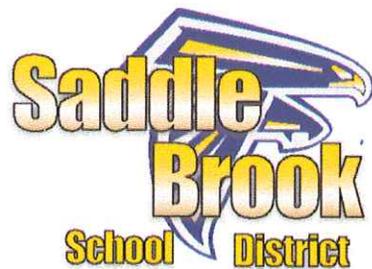


SADDLE BROOK
SCHOOL DISTRICT

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2012



Saddle Brook, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Saddle Brook Board of Education

Saddle Brook, New Jersey

For The Fiscal Year Ended June 30, 2012

Prepared by

Business Office

**SADDLE BROOK BOARD OF EDUCATION
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INTRODUCTORY SECTION

RAYMOND G. KARATY, CPA, PSA

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December 3, 2012

Honorable President and
Members of the Board of Education
Saddle Brook School District
Saddle Brook, New Jersey 07648

Dear Board Members:

The comprehensive annual financial report of the Saddle Brook School District (District) for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections; introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and required supplementary information, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provision of the Single Audit Act of 1984, as amended, and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and New Jersey OMB's Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws, regulations, findings and recommendations, are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES: The Saddle Brook School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA. All funds of the District are included in this report. The Saddle Brook Board of Education and all of its schools constitute the District's reporting entity. The District provides a full range of educational services appropriate to grade levels K through 12. These include regular and vocational, as well as special education for handicapped youngsters. The District maintains an in-district pre-K special education program as well.

REPORTING ENTITY AND ITS SERVICES (Continued)

AVERAGE DAILY ENROLLMENT

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2011-2012	1,759	-1.5%
2010-2011	1,785	0%
2009-2010	1,785	1.42%
2008-2009	1,760	-1.89%
2007-2008	1,792	6.6%

ECONOMIC CONDITION AND OUTLOOK: Saddle Brook Township remains a highly developed, economically stable community. The Township stands at about 95% fully developed and the initiation of any major new construction is unlikely. Nevertheless, its location in Bergen County as well as its proximity to major arteries (Route 80 passes through in a north to south direction and The Garden State Parkway passes through in a east to west direction) affords the community easy access to New York City, major airports and harbors. This location also supports economic viability for business as evidenced by an industrial park, a number of corporate centers and three major hotel chains operating within our borders.

Saddle Brook is also an attractive residential community for those who both work locally and commute to more distant sites. Made up largely of single family homes, the residents of Saddle Brook tend to have multi-generational ties to this area with the majority of residents being long time Saddle Brook residents. The community retains a fairly large senior population with only a relatively small turnover in housing annually.

The economic fortunes of the town are tied very closely to those of the entire region, which would indicate a satisfactory economic outlook for the immediate future.

The structure of school funding in New Jersey means that a community such as Saddle Brook is forced to provide over 90% of their school funding through its local property tax base. As a result, the local taxpayer must bear the burden of upgrading programs and facilities that have traditionally scrutinized school budgets very intensely. Nevertheless, the community takes pride in its school and traditionally demonstrates a desire to provide a good education within the economic framework that is available to it.

MAJOR INITIATIVES:

Saddle Brook is a comprehensive K-12 district comprised of three K-6 elementary schools (Franklin, Long and Smith), Washington School, which houses a number of our early intervention special education programs, and Saddle Brook Middle/High School, which houses grades 7-12. Grades 7-8 are located in one wing of the building and operate independently from the high school. Saddle Brook is considered a small suburban school district.

Outstanding Accomplishments

One of the best attributes of Saddle Brook is the fact that students, in all schools, are offered a comprehensive academic program in a small school environment. This creates personalized attention and numerous opportunities; both academic and athletic. Saddle Brook offers each student the opportunity to be an active participant in his/her own education. The following are a few of the many outstanding accomplishments of Saddle Brook students and staff.

NJ QSAC – New Jersey Quality Single Accountability Continuum

Pursuant to the requirements of N.J.A.C. 6A:30, Saddle Brook school district has undergone the Quality Single Accountability Continuum (QSAC) district performance review (DPR) on May 16th and May 17th. Based on that performance review in which the district satisfied at least 80% of the QSAC indicators in all five DPR areas, notification from the Commissioner designated the District as high performing.

On August 1, 2012, the State Board of Education certified the district for a period of three years as providing a thorough and efficient education or until the next QSAC review, in accordance with N.J.S.A. 18A:7A-14.

The District was awarded perfect scores (100%) in three of the five areas: Personnel, Fiscal Management, and Governance. The District was awarded scores well above the 80% benchmark in Instruction and Program (87%) and Operations (95%).

New Jersey Monthly Magazine Rating

Saddle Brook High School just missed being among the top 25 percent of high schools in the state within its district factor group, according to New Jersey Monthly's Top Public High Schools list, released last week.

The school rose 17 spots to reach 153rd among all public high schools in the state on NJ Monthly's biennial list, which this year ranked 328 schools across New Jersey.

Among schools with socioeconomically similar student bodies, Saddle Brook High School ranked 20th out of 79 "C" and "D"-DFG-designated schools in the state and sixth of 11 such schools in the county.

The rankings, which were compiled by Leflein Associates, an independent research company in Ringwood, take into consideration school environment, student performance and student outcomes. In Leflein's calculation, both student SAT and HSPA scores, and student outcomes vis-a-vis adjusted graduation rate are weighted more heavily than is school environment, which takes into account class size, student/faculty ratio, percentage of faculty with advanced degrees and AP tests offered.

The high school made its greatest gains on the state's most recent school report card, which measures every public school in New Jersey both statewide and against their peers, in the Language Arts Literacy portion of the High School Proficiency Assessment.

Northern Regional Service Learning Center

As a regional center, Saddle Brook Public School District holds a variety of workshops as well as regional conferences on service-learning. Saddle Brook is a mentor district, helping new grantees understand how best to manage their funds and their new service learning programs.

Students at Saddle Brook Schools participate in a variety of activities to help them understand their natural environment and spend more time in nature. This includes the cultivation of an existing outdoor classroom with assistance from senior citizens, backyard bird count activities coordinated through the Bergen County Audubon Society, and student-led lessons about recycling, composting and native species.

Teen Arts Festival

“The Bergen County Teen Arts Festival is a celebration of the alliance of the arts and youth. It is founded on the belief that the arts are an essential language that provides an indispensable means of self-expression to our students. Through workshops in all the arts disciplines, the Festival strives to engage each student at a deeper level of artistry and professionalism. Through critiqued performances and exhibits, the Festival showcases the extraordinary talents of our middle and high schools students and their teachers. A prime benefit of the Festival is the opportunity it provides students to validate themselves as artists by spending a day in the company of other artists who participate in a myriad of creative fields on many levels.”

(<http://www.co.bergen.nj.us/bcparks/CulturalTeenArts.htm>)

Two Saddle Brook teachers, Ms. Pritchard and Ms. Wall, were selected as presenters for the Festival. During the two festival days, top artists/teachers from around the state come to critique, as well as to teach workshops and master classes in their individual specialties, including drama, filmmaking, voice, acting, instrumental music and more.

Engineering is Elementary

Engineering is Elementary (EiE) is a curriculum developed by the Museum of Science in Boston that integrates engineering and technology concepts and skills with elementary science lessons. Each *EiE* module contains lessons that integrate an elementary school science topic with a specific field of engineering and features hands-on activities that engage students in the engineering design process.

Sixth graders in Franklin School engaged in an engineering curriculum titled *A World In Motion*, which is a middle school engineering program developed by the Society of Automotive Engineers Foundation that brings math and science principles to life in the context of an engineering design challenge. Through highly interactive and innovative learning experiences that incorporate the laws of physics, motion, and electronics, students are challenged students to develop their own moving vehicles.

Jump Rope for Heart

Jump Rope for Heart (JRFH) is a national fundraising program sponsored jointly by AAHPERD and AHA. JRFH is a valuable program that promotes physical activity, heart healthy living, and community service to children. JRFH is targeted at students in elementary schools, but the program can be held in child care centers, community centers, or anywhere.

Students at Helen I. Smith raised a total of \$1639 for this worthy charity for the American Heart Association. The annual event was held in May.

Juvenile Diabetes Walk-a-thon

Smith School's second annual JD Walk-a-thon, led by a student with JD, raised more than \$2000 for research for Juvenile Diabetes. The entire school walked on a brisk fall afternoon in early October.

The Scholastic Art & Writing Awards

Three middle school TAG students distinguished themselves amidst thousands of entries in The Scholastic Art & Writing Awards. Matthew Binder, Nicole D'Alessandro, and Magdalena Zajkowska received Honorable Mention in this prestigious competition.

Presidential Academic Fitness Awards Excellence in Education

Honoring student achievement and hard work is the purpose of the President's Education Awards Program. Since 1983, the program has provided individual recognition from the President and the U.S. Secretary of Education to those students whose outstanding efforts have enabled them to meet challenging standards of excellence.

To be eligible for the the award, students must meet high academic standards. They must display high motivation, initiative, integrity, intellectual depth, leadership qualities and/or exceptional judgment. Mohamed Abdallah, Aishah Ahmed, Farrah Ahmed, Kayla Beley, Ernie Beltre, Abbas Boukheir, Anthony Bufi, Victoria Caramico, Melissa Chalarca, Natasha Chodakowsky, Marissa Costa, Joseph Delgado, Anna Dziedzic, Jennifer Esposito, Melissa Esposito, Samantha Esposito, Chesca Ferolin, Adam Fiedorczuk, Mike Gavela, Kaylee Gelenius, Rishi Veer Gulati, Mary Hannouch, Jane Jallo, Kaitlyn Komstead, Steven Longa, Mickey Matos, Marissa Meramo, Anthony Meyer, Namrata Mogilisetty, Julianna Mola, Stephanie Munoz, Jasmine Navarro, Alyssa Nicolaou, Sarah Nocito, Sagar Parikh, Ashley Pellicier, Melissa Phelan, Shannon Roberts, Lauren Rzeszutek, Marissa Saslowsky, Paola Scaduto, Amanda Selim, Karolina Sokolska, Jessica Soltys, Vincent Stingo, Janae Tobia, Alexandra Tran, Austin Welner and Troy Wisse were all recipients of this award.

The University of Rochester sponsors four prestigious award programs which recognize high school juniors' outstanding achievements in leadership and academics. Saddle Brook students were honored with the following awards:

- Bausch and Lomb Honorary Science Award

To be eligible for this award students must have high achievement and rigor in science classes and high PSAT Math and/or SAT Math scores. Balvir Singh's achievement in academics qualified him for this award.

- Frederick Douglass and Susan B. Anthony Award

Students must have:

- A demonstrated commitment to understanding and addressing difficult social issues
- Leadership and dedication to community action
- Strong grades and rigorous courses taken in the humanities and social sciences

Philip Gatto was the recipient of this award.

- George Eastman Young Leaders Award

- Strong leadership experience at school and in the community
- High grades and challenging courses
- Extensive involvement in extracurricular activities

This award was won by Daniel Latona.

- Xerox Award for Innovation and Information Technology

Students must have:

- A strong interest in innovation and/or information technology and a high level of achievement in this area
- Exposure to new technologies outside of school, such as pursuing serious work opportunities in local laboratories or industry
- Leading other students to new approaches to old problems, e.g. business plans for fundraising; innovative community service; after-school activities; and best uses of internal communications tools such as chat and blogs

Ruslan Koshil met these qualifications and was honored with this award.

Hugh O'Brien Youth Leadership Program

HOBY programs provide youth selected by their schools to participate in unique leadership training, service-learning and motivation-building experiences. HOBY also provides adults with opportunities to make a significant impact on the lives of youth by volunteering. Cassandra Winnie was selected to participate in the nation's foremost youth leadership development organization.

The American Citizenship Award

National Association of Secondary School Principals The award honors any student in elementary, middle, or high school who has shown by their words and actions that they possess the qualities and characteristics we hope to instill in all our students.

SAGE COLLEGE – WOMEN OF INFLUENCE AWARD

Russell Sage College encourages students to become women of influence in their careers and their communities. Ashley DeLucia, Cristina Diaz, and Renee Renna were honored with this award.

Athletic awards for 2011-2012 School Year

Football:

1st team All League

Andrew Caravaglia
Steven Longa
Joseph Camilleri
Mike Croce
Tyler Vitiello
Kyle Bratyanski
Mike Donnarumma
Matt Dickman

2nd team All league

Paul Gawin
Mickey Matos
Kevin Bottine
Eric Petway
Alex Fernandez
Chris Jacobson

Honorable Mention

Eric Nasello
Ronny Stecher

ALL County

1st Team

Steven Longa
Joseph Camilleri
Mike Donnarumma
Matt Dickman

2nd team

Kyle Bratyanski

Honorable Mention

Mike Croce
Tyler Vitiello
Andrew Caravaglia

ALL STATE

1st Team

Steven Longa

2nd Team

Matt Dickman

ALL North Jersey

1st Team

Steven Longa

WGHT All Area Team

Steven Longa

Matt Dickman

Joseph Camilleri

Kyle Bratyanski

Mike Donnarumma

COACH OF THE YEAR-Leo Ciappina

Girls Soccer

All League

1st Team

Melissa Phelan

Steph Gerard

Melissa Esposito

Gina Gravina

Leandra Ratajczak

2nd Team

Kelly Link

Ashley DeLucia

Honorable Mention

Shannon Duffy

Girls Volleyball

All League

1st Team

Marissa Lortz

Megan Marisco

2nd Team

Natasha Chodakowsky

Chesca Ferolin

Honorable Mention

Stephanie Munoz

Girls Tennis

All League

1st Team

Shannon Roberts

Namrata Mogilisetty

Marissa Costa

2nd Team

Samatha Presti

Honorable Mention

Ashley Fratangelo

All County

Honorable Mention

Shannon Roberts

Namrata Mogilisetty

Marissa Costa

Boys/Girls Cross Country

All League

1st Team

Rishi Gulati

2nd Team

Anthony Meyer

Honorable Mention

Conner McGillick

Jamie Mathus

Boys Soccer

All League

1st Team

John Gutierrez

2nd Team

Austin DeAngelis

Honorable Mention

John Burns

Boys Basketball

All League

1st Team

Alex Fernandez

2nd Team

Chris Alonso

Honorable Mention

Andrew Dzeidzic

All County

Honorable Mention

Alex Fernandez

Wrestling

All League

1st Team

Mike Andreano

Matt Dickman

Sean Pezzuti

2nd Team

Joe Guerriero

Kyle Bratanski

Joe Camilleri

Chris Jacobson

Honorable Mention

Ronny Stecher

Nick Jacobson

All County

Matt Dickman

Joe Guerriero

Girls Basketball

All League

2nd Team

Marissa Saslowsky

Taylor Harmon

Honorable Mention

Julianna Mola

Baseball

All League

2nd Team

Donavan Vidal

Chris Alonso

Honorable Mention

Max Belcaro

Spring track & Field

All League

1st Team

Shannon Roberts

2nd Team

Marissa Lortz

Honorable Mention

Rishi Gulati

All County

2rd Team

Shannon Roberts

All State

3rd Team

Shannon Roberts

Softball

All League

1st Team

Melissa Phelan

Alexia russo

Lorena Alvarez

Samatha Esposito

2nd Team

Danielle Archibold

Julianna Mola

Ashley Russo

Natalie Alvarez

Honorable Mention

Gina Gravina

All County

1st Team

Melissa Phelan

2nd Team

Alexia Russo

3rd Team

Lorena Alvarez

Honorable Mention

Samatha Esposito

Bergen /Passaic All Stars- Melissa Phelan, Julianna Mola

Super 36 Selection-Melissa Phelan

Donna Richer Award-Melissa Phelan

NJIC Sportsmanship Award Winners- Julianna Mola, Rishi Gulati

BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General, Special Revenue and Debt Service Funds. Project length budgets are approved for the capital improvements accounted for in the Capital Projects Fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2011.

ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements", Note 1.

FINANCIAL INFORMATION AT FISCAL YEAR -END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which 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. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

OTHER INFORMATION: Independent Audit – State statutes require on annual audit by independent certified public accountants or registered municipal accountings. The accounting firm of Lerch, Vinci & Higgins, LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act of 1984, as amended, and the related OMB Circular A-133 and state Treasury Circular Letters 04-04 OMB. The auditor’s report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Saddle Brook School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,



Kathryn A. Fedina, Ed.D
Superintendent of Schools



Raymond G. Karaty, CPA, PSA
Business Administrator/Board Secretary

POLICY

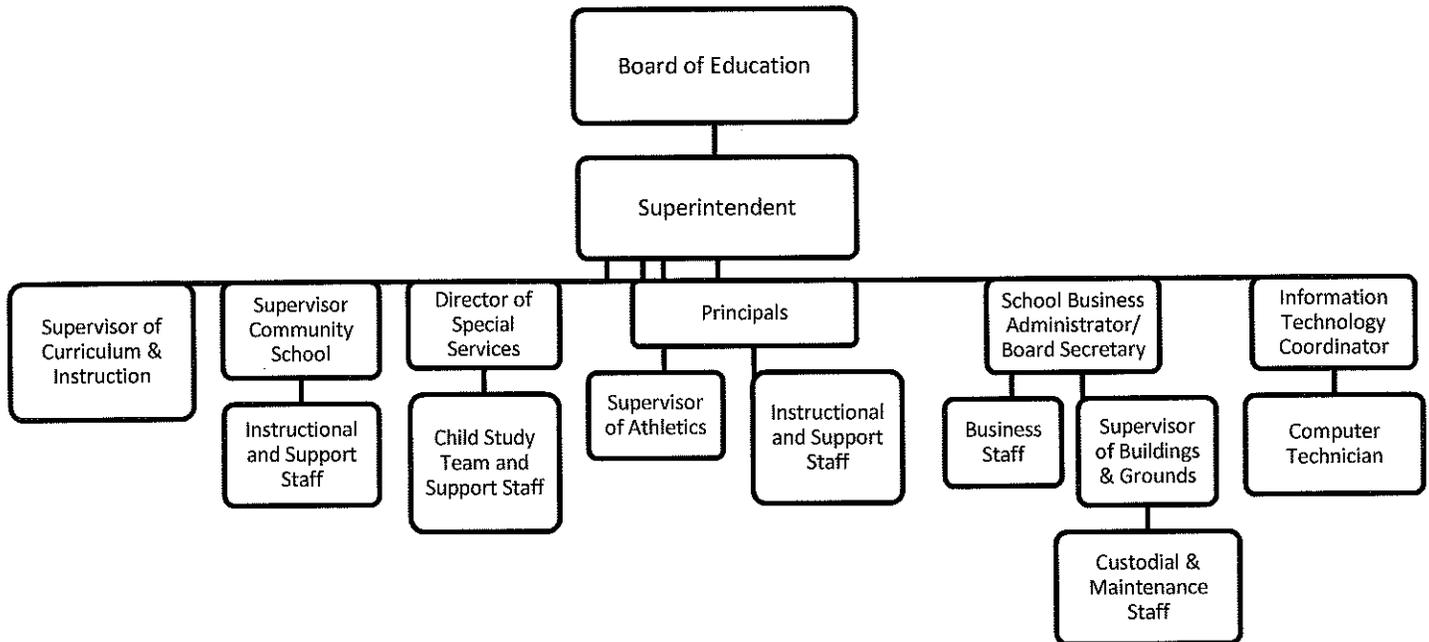
SADDLE BROOK BOARD OF EDUCATION

ADMINISTRATION

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Organizational Chart

1110 ORGANIZATIONAL CHART



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

**ROSTER OF OFFICIALS
JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Robert Naegely, President	2013
Gerard Taylor, Vice President	2012
Georgette Cupo	2013
William Havison	2012
Marilyn Nasello	2014
Angela Robinson	2012
Keith Rosso	2012
Joseph Toth	2013
Robert White	2014

Other Officials

Kathryn A. Fedina, Ed.D., Superintendent

Raymond G. Karaty, CPA, PSA, Board Secretary/School Business Administrator

Peter Bellani, CPA, Treasurer

Isabel Machado, Esq., Board Attorney

SADDLE BROOK BOARD OF EDUCATION

Consultants and Advisors

ARCHITECT

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555 East Main Street
Chester, New Jersey 07930

AUDITOR

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17-17 Route 208
Fair Lawn, NJ 07410

ATTORNEY

Isabel Machado
Machado Law Group
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Community Bank of Bergen County
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Rochelle Park, NJ 07662

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GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Saddle Brook Board of Education as of and for the fiscal year ended June 30, 2012, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Saddle Brook Board of Education as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2012 on our consideration of the Saddle Brook Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Saddle Brook Board of Education's basic financial statements as a whole. The introductory section, combining fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance have 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 combining fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, financial schedules and statistical section have 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 them.



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



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
December 4, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

This discussion and analysis of the Saddle Brook School District's financial performance provides an overall review of its financial activities for the fiscal year ended June 30, 2012. The intent of this is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- District-Wide Statements - General revenues were \$28,455,686 or 85 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,111,133 or 15 percent of total revenues of \$33,566,819.
- District-Wide Statements - The School District had \$32,334,068 in expenses; only \$5,111,133 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$28,455,686 were adequate to provide for these programs.
- Fund Financials - As of the close of the current fiscal year, the Saddle Brook Board of Education's governmental funds reported combined ending fund balances of \$1,602,997, an increase of \$913,543 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

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

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

District-wide Statements

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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

District-wide Statements (Continued)

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

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

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

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

Fund Financial Statements

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

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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Fund Financial Statements (Continued)

The District has three kinds of funds:

Governmental funds. The District's basic services are included in the governmental funds, which generally focus on near-term inflows and outflows of spendable resources and the balances of spendable resources at year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide a reconciliation at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

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

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

Table A-2 provides a summary of the school district's net assets for fiscal years 2012 and 2011 which were \$9,337,361 and \$8,104,610, respectively.

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

**Table A-2
Statement of Net Assets
As of June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Current and Other Assets	\$ 2,293,912	\$ 2,210,953	\$ 525,375	\$ 418,697	\$ 2,819,287	\$ 2,629,650
Capital Assets	<u>24,030,453</u>	<u>24,780,508</u>	<u>71,652</u>	<u>44,126</u>	<u>24,102,105</u>	<u>24,824,634</u>
Total Assets	<u>26,324,365</u>	<u>26,991,461</u>	<u>597,027</u>	<u>462,823</u>	<u>26,921,392</u>	<u>27,454,284</u>
Liabilities						
Current Liabilities	755,560	1,460,869	86,506	130,076	842,066	1,590,945
Noncurrent Liabilities	<u>16,741,965</u>	<u>17,758,729</u>	<u>-</u>	<u>-</u>	<u>16,741,965</u>	<u>17,758,729</u>
Total Liabilities	<u>17,497,525</u>	<u>19,219,598</u>	<u>86,506</u>	<u>130,076</u>	<u>17,584,031</u>	<u>19,349,674</u>
Net Assets						
Invested in capital assets, net of debt	10,829,592	10,767,757	71,652	44,126	10,901,244	10,811,883
Restricted	557,869	151,066			557,869	151,066
Unrestricted	<u>(2,560,621)</u>	<u>(3,146,960)</u>	<u>438,869</u>	<u>288,621</u>	<u>(2,121,752)</u>	<u>(2,858,339)</u>
Total Net Assets	<u>\$ 8,826,840</u>	<u>\$ 7,771,863</u>	<u>\$ 510,521</u>	<u>\$ 332,747</u>	<u>\$ 9,337,361</u>	<u>\$ 8,104,610</u>

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Governmental activities. Governmental activities increased the District's net assets by \$1,054,977 and \$1,124,419 for the fiscal years ended June 30, 2012 and 2011, respectively. Key elements of this increase are as follows:

**Table A-3
Changes in Net Assets
For the Fiscal Year Ended June 30, 2012 and 2011**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program Revenues						
Charges for Services	\$ 21,350	\$ 9,600	\$ 822,032	\$ 883,795	\$ 843,382	\$ 893,395
Operating Grants and Contributions	4,077,462	3,168,718	177,101	144,366	4,254,563	3,313,084
Capital Grants and Contributions	13,188	105,708			13,188	105,708
General Revenues						
Property Taxes	28,044,441	27,573,609			28,044,441	27,573,609
Unrestricted State and Federal Aid	-	19,151			-	19,151
Other	406,789	206,074	4,456	2,863	411,245	208,937
Total Revenues	<u>32,563,230</u>	<u>31,082,860</u>	<u>1,003,589</u>	<u>1,031,024</u>	<u>33,566,819</u>	<u>32,113,884</u>
Expenses						
Instruction						
Regular	11,351,485	10,872,972			11,351,485	10,872,972
Special	6,786,763	5,534,331			6,786,763	5,534,331
Other Instruction	787,007	1,110,155			787,007	1,110,155
School Sponsored Activities and Ath.	606,482	573,864			606,482	573,864
Support Services						
Student and Instruction Related Serv.	4,201,866	3,969,839			4,201,866	3,969,839
Educational Media/School Library	249,830	240,492			249,830	240,492
School Administrative Services	1,617,711	1,758,338			1,617,711	1,758,338
General Administrative Services	671,312	676,167			671,312	676,167
Plant Operations and Maintenance	2,844,156	2,934,321			2,844,156	2,934,321
Pupil Transportation	877,950	956,650			877,950	956,650
Central Services	626,992	641,502			626,992	641,502
Food Services			461,322	504,520	461,322	504,520
Community School			364,493	353,825	364,493	353,825
Interest on Long-Term Debt	886,699	689,810	-	-	886,699	689,810
Total Expenses	<u>31,508,253</u>	<u>29,958,441</u>	<u>825,815</u>	<u>858,345</u>	<u>32,334,068</u>	<u>30,816,786</u>
Change in Net Assets	1,054,977	1,124,419	177,774	172,679	1,232,751	1,297,098
Net Assets, Beginning of Year	<u>7,771,863</u>	<u>6,647,444</u>	<u>332,747</u>	<u>160,068</u>	<u>8,104,610</u>	<u>6,807,512</u>
Net Assets, End of Year	<u>\$ 8,826,840</u>	<u>\$ 7,771,863</u>	<u>\$ 510,521</u>	<u>\$ 332,747</u>	<u>\$ 9,337,361</u>	<u>\$ 8,104,610</u>

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Governmental activities. The District's total governmental revenues were \$32,563,230. The local share of the revenues, that included property taxes, interest and miscellaneous revenue, amounted to \$28,451,230 or 87% of total revenues. Funding from state, federal sources and capital grants and contributions amounted to \$4,090,650 or 12%. Charges for services amounted to \$21,350 or 1%. (See Table A-4)

The District's governmental expenses are predominantly related to instruction and support services. Instruction totaled \$19,531,737 (62%), student support services totaled \$11,089,817 (35%) and interest on long-term debt total \$886,699 (3%) of total expenditures. (See Table A-5.)

Table A-4 Revenues by Source - Governmental Activities
For Fiscal Year 2012

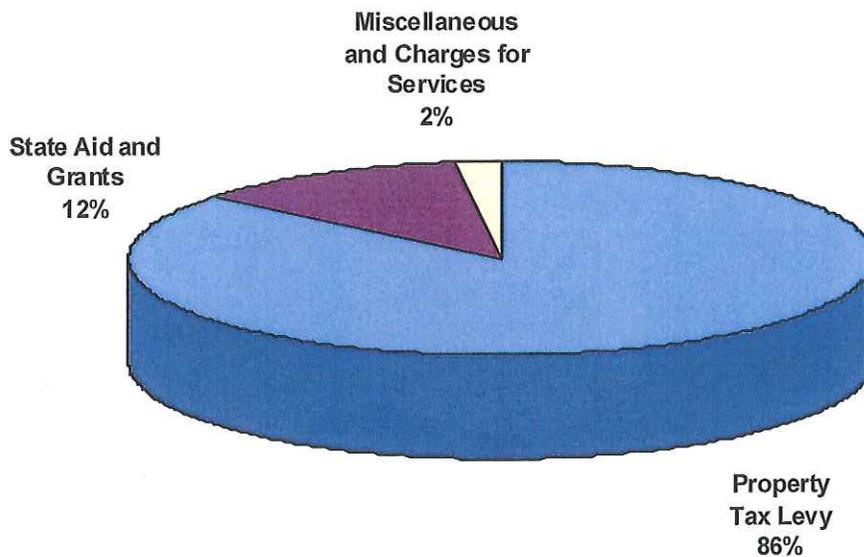
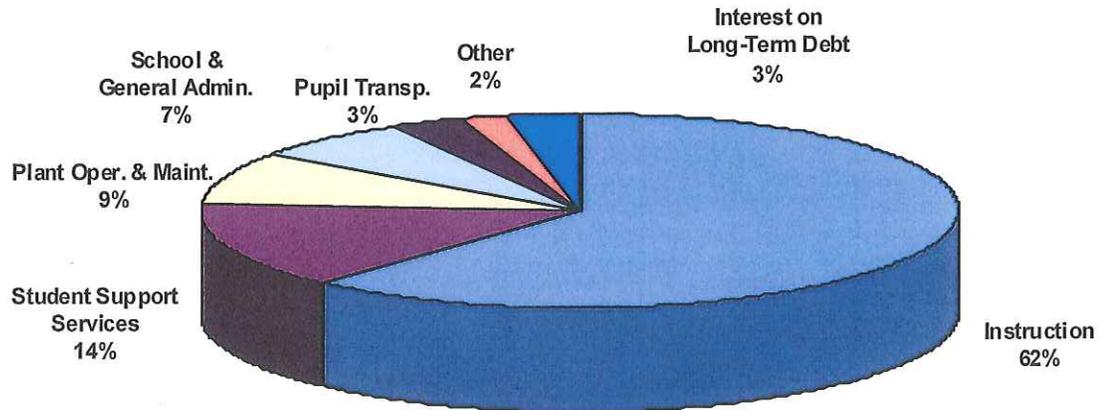


Table A-5 Expenditures by Type- Governmental Activities
For Fiscal Year 2012



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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

**Table A-6
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2012 and 2011**

<u>Functions/Programs</u>	<u>Cost of Services</u>		<u>Net Cost Services</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Governmental Activities				
Instruction				
Regular	\$ 11,351,485	\$ 10,872,972	\$ 10,164,160	\$ 9,956,231
Special Education	6,786,763	5,534,331	4,781,613	4,361,641
Other Instruction	787,007	1,110,155	617,495	629,551
School Sponsored Activities and Athletics	606,482	573,864	559,712	570,308
Community Services				
Support Services				
Student and Instruction Related Svcs.	4,201,866	3,969,839	3,716,907	3,523,547
Educational Media/School Library	249,830	240,492	231,425	224,038
General Administrative Services	671,312	676,167	637,223	650,955
School Administrative Services	1,617,711	1,758,338	1,468,796	1,619,199
Plant Operations and Maintenance	2,844,156	2,934,321	2,844,156	2,922,351
Pupil Transportation	877,950	956,650	861,075	930,503
Central Services	626,992	641,502	626,992	596,281
Interest on Long-Term Debt	886,699	689,810	886,699	689,810
	<hr/>	<hr/>	<hr/>	<hr/>
Total Governmental Activities	\$ 31,508,253	\$ 29,958,441	\$ 27,396,253	\$ 26,674,415

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2012 was \$825,815. These costs were funded by operating grants, charges for services and investment earnings. (Detailed on Table A-3). The operations resulted in an increase in net assets of \$177,774.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Business-Type Activities (Continued)

Food Service Program

- Food service revenues exceeded expenses by \$60,639.
- Charges for services represent 66 percent of revenue.
- Revenues include lunches and ala carte meals paid for by the students and partial or total reimbursement provided by the district's participation in the National School Lunch Program.

Community School Program

- Revenues exceeded expenses by \$114,643.
- Charges for services represent 99 percent of revenue.
- Revenues include tuition and interest earned on investments.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As the District completed the year, its governmental funds reported a combined fund balance of \$1,602,997. In 2010-2011 the fund balance was \$689,454.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$32,563,230 and expenditures were \$31,789,376.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2012 and 2011.

	<u>Year Ended</u> <u>6/30/2012</u>	<u>Year Ended</u> <u>6/30/2011</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Local Sources	\$ 28,514,227	\$ 27,803,036	\$ 711,191	3%
State Sources	3,407,977	2,528,249	879,728	35%
Federal Sources	<u>641,026</u>	<u>748,019</u>	<u>(106,993)</u>	-14%
 Total Revenues	 <u>\$ 32,563,230</u>	 <u>\$ 31,079,304</u>	 <u>\$ 1,483,926</u>	 5%

The following schedule represents a summary of general fund, special revenue fund, capital projects fund, and debt service fund expenditures for the fiscal years ended June 30, 2012 and 2011.

	<u>Year Ended</u> <u>6/30/2012</u>	<u>Year Ended</u> <u>6/30/2011</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Current Expenses:				
Instruction	\$ 18,897,166	\$ 17,642,746	\$ 1,254,420	7%
Undistributed	10,757,586	10,942,350	(184,764)	-2%
Capital Outlay	219,683	242,581	(22,898)	-9%
Debt Service				
Principal	1,183,872	1,059,056	124,816	12%
Interest	<u>731,069</u>	<u>1,477,094</u>	<u>(746,025)</u>	-51%
 Total Expenditures	 <u>\$ 31,789,376</u>	 <u>\$ 31,363,827</u>	 <u>\$ 425,549</u>	 1%

General Fund Budgeting Highlights

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

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

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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

General Fund Budgeting Highlights (Continued)

- Tuition and transportation costs for special education students is budgeted based on the existing and known incoming students at the time the budget is submitted. Students move into and out of the District during the summer as well as the school year. These special education costs were higher than anticipated for 2011-12.
- The number of teacher assistants required for special education students was less than anticipated.
- As the buildings and building systems get old additional funds were needed to make the required repairs.
- Unanticipated legal expenses were incurred due to the District's defense in several lawsuits and personnel matters. Additional expenses were also incurred for contract negotiations.
- TPAF, which is the state's contribution to the pension fund and social security is neither a revenue item nor an expenditure item to the district but is required to be reflected in the financial statements.

Capital Assets

At the end of fiscal year 2012, the District's governmental activities had total assets of \$24,030,453 net of depreciation invested in land, land improvements, construction in progress, buildings, furniture, equipment and vehicles. Table 4 shows fiscal year 2012 balances compared to 2011.

**Table A-4
Capital Assets (Net Depreciation) as of June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 31,974	\$ 31,974			\$ 31,974	\$ 31,974
Construction in Progress	22,687				22,687	-
Land Improvements	485,028	485,028			485,028	485,028
Buildings and Building Improvements	31,078,254	31,078,254			31,078,254	31,078,254
Machinery, Equipment and Vehicles	<u>2,477,490</u>	<u>2,280,494</u>	\$ 150,846	\$ 116,739	<u>2,628,336</u>	<u>2,397,233</u>
Total	34,095,433	33,875,750	150,846	116,739	34,246,279	33,992,489
Less: Accumulated Depreciation	<u>10,064,980</u>	<u>9,095,242</u>	<u>79,194</u>	<u>72,613</u>	<u>10,144,174</u>	<u>9,167,855</u>
Total	<u>\$ 24,030,453</u>	<u>\$ 24,780,508</u>	<u>\$ 71,652</u>	<u>\$ 44,126</u>	<u>\$ 24,102,105</u>	<u>\$ 24,824,634</u>

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Overall capital assets decreased by \$750,055 from fiscal year 2011 to fiscal year 2012.

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

Debt Administration

At June 30, 2012, the District had \$16,946,115 of outstanding long-term liabilities. These liabilities include serial bonds and loans for school construction and refunding bonds for the Early Retirement Incentive Program, capital leases and compensated absences.

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

	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$ 16,125,000	\$ 17,190,000
Intergovernmental Loans	18,403	27,606
Capital Leases	180,314	150,294
Compensated Absences Payable	<u>622,398</u>	<u>625,334</u>
 Total	 <u>\$ 16,946,115</u>	 <u>\$ 17,993,234</u>

At June 30, 2012, the District's overall legal debt margin was \$13,183,885.

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

For the Future

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

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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

SADDLE BROOK BOARD OF EDUCATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,702,180	\$ 505,594	\$ 2,207,774
Prepaid Expense	19,792		19,792
Receivables, net	382,195	8,738	390,933
Internal Balances	(6,765)	6,765	-
Inventory		4,278	4,278
Deferred Charge	196,510		196,510
Capital Assets			
Not Being Depreciated	54,661		54,661
Being Depreciated, Net	<u>23,975,792</u>	<u>71,652</u>	<u>24,047,444</u>
Total Assets	<u>26,324,365</u>	<u>597,027</u>	<u>26,921,392</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	403,159	29,640	432,799
Payable to Other Governments	35,579		35,579
Accrued Interest Payable	261,155		261,155
Unearned Revenue	55,667	56,866	112,533
Noncurrent Liabilities			
Due Within One Year	1,247,678		1,247,678
Due Beyond One Year	<u>15,494,287</u>	<u>-</u>	<u>15,494,287</u>
Total Liabilities	<u>17,497,525</u>	<u>86,506</u>	<u>17,584,031</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	10,829,592	71,652	10,901,244
Restricted for :			
Capital Projects	457,867		457,867
Debt Service	2		2
Other Purposes	100,000		100,000
Unrestricted	<u>(2,560,621)</u>	<u>438,869</u>	<u>(2,121,752)</u>
Total Net Assets	<u>\$ 8,826,840</u>	<u>\$ 510,521</u>	<u>\$ 9,337,361</u>

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

SADDLE BROOK BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 11,351,485	\$ 1,174,137	\$ 13,188		\$ (10,164,160)	\$	(10,164,160)
Special Education	6,786,763	21,350	1,983,800		(4,781,613)		(4,781,613)
Other Instruction	787,007		169,512		(617,495)		(617,495)
School Sponsored Activities and Athletics	606,482		46,770		(559,712)		(559,712)
Support Services							
Student and Instruction Related Services	4,201,866		484,959		(3,716,907)		(3,716,907)
Educational Media/School Library	249,830		18,405		(231,425)		(231,425)
School Administrative Services	1,617,711		148,915		(1,468,796)		(1,468,796)
General and Business Administrative Services	671,312		34,089		(637,223)		(637,223)
Plant Operations and Maintenance	2,844,156				(2,844,156)		(2,844,156)
Pupil Transportation	877,950		16,875		(861,075)		(861,075)
Central Services	626,992				(626,992)		(626,992)
Interest and Other Charges on Long-Term Debt	886,699				(886,699)		(886,699)
Total Governmental Activities	31,508,253	21,350	4,077,462	13,188	(27,396,253)	-	(27,396,253)
Business-Type Activities							
Food Service	461,322	342,896	177,101			\$ 58,675	58,675
Community School	364,493	479,136				114,643	114,643
Total Business-Type Activities	825,815	822,032	177,101	-	-	173,318	173,318
Total Primary Government	\$ 32,334,068	\$ 843,382	\$ 4,254,563	\$ 13,188	(27,396,253)	173,318	(27,222,935)
General Revenues and Transfers							
Property Taxes, Levied for General Purposes, Net					26,287,326		26,287,326
Taxes Levied for Debt Service					1,757,115		1,757,115
Miscellaneous Income					406,789	4,456	411,245
Total General Revenues					28,451,230	4,456	28,455,686
Change in Net Assets					1,054,977	177,774	1,232,751
Net Assets, Beginning of Year					7,771,863	532,747	8,104,610
Net Assets, End of Year					\$ 8,826,840	\$ 510,521	\$ 9,337,361

FUND FINANCIAL STATEMENTS

**SADDLE BROOK BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,660,403		\$ 41,775	\$ 2	\$ 1,702,180
Prepaid Expense	19,792				19,792
Receivables, Net					
Receivables from Other Governments	209,510	\$ 128,845	33,760		372,115
Due from Other Funds	54,488				54,488
Other Receivables	6,184	3,896	-	-	10,080
	<u>1,950,377</u>	<u>132,741</u>	<u>75,535</u>	<u>2</u>	<u>2,158,655</u>
Total Assets	\$ 1,950,377	\$ 132,741	\$ 75,535	\$ 2	\$ 2,158,655
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 387,544	\$ 15,615			\$ 403,159
Due to Other Funds	6,977	52,173	\$ 2,103		61,253
Payable to State Government		9,286			9,286
Payable to Federal Government	26,293				26,293
Deferred Revenue	-	55,667	-	-	55,667
	<u>420,814</u>	<u>132,741</u>	<u>2,103</u>	<u>-</u>	<u>555,658</u>
Total Liabilities	420,814	132,741	2,103	-	555,658
Fund Balances					
Nonspendable Fund Balance:					
Prepays	19,792				19,792
Restricted:					
Excess Surplus- Designated for Subsequent					
Year's Expenditures	93,128				93,128
Excess Surplus	374,463				374,463
Maintenance Reserve	100,000				100,000
Capital Reserve	457,867				457,867
Capital Projects			73,432		73,432
Debt Service				\$ 2	2
Assigned:					
Year End Encumbrances	214,731				214,731
Unassigned:					
General Fund	269,582	-	-	-	269,582
	<u>1,529,563</u>	<u>-</u>	<u>73,432</u>	<u>2</u>	<u>1,602,997</u>
Total Fund Balances	1,529,563	-	73,432	2	1,602,997
Total Liabilities and Fund Balances	\$ 1,950,377	\$ 132,741	\$ 75,535	\$ 2	\$ 2,158,655

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$34,095,433 and the accumulated depreciation is \$10,064,980

24,030,453

The District has financed capital assets through the issuance of Serial Bonds, Loans and Long-Term Lease Obligations. The interest accrual at year end is:

(261,155)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of the following:

General Obligation Bonds Payable, net	\$ (15,920,850)
Less: Deferred charge for issuance costs	196,510
Loans Payable	(18,403)
Capital Leases Payable	(180,314)
Compensated Absences Payable	(622,398)
	<u>(16,545,455)</u>

Net Assets of Governmental Activities \$ 8,826,840

SADDLE BROOK BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 26,287,326			\$ 1,757,115	\$ 28,044,441
Tuition	21,350				21,350
Miscellaneous	406,137	\$ 41,647	\$ 652	-	448,436
Total - Local Sources	26,714,813	41,647	652	1,757,115	28,514,227
State Sources	3,383,492	24,485	-		3,407,977
Federal Sources	56,571	584,455	-	-	641,026
Total Revenues	30,154,876	650,587	652	1,757,115	32,563,230
EXPENDITURES					
Current					
Regular Instruction	10,882,650	25,923			10,908,573
Special Education Instruction	6,244,683	398,748			6,643,431
Other Instruction	659,753	98,043			757,796
School-Sponsored Activities and Athletics	587,366				587,366
Support Services and Undistributed Costs					
Student and Instruction Related Services	3,935,199	114,685			4,049,884
Educational Media/School Library	242,307				242,307
School Administrative Services	1,556,846				1,556,846
General Administrative Services	657,379				657,379
Plant Operations and Maintenance	2,775,183				2,775,183
Pupil Transportation	872,650				872,650
Central Services	603,337				603,337
Debt Service					
Principal	109,669			1,074,203	1,183,872
Interest and Other Charges	48,158			682,911	731,069
Capital Outlay	206,495	13,188	-	-	219,683
Total Expenditures	29,381,675	650,587	-	1,757,114	31,789,376
Excess (Deficiency) of Revenues Over (Under) Expenditures	773,201	-	652	1	773,854
OTHER FINANCING SOURCES (USES)					
Capital Leases (Non-budget)	139,689				139,689
Transfer In	652				652
Transfer Out	-	-	(652)	-	(652)
Total Other Financing Sources and Uses	140,341	-	(652)	-	139,689
Net Change in Fund Balances	913,542	-	-	1	913,543
Fund Balance, Beginning of Year	616,021	-	73,432	1	689,454
Fund Balance, End of Year	\$ 1,529,563	\$ -	\$ 73,432	\$ 2	\$ 1,602,997

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

**SADDLE BROOK BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 913,543

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

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

Capital Outlay	\$ 219,683	
Depreciation Expense	<u>(969,738)</u>	
		(750,055)

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

Amortization of Bond Premium	(59,006)	
Amortization of Deferred Amounts on Refunding	28,651	
Amortization of cost of Issuance	(20,207)	
Capital Lease	(139,689)	
Principal Repayments		
Bond Principal	1,065,000	
Loan Principal	9,203	
Capital Lease Principal	<u>109,669</u>	
		993,621

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

Decrease in Compensated Absences		2,936
----------------------------------	--	-------

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

Increase in Accrued Interest		<u>(105,068)</u>
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Change in net assets of governmental activities (Exhibit A-2) \$ 1,054,977

**SADDLE BROOK BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

	<u>Food Service</u>	<u>Community School</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 171,753	\$ 333,841	\$ 505,594
Due from Other Funds	6,977		6,977
Intergovernmental Receivable			
State	313		313
Federal	8,425		8,425
Inventories	4,278	-	4,278
	<hr/>	<hr/>	<hr/>
Total Current Assets	191,746	333,841	525,587
Capital Assets			
Equipment	150,846		150,846
Less: Accumulated Depreciation	(79,194)	-	(79,194)
	<hr/>	<hr/>	<hr/>
Total Capital Assets	71,652	-	71,652
	<hr/>	<hr/>	<hr/>
Total Assets	263,398	333,841	597,239
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Current Liabilities			
Due to Other Funds	23,011	212	23,223
Accounts Payable	5,471	1,158	6,629
Unearned Revenue	729	56,137	56,866
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	29,211	57,507	86,718
	<hr/>	<hr/>	<hr/>
NET ASSETS			
Invested in Capital Assets	71,652		71,652
Unrestricted	162,535	276,334	438,869
	<hr/>	<hr/>	<hr/>
Total Net Assets	\$ 234,187	\$ 276,334	\$ 510,521
	<hr/>	<hr/>	<hr/>

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

**SADDLE BROOK BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Food Service</u>	<u>Community School</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
OPERATING REVENUES			
Charges for Services			
Daily Sales	\$ 336,836		\$ 336,836
Special Functions	6,060		6,060
Community Service Fees	-	\$ 479,136	479,136
	342,896	479,136	822,032
OPERATING EXPENSES			
Cost of Sales	197,878		197,878
Salaries and Employee Benefits	214,160	305,076	519,236
Contracted Services		6,070	6,070
Rentals		27,000	27,000
Other Purchased Services	22,080		22,080
Telephone		3,215	3,215
Supplies and Materials	20,623	11,231	31,854
Depreciation	6,581		6,581
Miscellaneous	-	11,901	11,901
	461,322	364,493	825,815
Total Operating Expenses	461,322	364,493	825,815
Operating Income/(Loss)	(118,426)	114,643	(3,783)
NONOPERATING REVENUES			
State Sources			
School Lunch Program	5,911		5,911
Federal Sources			
National School Lunch Program	171,190		171,190
Interest and Investment Revenue	1,964	2,492	4,456
	179,065	2,492	181,557
Total Nonoperating Revenues	179,065	2,492	181,557
Change in Net Assets	60,639	117,135	177,774
Total Net Assets, Beginning of Year	173,548	159,199	332,747
Total Net Assets, End of Year	\$ 234,187	\$ 276,334	\$ 510,521

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

**SADDLE BROOK BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Food Service</u>	<u>Community School</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 342,896	\$ 492,420	\$ 835,316
Cash Payments for Employees' Salaries and Benefits	(244,947)	(305,076)	(550,023)
Cash Payments to Suppliers for Goods and Services	<u>(231,446)</u>	<u>(64,995)</u>	<u>(296,441)</u>
Net Cash Provided/(Used) for Operating Activities	<u>(133,497)</u>	<u>122,349</u>	<u>(11,148)</u>
Cash Flows from Noncapital Financing Activities			
Cash Received from State and Federal Subsidy Reimbursements	<u>139,551</u>	<u>-</u>	<u>139,551</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>139,551</u>	<u>-</u>	<u>139,551</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Fixed Assets	<u>(34,107)</u>	<u>-</u>	<u>(34,107)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(34,107)</u>	<u>-</u>	<u>(34,107)</u>
Cash Flows from Investing Activities			
Interest on Investments	<u>1,964</u>	<u>2,492</u>	<u>4,456</u>
Net Cash Provided by Investing Activities	<u>1,964</u>	<u>2,492</u>	<u>4,456</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(26,089)	124,841	98,752
Cash and Cash Equivalents, Beginning of Year	<u>197,842</u>	<u>209,000</u>	<u>406,842</u>
Cash and Cash Equivalents, End of Year	<u>\$ 171,753</u>	<u>\$ 333,841</u>	<u>\$ 505,594</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities			
Operating Income (Loss)	\$ (118,426)	\$ 114,643	\$ (3,783)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Noncash Federal Assistance - Food Distribution Program	28,812		28,812
Depreciation	6,581		6,581
Change in Assets and Liabilities			
(Increase)/Decrease in Inventory	600		600
Increase/(Decrease) in Interfund Payable	(30,787)	212	(30,575)
Increase/(Decrease) in Accounts Payable	(19,761)	(5,578)	(25,339)
Increase/(Decrease) in Deferred Revenue	<u>(516)</u>	<u>13,072</u>	<u>12,556</u>
Total Adjustments	<u>(15,071)</u>	<u>7,706</u>	<u>(7,365)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (133,497)</u>	<u>\$ 122,349</u>	<u>\$ (11,148)</u>
Non-Cash Financing Activities			
Food Distribution Program Commodities Received	<u>\$ 28,812</u>		<u>\$ 28,812</u>

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

**SADDLE BROOK BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2012**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 120,571	\$ 2,802	\$ 410,834
Due from Food Service Fund	<u>23,011</u>	<u>-</u>	<u>-</u>
Total Assets	<u>143,582</u>	<u>2,802</u>	<u>410,834</u>
LIABILITIES			
Payroll Deductions and Withholdings			\$ 260,708
Accrued Salaries & Wages			138,988
Due to Student Groups			11,138
Accounts Payable			-
Due to State of New Jersey	<u>\$ 22,526</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>22,526</u>	<u>-</u>	<u>\$ 410,834</u>
NET ASSETS			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 121,056</u>	<u>\$ 2,802</u>	

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

**SADDLE BROOK BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Fund</u>
ADDITIONS		
Board Contribution	\$ 45,000	
Food Service Contributions	<u>23,011</u>	<u>-</u>
Total Contributions	<u>68,011</u>	<u>-</u>
Investment Earnings		
Interest	<u>45</u>	<u>\$ 7</u>
Net Investment Earnings	<u>45</u>	<u>7</u>
Total Additions	<u>68,056</u>	<u>7</u>
DEDUCTIONS		
Unemployment Claims and Contributions	<u>100,794</u>	<u>-</u>
Total Deductions	<u>100,794</u>	<u>-</u>
Change in Net Assets	(32,738)	7
Net Assets, Beginning of Year	<u>153,794</u>	<u>2,795</u>
Net Assets, End of Year	<u>\$ 121,056</u>	<u>\$ 2,802</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Saddle Brook Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

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

B. Basic Financial Statements

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

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

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

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

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

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

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

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

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

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The District reports the following major governmental funds:

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

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

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

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

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

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

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

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the government reports the following fund types:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow private-sector guidance issued subsequent to December 1, 1989.

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity

1. *Deposits and Investments*

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

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

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. *Receivables and Payables*

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

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

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

Tuition Expenditures - Tuition charges for the fiscal years 2010-2011 and 2011-2012 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

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

3. *Inventories*

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as unearned revenue.

4. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. *Capital Assets*

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

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

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

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

6. *Compensated Absences*

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

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

7. *Long-term obligations*

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and refunding gains or losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. *Fund Equity*

With the implementation of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during fiscal year 2011, fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Nonspendable Fund Balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Prepays – Represents the portion of fund balance not available for future spending related to costs associated with and chargeable to future accounting periods.

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

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

8. *Fund Equity (Continued)*

Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2011 audited excess surplus that was appropriated in the 2012/2013 original budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2012 audited excess surplus that is required to be appropriated in the 2013/2014 original budget certified for taxes.

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

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education.

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

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

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

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

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

9. *Reclassifications*

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

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2011/2012. During 2011/2012 the Board increased the original budget by \$294,196. The increase was funded by grant awards and the reappropriation of prior year general fund encumbrances.

On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 6, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law.

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

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

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Unallocated Benefits – Other			
Retirement Contributions	\$329,325	\$429,062	\$99,737

The above variances were caused by an audit adjustment and were offset with other available resources.

C. Capital Reserve

A capital reserve account was established by the District on October 18, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the fiscal year ended June 30, 2012 is as follows:

Balance, July 1, 2011	\$ 151,065
Increased by:	
Deposits approved by Board Resolution	<u>456,802</u>
Withdrawals	
Approved by Voters in District Budget	<u>150,000</u>
Balance, June 30, 2012	<u>\$ 457,867</u>

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects is \$6,387,498. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district’s Long Range Facilities Plan.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures 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 excess fund balance at June 30, 2012 is \$467,591. Of this amount, \$93,128 was designated and appropriated in the 2012/2013 original budget certified for taxes and the remaining amount of \$374,463 will be appropriated in the 2013/2014 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2012, the book value of the Board's deposits was \$2,741,981 and bank balances of the Board's cash and deposits amounted to \$3,383,720. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>3,383,720</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2012 none of the Board's bank balances was exposed to custodial credit risk.

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments

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

As of June 30, 2012, the Board had no outstanding investments.

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

B. Receivables

Receivables as of June 30, 2012 for the district's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Food Service</u>	<u>Total</u>
Receivables:					
Accounts	\$ 6,184	\$ 3,896			\$ 10,080
Intergovernmental	<u>209,510</u>	<u>128,845</u>	<u>\$ 33,760</u>	<u>\$ 8,738</u>	<u>380,853</u>
Gross Receivables	215,694	132,741	33,760	8,738	390,933
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 215,694</u>	<u>\$ 132,741</u>	<u>\$ 33,760</u>	<u>\$ 8,738</u>	<u>\$ 390,933</u>

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Special Revenue Fund	
Unencumbered grant draw downs	\$ <u>55,667</u>
 Total Deferred Revenue for Governmental Funds	 \$ <u>55,667</u>

C. Capital Assets

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

	<u>Balance, July 1, 2011</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Balance, June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,974			\$ 31,974
Construction in Progress	-	\$ 22,687	-	22,687
 Total capital assets, not being depreciated	 <u>31,974</u>	 <u>22,687</u>	 <u>-</u>	 <u>54,661</u>
Capital assets, being depreciated:				
Land Improvements	485,028			485,028
Buildings and Building Improvements	31,078,254			31,078,254
Machinery and Equipment	2,280,494	196,996	-	2,477,490
 Total capital assets being depreciated	 <u>33,843,776</u>	 <u>196,996</u>	 <u>-</u>	 <u>34,040,772</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	(5,777,970)	(808,778)		(6,586,748)
Land Improvements	(1,770,226)	(5,600)		(1,775,826)
Machinery and Equipment	(1,547,046)	(155,360)	-	(1,702,406)
 Total accumulated depreciation	 <u>(9,095,242)</u>	 <u>(969,738)</u>	 <u>-</u>	 <u>(10,064,980)</u>
 Total capital assets, being depreciated, net	 <u>24,748,534</u>	 <u>(772,742)</u>	 <u>-</u>	 <u>23,975,792</u>
 Governmental activities capital assets, net	 <u>\$ 24,780,508</u>	 <u>\$ (750,055)</u>	 <u>\$ -</u>	 <u>\$ 24,030,453</u>

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Balance, July 1, 2011	Increases	Balance, June 30, 2012
Business-Type activities:			
Capital assets, being depreciated:			
Machinery and Equipment	\$ 116,739	\$ 34,107	\$ 150,846
Total capital assets being depreciated	<u>116,739</u>	<u>34,107</u>	<u>150,846</u>
Less accumulated depreciation for:			
Machinery and Equipment	(72,613)	(6,581)	(79,194)
Total accumulated depreciation	<u>(72,613)</u>	<u>(6,581)</u>	<u>(79,194)</u>
Total capital assets, being depreciated, net	<u>44,126</u>	<u>27,526</u>	<u>71,652</u>
Business-type activities capital assets, net	<u>\$ 44,126</u>	<u>\$ 27,526</u>	<u>\$ 71,652</u>

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

Governmental activities:	
Instruction	
Regular	\$ 445,848
Special	143,332
Other Special Instruction	29,211
School Sponsored Activities and Athletics	<u>19,116</u>
Total Instruction	<u>637,507</u>
Support Services	
Student and Instruction Related Services	151,982
Educational Media	7,523
General administration	13,933
School administration	60,865
Operations and maintenance of plant	68,973
Student transportation	5,300
Business and other support services	<u>23,655</u>
Total Support Services	<u>332,231</u>
Total depreciation expense - governmental activities	<u>\$ 969,738</u>
Business-type activities:	
Food Service Fund	<u>\$ 6,581</u>

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 52,173
General Fund	Capital Projects Fund	2,103
General Fund	Community School	212
Unemployment	Food Service	23,011
Food Service	General Fund	<u>6,977</u>
		<u>\$ 84,476</u>

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

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

Interfund Transfers

	<u>Transfer In:</u>
	<u>General Fund</u>
Transfer Out:	
Capital Projects Fund	\$ <u>652</u>
Total transfers out	\$ <u>652</u>

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

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Leases

Capital Leases

The District is leasing student transportation and technology equipment totaling \$435,392 under capital leases. The leases are for terms of 4 years.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2013	\$ 92,350
2014	66,180
2015	<u>37,694</u>
Total minimum lease payments	196,224
Less: amount representing interest	<u>15,910</u>
Present value of minimum lease payments	<u>\$ 180,314</u>

F. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2012 are comprised of the following issues:

\$3,610,000, 2003 ERIP Refunding Bonds, due in annual installments of \$105,000 to \$265,000 through July 15, 2028, interest at 2.60% - 5.75	\$ 2,960,000
\$5,900,000, 2004 School Improvement Bonds, due in annual installments of \$270,000 to \$420,000 through February 14, 2024, interest at 4.20% - 4.375%	4,235,000
\$9,030,000, 2009 Refunding Bonds, due in annual installments of \$715,000 to \$860,000 Through August 15, 2022, interest at 3%-4%	<u>8,930,000</u>
	<u>\$16,125,000</u>

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

Intergovernmental Loan Payable

The Board has entered into loan agreements with the New Jersey Economic Development Agency to provide funds for the acquisition and construction of major capital facilities.

Loans payable at June 30, 2012 are comprised of the following:

\$174,848, 2003 Loan due in Semi-annual installments through July 1, 2013 interest at 1.50%	<u>\$18,403</u>
---	-----------------

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

Governmental Activities:

Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Intergovernmental Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 1,105,000	\$ 641,209	\$ 9,203	\$ 207	\$ 1,755,619
2014	1,145,000	601,969	9,200	69	1,756,238
2015	1,195,000	561,119			1,756,119
2016	1,240,000	518,366			1,758,366
2017	1,285,000	473,929			1,758,929
2018-2022	6,930,000	1,545,819			8,475,819
2023-2027	2,710,000	376,063			3,086,063
2028-2029	515,000	30,043	-	-	545,043
	<u>\$ 16,125,000</u>	<u>\$ 4,748,517</u>	<u>\$ 18,403</u>	<u>\$ 276</u>	<u>\$ 20,892,196</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2012 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 97,094,580
Less: Net Debt	<u>13,183,885</u>
Remaining Borrowing Power	<u>\$ 83,910,695</u>

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2012, was as follows:

	Balance, <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2012</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds Payable	\$ 17,190,000		\$ 1,065,000	\$ 16,125,000	\$ 1,105,000
Deferred Amounts					
Add: Original Issue Premium	221,335		28,651	192,684	
Less: Refunding Escrow	<u>(455,840)</u>	<u>-</u>	<u>(59,006)</u>	<u>(396,834)</u>	<u>-</u>
 Total Bonds Payable	 16,955,495	 -	 1,034,645	 15,920,850	 1,105,000
 Loans Payable	 27,606		 9,203	 18,403	 9,203
Capital Leases	150,294	\$ 139,689	109,669	180,314	83,475
Compensated Absences	<u>625,334</u>	<u>113,770</u>	<u>116,706</u>	<u>622,398</u>	<u>50,000</u>
Governmental Activity Long-Term Liabilities	 <u>\$ 17,758,729</u>	 <u>\$ 253,459</u>	 <u>\$ 1,270,223</u>	 <u>\$ 16,741,965</u>	 <u>\$ 1,247,678</u>

Compensated absences are generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

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

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

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

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

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

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

<u>Year Ended June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Food Service Contributions</u>	<u>Refunds</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 45,000	\$ -	\$ 23,011		\$ 100,794	\$ 121,056
2011	170,000	31,106	53,798		158,992	153,794
2010	10,000	13,718		\$ 6,978	43,062	57,814

B. Contingent Liabilities

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

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

B. Contingent Liabilities (Continued)

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2012, the District had no estimated arbitrage earnings due to the IRS.

D. Employee Retirement Systems and Pension Plans

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

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

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

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

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

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

Basis of Accounting

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

Investment Valuation

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

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

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Significant Legislation

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

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

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 78.5 percent and \$10.7 billion.

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

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

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Methods and Assumptions

In the July 1, 2010 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.91 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.5% for PERS, 6.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2012, 2011 and 2010 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended June 30,	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2012	\$ 423,005	\$ 397,737	\$ 6,057
2011	304,221	36,300	1,261
2010	263,315	37,840	

During the previous two fiscal years, the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed \$397,737 during 2011/2012 for normal cost pension, accrued liability and the NCGI premium. For fiscal years 2010/2011 and 2009/2010, the State contributed \$36,300 and \$37,840, respectively, for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$934,147 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 547 state and local participating employers and contributing entities for Fiscal Year 2011.

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

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

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

Basis of Accounting

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

Significant Legislation

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

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 OTHER INFORMATION (Continued)

G. Post-Retirement Medical Benefits (Continued)

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the State had a \$59.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$21.1 billion for state active and retired members and \$38.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the July 1, 2010, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2011, there were 93,323 retirees receiving post-retirement medical benefits and the State contributed \$935.5 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

**SADDLE BROOK BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 OTHER INFORMATION (Continued)

Post-Retirement Medical Benefits Contributions (Continued)

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2012, 2011 and 2010 were \$799,555, \$771,006 and \$710,691, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

H. Subsequent Events

On July 24, 2012, the District issued refunding school bonds in the aggregate principal amount of \$6,485,000 for the purpose of refunding their 2003 and 2004 bonds. The District awarded the sale of said bonds to RBC Capital Markets at an interest rate of .75% - 4.20%. The Bonds, dated August 23, 2012, will mature over fourteen years with the first maturity due August 15, 2013.

BUDGETARY COMPARISON SCHEDULES

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Actual	Variance Final To Actual
	Original	Transfers	Final		
REVENUES					
Local Sources					
Local Tax Levy	\$ 26,287,326		\$ 26,287,326	\$ 26,287,326	
Tuition				21,350	\$ 21,350
Miscellaneous	146,500	-	146,500	406,137	259,637
Sub-Total Local Sources	26,433,826	-	26,433,826	26,714,813	280,987
State Sources					
Categorical Special Education Aid	629,479		629,479	886,281	256,802
Extraordinary Aid	257,000		257,000	384,598	127,598
Nonpublic Transportation Aid				16,875	16,875
Anti Bullying Aid				810	810
On Behalf TPAF Pension Contribution- (Non-Budgeted)					
Normal				359,191	359,191
NCGI Premium				38,546	38,546
Post Retirement Medical Contributions				799,555	799,555
Reimbursed TPAF Social Security Contributions (Non Budgeted)	-	-	-	934,147	934,147
Sub-Total State Sources	886,479	-	886,479	3,420,003	2,533,524
Federal Sources					
ARRA-Ed Jobs	54,853	\$ 1,718	56,571	56,571	-
Sub-Total Federal Sources	54,853	1,718	56,571	56,571	-
Total Revenues	27,375,158	1,718	27,376,876	30,191,387	2,814,511
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool/Kindergarten	169,473	47,293	216,766	216,766	-
Grades 1-5	2,877,826	24,895	2,902,721	2,902,721	-
Grades 6-8	1,299,833	64,393	1,364,226	1,364,226	-
Grades 9-12	2,603,886	26,269	2,630,155	2,630,155	-
Regular Programs- Home Instructions					
Salaries of Teachers	36,000	(2,743)	33,257	33,257	-
Regular Programs- Undistributed Instruction					
Other Salaries for Instruction		15,416	15,416	15,416	-
Other Purchased Services	168,000	3,525	171,525	171,525	-
General Supplies	136,793	(13,849)	122,944	122,853	91
Textbooks	178,474	12,886	191,360	191,360	-
Other Objects	6,750	-	6,750	6,750	-
Total Regular Programs	7,477,035	178,085	7,655,120	7,655,029	91
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	518,909	(16,451)	502,458	502,458	-
Other Salaries for Instruction	89,107	63,040	152,147	152,147	-
Other Purchased Services	9,000	(4,780)	4,220	4,220	-
General Supplies	3,750	(549)	3,201	3,201	-
Textbooks	1,100	(1,100)	-	-	-
Total Learning and/or Language Disabilities	621,866	40,160	662,026	662,026	-
Behavioral Disabilities					
Salaries of Teachers		36,799	36,799	36,799	-
Other Salaries for Instruction	-	8,242	8,242	8,242	-
Total Behavioral Disabilities	-	45,041	45,041	45,041	-

SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Actual	Variance Final To Actual
	Original	Transfers	Final		
EXPENDITURES (Continued)					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Resource Room					
Salaries of Teachers	\$ 1,273,666	\$ (78,359)	\$ 1,195,307	\$ 1,195,307	-
Other Salaries for Instruction	87,103	44,751	131,854	131,854	-
General Supplies	4,850	-	4,850	4,850	-
Textbooks	4,950	(2,457)	2,493	2,493	-
Total Resource Room	1,370,569	(36,065)	1,334,504	1,334,504	-
Autism					
Salaries of Teachers	55,828	(55,828)	-	-	-
Other Salaries for Instruction	77,245	(77,245)	-	-	-
General Supplies	200	(200)	-	-	-
Total Autism	133,273	(133,273)	-	-	-
Preschool Disabilities - Part - Time					
Salaries of Teachers	55,942	565	56,507	56,507	-
Other Salaries for Instruction	61,474	38,011	99,485	99,485	-
General Supplies	200	133	333	333	-
Textbooks	200	(1)	199	199	-
Total Preschool Handicapped - Part - Time	117,816	38,708	156,524	156,524	-
Preschool Disabilities - Full - Time					
Salaries of Teachers	-	45,124	45,124	45,124	-
Other Salaries for Instruction	-	74,710	74,710	74,710	-
General Supplies	-	832	832	832	-
Total Preschool Handicapped - Full - Time	-	120,666	120,666	120,666	-
Home Instruction					
Purchased Professional Educational Services	-	4,692	4,692	4,692	-
Total Home Instruction	-	4,692	4,692	4,692	-
Total Special Education	2,243,524	79,929	2,323,453	2,323,453	-
Basic Skills/Remedial					
Salaries of Teachers	435,293	(29,096)	406,197	406,197	-
Supplies	-	546	546	546	-
Total Basic Skills/Remedial	435,293	(28,550)	406,743	406,743	-
Bilingual Education					
Salaries of Teachers	66,157	(3,078)	63,079	63,079	-
General Supplies	1,375	(268)	1,107	1,107	-
Total Bilingual Education	67,532	(3,346)	64,186	64,186	-
School Sponsored Co-Curricular Activities					
Salaries	62,075	9,677	71,752	71,752	-
Other Objects	10,900	(1,316)	9,584	9,562	\$ 22
Total School Sponsored Co-Curricular Activities	72,975	8,361	81,336	81,314	22
School Sponsored Athletics					
Salaries	307,017	(62,509)	244,508	235,346	9,162
Purchased Services	47,000	854	47,854	37,854	10,000
Supplies and Materials	42,250	(850)	41,400	41,400	-
Other Objects	19,900	(4,500)	15,400	15,400	-
Total School Sponsored Athletics	416,167	(67,005)	349,162	330,000	19,162
Total - Instruction	10,712,526	167,474	10,880,000	10,860,725	19,275

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Actual	Variance Final To Actual
	Original	Transfers	Final		
EXPENDITURES (Continued)					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to Other LEA's Within the State - Special	\$ 248,354	\$ 151,304	\$ 399,658	\$ 399,658	-
Tuition to County Vocational School Dist.-Regular	322,800	64,105	386,905	386,905	-
Tuition to County Vocational School Dist.-Special	81,260	85,646	166,906	166,906	-
Tuition to CSSD & Regional Day Schools	583,605	132,317	715,922	715,922	-
Tuition to Private Schools for the Handicapped - Within State	1,624,802	174,361	1,799,163	1,580,163	\$ 219,000
Total Tuition	2,860,821	607,733	3,468,554	3,249,554	219,000
Attendance and Social Work Services					
Salaries	10,414	(90)	10,324	10,324	-
Other Purchased Services	500	(243)	257	257	-
Total Attendance and Social Work Services	10,914	(333)	10,581	10,581	-
Health Services					
Salaries	268,713	42,355	311,068	311,068	-
Purchased Prof. and Tech services	21,250	(3,300)	17,950	17,950	-
Other Purchased Services	1,400	(1,158)	242	242	-
Supplies and Materials	5,960	4,777	10,737	10,737	-
Other Objects	500	990	1,490	1,490	-
Total Health Services	297,823	43,664	341,487	341,487	-
Speech, OT/PT and Related Services					
Salaries	557,653	27,150	584,803	584,803	-
Purchased Prof. Ed. Services	255,306	25,405	280,711	280,711	-
Supplies and Materials	2,000	22	2,022	2,022	-
Total Speech, OT/PT and Related Services	814,959	52,577	867,536	867,536	-
Other Support Services - Students - Extra. Serv.					
Salaries	350,919	(58,652)	292,267	292,267	-
Purchased Professional-Educational Services	375,071	(251,816)	123,255	123,255	-
Total Other Support Services - Students - Extra Serv.	725,990	(310,468)	415,522	415,522	-
Guidance					
Salaries of Other Professional Staff	377,916	(7,552)	370,364	370,364	-
Salaries of Secretarial and Clerical Assistants	123,445	(11,470)	111,975	111,975	-
Other Purchased Services	500	(458)	42	42	-
Supplies and Materials	13,724	(1,588)	12,136	12,136	-
Other Objects	-	95	95	95	-
Total Guidance	515,585	(20,973)	494,612	494,612	-

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Actual	Variance Final To Actual
	Original	Transfers	Final		
EXPENDITURES (Continued)					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Child Study Team					
Salaries of Other Professional Staff	\$ 590,735	\$ (13,269)	\$ 577,466	\$ 577,466	-
Salaries of Secretarial and Clerical Assistants	62,826	(6,133)	56,693	56,693	-
Purchased Prof. - Ed. Services	9,750	3,506	13,256	13,256	-
Other Purchased Professional and Technical Svcs.	9,000	(8,686)	314	314	-
Other Purchased Services	4,500	(2,901)	1,599	1,599	-
Supplies and Materials	11,800	(1,763)	10,037	10,037	-
Other Objects	1,000	(800)	200	200	-
Total Child Study Team	689,611	(30,046)	659,565	659,565	-
Improvement of Instructional Svcs/ Other Support					
Svcs - Instructional Staff					
Salaries of Supervisor of Instruction	107,475	14,225	121,700	121,700	-
Other Salaries		4,925	4,925	4,925	-
Purchased Professional Educational Services		375	375	375	-
Other Objects	1,000	5,236	6,236	6,236	-
Total Improvement of Instructional Svcs	108,475	24,761	133,236	133,236	-
Educational Media Services/School Library					
Salaries	152,016	(31,167)	120,849	120,849	-
Other Purchased Services	7,992	(6,052)	1,940	1,940	-
Supplies and Materials	31,806	7,326	39,132	39,132	-
Other Objects	17,574	(1,216)	16,358	16,358	-
Total Educational Media Services/School Library	209,388	(31,109)	178,279	178,279	-
Instructional Staff Training Services					
Purchased Prof.-Ed. Services	11,000	(9,200)	1,800	1,800	-
Other Purchased Services	6,000	(3,960)	2,040	2,040	-
Total Instructional Staff Training Services	17,000	(13,160)	3,840	3,840	-
Support Services General Administration					
Salaries	206,151	17,684	223,835	223,835	-
Legal Services	56,300	52,688	108,988	108,988	-
Audit Fees	31,500	22,800	54,300	28,360	\$ 25,940
Other Purchased Professional Services	2,395	-	2,395	2,395	-
Communications/Telephone	117,770	10,541	128,311	128,254	57
Other Purchased Services	72,400	(27,826)	44,574	44,574	-
General Supplies	8,300	(1,731)	6,569	6,569	-
BOE In-House Training/Meeting Supplies	1,500	(44)	1,456	1,456	-
Miscellaneous Expenditures	3,000	672	3,672	3,672	-
BOE Membership Dues and Fees	14,750	(1,823)	12,927	12,927	-
Total Support Services General Administration	514,066	72,961	587,027	561,030	25,997
Support Services School Administration					
Salaries of Principals/Asst. Principals	801,546	(107,208)	694,338	694,338	-
Salaries of Secretarial and Clerical Assistants	244,554	38,901	283,455	283,455	-
Purchased Professional & Technical Services	1,000	95,989	96,989	96,989	-
Other Purchased Services	27,992	677	28,669	28,669	-
Supplies and Materials	40,958	(16,750)	24,208	24,208	-
Other Objects	8,650	162	8,812	8,812	-
Total Support Services School Administration	1,124,700	11,771	1,136,471	1,136,471	-

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Actual	Variance Final To Actual
	Original	Transfers	Final		
EXPENDITURES (Continued)					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Central Services					
Salaries	\$ 274,943	\$ 5,500	\$ 280,443	\$ 280,443	
Purchased Professional Services	14,700	(289)	14,411	14,411	-
Purchased Technical Services	1,800	600	2,400	1,650	\$ 750
Miscellaneous Purchased Services	22,850	(13,911)	8,939	8,939	-
Supplies and Materials	10,000	(4,067)	5,933	5,933	-
Other Objects	1,300	(36)	1,264	1,264	-
Total Central Services	325,593	(12,203)	313,390	312,640	750
Admin. Info. Tech.					
Salaries	97,138	2,431	99,569	99,569	
Other Purchased Services	1,000	(792)	208	208	-
Other Objects	44,695	10,891	55,586	55,586	-
Total Admin. Info. Tech.	142,833	12,530	155,363	155,363	-
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	287,300	14,461	301,761	287,631	14,130
General Supplies	23,000	(4,028)	18,972	18,972	-
Other Objects	4,000	230	4,230	4,230	-
Total Required Maintenance for School Facilities	314,300	10,663	324,963	310,833	14,130
Custodial Services					
Salaries	1,133,577	(58,944)	1,074,633	1,068,536	6,097
Salaries of Non-Instructional Aides	140,356	(44,506)	95,850	95,850	-
Other Salaries		9,444	9,444	9,444	-
Purchased Professional & Technical Services	7,500	17,710	25,210	25,210	-
Cleaning, Repair and Maint. Services	73,312	(9,577)	63,735	63,735	-
Insurance	188,500	(30,062)	158,438	158,438	-
Miscellaneous Purchased Services	750	447	1,197	1,197	-
General Supplies	59,500	(1,522)	57,978	52,782	5,196
Energy - Natural Gas	291,500	(155,894)	135,606	135,606	-
Energy - Electricity	329,000	30,478	359,478	287,954	71,524
Other Objects	1,200	(850)	350	350	-
Total Custodial Services	2,225,195	(243,276)	1,981,919	1,899,102	82,817
Care and Upkeep of Grounds					
Salaries	32,327	(2,250)	30,077	30,077	-
Cleaning, Repair and Maint. Svc	56,000	4,576	60,576	60,576	-
General Supplies	8,000	(2,550)	5,450	4,658	792
Total Care and Upkeep of Grounds	96,327	(224)	96,103	95,311	792
Student Transportation Services					
Salaries for Pupil Transportation (Other Than Between Home and School)	72,000	13,145	85,145	85,145	
Cleaning, Repair and Maintenance Services	19,000	(3,000)	16,000	15,668	332
Lease Purchase Payments - School Buses	23,146	-	23,146	23,146	-
Contracted Services (Other Than Between Home and School) - Vendors	225,000	(28,252)	196,748	186,511	10,237
Contracted Services (Between Home and School) - Vendors	7,000	1,000	8,000		8,000
Contracted Services (Special Ed Students) - Vendors		5,893	5,893	5,893	-
Contracted Services (Special Ed Students) - Joint Agreements	682,000	(234,715)	447,285	447,285	-
Contracted Services - Aid in Lieu of Payments	79,560	(4,788)	74,772	74,772	-
Misc. Purchased Services	750	-	750		750
Supplies and Materials	16,000	3,997	19,997	19,997	-
Miscellaneous Expenditures	1,100	520	1,620	1,535	85
Total Student Transportation Services	1,125,556	(246,200)	879,356	859,952	19,404

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Actual	Variance Final To Actual
	Original	Transfers	Final		
EXPENDITURES (Continued)					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Unallocated Benefits					
Social Security	\$ 310,000	\$ 10,085	\$ 320,085	\$ 320,085	-
Other Retirement Contributions - Regular	335,000	(5,675)	329,325	429,062	\$ (99,737)
Unemployment Compensation	20,000	-	20,000	20,000	-
Workmen's Compensation	188,065	(269)	187,796	187,796	-
Health Benefits	3,298,800	(183,473)	3,115,327	3,115,327	-
Tuition Reimbursement	55,000	2,820	57,820	57,820	-
Other Employee Benefits	-	116,705	116,705	116,705	-
Total Unallocated Benefits	4,206,865	(59,807)	4,147,058	4,246,795	(99,737)
On Behalf TPAF Pension Contributions- (Non-Budgeted)					
Normal				359,191	(359,191)
NCGI Premium				38,546	(38,546)
Post Retirement Medical Contribution				799,555	(799,555)
On Behalf TPAF Social Security Contribution (Non Budgeted)	-	-	-	934,147	(934,147)
Total On-Behalf Contributions	-	-	-	2,131,439	(2,131,439)
Total Undistributed Expenditures	16,326,001	(131,139)	16,194,862	18,063,148	(1,868,286)
Total Current Expenditures	27,038,527	36,335	27,074,862	28,923,873	(1,849,011)
CAPITAL OUTLAY					
Equipment					
Regular Programs					
Grades 9-12		5,391	5,391	5,391	
Special Education Programs					
Learning and/or Language Disabilities		2,600	2,600	2,600	
School-Sponsored and Other Instructional Programs					
Athletic		5,370	5,370	5,370	
Undistributed Expenditures					
Admin. Info. Technology	14,000	-	14,000	13,500	500
Required Maintenance for School Facilities		17,258	17,258	17,258	-
Custodial	-	2,135	2,135	-	2,135
Total Undistributed Expenditures	14,000	32,754	46,754	44,119	2,635
Facilities Acquisition and Construction Services					
Architect/Engineering Services	28,600	-	28,600	13,187	15,413
Construction Services	212,000	-	212,000	9,500	202,500
Other Objects - Debt Service Assessment	36,883	-	36,883	36,883	-
Total Facilities Acquisition and Construction Services.	277,483	-	277,483	59,570	217,913
Increase in Capital Reserve	1,000	(1,000)	-	-	-
Capital Assets Acquired under Capital Lease (Non-Budget)					
Technology Equipment	-	-	-	139,689	(139,689)
Total Capital Assets Acquired under Capital Lease (Non-Budget)	-	-	-	139,689	(139,689)
Total Capital Outlay	292,483	31,754	324,237	243,378	80,859
Transfers to Charter School	194,148	20,276	214,424	214,424	-
Total Expenditures	27,525,158	88,365	27,613,523	29,381,675	(1,768,152)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(150,000)	(86,647)	(236,647)	809,712	1,046,359

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Actual	Variance Final To Actual
	Original	Transfers	Final		
Other Financing Sources(Uses)					
Capital Leases (Non-Budget)				\$ 139,689	\$ 139,689
Transfer In	-	-	-	652	652
Total Other Financing Sources(Uses)	-	-	-	140,341	140,341
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Sources (Uses)	\$ (150,000)	\$ (86,647)	\$ (236,647)	950,053	1,186,700
Fund Balances, Beginning of Year	976,820	-	976,820	976,820	-
Fund Balances, End of Year	<u>\$ 826,820</u>	<u>\$ (86,647)</u>	<u>\$ 740,173</u>	<u>\$ 1,926,873</u>	<u>\$ 1,186,700</u>
Recapitulation					
Restricted Fund Balance:					
Reserve for Excess Surplus -Designated for Subsequent Year's Expenditures				\$ 93,128	
Reserve for Excess Surplus				374,463	
Capital Reserve				301,867	
Capital Reserve- Designated for Subsequent Year's Expenditures				156,000	
Maintenance Reserve- Designated for Subsequent Year's Expenditures				100,000	
Assigned Fund Balance:					
Year-end Encumbrances				214,731	
Unassigned Fund Balance				<u>686,684</u>	
				<u>1,926,873</u>	
Reconciliation to Governmental Fund Statements (GAAP)					
Last two State Aid Payments				(12,712)	
Extraordinary Aid Payment				<u>(384,598)</u>	
Fund Balances per Governmental Funds (GAAP)				<u>\$ 1,529,563</u>	

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND
EDUCATION JOBS FUND PROGRAM
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES					
Federal Sources					
Education Jobs Fund Program	\$ 54,853	\$ 1,718	\$ 56,571	\$ 56,571	-
Total Federal Sources	54,853	1,718	56,571	56,571	-
Total Revenues	54,853	1,718	56,571	56,571	-
CURRENT EXPENDITURES					
Instruction- Regular Programs					
Salaries	54,853	1,718	56,571	56,571	-
Total Regular Programs	54,853	1,718	56,571	56,571	-
Total Expenditures - General Fund	54,853	1,718	56,571	56,571	-
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

**SADDLE BROOK BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Transfers</u>	<u>Final</u>		
REVENUES					
Intergovernmental					
Local		\$ 104,115	\$ 104,115	\$ 41,647	\$ (62,468)
State	\$ 13,458	1,076	14,534	24,485	9,951
Federal	486,542	100,640	587,182	584,455	(2,727)
Total Revenues	<u>\$ 500,000</u>	<u>\$ 205,831</u>	<u>\$ 705,831</u>	<u>\$ 650,587</u>	<u>\$ (55,244)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	\$ 77,000	\$ 19,750	\$ 96,750	\$ 96,750	
Purchased Prof. and Technical Services	3,502	(702)	2,800	115	\$ 2,685
Tuition	364,542	30,396	394,938	394,568	370
Other Purchased Services		885	885	830	55
General Supplies		73,677	73,677	28,973	44,704
Textbooks	2,956	(1,636)	1,320	733	587
Other Objects	-	2,700	2,700	745	1,955
Total Instruction	<u>448,000</u>	<u>125,070</u>	<u>573,070</u>	<u>522,714</u>	<u>50,356</u>
Support Services					
Salaries of Other Professional Staff		14,125	14,125	14,125	-
Personal Services-Employee Benefits	15,000	2,350	17,350	17,350	-
Purchased Professional/Technical Services		5,336	5,336	2,896	2,440
Purchased Professional Educational Services		21,417	21,417	21,417	
Other Purchased Services	7,000	12,689	19,689	18,644	1,045
Travel	30,000	(24,407)	5,593	5,593	-
Supplies and Materials	-	36,063	36,063	34,660	1,403
Total Support Services	<u>52,000</u>	<u>67,573</u>	<u>119,573</u>	<u>114,685</u>	<u>4,888</u>
Facilities Acquisition and Construction					
Instructional Equipment	-	13,188	13,188	13,188	-
Total Facilities Acquisition and Construction	<u>-</u>	<u>13,188</u>	<u>13,188</u>	<u>13,188</u>	<u>-</u>
Total Expenditures	<u>500,000</u>	<u>205,831</u>	<u>705,831</u>	<u>650,587</u>	<u>55,244</u>
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SADDLE BROOK BOARD OF EDUCATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 30,191,387	\$ 650,587
Difference- Budget to GAAP		
State Aid payment and Extraordinary Aid (2010/2011) recognized for GAAP purposes, not recognized for budgetary statements.	360,799	
Difference - Budget to GAAP:		
State Aid payment and Extraordinary Aid (2011/2012) recognized for budgetary purposes not recognized for GAAP statements	<u>(397,310)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 30,154,876</u>	<u>\$ 650,587</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 29,381,675	\$ 650,587
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 29,381,675</u>	<u>\$ 650,587</u>

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

SADDLE BROOK BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	ARRA Title I	ARRA Title I A	IDEIA Basic Reg. Prog.	ARRA IDEIA Basic Reg. Prog.	IDEIA Preschool	ARRA IDEIA Preschool	Totals Exhibit E-1A	Total
REVENUES								
Intergovernmental								
Local								
State	\$ 106,100	\$ 40,695	\$ 378,869	\$ 19,792	\$ 15,699	\$ 12,740	\$ 41,647	\$ 41,647
Federal							24,485	24,485
Total Revenues	\$ 106,100	\$ 40,695	\$ 378,869	\$ 19,792	\$ 15,699	\$ 12,740	\$ 66,132	\$ 650,587
EXPENDITURES								
Instruction								
Salaries of Teachers	\$ 86,750						10,000	\$ 96,750
Purchased Prof. and Technical Services							115	115
Other Purchased Services			\$ 378,869		\$ 15,699		830	830
Tuition								394,568
General Supplies	\$ 10,560				\$ 4,180		14,233	28,973
Textbooks							733	733
Other Objects							745	745
Total Instruction	\$ 86,750		\$ 378,869		\$ 15,699	\$ 4,180	26,656	\$ 522,714
Support Services								
Salaries of Other Professional Staff		\$ 5,525					8,600	14,125
Personal Services Employee-Benefits	17,350						-	17,350
Purchased Prof. and Technical Services		21,417					2,896	2,896
Purchased Prof. Educational Services	2,000	13,753					2,891	18,644
Other Purchased Services							5,593	5,593
Travel				\$ 19,792			6,308	34,660
Supplies and Materials						8,560		
Total Support Services	\$ 19,350	\$ 40,695		\$ 19,792		\$ 8,560	26,288	\$ 114,685
Facilities Acquisition and Construction								
Instructional Equipment							13,188	13,188
Total Facilities Acquisition and Construction							13,188	13,188
Total Expenditures	\$ 106,100	\$ 40,695	\$ 378,869	\$ 19,792	\$ 15,699	\$ 12,740	\$ 66,132	\$ 650,587

SADDLE BROOK BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	English as Second Lang.	Ch 192/193 Comp Ed	Corrective Speech	Non-Public Textbooks	NJ Learn & Serve Carryover	Educational Foundation	Local Programs	Total Exhibit E-1A
REVENUES								
Intergovernmental								
Local	\$ 1,379	\$ 592	\$ 2,369	\$ 733	\$ 19,412	\$ 12,729	\$ 28,918	\$ 41,647
State	-	-	-	-	-	-	-	24,485
Federal	-	-	-	-	-	-	-	-
Total Revenues	\$ 1,379	\$ 592	\$ 2,369	\$ 733	\$ 19,412	\$ 12,729	\$ 28,918	\$ 66,132
EXPENDITURES								
Instruction								
Salaries of Teachers						\$ 2,500	\$ 7,500	\$ 10,000
Purchased Prof. and Technical Services						115		115
Other Purchased Services						830		830
General Supplies				\$ 1,181		2,830	10,222	14,233
Textbooks			\$ -	733		-	-	733
Other Objects					745			745
Total Instruction	-	-	-	733	1,926	6,275	17,722	26,656
Support Services								
Salaries of Other Professional Staff	\$ 1,379	\$ 592	\$ -		8,600			8,600
Purchased Prof. and Technical Services			\$ 2,369		925			2,896
Other Purchased Services					522			2,891
Travel					5,593			5,593
Supplies and Materials					1,846		4,462	6,308
Total Support Services	1,379	592	2,369	-	17,486	-	4,462	26,288
Facilities Acquisition and Construction								
Instructional Equipment						6,454	6,734	13,188
Total Facilities Acquisition and Constructio	-	-	-	-	-	6,454	6,734	13,188
Total Expenditures	\$ 1,379	\$ 592	\$ 2,369	\$ 733	\$ 19,412	\$ 12,729	\$ 28,918	\$ 66,132

**SADDLE BROOK BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**SADDLE BROOK BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Revenues and Other Financing
Sources**

Interest Earned on Investments	<u>\$</u>	652
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Total Revenues		<u>652</u>
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**Expenditures and Other
Financing Uses**

Purchased Professional and Technical Services		
Transfer to General Fund	<u></u>	652

Total Expenditures		<u>652</u>
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Excess (deficiency) or Revenues over (under) Expenditures		<u>-</u>
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Fund Balance- Beginning of Year		<u>73,432</u>
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Fund Balance- Ending of Year	<u>\$</u>	<u><u>73,432</u></u>
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**SADDLE BROOK BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS-
BUDGETARY BASIS
RENOVATION AND UPGRADE OF THE HIGH SCHOOL, FRANKLIN ELEMENTARY SCHOOL, HELEN I
SMITH SCHOOL AND LONG MEMORIAL SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SCC Grants	\$ 5,264,548		\$ 5,264,548	\$ 5,264,548
Bond Proceeds	19,178,000		19,178,000	19,178,482
	<hr/>		<hr/>	
Total Revenues	24,442,548	-	24,442,548	24,443,030
	<hr/>		<hr/>	
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	3,010,840		3,010,840	3,010,840
Construction Services	21,062,191		21,062,191	21,136,105
Equipment/Supply Purchases	296,085	-	296,085	296,085
	<hr/>		<hr/>	
Total Expenditures	24,369,116	-	24,369,116	24,443,030
	<hr/>		<hr/>	
Excess (deficiency) or revenues over (under) expenditures	\$ 73,432	\$ -	\$ 73,432	\$ -
	<hr/>		<hr/>	

Additional project information:

Project Number	4610-050-02-0362	4610-080-02-0363	4610-085-02-0364
	4610-090-02-0365	4610-050-02-0282	
Grant Date	5/12/03		
Bond Authorization Date	4/02 and 1/27/04		
Bonds Authorized	19,178,482		
Bonds Issued	19,178,000		
Original Authorized Cost	18,543,030		
Additional Authorized Cost	5,900,000		
Revised Authorized Cost	24,443,030		
Percentage Increase over Original Authorized Cost	32%		
Percentage completion	100%		
Original target completion date	12/1/05		
Revised target completion date	12/1/06		

PROPRIETARY FUNDS

**SADDLE BROOK BOARD OF EDUCATION
PROPRIETARY FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

SCHEDULE G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

SCHEDULE G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

EXHIBIT G-4

**SADDLE BROOK BOARD OF EDUCATION
INTERNAL SERVICE FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE

EXHIBIT G-5

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE

EXHIBIT G-6

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE

FIDUCIARY FUNDS

**SADDLE BROOK BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY NET ASSETS
AS OF JUNE 30, 2012**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 150,126	\$ 260,708	\$ 410,834
Total Assets	<u>\$ 150,126</u>	<u>\$ 260,708</u>	<u>\$ 410,834</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 260,708	\$ 260,708
Accrued Salaries & Wages			-
Accounts Payable	\$ 11,138		11,138
Due to Student Groups	<u>138,988</u>	<u>-</u>	<u>138,988</u>
Total Liabilities	<u>\$ 150,126</u>	<u>\$ 260,708</u>	<u>\$ 410,834</u>

**FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**SADDLE BROOK BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Balance July 1, <u>2011</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance June 30, <u>2012</u>
ELEMENTARY SCHOOLS				
Franklin School	\$ 1,833	\$ 4,861	\$ 5,536	\$ 1,158
Long Memorial School	5,966	30,886	11,515	25,337
Helen I. Smith School	2,481	6,923	7,335	2,069
Total Elementary Schools	<u>10,280</u>	<u>42,670</u>	<u>24,386</u>	<u>28,564</u>
High School/Middle School Athletic Account	<u>111,001</u>	<u>152,188</u>	<u>146,022</u>	<u>117,167</u>
	4,556	40,125	40,286	4,395
Total All Schools	<u>\$ 125,837</u>	<u>\$ 234,983</u>	<u>\$ 210,694</u>	<u>\$ 150,126</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Balance, July 1, <u>2011</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, June 30, <u>2012</u>
Payroll Deductions and Withholdings	\$ 26,151	\$ 7,680,835	\$ 7,446,171	\$ 260,815
Accrued Salaries and Wages	4,602	10,508,197	10,512,906	(107)
Total	<u>\$ 30,753</u>	<u>\$ 18,189,032</u>	<u>\$ 17,959,077</u>	<u>\$ 260,708</u>

LONG-TERM DEBT

**SADDLE BROOK BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Annual Maturities Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, June 30, 2012</u>
School Improvements	5/15/2002	\$13,278,000	7/15/2011	\$ 620,000	4.125-5.00%	\$ 620,000		\$ 620,000	
ERIP Refunding Bonds	3/6/2003	3,610,000	7/15/2012	110,000	2.60 - 5.750%				
			7/15/2013	115,000					
			7/15/2014	120,000					
			7/15/2015	130,000					
			7/15/2016	135,000					
			7/15/2017	140,000					
			7/15/2018	150,000					
			7/15/2019	160,000					
			7/15/2020	165,000					
			7/15/2021-2028	175,000-265,000		3,065,000		105,000	\$ 2,960,000

SADDLE BROOK BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Annual Maturities Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, June 30, 2012</u>
School Improvements	5/15/2004	\$ 5,900,000	2/15/2013	\$ 280,000	4.20-4.375%				
			2/15/2014	290,000					
			2/15/2015	305,000					
			2/15/2016	315,000					
			2/15/2017	330,000					
			2/15/2018	345,000					
			2/15/2019	360,000					
			2/15/2020	375,000					
			2/15/2021	390,000					
			2/15/2022	405,000					
			2/15/2023-24	420,000		\$ 4,505,000	\$ 270,000		\$ 4,235,000
Refunding Bonds	12/29/2009	9,030,000	8/15/2012	715,000	3.00-4.00%				
			8/15/2013	740,000					
			8/15/2014	770,000					
			8/15/2015	795,000					
			8/15/2016	820,000					
			8/15/2017	850,000					
			8/15/2018-19	860,000					
			8/15/2020	855,000					
			8/15/2021	840,000					
			8/15/2022	825,000		9,000,000	-	70,000	8,930,000
						\$ 17,190,000	\$ -	\$ 1,065,000	\$ 16,125,000

SADDLE BROOK BOARD OF EDUCATION
 LONG-TERM DEBT
 SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Issue</u>	Amount of Original <u>Issue</u>	Interest <u>Rate</u>	Balance, July 1, 2011 <u>July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	Balance, June 30, 2012 <u>June 30, 2012</u>
2008 Student Transportation	\$ 89,319	2.01%	\$ 22,690		\$ 22,690	
2010 Technology Equipment	100,551	2.75%	50,257		24,788	\$ 25,469
2011 Technology Equipment	105,833	5.04%	77,347		24,497	52,850
2012 Technology Equipment	139,689	4.06%	-	\$ 139,689	37,694	101,995
			\$ 150,294	\$ 139,689	\$ 109,669	\$ 180,314

**SADDLE BROOK BOARD OF EDUCATION
LONG TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 1,757,115	-	\$ 1,757,115	\$ 1,757,115	-
Total Revenues	<u>1,757,115</u>	<u>-</u>	<u>1,757,115</u>	<u>1,757,115</u>	<u>-</u>
EXPENDITURES					
Debt Service					
Interest	682,912		682,912	682,911	\$ 1
Principal	<u>1,074,203</u>	<u>-</u>	<u>1,074,203</u>	<u>1,074,203</u>	<u>-</u>
Total Expenditures	<u>1,757,115</u>	<u>-</u>	<u>1,757,115</u>	<u>1,757,114</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Fund Balances, Beginning of Year	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 1</u>

EXHIBIT I-4

SADDLE BROOK BOARD OF EDUCATION
 LONG-TERM DEBT
 SCHEDULE OF LOANS PAYABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2011</u>	<u>Retired</u>	<u>Balance, June 30, 2012</u>
Site Improvements/Asbestos Removal	8/18/1993	\$ 56,848	1.50%	\$ 8,972	\$ 2,992	\$ 5,980
Elevator Construction	8/18/1993	118,000	1.50%	18,634	6,211	12,423
				<u>\$ 27,606</u>	<u>\$ 9,203</u>	<u>\$ 18,403</u>

STATISTICAL SECTION

This part of the Saddle Brook Board of Education's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

J-16 to J-20

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

SADDLE BROOK BOARD OF EDUCATION
 NET ASSETS BY COMPONENT
 LAST TEN FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ (10,838,139)	\$ 3,717,730	\$ 6,687,205	\$ 8,646,554	\$ 9,850,201	\$ 10,867,093	\$ 10,815,202	\$ 10,907,588	\$ 10,767,757	\$ 10,829,592
Restricted	11,650,894	451,183					150,001	151,066	151,066	557,869
Unrestricted	(2,208,500)	(5,211,917)	(3,881,982)	(3,608,854)	(3,617,015)	(4,151,597)	(4,275,663)	(4,411,210)	(3,146,960)	(2,560,621)
Total Governmental Activities Net Assets	\$ (1,395,745)	\$ (1,043,004)	\$ 2,805,223	\$ 5,037,700	\$ 6,233,186	\$ 6,715,496	\$ 6,689,540	\$ 6,647,444	\$ 7,771,863	\$ 8,826,840
Business-Type Activities										
Invested in Capital Assets	\$ 13,845	\$ 10,716	\$ 7,587	\$ 4,458	\$ 1,329				\$ 44,126	\$ 71,652
Unrestricted	(30,961)	90,188	113,527	199,932	195,320	189,902	134,601	160,068	288,621	438,869
Total Business-Type Activities Net Assets	\$ (17,116)	\$ 100,904	\$ 121,114	\$ 204,390	\$ 196,649	\$ 189,902	\$ 134,601	\$ 160,068	\$ 332,747	\$ 510,521
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ (10,824,294)	\$ 3,728,446	\$ 6,694,792	\$ 8,651,012	\$ 9,851,530	\$ 10,867,093	\$ 10,815,202	\$ 10,907,588	\$ 10,811,883	\$ 10,901,244
Restricted	11,650,894	451,183					150,001	151,066	151,066	557,869
Unrestricted	(2,239,461)	(5,121,729)	(3,768,455)	(3,408,922)	(3,421,695)	(3,961,695)	(4,141,062)	(4,251,142)	(2,858,339)	(2,121,752)
Total District Net Assets	\$ (1,412,861)	\$ (942,100)	\$ 2,926,337	\$ 5,242,090	\$ 6,429,835	\$ 6,905,398	\$ 6,824,141	\$ 6,807,512	\$ 8,104,610	\$ 9,337,361

Source: District Financial Records

SADDLE BROOK BOARD OF EDUCATION
 CHANGES IN NET ASSETS
 LAST TEN FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 8,094,147	\$ 8,630,319	\$ 9,117,568	\$ 9,412,968	\$ 9,723,082	\$ 10,566,470	\$ 10,329,339	\$ 10,801,562	\$ 10,872,972	\$ 11,251,485
Special Education	3,609,465	3,793,072	4,074,540	4,137,546	5,175,528	5,192,124	5,261,798	5,836,857	5,534,331	6,786,763
Community Services	11,107	59,075	33,044	4,089	5,290	1,663	-	-	-	-
Other Instruction	772,805	720,866	716,366	861,490	873,852	741,049	776,824	783,583	1,110,155	787,007
School Sponsored Activities And Athletics	409,625	450,607	486,341	520,104	607,520	554,531	589,333	571,318	573,864	606,482
Support Services:										
Student & Instruction Related Services	2,439,578	2,649,434	2,922,129	2,799,886	3,219,712	3,557,278	3,528,991	3,834,248	3,969,839	4,201,866
Educational Media/School Library	215,411	231,183	224,445	237,493	258,245	271,835	256,357	210,472	240,492	249,830
School Administrative Services	1,216,457	1,295,995	1,266,503	1,279,291	1,354,223	1,479,917	1,570,386	1,677,275	1,758,338	1,617,711
General Administration	438,965	369,629	387,675	442,724	509,972	589,554	626,648	755,767	676,167	671,312
Central Services	418,668	458,377	574,253	596,391	583,812	589,244	599,651	627,871	641,502	626,992
Plant Operations And Maintenance	1,704,635	1,814,018	1,923,873	2,518,404	2,663,820	2,855,477	3,023,296	3,193,573	2,934,321	2,844,156
Administrative Information Technology										
Pupil Transportation	632,684	1,015,504	834,515	796,912	917,267	931,405	1,058,101	1,083,966	956,650	877,950
Interest On Long-Term Debt	529,672	1,102,457	1,084,693	1,130,835	892,565	931,016	889,949	851,707	689,810	886,699
Total Governmental Activities Expenses	20,493,219	22,570,536	23,645,945	24,738,133	26,784,888	28,261,563	28,510,873	30,228,299	29,958,441	31,508,253
Business-Type Activities:										
Food Service	429,183	471,430	496,357	429,298	556,797	509,221	509,710	491,412	504,520	461,322
Community School	539,264	494,777	515,867	540,150	608,143	612,880	629,930	557,852	353,825	364,493
Total Business-Type Activities Expense	968,447	966,207	1,012,224	969,448	1,164,940	1,122,101	1,139,640	1,049,264	858,345	825,815
Total District Expenses	\$ 21,461,666	\$ 23,536,743	\$ 24,658,169	\$ 25,707,581	\$ 27,949,828	\$ 29,383,664	\$ 29,650,513	\$ 31,277,563	\$ 30,816,786	\$ 32,334,068

SADDLE BROOK BOARD OF EDUCATION
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues										
Governmental Activities:										
Charges For Services:										
Special Education	\$ 221,466	\$ 197,456	\$ 318,062	\$ 475,023	\$ 428,179	\$ 201,625	\$ 97,847	\$ 63,220	\$ 9,600	\$ 21,350
Operating Grants And Contributions	3,188,330	3,449,541	3,687,098	3,867,197	4,603,901	4,754,530	3,641,531	4,323,592	3,168,718	4,077,462
Capital Grants And Contributions	536,217	576,205	3,649,942	954,027	133,556	-	-	33,760	105,708	13,188
Total Governmental Activities Program Revenues	3,946,013	4,223,202	7,655,102	5,296,247	5,165,636	4,956,155	3,739,378	4,420,572	3,284,026	4,112,000
Business-Type Activities:										
Charges For Services:										
Food Service	\$ 309,244	\$ 325,839	\$ 333,461	\$ 349,698	\$ 372,518	\$ 379,924	\$ 368,691	\$ 380,686	\$ 404,759	\$ 342,896
Community School	499,228	539,830	532,548	590,868	579,011	556,629	534,372	539,128	479,036	479,136
Operating Grants And Contributions	57,217	75,417	73,539	80,218	90,015	82,144	96,235	105,619	144,366	177,101
Total Business Type Activities Program Revenues	865,689	941,086	939,548	1,020,784	1,041,544	1,018,697	999,299	1,025,433	1,028,161	999,133
Total District Program Revenues	\$ 4,811,702	\$ 5,164,288	\$ 8,614,650	\$ 6,317,031	\$ 6,207,180	\$ 5,974,852	\$ 4,738,677	\$ 5,446,005	\$ 4,312,187	\$ 5,111,133
Net (Expense)/Revenue										
Governmental Activities	\$ (16,547,206)	\$ (18,347,334)	\$ (15,990,843)	\$ (19,441,886)	\$ (21,619,252)	\$ (23,305,408)	\$ (24,771,495)	\$ (25,807,727)	\$ (26,674,415)	\$ (27,396,253)
Business-Type Activities	(102,758)	(25,121)	(52,676)	51,336	(123,396)	(103,404)	(140,341)	(23,831)	169,816	173,318
Total District-Wide Net Expense	\$ (16,649,964)	\$ (18,372,455)	\$ (16,043,519)	\$ (19,390,550)	\$ (21,742,648)	\$ (23,408,812)	\$ (24,911,836)	\$ (25,831,558)	\$ (26,504,599)	\$ (27,222,935)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 16,655,886	\$ 17,316,432	\$ 18,140,118	\$ 19,534,042	\$ 20,753,135	\$ 21,644,182	\$ 22,557,840	\$ 23,530,455	\$ 25,823,849	\$ 26,287,326
Taxes Levied For Debt Service	421,711	1,179,860	1,386,724	1,765,719	1,766,865	1,767,822	1,765,134	1,768,038	1,749,760	1,757,115
Unrestricted Grants And Contributions	356,064	186,291	235,524	239,294	240,224	289,692	281,472	239,550	19,151	19,151
Miscellaneous Income	(75,538)	159,987	148,004	157,124	154,541	170,166	239,561	272,945	206,074	406,789
Transfers		(82,977)	(71,300)	(21,816)	(100,027)	(84,144)	(78,468)	(45,357)	-	-
Total Governmental Activities	17,338,123	18,759,593	19,839,070	21,674,363	22,814,738	23,787,718	24,745,539	25,765,631	27,798,834	28,451,230
Business-Type Activities:										
Investment Earnings	1,408	646	1,586	10,124	15,628	12,513	6,572	3,941	2,863	4,456
Transfers	75,538	82,977	71,300	21,816	100,027	84,144	78,468	45,357	-	-
Total Business-Type Activities	76,946	83,623	72,886	31,940	115,655	96,657	85,040	49,298	2,863	4,456
Total District-Wide	\$ 17,435,069	\$ 18,843,216	\$ 19,911,956	\$ 21,706,303	\$ 22,930,393	\$ 23,884,375	\$ 24,830,579	\$ 25,814,929	\$ 27,801,697	\$ 28,455,686
Change in Net Assets										
Governmental Activities	\$ 810,917	\$ 412,259	\$ 3,848,227	\$ 2,232,477	\$ 1,195,486	\$ 482,310	\$ (25,956)	\$ (42,096)	\$ 1,124,419	\$ 1,054,977
Business-Type Activities	(25,812)	58,502	20,210	83,276	(7,741)	(6,747)	(55,301)	25,467	172,679	177,774
Total District	\$ 785,105	\$ 470,761	\$ 3,868,437	\$ 2,315,753	\$ 1,187,745	\$ 475,563	\$ (81,257)	\$ (16,629)	\$ 1,297,098	\$ 1,232,751

Source: District Financial Records

SADDLE BROOK BOARD OF EDUCATION
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(Unaudited)
 (modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 236,611	\$ 267,694	\$ 104,872	\$ 203,138	\$ 151,339	\$ 86,369	\$ 402,125	\$ 176,317		
Unreserved	781,587	141,620	94,710	409,430	233,972	258,888	(102,824)	(28,964)	\$ 19,792	\$ 1,045,250
Nonspendable									224,401	214,731
Restricted									89,365	269,582
Assigned									282,463	
Unassigned										
Total General Fund	\$ 1,018,198	\$ 409,314	\$ 199,582	\$ 612,568	\$ 385,311	\$ 345,257	\$ 299,301	\$ 147,353	\$ 616,021	\$ 1,529,563
All Other Governmental Funds										
Reserved	\$ 635,316	\$ 19,964,381	\$ 4,230,954	\$ 158,623	\$ 155,551		\$ 108,246			
Unreserved	11,647,243	(2,570,789)	(74,287)	508,342	283,781	\$ 266,356	95,597	\$ 75,624	\$ 73,433	\$ 73,434
Restricted										
Total All Other Governmental Funds	\$ 12,282,559	\$ 17,393,592	\$ 4,156,667	\$ 666,965	\$ 439,332	\$ 266,356	\$ 203,843	\$ 75,624	\$ 73,433	\$ 73,434

Source: District Financial Records

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

**SADDLE BROOK BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Tax Levy	\$ 17,077,597	\$ 18,496,292	\$ 19,526,842	\$ 21,299,761	\$ 22,520,000	\$ 23,412,004	\$ 24,302,974	\$ 25,298,493	\$ 27,573,609	\$ 28,044,441
Tuition Charges	221,466	197,456	318,062	475,023	428,179	201,625	97,847	63,220	9,600	21,350
Miscellaneous	339,212	156,494	148,004	157,124	155,603	176,463	255,701	295,485	219,827	448,436
State Sources	3,370,833	3,771,053	7,077,106	4,540,629	4,470,220	4,541,803	3,354,755	3,745,993	2,528,249	3,407,977
Federal Sources	353,714	440,984	495,458	519,889	506,399	496,122	552,108	828,369	748,019	641,026
Total Revenue	<u>21,362,822</u>	<u>23,062,279</u>	<u>27,565,472</u>	<u>26,992,426</u>	<u>28,080,401</u>	<u>28,828,017</u>	<u>28,563,385</u>	<u>30,231,560</u>	<u>31,079,304</u>	<u>32,563,230</u>
Expenditures										
Instruction										
Regular Instruction	8,080,726	8,517,295	8,953,804	9,401,398	9,638,038	10,162,942	9,842,219	10,323,586	10,560,045	10,908,573
Special Education Instruction	3,601,866	3,765,235	4,043,967	4,134,316	5,147,854	5,080,249	5,125,589	5,700,235	5,434,659	6,643,431
Community Services	11,107	39,075	32,989	4,089	5,235	1,641	-	-	-	-
Other Instruction	778,888	710,774	706,420	861,090	866,313	713,205	741,771	750,680	1,088,189	757,796
School Sponsored Activities and Athletics	409,625	445,991	481,214	519,561	603,067	533,989	565,622	549,648	559,853	587,366
Support Services:										
Student and Inst. Related Services	2,454,139	2,623,219	2,865,620	2,797,541	3,200,748	3,441,001	3,390,457	3,688,219	3,868,730	4,049,884
Educational Media/School Library	209,755	228,704	221,980	237,232	256,145	262,359	245,629	202,158	234,447	242,307
General Administration	439,414	365,925	383,794	442,319	506,799	574,921	609,873	733,860	666,904	657,379
School Administrative Services	1,210,811	1,278,047	1,249,148	1,277,603	1,341,111	1,419,317	1,494,158	1,602,312	1,707,219	1,556,846
Central Services	418,792	453,726	567,752	595,724	578,613	567,447	575,221	603,462	624,888	603,337
Plant Operations And Maintenance	1,696,191	1,795,067	1,905,264	2,516,170	2,646,379	2,776,061	2,929,439	3,109,954	2,886,986	2,775,183
Pupil Transportation	626,305	1,014,714	833,785	796,249	916,616	930,401	1,053,332	1,078,947	953,176	872,650
Capital Outlay	2,550,388	1,438,263	16,893,758	4,360,397	552,728	400,817	213,954	397,611	242,581	219,683
Debt Service:										
Bond Issuance Costs		50,049							113,473	
Principal	48,505	773,154	764,157	1,106,636	1,166,091	1,230,908	908,948	966,002	1,059,056	1,183,872
Advanced Refunding Escrow									531,694	
Interest and Other Charges	414,371	821,890	1,037,177	1,061,476	1,009,527	950,964	897,174	860,247	831,927	731,069
Total Expenditures	<u>22,950,883</u>	<u>24,321,128</u>	<u>40,940,829</u>	<u>30,111,801</u>	<u>28,435,264</u>	<u>29,046,222</u>	<u>28,593,386</u>	<u>30,566,921</u>	<u>31,363,827</u>	<u>31,789,376</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,588,061)</u>	<u>(1,258,849)</u>	<u>(13,375,357)</u>	<u>(3,119,375)</u>	<u>(354,863)</u>	<u>(218,205)</u>	<u>(30,001)</u>	<u>(335,361)</u>	<u>(284,523)</u>	<u>773,854</u>

SADDLE BROOK BOARD OF EDUCATION
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(Unaudited)
 (modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Sources (Uses)										
Premium on Refunding Bonds	\$ 3,610,000	\$ 5,900,000							\$ 238,167	
Proceeds From Borrowing	(3,604,186)								9,030,000	
Transfer to Escrow Agent for Payment of Debt	11,038	3,493							(8,643,000)	
Accrued Interest on Bonds	1,331,848			\$ 64,475		\$ 89,319		\$ 100,551	105,833	\$ 139,689
Lease Purchase Agreement	270,092	276,932	\$ 446,950	220,212		14,801	\$ 5,049	55,094	881	652
Transfers In	(345,630)	(359,909)	(518,250)	(242,028)	\$ (100,027)	(98,945)	(83,517)	(100,451)	(881)	(652)
Transfers Out										
Total Other Financing Sources (Uses)	<u>1,273,162</u>	<u>5,820,516</u>	<u>(71,300)</u>	<u>42,659</u>	<u>(100,027)</u>	<u>5,175</u>	<u>(78,468)</u>	<u>55,194</u>	<u>751,000</u>	<u>139,689</u>
Net Change in Fund Balances	<u>\$ (314,899)</u>	<u>\$ 4,561,667</u>	<u>\$ (13,446,657)</u>	<u>\$ (3,076,716)</u>	<u>\$ (454,890)</u>	<u>\$ (213,030)</u>	<u>\$ (108,469)</u>	<u>\$ (280,167)</u>	<u>\$ 466,477</u>	<u>\$ 913,543</u>
Debt Service as a Percentage of Noncapital Expenditures	2.27%	6.97%	7.49%	8.42%	7.80%	7.62%	6.36%	6.05%	8.15%	6.07%

* Noncapital expenditures are total expenditures less capital outlay.
 Source: District Financial Records

**SADDLE BROOK BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Rent</u>	<u>Insurance/ Other Refunds</u>	<u>E-Rate</u>	<u>Gate Receipts</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 221,466	\$ 69,715					\$ 7,802	\$ 298,983
2004	197,456	11,235					24,669	233,360
2005	318,062	19,970						338,032
2006	475,023	93,417					3,804	572,244
2007	428,179	84,623					29,800	542,602
2008	201,625	38,865					116,500	356,990
2009	97,847	24,492	\$ 63,255	\$ 37,146	\$ 40,407		69,212	332,359
2010	63,220	17,816	70,890	52,264	26,658	\$ 7,540	95,426	333,814
2011	9,600	13,694	92,880	41,281	7,540	5,002	44,796	214,793
2012	21,350	17,082	44,058	137,593	10,733	5,774	190,897	427,487

Source: District financial records

SADDLE BROOK BOARD OF EDUCATION
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2003	\$ 15,414,300	\$ 733,177,300			\$ 206,093,250	\$ 164,820,354	\$ 29,204,500	\$ 1,148,709,704	\$ 1,345,277	\$ 1,150,054,981	\$ 1,475,953,285	\$ 1.548
2004	12,168,900	743,568,100			205,109,500	163,009,554	28,948,300	1,152,804,354	1,185,680	1,153,990,034	1,626,155,583	1.641
2005	11,094,900	753,011,600			207,253,500	161,373,454	29,578,300	1,162,311,754	1,046,641	1,163,358,395	1,756,053,849	1.742
2006	12,170,800	754,697,700			209,372,500	161,423,454	29,578,300	1,167,242,754	1,451,852	1,168,694,606	2,286,626,112	1.875
2007	9,961,800	775,970,000			207,257,500	161,843,754	29,578,300	1,184,611,354	1,451,822	1,186,063,206	2,340,105,352	1.954
2008	9,870,800	779,770,600			207,328,400	161,843,754	28,978,300	1,187,791,854	768,949	1,188,560,803	2,472,350,162	2.007
2009 (1)	25,575,000	1,480,640,200			407,172,400	310,075,600	63,652,700	2,287,115,900	2,301,600	2,289,417,500	2,469,388,148	1.083
2010	18,124,000	1,482,058,700			397,401,100	309,480,900	81,712,700	2,288,777,400	2,351,315	2,291,128,715	2,411,560,208	1.154
2011	17,964,700	1,487,689,200			389,686,700	307,091,800	81,712,700	2,284,145,100	2,351,315	2,286,496,415	2,503,847,569	1.216
2012	18,554,500	1,485,483,200			378,682,945	303,470,900	81,712,700	2,267,704,245	1,889,310	2,269,593,555	2,410,380,131	1.247

Source: County Abstract of Ratables

^a Tax rates are per \$100

(1) Town Revaluation

**SADDLE BROOK BOARD OF EDUCATION
PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
LAST TEN YEARS
(Unaudited)**

<u>Calendar Year</u>	<u>Total</u>	<u>Local School District</u>	<u>Municipality</u>	<u>County (1)</u>
2003	\$ 2.610	\$ 1.548	\$.796	\$.266
2004	2.740	1.641	.818	.281
2005	2.930	1.742	.902	.286
2006	3.110	1.875	.915	.320
2007	3.298	1.934	1.016	.348
2008	3.525	2.007	1.133	0.385
2009 (2)	1.885	1.083	0.595	0.207
2010	2.022	1.154	0.662	0.206
2011	2.142	1.216	0.699	0.227
2012	2.185	1.247	0.705	0.233

(1) County tax rate includes open space tax.

(2) Town revaluation

Source: Tax Duplicate, Township of Saddle Brook

**SADDLE BROOK BOARD OF EDUCATION
 PRINCIPAL PROPERTY TAXPAYERS,
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)**

Taxpayer	2012		2003	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
L&L Park 80 LLC	\$ 125,895,400	5.55%	Not Available	
Midland Holding CO.	30,736,100	1.35%		
Tri State Realty	30,507,000	1.34%		
CP Saddle Brook, LLC	30,200,000	1.33%		
Arrow Fastener	26,488,900	1.17%		
A.O. Associates	21,729,000	0.96%		
Saddle Brook Mayhill	18,060,000	0.80%		
A.O. Associates	16,819,600	0.74%		
Kessler Institute	15,500,000	0.68%		
Brook Assoc. C/O Roseheart	10,100,600	0.45%		
	<u>\$ 326,036,600</u>	<u>14.37%</u>	<u>\$ -</u>	<u>0.00%</u>

Source: Municipal Tax Assessor

**SADDLE BROOK BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 17,077,597	\$ 17,077,597	100.00%	
2004	18,496,292	18,496,292	100.00%	
2005	19,526,842	19,526,842	100.00%	
2006	21,299,761	21,299,761	100.00%	
2007	22,520,000	22,520,000	100.00%	
2008	23,412,004	22,943,399	98.00%	\$ 468,605
2009	24,302,974	24,302,974	100.00%	
2010	25,298,493	25,298,493	100.00%	
2011	27,573,609	26,636,052	96.60%	937,557
2012	28,044,441	28,044,441	100.00%	-

Source: District's records

**SADDLE BROOK BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST EIGHT FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities			Total District	Population	Per Capita
	General Obligation Bonds	Loans	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases					
2005	\$ 21,918,000	\$ 82,823	\$1,057,540		\$	23,058,363	13,126	\$	1,757	
2006	21,158,000	73,621	784,581		22,016,202	13,332	1,651			
2007	20,368,000	64,418	417,693		20,850,111	13,440	1,551			
2008	19,538,000	55,215	115,307		19,708,522	13,845	1,424			
2009	18,678,000	46,012	75,620		18,799,632	14,173	1,326			
2010	17,778,000	36,809	119,314		17,934,123	13,675	1,311			
2011	17,190,000	27,606	150,294		17,367,900	13,748	1,263			
2012	16,125,000	18,403	180,314		16,323,717	13,748	1,187			

Source: District financial records and NJ Dept. of Education

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only eight years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

SADDLE BROOK BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST EIGHT FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2005	\$ 21,918,000		\$ 21,918,000	1.25%	\$ 1,670
2006	21,158,000		21,158,000	1.81%	1,587
2007	20,368,000		20,368,000	1.72%	1,515
2008	19,538,000		19,538,000	1.64%	1,411
2009	18,678,000		18,678,000	0.82%	1,318
2010	17,778,000		17,778,000	0.78%	1,302
2011	17,190,000		17,190,000	0.75%	1,259
2012	16,125,000		16,125,000	0.71%	1,181

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only eight years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**SADDLE BROOK BOARD OF EDUCATION
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING DEBT
FOR YEAR ENDED DECEMBER 31, 2011
(Unaudited)**

	<u>Total Debt</u>
Municipal Debt: (1)	
Township of Saddle Brook School District	\$ 13,453,885
Township of Saddle Brook	<u>25,352,808</u>
	<u>\$ 38,806,693</u>
Overlapping debt Apportioned to the Municipality:	
Bergen County (3);(A):	
County of Bergen (A)	<u>10,093,120</u>
Total Direct and Overlapping Debt	<u>\$ 48,899,813</u>

(A) The debt for this entity was apportioned to the Township of Saddle Brook by dividing the Municipality's 2011 equalized value by the total 2011 equalized value for Bergen County.

Sources:

- (1) Township of Saddle Brook Annual Debt Statement
- (3) Bergen County Debt Statement 12/31/2011

SADDLE BROOK BOARD OF EDUCATION
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Calendar Year 2011

Equalized valuation basis	
2011	\$ 2,407,404,195
2010	2,487,801,522
2009	2,386,887,810
	<u>\$ 7,282,093,527</u>
Average equalized valuation of taxable property	\$ 2,427,364,509
Debt limit (4 % of average equalization value)	97,094,580 ^a
Total Net Debt Applicable to Limit	<u>13,453,885</u>
Legal debt margin	<u>\$ 83,640,695</u>

	Calendar Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 49,471,514	\$ 53,572,292	\$ 58,472,655	\$ 63,710,017	\$ 72,148,963	\$ 81,243,985	\$ 90,858,681	\$ 95,483,873	\$ 95,858,570	\$ 97,094,580
Total Net Debt Applicable to Limit	<u>13,388,432</u>	<u>16,989,229</u>	<u>22,455,508</u>	<u>22,001,305</u>	<u>21,232,103</u>	<u>20,432,900</u>	<u>19,593,697</u>	<u>18,724,494</u>	<u>14,153,088</u>	<u>13,453,885</u>
Legal Debt Margin	<u>\$ 36,083,082</u>	<u>\$ 36,583,063</u>	<u>\$ 36,017,147</u>	<u>\$ 41,708,712</u>	<u>\$ 50,916,860</u>	<u>\$ 60,811,085</u>	<u>\$ 71,264,984</u>	<u>\$ 76,759,379</u>	<u>\$ 81,705,482</u>	<u>\$ 83,640,695</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	27.06%	31.71%	38.40%	34.53%	29.43%	25.15%	21.57%	19.61%	14.76%	13.86%

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

^a Limit set by NJSA 18A:24-19 for a K through L district; other % limits would be applicable for other district types.

**SADDLE BROOK BOARD OF EDUCATION
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income (1)</u>	<u>Population</u>
2002	6.3%	\$ 51,931	13,082
2003	6.2%	51,291	13,034
2004	5.1%	54,669	13,053
2005	4.9%	56,963	13,126
2006	5.3%	63,021	13,332
2007	4.7%	67,113	13,440
2008	6.1%	68,541	13,845
2009	10.8%	64,388	14,173
2010	11.1%	65,486	13,675
2011	10.9%	NA	13,748

Source: United States Bureau of Census
School District Records

N/A - Not Available

(1) Represents the County of Bergen's per Capita Income

**SADDLE BROOK BOARD OF EDUCATION
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

INFORMATION NOT AVAILABLE

SADDLE BROOK BOARD OF EDUCATION
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (Unaudited)

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction										
Regular	91	92	95	97	98	99	102	105	102	99
Special Education	14	15	16	17	22	24	25	25	25	40
Other Special Education	3	4	4	5	5	5	5	5	5	6
Support Services:										
General Administration	2	2	2	2	2	2	2	3	2	2
School Administrative Services	11	11	11	11	11	11	11	11	11	11
Central Services	6	6	6	6	6	6	6	6	6	6
Plant Operations And Maintenance	19	18	19	20	20	20	20	20	20	24
Pupil Transportation	3	3	3	3	3	3	3	3	3	3
Other Support Services	22	22	22	22	22	24	24	34	34	37
Total	171	173	178	183	189	194	198	212	208	228

Source: District Personnel Records

SADDLE BROOK BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Pupil/Teacher Ratio										Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Elementary	Middle School	High School	Average Daily Enrollment (ADE)				
2003	1,653	\$ 19,949,582	\$ 12,069	7.86%	147	1:19	1:20	1:18	1,653	1,572	1.04%	95.10%	
2004	1,674	21,292,293	12,719	5.39%	147	1:19	1:20	1:18	1,674	1,581	1.27%	94.44%	
2005	1,717	22,311,784	12,995	2.16%	147	1:19	1:20	1:18	1,717	1,621	2.57%	94.41%	
2006	1,695	23,985,685	14,151	8.90%	136	1:19	1:17	1:18	1,695	1,610	-1.28%	94.99%	
2007	1,736	25,706,918	14,808	4.64%	148	1:19	1:18	1:18	1,736	1,646	2.42%	94.80%	
2008	1,792	26,463,533	14,768	-0.27%	150	1:19	1:18	1:18	1,792	1,696	3.22%	94.65%	
2009	1,760	26,573,310	15,098	2.24%	151	1:19	1:18	1:19	1,760	1,668	-1.81%	94.77%	
2010	1,785	28,343,061	15,878	5.17%	158	1:19	1:19	1:19	1,785	1,695	1.42%	94.97%	
2011	1,785	28,585,096	16,014	0.85%	154	1:20	1:20	1:19	1,785	1,690	-1.59%	94.69%	
2012	1,759	29,654,752	16,859	5.28%	153	1:20	1:20	1:19	1,759	1,668	-1.30%	94.85%	

Sources: District records

- Note:
- a Enrollment based on annual October district count.
 - b Operating expenditures equal total expenditures less debt service and capital outlay.
 - c Cost per pupil represents operating expenditures divided by enrollment.

SADDLE BROOK BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>District Building</u>										
<u>Elementary</u>										
<u>Heien I Smith</u>										
Square Feet	37,048	37,048	48,345	48,345	48,345	48,345	48,345	48,345	48,345	48,345
Capacity (students)	286	286	316	316	316	316	316	316	316	316
Enrollment					361	358	328	339	337	11
<u>Franklin</u>										
Square Feet	32,113	32,113	41,855	41,855	41,855	41,855	41,855	41,855	41,855	41,855
Capacity (students)	196	196	293	293	293	293	293	293	293	293
Enrollment					287	265	253	240	257	258
<u>Long Memorial</u>										
Square Feet	28,113	28,113	32,247	32,247	32,247	32,247	32,247	32,247	32,247	32,247
Capacity (students)	225	275	278	278	278	278	278	278	278	278
Enrollment					288	311	320	322	333	309
<u>Middle School/High School</u>										
Square Feet	113,098	113,098	140,351	140,351	140,351	140,351	140,351	140,351	140,351	140,351
Capacity (students)	587	587	865	865	865	865	865	865	865	865
Enrollment					761	800	784	785	786	800
<u>Other</u>										
<u>Washington</u>										
Square Feet	22,333	22,333	22,333	22,333	22,333	22,333	22,333	22,333	22,333	22,333
Enrollment					39	31	32	27	25	25

Number of Schools at June 30, 2012

Elementary = 3

Jr/Senior High School = 1

Other = 1

Source: District Records

SADDLE BROOK BOARD OF EDUCATION
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 LAST TEN FISCAL YEARS ENDED JUNE 30,
 (Unaudited)

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES

	<u>2003</u>	<u>2004</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>
School Facilities										
Washington School	\$ 95,354	\$ 96,594	\$ 81,038	\$ 119,833	\$ 10,943	\$ 5,250	\$ 35,496	\$ 53,226	\$ 30,962	\$ 48,966
Franklin School	119,193	98,816	104,197	115,743	21,887	10,501	22,340	28,646	27,502	53,969
Long Memorial School	119,193	106,226	108,038	122,394	19,698	9,451	24,320	26,573	28,864	29,944
Helen I. Smith School	119,193	112,955	109,757	121,064	24,075	11,551	31,853	36,212	29,854	67,449
High School/Middle School	738,998	684,459	754,713	851,440	142,262	68,255	90,339	94,413	100,216	110,505
Grand Total	<u>\$ 1,191,931</u>	<u>\$ 1,099,050</u>	<u>\$ 1,157,743</u>	<u>\$ 1,330,474</u>	<u>\$ 218,865</u>	<u>\$ 105,008</u>	<u>\$ 204,348</u>	<u>\$ 239,070</u>	<u>\$ 217,398</u>	<u>\$ 310,833</u>

Source: School District's Financial Statements

**SADDLE BROOK BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2012
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy-Selective Insurance Company		
Property -Blanket Building and Contents	\$ 64,144,900	(1) \$ 5,000
Electronic Data Processing equipment	2,500,000	5,000
Valuable Papers	5,000,000	1,000
 General Liability - Selective Insurance Co.		
Aggregate/Each Occurrence	2,000,000/1,000,000	
 Educator's Legal Liability-Darwin Advantage	1,000,000	
Educators Legal		20,000
Employment Practices		25,000
 Commercial Automobile Liability - Selective Insurance Co.		
Combined Single Limit	1,000,000	
Comprehensive		1,000
Collision		1,000
 Commercial Umbrella-America Alternatives Insurance Company	9,000,000	10,000
 Excess Liability-Fireman's Fund	50,000,000	-
 Public Employees' Blanket Bond (Crime) - Selective Way Ins. Co.		
Primary (Per Employee)	100,000	5,000
Blanket Employee Dishonesty - Excess	400,000	-
Forgery and Alterations	50,000	1,000
 Public Official Bond-Treasurer - Selective Insurance Company	250,000	-
 Public Official Bond-Business Administrator - Selective Insurance Co.	250,000	-
 Workmen's Compensation - Reinsurance - Safety National Ins. Co.	1,000,000	-
 Boiler & Machinery - Selective Way Insurance Co.	64,144,900	5,000
 Athletic Accident - Monumental Life Ins. Co.	5,000,000	-
 Accident Policy for Volunteers (Guarantee Trust)	500,000	-

Source: School District's records

(1) Pool limit

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Saddle Brook Board of Education as of and for the fiscal year ended June 30, 2012, which collectively comprise the Saddle Brook Board of Education's basic financial statements and have issued our report thereon dated December 4, 2012. 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.

Internal Control Over Financial Reporting

Management of the Saddle Brook Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Saddle Brook Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Saddle Brook Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Saddle Brook Board of Education's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Saddle Brook Board of Education's financial statements will not be prevented, or detected and corrected on a timely basis.

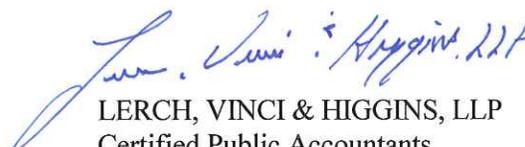
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

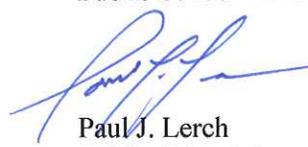
As part of obtaining reasonable assurance about whether the Saddle Brook Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

We noted certain matters that we have reported to management of the Saddle Brook Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated December 4, 2012.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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



Paul J. Lerch
 Public School Accountant
 PSA Number CS01118

Fair Lawn, New Jersey
 December 4, 2012

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Independent Auditor's Report

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

Compliance

We have audited the Saddle Brook Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Saddle Brook Board of Education's major federal and state programs for the fiscal year ended June 30, 2012. Saddle Brook Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Saddle Brook Board of Education's management. Our responsibility is to express an opinion on Saddle Brook Board of Education's compliance based on our audit.

We conducted our audit of compliance 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Saddle Brook Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Saddle Brook Board of Education's compliance with those requirements.

In our opinion, Saddle Brook Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

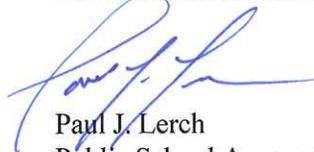
Management of Saddle Brook Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Saddle Brook Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these


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


 Paul J. Lerch
 Public School Accountant
 PSA Number CS01118

Fair Lawn, New Jersey
 December 4, 2012

SADDLE BROOK BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal CFDA Program Number	Grant Period	Award Amount	Balance July 1, 2011	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Refund of Prior Years' Balances	(Account Receivable)	Balance, June 30, 2012	Deferred Revenue	Due to Grantor	GAAP Receivable
U.S. Department of Education													
General Fund													
84.410A	7/1/11-6/30/12	\$ 56,571	-	-	\$ 49,776	\$ 56,571	-	-	\$ (6,795)	-	-	-	\$ (6,795)
ARRA- Ed Jobs													
			-	-	49,776	56,571	-	-	(6,795)	-	-	-	(6,795)
Total General Fund													
U.S. Department of Agriculture													
Passed-through State Department of Education													
National School Lunch Program													
10.550	9/1/11-6/30/12	17,467	\$ 1,245	-	-	1,245	-	-	-	-	-	-	-
10.550	9/1/11-6/30/12	28,296	-	-	28,296	27,567	-	-	\$ 729	-	-	-	-
10.555	9/1/11-6/30/12	142,378	-	-	133,953	142,378	-	-	(8,425)	-	-	-	(8,425)
Total U.S. Department of Agriculture													
			1,245	-	162,249	171,190	-	-	(8,425)	-	729	-	(8,425)
U.S. Department of Education													
Passed-through State Department of Education													
NCLB Title I													
84.010A	9/1/10-8/31/11	105,402	(53,049)	-	53,049	106,100	-	-	-	(30,840)	2,728	-	(30,840)
84.010A	9/1/11-8/31/12	108,828	(5,087)	-	77,988	106,100	-	-	-	-	-	-	-
84.389	9/1/09-8/31/10	31,399	-	-	15,647	10,560	-	-	-	(8,951)	-	-	(8,951)
84.367A	9/1/11-8/31/12	40,695	(26,477)	-	31,744	40,695	-	-	-	(4,700)	4,700	-	(4,700)
84.367A	9/1/10-8/31/11	43,282	4,700	-	26,477	-	\$ (4,700)	-	-	-	-	-	-
84.367A	9/1/09-8/31/10	45,341	(225)	-	225	-	-	-	-	-	1,828	-	-
84.318X	9/1/10-8/31/11	225	1,828	-	-	-	-	-	-	-	-	-	-
84.365	9/1/06-8/31/07	7,570	(6,533)	-	6,533	-	-	-	-	-	-	-	-
84.365	9/1/10-8/31/11	10,159	(269,248)	-	269,248	-	-	-	(52,155)	-	-	-	(52,155)
84.027A	9/1/10-8/31/11	373,983	(378,869)	-	326,714	378,869	-	-	-	-	-	-	-
84.027A	9/1/11-8/31/12	378,869	(109,912)	-	129,704	19,792	-	-	(15,699)	-	-	-	(15,699)
84.391	9/1/09-8/31/10	387,272	(15,333)	-	15,333	-	-	-	-	-	-	-	-
84.173A	9/1/10-8/31/11	15,333	(821)	-	13,561	12,740	-	-	-	-	-	-	-
84.173A	9/1/11-8/31/12	15,699	(480,157)	-	966,223	584,455	(4,700)	-	(112,345)	9,256	-	-	(112,345)
84.392	9/1/09-8/31/10	13,966	-	-	-	-	-	-	-	-	-	-	-
Total U.S. Department of Education													
			(480,157)	-	1,178,248	812,216	(4,700)	-	(127,565)	9,985	-	-	(127,565)
Total													
			(478,912)	-	1,178,248	812,216	(4,700)	-	(127,565)	9,985	-	-	(127,565)

The Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE SCHEDULES OF EXPENDITURES OF
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Saddle Brook Board of Education. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's basic financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2.. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$36,511 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 56,571	\$ 3,383,492	\$ 3,440,063
Special Revenue Fund	584,455	24,485	608,940
Food Service Fund	<u>171,190</u>	<u>5,911</u>	<u>177,101</u>
Total Financial Assistance	<u>\$ 812,216</u>	<u>\$ 3,413,888</u>	<u>\$ 4,226,104</u>

**SADDLE BROOK BOARD OF EDUCATION
 NOTES TO THE SCHEDULES OF EXPENDITURES OF
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The District's federal and state loans outstanding at June 30, 2012, which are not required to be reported on the schedule of federal awards and state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>Total</u>
Environmental Protection Agency	N/A	\$ <u>18,403</u>

NOTE 6 OTHER INFORMATION

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of \$934,147 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2012. The amount reported as TPAF Pension System Contributions in the amount of \$397,737 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$799,555 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2012.

NOTE 7 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's basic financial statements and the amount subject to State single audit and major program determination.

**SADDLE BROOK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ yes	<u> X </u> no
2) Were significant deficiency(ies) identified that were not considered to be material weaknesses?	_____ yes	<u> X </u> none reported
Noncompliance material to the basic financial statements noted?	_____ yes	<u> X </u> no

Federal Awards Section

Internal Control over compliance:		
1) Material weakness(es) identified?	_____ yes	<u> X </u> no
2) Were significant deficiency(ies) identified that were not considered to be material weaknesses?	_____ yes	<u> X </u> none reported
Type of auditor's report on compliance for major programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section.510(a))?	_____ yes	<u> X </u> none reported

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027/84.173</u>	<u>IDEA- Basic and Preschool</u>
<u>84.391/84.392</u>	<u>ARRA- IDEA- Basic and Preschool</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B Programs \$ \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

**SADDLE BROOK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over compliance:

- 1) Material weakness(es) identified? _____ yes X no
- 2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04, as amended? _____ yes X none reported

Identification of major programs:

<u>State Grant/Project Number (s)</u>	<u>Name of State Program</u>
<u>495-034-5120-089</u>	<u>Special Education Aid</u>
<u>100-034-5120-473</u>	<u>Extraordinary Aid</u>
<u>495-034-5095-002</u>	<u>TPAF Reimbursable Social Security</u>
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

**SADDLE BROOK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

**SADDLE BROOK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

There are none.

**SADDLE BROOK BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

There were none.