical Expenses (excluding students taking part in athletics)	5,000	
Automobile Coverage		
Combined Single Limit		
Hired/Non-owned		
Environmental Impairment Liability	1,000,000 / 25,000,000 Fund Aggregate	10,000
Crime Coverage	50,000 Inside/Outside	1,000
Blanket Dishonesty Bond	100,000	1,000
Boiler and Machinery	100,000,000	1,000
Excess Liability (AL/GL/SLPL)	10,000,000	
School Board Legal Liability	5,000,000	5,000
Workers' Compensation:	Statutory	
Employer's Liability	5,000,000	
Supplemental Indemnity	Statutory	
Public Officials' Bonds - Selective Insurance Company of America:		
Treasurer of School Monies	300,000	
Business Administrator/Board Secretary	100,000	
Student Accident/Athletes only - Bollinger	5,000,000	

Source: Caldwell-West Caldwell School District records.

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APPENDIX B

**Financial Statements of The Board of Education of the Caldwell-West Caldwell School District
for Fiscal Year Ended June 30, 2014**

CALDWELL-WEST CALDWELL BOARD OF EDUCATION
FINANCIAL STATEMENTS
TABLE OF CONTENTS

Audited Financial Statements for the Year Ended June 30, 2014

Independent Auditors' Report	B-1-B-3
District-Wide Financial Statements:	
Statement of Net Position	B-4
Statement of Activities	B-5 to B-6
Fund Financial Statements:	
Balance Sheet – Governmental Funds	B-7
Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	B-8 to B-9
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Government Funds to the Statement of Activities	B-10
Statement of Net Position – Proprietary Funds	B-11
Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds	B-12
Statement of Cash Flows – Proprietary Funds	B-13
Statement of Fiduciary Net Position – Fiduciary Funds	B-14
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	B-15
Notes to Financial Statements	B-16 to B-37

INTRODUCTORY STATEMENT

Pursuant to N.J.S.A. 18:23-1 et seq., every board of education is required to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant within five months of the end of the fiscal year and filed with the State Commissioner of Education in Trenton. The financial statements included in Appendix B are excerpts from the audit performed in accordance with the statute for the school fiscal year ended June 30, 2014. The Board represents that the information contained in the excerpts is accurate. Complete copies of the audit are on file with the Board of Education and the State Department of Education in Trenton.

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Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Caldwell-West Caldwell School District
County of Essex, 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 Caldwell-West Caldwell School District (the "District") in the County of Essex, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Auditors' 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 *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 from 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 District'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 District'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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Caldwell-West Caldwell School District, in the County of Essex, 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

The financials statements of the District as of June 30, 2013 were audited by other auditors whose report dated November 5, 2013 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members
of the Board of Education
Caldwell-West Caldwell School District
Page 2

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014 on our consideration of the District'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 District's internal control over financial reporting and compliance.

November 17, 2014
Mount Arlington, New Jersey

NISIVOCCIA, LLP

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,338,077	\$ 263,252	\$ 2,601,329
Interfund Receivable - Flexible Spending Trust	9,027		9,027
Receivables from State Government	555,081	116	555,197
Receivables from Federal Government	101,366	2,957	104,323
Receivables from Other Governments	8,058		8,058
Other Accounts Receivables	251,679		251,679
Inventories		4,424	4,424
Restricted Cash and Cash Equivalents	1,628,115		1,628,115
Capital Assets, Net:			
Sites (Land) and Construction in Progress	1,514,764		1,514,764
Depreciable Site Improvements, Buildings & Building Improvements and Machinery and Equipment	17,020,090	269,565	17,289,655
Total Assets	<u>23,426,257</u>	<u>540,314</u>	<u>23,966,571</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	820,035	301	820,336
Accrued Interest Payable	215,401		215,401
Payable to State Government	47,170		47,170
Unearned Revenue	5,814	6,903	12,717
Noncurrent Liabilities:			
Due Within One Year	918,164		918,164
Due Beyond One Year	12,214,384		12,214,384
Total Liabilities	<u>14,220,968</u>	<u>7,204</u>	<u>14,228,172</u>
NET POSITION			
Net Investment in Capital Assets	6,159,739	269,565	6,429,304
Restricted for:			
Capital Projects	1,628,115		1,628,115
Debt Service	71,907		71,907
Other Purposes	400,000		400,000
Unrestricted	945,528	263,545	1,209,073
Total Net Position	<u>\$ 9,205,289</u>	<u>\$ 533,110</u>	<u>\$ 9,738,399</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
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	\$ 17,597,863	\$ 26,828	\$ 2,000,990		\$ (15,570,045)		\$ (15,570,045)
Special Education	4,731,689		2,351,804		(2,379,885)		(2,379,885)
Other Special Instruction	274,181		30,697		(243,484)		(243,484)
Other Instruction	1,471,628		139,006		(1,332,622)		(1,332,622)
Support Services:							
Tuition	2,201,414				(2,201,414)		(2,201,414)
Student and Instruction Related Services	6,669,738		990,377		(5,679,361)		(5,679,361)
General Administrative Services	707,478		48,665		(658,813)		(658,813)
School Administrative Services	2,498,544		180,739		(2,317,805)		(2,317,805)
Central Services	662,830		68,410		(594,420)		(594,420)
Administrative Information Technology	927,055				(927,055)		(927,055)
Plant Operations and Maintenance	5,241,904			\$ 12,544	(5,229,360)		(5,229,360)
Pupil Transportation	1,186,701	1,773	93,934		(1,090,994)		(1,090,994)
Unallocated Depreciation	176,037				(176,037)		(176,037)
Interest on Long-Term Debt	519,300				(519,300)		(519,300)
Total Governmental Activities	44,866,362	28,601	5,904,622	12,544	(38,920,595)		(38,920,595)
Business-Type Activities:							
Continuing Education	193,360	228,037				\$ 34,677	34,677
Food Service Fund	524,044	368,329	48,462			(107,253)	(107,253)
Total Business-Type Activities	717,404	596,366	48,462			(72,576)	(72,576)

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Total Primary Government	<u>\$ 45,583,766</u>	<u>\$ 624,967</u>	<u>\$ 5,953,084</u>	<u>\$ 12,544</u>	<u>\$ (38,920,595)</u>	<u>\$ (72,576)</u>	<u>\$ (38,993,171)</u>
General Revenues, Special Items and Transfers:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					37,446,765		37,446,765
Taxes Levied for Debt Service					846,504		846,504
Federal, State and Local Aid not Restricted					401,759		401,759
Interest Earnings					3,580	13	3,593
Miscellaneous Income					205,658		205,658
Special Items:							
Disposal of Capital Assets						(233)	(233)
Insurance Recovery Related to Flood Damages					807,788		807,788
Transfers					6,871		6,871
Total General Revenues, Special Items and Transfers					<u>39,718,925</u>	<u>(220)</u>	<u>39,718,705</u>
Change in Net Position					798,330	(72,796)	725,534
Net Position - Beginning (Restated)					<u>8,406,959</u>	<u>605,906</u>	<u>9,012,865</u>
Net Position - Ending					<u>\$ 9,205,289</u>	<u>\$ 533,110</u>	<u>\$ 9,738,399</u>

B-6

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,103,746		\$ 162,424	\$ 71,907	\$ 2,338,077
Interfund Receivable	73,808				73,808
Receivables From State Government	538,009	\$ 4,528	12,544		555,081
Receivables From Federal Government		101,366			101,366
Receivables From Other Governments	308	7,750			8,058
Other Accounts Receivable	247,558	4,121			251,679
Restricted Cash and Cash Equivalents	1,628,115				1,628,115
Total Assets	\$ 4,591,544	\$ 117,765	\$ 174,968	\$ 71,907	\$ 4,956,184
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable		\$ 64,781			\$ 64,781
Accounts Payable - Vendors	\$ 820,035				820,035
Payable to State Government		47,170			47,170
Unearned Revenue		5,814			5,814
Total Liabilities	820,035	117,765			937,800
Fund Balances:					
Restricted:					
Capital Reserve Account	1,628,115				1,628,115
Excess Surplus - For 2015-2016	400,000				400,000
Debt Service				\$ 71,907	71,907
Committed:					
Capital Projects			\$ 174,968		174,968
Assigned:					
Other Purposes	368,740				368,740
Designated for Subsequent Year's Expenditures	559,500				559,500
Unassigned	815,154				815,154
Total Fund Balances	3,771,509		174,968	71,907	4,018,384
Total Liabilities and Fund Balances	\$ 4,591,544	\$ 117,765	\$ 174,968	\$ 71,907	

Amounts reported for *Governmental Activities* in the Statement of Net Position (Exhibit 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 \$42,828,057 and the accumulated depreciation is \$24,293,203.	18,534,854
Interest on Long-Term Debt is not accrued in Governmental Funds, but rather is recognized as an expenditure when due.	(215,401)
Long-Term Liabilities, including Bonds Payable and Capital Leases Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	<u>(13,132,548)</u>
Net Position of Governmental Activities (Exhibit A-1)	<u>\$ 9,205,289</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 37,446,765			\$ 846,504	\$ 38,293,269
Tuition from Individuals	26,828				26,828
Transportation Fees From Individuals	1,773				1,773
Interest Earned on Capital Reserve Funds	2,329				2,329
Other Restricted Miscellaneous Revenue	69,927				69,927
Unrestricted Miscellaneous Revenue	136,982	\$ 111,780			248,762
Total - Local Sources	37,684,604	111,780		846,504	38,642,888
State Sources	4,702,406	167,047	\$ 12,544	364,484	5,246,481
Federal Sources		960,664			960,664
Total Revenues	42,387,010	1,239,491	12,544	1,210,988	44,850,033
EXPENDITURES:					
Current:					
Regular Instruction	12,317,149	171,498			12,488,647
Special Education Instruction	2,866,560	618,878			3,485,438
Other Special Instruction	192,571				192,571
School-Sponsored/Other Instruction	1,100,445				1,100,445
Support Services and Undistributed Costs:					
Tuition	2,201,414				2,201,414
Student/Other Instruction Related Services	4,703,262	449,115			5,152,377
General Administrative Services	511,712				511,712
School Administrative Services	1,798,218				1,798,218
Central Services	466,973				466,973
Administrative Information Technology	832,683				832,683
Plant Operations and Maintenance	4,620,397				4,620,397
Student Transportation	1,123,218				1,123,218
Unallocated Benefits	9,604,165				9,604,165
Capital Outlay	588,832		39,451		628,283
Debt Service:					
Principal				680,000	680,000
Interest and Other Charges				530,988	530,988
Total Expenditures	42,927,599	1,239,491	39,451	1,210,988	45,417,529
Excess/(Deficit) of Revenue Over/(Under)					
Expenditures	(540,589)		(26,907)		(567,496)
Other Financing Sources/(Uses):					
Insurance Recovery Related to Flood Damages	807,788				807,788
Transfers	(122,581)		129,452		6,871
Total Other Financing Sources/(Uses)	685,207		129,452		814,659

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
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>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources Uses	\$ 144,618		\$ 102,545		\$ 247,163
Fund Balance - July 1 (Restated)	<u>3,626,891</u>		<u>72,423</u>	<u>71,907</u>	<u>3,771,221</u>
Fund Balance - June 30	<u>\$ 3,771,509</u>	<u>\$ -0-</u>	<u>\$ 174,968</u>	<u>\$ 71,907</u>	<u>\$ 4,018,384</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 247,163

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

Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and disposals differ from capital outlays in the period.

	Depreciation Expense	\$ (449,009)	
Disposal of Capital Assets, Net of Accumulated Depreciation		(7,853)	
	Capital Outlays	628,438	171,576

In the Statement of Activities, interest on Long-Term Debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 11,688

Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. 680,000

Repayment of capital leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. 91,981

In the Statement of Activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). (404,078)

Change in Net Position of Governmental Activities (Exhibit A-2) \$ 798,330

ARE AN INTEGRAL PART OF THIS STATEMENT
THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Fund</u>	<u>Major Fund Food Service</u>	<u>Total Enterprise Funds</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 199,584	\$ 63,668	\$ 263,252
Intergovernmental Accounts Receivable:			
State		116	116
Federal		2,957	2,957
Inventories		4,424	4,424
Total Current Assets	<u>199,584</u>	<u>71,165</u>	<u>270,749</u>
Non-Current Assets:			
Capital Assets		533,480	533,480
Less: Accumulated Depreciation		(263,915)	(263,915)
Total Non-Current Assets		<u>269,565</u>	<u>269,565</u>
Total Assets	<u>199,584</u>	<u>340,730</u>	<u>540,314</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable - Vendors		301	301
Unearned Revenue	6,485	418	6,903
Total Current Liabilities	<u>6,485</u>	<u>719</u>	<u>7,204</u>
<u>NET POSITION:</u>			
Net Investment in Capital Assets		269,565	269,565
Unrestricted	193,099	70,446	263,545
Total Net Position	<u>\$ 193,099</u>	<u>\$ 340,011</u>	<u>\$ 533,110</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Non-Major Fund	Major Fund Food Service	Total
Operating Revenue:			
Local Sources:			
Daily Sales		\$ 363,625	\$ 363,625
Program Fees	\$ 228,037		228,037
Miscellaneous Revenue		4,704	4,704
Total Operating Revenue	228,037	368,329	596,366
Operating Expenses:			
Cost of Sales		245,139	245,139
Salaries, Benefits & Payroll Taxes	151,111	183,213	334,324
Purchased Professional and Technical Services		30,000	30,000
Other Purchased Services	6,974	19,050	26,024
Supplies and Materials	35,275	7,897	43,172
Miscellaneous Expense		14,150	14,150
Depreciation Expense		24,595	24,595
Total Operating Expenses	193,360	524,044	717,404
Operating Income/(Loss)	34,677	(155,715)	(121,038)
Non-Operating Revenue:			
Local Sources:			
Interest Income		13	13
State Sources:			
State School Lunch Program		1,608	1,608
Federal Sources:			
National School Lunch Program		41,100	41,100
Food Distribution Program		5,754	5,754
Total Non-Operating Revenue		48,475	48,475
Change in Net Position Before Other Special Item	34,677	(107,240)	(72,563)
Special Item:			
Disposal of Capital Assets		(233)	(233)
Total Special Item		(233)	(233)
Change in Net Position	34,677	(107,473)	(72,796)
Net Position - Beginning of Year (Restated)	158,422	447,484	605,906
Net Position - End of Year	\$ 193,099	\$ 340,011	\$ 533,110

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Non-Major Fund	Major Fund Food Service	Total Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 189,770	\$ 393,208	\$ 582,978
Payments to Food Service Contractors		(498,506)	(498,506)
Payments for Salaries, Payroll Taxes and Benefits	(151,111)		(151,111)
Payments to Suppliers	(35,275)	(36,946)	(72,221)
Net Cash Provided by/(Used for) Operating Activities	3,384	(142,244)	(138,860)
Cash Flows from Investing Activities:			
Interest Income		13	13
Net Cash Provided by Investing Activities		13	13
Cash Flows from Noncapital & Financing Activities:			
State Sources		1,492	1,492
Federal Sources		38,143	38,143
Net Cash Provided by Noncapital & Financing Activities		39,635	39,635
Net Increase/(Decrease) in Cash and Cash Equivalents	3,384	(102,596)	(99,212)
Cash and Cash Equivalents, July 1	196,200	166,264	362,464
Cash and Cash Equivalents, June 30	\$ 199,584	\$ 63,668	\$ 263,252
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ 34,677	\$ (155,715)	\$ (121,038)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation		24,595	24,595
Food Distribution Program		5,754	5,754
Changes in Assets and Liabilities:			
Decrease in Other Accounts Receivable		29,583	29,583
Decrease in Prepaid Expenses	6,974		6,974
Decrease in Inventory		169	169
(Decrease) in Accounts Payable		(42,344)	(42,344)
(Decrease) in Unearned Revenue	(38,267)	(4,286)	(42,553)
Net Cash Provided by/(Used for) Operating Activities	\$ 3,384	\$ (142,244)	\$ (138,860)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities through the Food Distribution Program Valued at \$6,172 and Utilized Commodities Valued at \$5,754.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 262,771	\$ 120,061	\$ 10,993
Investments	14,174		
Total Assets	<u>276,945</u>	<u>120,061</u>	<u>10,993</u>
<u>LIABILITIES:</u>			
Interfund Payable - General Fund			9,027
Payroll Deductions and Withholdings	7,734		
Due to Student Groups	269,207		
Accrued Salaries and Wages	4		
Total Liabilities	<u>276,945</u>		<u>9,027</u>
<u>NET POSITION:</u>			
Held in Trust for:			
Unemployment Claims		120,061	
Flex Spending Claims			1,966
Total Net Position	<u>\$ -0-</u>	<u>\$ 120,061</u>	<u>\$ 1,966</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:		
Contributions:		
Plan Members	\$ 65,314	\$ 21,150
Total Contributions	<u>65,314</u>	<u>21,150</u>
Investment Earnings:		
Interest	<u>11</u>	<u> </u>
Net Investment Earnings	<u>11</u>	<u> </u>
Total Additions	<u>65,325</u>	<u>21,150</u>
DEDUCTIONS:		
Unemployment Benefit Claims	40,667	
Flex Spending Claims		18,502
Quarterly Unemployment Contributions	<u>29,235</u>	<u> </u>
Total Deductions	<u>69,902</u>	<u>18,502</u>
Change in Net Position Before Other Financing Uses	(4,577)	2,648
Other Financing Uses:		
Transfer to General Fund		<u>(6,871)</u>
Change in Net Position	(4,577)	(4,223)
Net Position - Beginning of the Year	<u>124,638</u>	<u>6,189</u>
Net Position - End of the Year	<u>\$ 120,061</u>	<u>\$ 1,966</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the “Board”) of Caldwell-West Caldwell Board of Education (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board’s accounting policies are described below.

A. Reporting Entity

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, “Defining the Financial Reporting Entity” establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include four elementary schools, a middle school and a high school serving and located in the Borough of Caldwell and the Township of West Caldwell. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District’s governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer’s share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

Enterprise Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's Food Service and Continuing Education programs. The Food Service and Continuing Education programs are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students and community on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities, Payroll Agency, Unemployment Compensation Trust, Flexible Spending Trust and Private Purpose Scholarship Trust.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the Governmental Funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2014 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements. The Capital Projects Fund budgetary revenue differs from GAAP revenue due to the timing of the recognition of SDA grants.

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 42,388,531	\$ 1,242,553
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not.		
Current Year Encumbrances		(3,062)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	64,725	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(66,246)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 42,387,010	\$ 1,239,491

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 42,927,599	\$ 1,242,553
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(3,062)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 42,927,599	\$ 1,239,491
	Capital Projects Fund	
	Revenue	Fund Balance
Revenue/Committed Fund Balance	\$ 125,440	\$ 287,864
Reconciliation to Governmental Funds Statements (GAAP):		
SDA Grant Receivable Recognized/(not Recognized) on GAAP Basis	(112,896)	(112,896)
Revenue/Fund Balance per Governmental Funds (GAAP)	\$ 12,544	\$ 174,968

E. Cash and Cash Equivalents and Investments

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

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A 17:9-41et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions:

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

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities or governmental and agency funds, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the Special Revenue Fund are reported as restricted, 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.

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

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

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the Fund financial statements, capital assets used in Governmental fund operations are accounted for as capital outlay expenditures in the Governmental Funds upon acquisition. Capital assets are not capitalized and the related depreciation is not reported in the Fund financial statements.

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, 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.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year; therefore, there are no accrued salaries and wages as of June 30, 2014.

N. Compensated Absences:

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

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences: (Cont'd)

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

In the district-wide *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned.

P. Fund Balance Appropriated:

General Fund: Of the \$3,771,509 General Fund fund balance at June 30, 2014, \$368,740 is assigned for year-end encumbrances; \$1,628,115 is restricted in the capital reserve account; \$559,500 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2015; \$400,000 is restricted as current year surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; and \$815,154 is unassigned, which is \$66,246 less than the calculated unassigned fund balance, on a GAAP basis, due to the last two state aid payments, which are not recognized until the fiscal year ended June 30, 2015.

Capital Projects Fund: The \$174,968 fund balance in the Capital Projects Fund at June 30, 2014 is committed.

Debt Service Fund: The \$71,907 fund balance in the Debt Service Fund at June 30, 2014 is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (s1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus at June 30, 2014 as indicated above.

P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the last state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the last two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments noted above.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Net Position:

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the prior fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

The District implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*, during the prior fiscal year. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District did not have any deferred inflows or outflows of resources at June 30, 2014.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

R. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a capital reserve and the debt service fund.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

R. Fund Balance Restrictions, Commitments and Assignments:

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had \$174,968 of committed resources at June 30, 2014 in the Capital Projects Fund.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$368,740 of assigned resources for year-end encumbrances and \$559,500 for subsequent year's expenditures in the General Fund at June 30, 2014.

S. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

T. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activities of the Enterprise Funds. These revenues are sales for Food Service, and program fees for Continuing Education. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

U. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

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

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

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

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2014, cash and cash equivalents and investments of the District consisted of the following:

	Restricted Cash and Cash Equivalents Capital Reserve	Cash and Cash Equivalents	Investments	Total
Checking/Money Market Accounts	\$ 1,628,115	\$ 2,756,921		\$ 4,385,036
Certificate of Deposits		238,233	\$ 14,174	252,407
	<u>\$ 1,628,115</u>	<u>\$ 2,995,154</u>	<u>\$ 14,174</u>	<u>\$ 4,637,443</u>

During the period ended June 30, 2014, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2014, was \$4,637,443 and the bank balance was \$5,709,068.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$200,000 on June 25, 2001 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end 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-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning Balance, July 1, 2013	\$ 1,565,470
Add: Interest Earnings	2,329
Return of Unexpended Balance from Capital Projects Fund	58,708
Transfer from Unassigned Fund Balance as per Board Resolution - June 9, 2014	544,768
Less: Budgeted Withdrawal from Capital Reserve	(355,000)
Withdrawal as per Board Resolution	(188,160)
Ending Balance, June 30, 2014	\$ 1,628,115

The balance in the capital reserve account at June 30, 2014 does not exceed the local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawals from capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	(Restated) Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 229,918			\$ 229,918
Construction in Progress	15,688,568	\$ 39,451	\$ (14,443,173)	1,284,846
Total Capital Assets Not Being Depreciated	15,918,486	39,451	(14,443,173)	1,514,764
Capital Assets Being Depreciated:				
Site Improvements	3,076,230	410,501	1,889,866	5,376,597
Buildings and Building Improvements	18,167,205	104,428	10,522,423	28,794,056
Machinery and Equipment	5,438,179	74,058	1,630,403	7,142,640
Total Capital Assets Being Depreciated	26,681,614	588,987	14,042,692	41,313,293
Governmental Activities Capital Assets	42,600,100	628,438	(400,481)	42,828,057

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance
Less Accumulated Depreciation for:				
Site Improvements	(2,515,253)	(138,611)		(2,653,864)
Buildings and Building Improvements	(17,317,879)	(35,514)		(17,353,393)
Machinery and Equipment	(4,403,690)	(274,884)	392,628	(4,285,946)
	<u>(24,236,822)</u>	<u>(449,009)</u>	<u>392,628</u>	<u>(24,293,203)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,363,278</u>	<u>\$ 179,429</u>	<u>\$ (7,853)</u>	<u>\$ 18,534,854</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 594,820		\$ (61,340)	\$ 533,480
Less: Accumulated Depreciation	(300,427)	\$ (24,595)	61,107	(263,915)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 294,393</u>	<u>\$ (24,595)</u>	<u>\$ (233)</u>	<u>\$ 269,565</u>

The District has \$287,864 in active construction projects as of June 30, 2014.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 100,362
Special Education Instruction	22,031
Student and Other Instruction Related Services	4,380
General Administration	61,321
School Administration	8,760
Central Services	8,760
Administrative Information Technology	4,380
Operations and Maintenance of Plant	36,434
Student Transportation	26,544
Unallocated	176,037
	<u>\$ 449,009</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2014, the District transferred \$197,392 to capital outlay accounts. Transfers of \$29,985 were made for equipment and therefore did not require approval from the County Superintendent. The District obtained County Superintendent's approval for the transfer of \$167,407 to facilities acquisition and construction services.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2014, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2013	Accrued	Retired	Balance 6/30/2014
Serial Bonds Payable	\$ 12,830,000		\$ 680,000	\$ 12,150,000
Capital Leases Payable	317,096		91,981	225,115
Compensated Absences Payable	353,355	\$ 419,078	15,000	757,433
	<u>\$ 13,500,451</u>	<u>\$ 419,078</u>	<u>\$ 15,000</u>	<u>\$ 13,132,548</u>

A. Bonds Payable:

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

On June 19, 2008, the District issued serial bonds in the amount of \$14,765,000 to finance the referendum project approved by the voters in December of 2007. The bonds were issued with interest rates ranging from 4.125% to 5.000%. The bonds mature on September 1, 2010 through 2024.

The District had bonds outstanding as of June 30, 2014 as follows:

Final Maturity Date	Serial Bonds Interest Rate	Amount
09/01/24	4.125%-5.000%	<u>\$ 12,150,000</u>

Principal and interest due on serial bonds outstanding will be liquidated through the Debt Service Fund and are as follows:

Year Ending June 30,	Bonds		
	Principal	Interest	Total
2015	\$ 860,000	\$ 499,225	\$ 1,359,225
2016	860,000	463,750	1,323,750
2017	940,000	426,625	1,366,625
2018	940,000	387,850	1,327,850
2019	1,115,000	345,466	1,460,466
Thereafter 5 Years (2020-2024)	6,185,000	985,409	7,170,409
Thereafter 5 Years (2025)	1,250,000	31,250	1,281,250
	<u>\$ 12,150,000</u>	<u>\$ 3,139,575</u>	<u>\$ 15,289,575</u>

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

B. Bonds Authorized But Not Issued:

As of June 30, 2014, the Board had \$-0- bonds authorized but not issued.

C. Capital Leases Payable:

The District has \$824,798 in lease purchase obligations for district-wide copiers, of which \$599,683 has been amortized. The capital leases are for a term of five years. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2014.

<u>Year</u>	<u>Amount</u>
2015	\$ 66,108
2016	66,108
2017	66,108
2018	44,072
	<u>242,396</u>
Less: Amount Representing Interest	<u>(17,281)</u>
Present Value Net of Minimum Lease Payments	<u><u>\$ 225,115</u></u>

The current portion of capital leases payable at June 30, 2014 is \$58,164 and the long-term portion is \$166,951. The General Fund will be used to liquidate the capital leases payable.

D. Compensated Absences Payable:

The liability for compensated absences of the Governmental fund types is recorded in the current and long-term liabilities. There is no current portion, so the entire \$757,433 compensated absences balance is recorded in long-term liabilities of the governmental funds and will be liquidated through the General Fund.

There is no liability for compensated absences in the Proprietary fund types.

NOTE 8. PENSION PLANS

Substantially all of the District's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP). These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join one of the two public employees' retirement systems. However, if an employee is ineligible to enroll in the PERS or the TPAF, the employee may be eligible to enroll in the DCRP.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

Employees who are members of PERS and TPAF and retire at a specified age 55 according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of credible service. Vesting occurs after 8 to 10 years of service. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. For PERS and TPAF, the contribution rate was 6.64% effective July 1, 2012 and increased to 6.78% effective July 1, 2013. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

District contributions to PERS amounted to \$461,479, \$478,787 and \$471,283 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

During the fiscal years ended June 30, 2014, 2013 and 2012, the State of New Jersey made contributions of \$764,745, \$1,179,529 and \$564,579, respectively, to the TPAF for pension benefits on behalf of the District.

District contributions to DCRP amounted to \$5,902 and \$4,559 for the fiscal years ended June 30, 2014 and 2013, respectively. There were no employer contributions for DCRP for the fiscal year ended June 30, 2012.

A limited number of the District's retirees participate in the Board of Education Employees' Pension Fund of Essex County (the "Plan"). The Plan is considered a multiple employer contributory defined benefit plan that provides pension and life insurance benefits to employees of the Boards of Education within Essex County employed before July 1, 1981, except temporary employees and employees eligible for coverage under any New Jersey administered pension plan created under prior New Jersey laws. The Plan provides for retirement, service, and non-service connected death and disability benefits for its members. The Plan is governed by the New Jersey Statutes under Title 18A, and is administered by the elected Board of Trustees for the Plan Fund who is also responsible for the management and investment of Plan assets. The Plan became effective April 16, 1929.

Pursuant to New Jersey Public Law enacted in 1980, members were given the option to transfer their membership in the Plan to the PERS. Approximately 2,775 members, 58% of the membership, elected to transfer to PERS effective July 1, 1981. The Plan is closed to new entrants.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

The Board of Education Employees' Pension Fund of Essex County issues financial reports that include the financial statements and required supplementary information its Plan members. The financial reports may be obtained by writing to the Board of Education Employees' Pension Fund of Essex County, 67 Evergreen Place, East Orange, New Jersey 07018.

Contributions are made by the members at 3%, the maximum contribution rate required by statute, of their annual compensation. Contributions made by the Boards are determined annually based upon actuarial valuations. The Boards are required to reimburse the Plan for administrative expenses and the cost-of-living increase associated with its retirees. Plan provisions and contribution requirements are established by the New Jersey state statute and may be amended by the State of New Jersey.

District contributions to Board of Education Employees' Pension Fund of Essex County amounted to \$164,185, \$140,443 and \$103,906 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid 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's on-behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,253,894, \$1,333,750 and \$1,134,952 for 2014, 2013 and 2012, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtained its health benefit coverage through the New Jersey State Health Benefits Program.

Property and Liability Insurance

The Caldwell-West Caldwell School District is a member of the School Alliance Insurance Fund (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The June 30, 2014 audit report for the Fund is not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2013 is as follows:

	<u>School Alliance Insurance</u>
Total Assets	\$ 35,464,413
Net Position	\$ 8,276,323
Total Revenue	\$ 31,140,760
Total Expenses	\$ 35,088,657
Change in Net Position	\$ (3,947,897)
Members Dividends	\$ -0-

Financial statements for the Fund are available at the Fund's Executive Director's Office:

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

New Jersey Unemployment Compensation Insurance

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

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013-2014	\$ -0-	\$ 11	\$ 65,314	\$ 69,902	\$ 120,061
2012-2013	-0-	11	63,946	80,575	124,638
2011-2012	-0-	-0-	60,254	132,536	141,256

NOTE 11. ECONOMIC DEPENDENCY

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

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 73,808	
Special Revenue Fund		\$ 64,781
Fiduciary Fund - Flexible Spending Trust		9,027
	<u>\$ 73,808</u>	<u>\$ 73,808</u>

The interfund payable in the Special Revenue Fund represents funds advanced from the General Fund while awaiting reimbursements of expenditures from grantors. The interfund payable in the Flexible Spending Trust is unclaimed employee contributions due to the General Fund.

NOTE 13. DEFERRED COMPENSATION

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

The plan administrators are as follows:

Variable Annuity Life (VALIC)
AXA Equivest
Pennserv

NJ Pension Supplemental Annuity
Vanguard Group

Axa Equivest and Vanguard Group are the plan administrators for the District's Internal Revenue Code Section 457 plans.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 14. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year.

The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10. Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined mutually agreed-upon schedule.

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

The School District participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The School District is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in pending lawsuits. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2014, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 368,740	\$ 3,062	\$ -0-	\$ 371,802

On the District's Governmental Funds Balance Sheet as of June 30, 2014, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, encumbrances are not recognized and are reflected as either a reduction in grants receivable or an increase in unearned revenue.

CALDWELL-WEST CALDWELL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 16. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to correct the value of Capital Assets and Net Position – Net Investment in Capital Assets reported in its Governmental activities for \$53,961 and Business-type activities for \$2,450 as of June 30, 2013. The District made prior year adjustments in the District Wide Financial Statements to record a \$299,142 capital lease agreement the District entered into in January of 2013, net of \$18,139 in capital lease principal paid during fiscal year 2013 as well as accrued interest payable of \$227,089. The District also made a prior period adjustment in the Governmental Funds Balance Sheet and the District wide Financial Statements to realize unearned revenue in the Debt Service Fund as of June 30, 2013. The financial statements for June 30, 2013 have been restated as follows:

	Balance 6/30/13 as Previously Reported	Retroactive Adjustments	Balance 6/30/13 as Restated
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
Assets:			
Site (Land) and Construction in Progress	\$ 15,756,534	\$ 161,952	\$ 15,918,486
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	2,660,705	(215,913)	2,444,792
Liabilities:			
Accrued Interest Payable	-0-	227,089	227,089
Unearned Revenue	75,190	(71,907)	3,283
Noncurrent Liabilities	13,219,448	281,003	13,500,451
Net Position:			
Net Investments in Capital Assets	5,551,146	(334,964)	5,216,182
Restricted	1,579,185	71,907	1,651,092
Unrestricted	1,766,774	(227,089)	1,539,685
Total Net Position - Governmental Activities	8,897,105	(490,146)	8,406,959
<u>Business-type Activities:</u>			
Non-Current Assets:			
Capital Assets	590,320	4,500	594,820
Accumulated Depreciation	(298,377)	(2,050)	(300,427)
Total Assets	695,556	2,450	698,006
Net Position:			
Net Investments in Capital Assets	291,943	2,450	294,393
Total Net Position - Business-type Activities	603,456	2,450	605,906
<u>Balance Sheet - Governmental Funds:</u>			
Debt Service Fund:			
Liabilities:			
Unearned Revenue	\$ 71,907	\$ (71,907)	\$ -0-
Fund Balances:			
Restricted for:			
Debt Service	-0-	71,907	71,907

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APPENDIX C

Form of Bond Counsel's Approving Legal Opinion

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¹⁰ Admitted FL
¹¹ Admitted PR
¹² Admitted VI

_____, 2015

The Board of Education of the
Caldwell-West Caldwell
School District
West Caldwell, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$18,205,000 aggregate principal amount of School Bonds, Series 2015 (the "Bonds") of The Board of Education of the Caldwell-West Caldwell School District in the County of Essex, 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, Chapter 271 of the Laws of 1967, as amended and supplemented (the "Education Law"); (ii) a proposal adopted by the Board on October 13, 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 February 9, 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 \$5,000 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 September 15, 2015 and semi-annually thereafter on the fifteenth day of March and September in each year until maturity or prior redemption, and shall mature on March 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	\$1,000,000	2.50%	2026	\$1,080,000	2.75%
2018	835,000	2.50	2027	1,115,000	3.00
2019	860,000	2.75	2028	1,155,000	3.00
2020	890,000	2.75	2029	1,190,000	3.00
2021	920,000	2.75	2030	1,230,000	3.00
2022	950,000	2.75	2031	1,270,000	3.00
2023	980,000	2.75	2032	1,315,000	3.00
2024	1,015,000	2.75	2033	1,355,000	3.00
2025	1,045,000	2.75			

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

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 March 15 of the years 2017 through 2028, 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.

Except as stated in the preceding three (3) 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 March 19, 2015 (the "Disclosure Certificate") is executed and delivered by The Board of Education of the Caldwell-West Caldwell School District in the County of Essex, 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 \$18,205,000 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 13, 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 \$18,205,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2015 OF THE BOARD OF EDUCATION OF THE CALDWELL-WEST CALDWELL SCHOOL DISTRICT IN THE COUNTY OF ESSEX, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH", duly adopted by the Board on February 9, 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 February 11, 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
Caldwell-West Caldwell School District
Harrison Building
104 Gray Street
West Caldwell, New Jersey 07006
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
Caldwell-West Caldwell School District
Harrison Building
104 Gray Street
West Caldwell, New Jersey 07006
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
CALDWELL-WEST CALDWELL SCHOOL
DISTRICT**

By: _____
THOMAS LAMBE,
Business Administrator/Board Secretary

EXHIBIT A

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

Name of Issuer: The Board of Education of the
Caldwell-West Caldwell School District
in the County of Essex, New Jersey

Name of Issue: \$18,205,000 School Bonds, Series 2015
Dated: March 19, 2015
(CUSIP Number: 129253GR5)

Date of Issuance: March 19, 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 March 19, 2015 executed by the Board.

DATED: _____

DISSEMINATION AGENT
(on behalf of the Board)

cc: The Board

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