

**Comprehensive Annual
Financial Report**

of the

Borough of South Bound Brook Board of Education

County of Somerset

South Bound Brook, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

**Borough of South Bound Brook, Board of Education
Finance Department**



TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Letter of Transmittal	1-5
Roster of Officials	6
Consultants and Advisors	7
Organizational Chart	8
FINANCIAL SECTION	
Independent Auditor's Report	9-10
REQUIRED SUPPLEMENTARY INFORMATION – Part I	11
Management's Discussion and Analysis (Unaudited)	12-21
BASIC FINANCIAL STATEMENTS	22
A. District-Wide Financial Statements:	23
A-1 Statement of Net Assets	24
A-2 Statement of Activities	25
B. Major Fund Financial Statements:	26
Governmental Funds:	
B-1 Balance Sheet	27
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	28
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Other Funds:	30
Propriety Funds:	
B-4 Statement of Net Assets	31
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets	32
B-6 Statement of Cash Flows	33
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	34
B-8 Statement of Changes in Fiduciary Net Assets	35
Notes to the Financial Statements	36-62

TABLE OF CONTENTS (Continued)

	Page
REQUIRED SUPPLEMENTARY INFORMATION – Part II	63
C. Budgetary Comparison Schedules:	64
C-1 General Fund	65-71
C-2 Special Revenue Fund	72
C-3 Budget to GAAP Reconciliation	73
OTHER SUPPLEMENTARY INFORMATION	74
D. School Level Schedules:	N/A
E. Special Revenue Fund:	75
E-1 Combining Schedule of Revenues and Expenditures Special Revenue Fund - Budgetary Basis	76-77
E-2 Schedule of Preschool Education Aid - Budgetary Basis	N/A
F. Capital Projects Fund:	78
F-1 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	79
F-1A Schedule of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis - Media Center Rehabilitation	80
F-2 Summary Statement of Project Expenditures - Budgetary Basis	81
G. Proprietary Funds:	82
Enterprise Fund:	
G-1 Combining Statement of Net Assets	83
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	84
G-3 Combining Statement of Cash Flows	85
H. Fiduciary Fund:	86
H-1 Combining Statement of Fiduciary Net Assets	87
H-2 Combining Statement of Changes in Fiduciary Net Assets	88
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	89
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	90

TABLE OF CONTENTS (Continued)

	Page
I. Long-Term Debt:	91
I-1 Schedule of Serial Bonds	92
I-2 Schedule of Obligations Under Capital Leases	93
I-3 Debt Service Fund Budgetary Comparison Schedule	94

STATISTICAL SECTION (UNAUDITED)

J-1 Net Assets by Component	95
J-2 Changes in Net Assets	96-97
J-3 Fund Balances – Governmental Funds	98
J-4 Changes in Fund Balances – Governmental Funds	99
J-5 General Fund Other Local Revenue by Source	100
J-6 Assessed Value and Actual Value of Taxable Property	101
J-7 Direct and Overlapping Property Tax Rates	102
J-8 Principal Property Tax Payers – Current and Nine Years Ago	103
J-9 Property Tax Levies and Collections	104
J-10 Ratios of Outstanding Debt by Type	105
J-11 Ratio of Net Bonded Debt Outstanding	106
J-12 Direct and Overlapping Governmental Activities Debt	107
J-13 Legal Debt Margin Information	108
J-14 Demographic and Economic Statistics	109
J-15 Principal Employers - Current Year and Nine Years Ago	110
J-16 Full –Time Equivalent District Employees by Function/Program	111
J-17 Operating Statistics	112
J-18 School Building Information	113
J-19 Schedule of Required Maintenance	114
J-20 Insurance Schedule	115

SINGLE AUDIT SECTION

K-1 Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards	116-117
K-2 Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal and State Financial Assistance Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04	118-119
K-3 Schedule of Expenditures of Federal Awards, Schedule A	120
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	121
K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	122-123
K-6 Schedule of Findings and Questioned Costs	124-125
K-7 Schedule of Prior Audit Findings	126



INTRODUCTORY SECTION

South Bound Brook Public Schools

*122 Elizabeth Street
South Bound Brook, NJ 08880
732-356-0018, 356-0621 (fax)*

November 9, 2011

Honorable President and
Members of the Board of Education
South Bound Brook School District
County of Somerset, New Jersey 08880

Dear Board Members:

The Comprehensive Annual Financial Report of the South Bound Brook School District for the fiscal year ended June 30, 2011, 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 South Bound Brook Board of Education. 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 and account groups 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 has four sections: Introductory, Financial, Statistical and Single Audit. The introductory section includes this transmittal letter, the district's organization chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, 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 provisions of Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations," and the State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES

The South Bound Brook School District provides a full range of educational services appropriate to students in grades pre-k through 8. These services are provided for regular, as well as disadvantaged students. The South Bound Brook Board of Education and Bound Brook Board of Education have a sending/receiving agreement, with South Bound Brook sending its high school students in grades 9-12 to Bound Brook High School as tuition students. The budgeted cost for 2010-2011 was \$14,056 per regular education student. Some of the district's students, grades 9-12, attend the Somerset County Vocational-Technical School District either part time or full time. There are also some disadvantaged students who are placed out of the district in order for them to receive an appropriate education. The district completed the 2010-2011 school year (June 30, 2011) with a PK-8 enrollment of 437 students. The following details the changes in the student enrollment of the district over the last five years:

AVERAGE DAILY ENROLLMENT

<u>School Year</u>	<u>Prek-8 Enrollment</u>	<u>Students Sent Out of District</u>	<u>Total Resident Enrollment</u>	<u>Percent Change</u>
2005-06	486	182	668	(2.00%)
2006-07	475	174.5	649.5	(2.77%)
2007-08	434.5	187	621.5	(4.31%)
2008-09	427	188	615	(1.00%)
2009-10	429	191	620	0.81%

2. ECONOMIC CONDITION AND OUTLOOK

The Borough of South Bound Brook is the smallest municipality in Somerset County. It covers an area of .77 square miles. The business development is limited to a strip along both sides of Main Street. This area has completed streetscape improvements aimed at a revitalization of the business district. The borough has no large industry and has no land to pursue industrial growth. This absence of major industry has resulted in one of the higher tax rates in Somerset County. The new one and two bedroom town homes on the GAF property have now all been sold. A second project of one and two bedroom condominiums is being constructed on the site of the old school building which may result in additional children attending the school system.

3. MAJOR INITIATIVES

Robert Morris School has completed renovations and improvements to the facility started in 2001. The district is continuing to follow it's Long Range Facilities Plan and wants to ensure that all prior work is maintained to a high standard. The district has established a robust maintenance reserve in order to ensure the facility is properly maintained.

Going forward, the district is looking at projects to ensure the facility is energy efficient and is on the cutting edge of instructional technology by focusing resources on infrastructure and computer based technology. New energy efficiency projects identified in the energy audit will be funded. The district is still looking at some type

of solar or renewable energy project, installing wireless Internet throughout the district, new air conditioning and boiler systems, and improvements to the multipurpose room.

South Bound Brook continues to work with the district's 2007-2012 Strategic Action Plan. In accordance with this plan, new language arts texts were purchased for grades K-5. Teachers received professional development training in pacing for the Everyday Mathematics program. The focus for professional development for the remainder of the year will address student achievement in language arts. Additionally, new curriculum is being written in the areas of science, language arts, and math to address New Jersey's newly adopted Common Core Standards.

School climate remains a focus for South Bound Brook. Teachers received training in The Leader in Me. This approach integrates Stephen Covey's 7 Habits of Highly Effective People into school culture, allowing students and staff members to utilize a common language to assist students to build character, set goals, and become leaders in their school and community. Students have begun to assume leadership roles in their classrooms and throughout the school.

A committee is being recruited to begin the process of writing an update strategic plan.

4. INTERNAL ACCOUNTING CONTROLS

Management of the district is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the district are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurances recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the district also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs.

The internal control structure is also subject to periodic evaluation by the district management.

As part of the district's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the district has complied with applicable laws and regulations.

5. 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

5. 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 fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting systems 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.

6. ACCOUNTING SYSTEM AND REPORTS

The district's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the district is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7. FINANCIAL INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of the report, the district continues to meet its responsibility for sound financial management.

You should review, in detail, the management's discussion and analysis for the fiscal year ended June 30, 2011 for Financial Summaries.

8. DEBT ADMINISTRATION

Series 2001 Bonds were refunded to the Series 2010 Bonds in the amount of \$2,865,000.00 on December 1, 2010. The remaining principal balance on Series 2001 was \$235,000.00 at June 30, 2011. The remaining principal balance of the 2010 bonds at June 30, 2011 was \$2,865,000.00.

9. 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 which requires it to deposit public funds in public depositories protected from loss under the provision of the Government Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect government units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

liability, automobile liability, hazard and theft insurance on property and contents, and fidelity bonds.

11. OTHER INFORMATION

A. **Independent Audit** - State statutes require an annual audit by an independent certified public accountant or registered municipal accountants. The accounting firm of Suplee, Clooney & Company, CPA's, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit is also designed to meet the requirements of the related OMB Circular A-133 and State of New Jersey OMB Circular 04-04. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of the report. The auditor's report related specifically to the single audit are included in the single audit section of this report.

12. ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the South Bound 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 secretary/bookkeeper, administrative secretary and treasurer (consultant).

Respectfully submitted,



Lorise A. Goeke, Ed. D.
Superintendent



John Gomez
Business Administrator

**SOUTH BOUND BROOK BOARD OF EDUCATION
SOUTH BOUND BROOK, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Allison Lih-Thiessen – President	2014
Peter Allen – Vice-President	2013
Frank Ambrose	2014
Janet Esposito	2012
Cheryl Noll	2013
Nancy Santora	2012
Sharlene Sarboukh	2012

Other Officials

Dr. Lorise Goeke, Superintendent of Schools

Joseph J. Marra, Business Administrator/ Board Secretary to January 23, 2011

John A. Gomez, Business Administrator/ Board Secretary from February 16, 2011

Nicholas W. Barber, Treasurer of School Monies

**SOUTH BOUND BROOK BOARD OF EDUCATION
CONSULTANTS AND ADVISORS**

Architect

Buck Simperts Architects & Associates Inc.
Park 80 West
Plaza 11, Suite 200
Saddle Brook, NJ 07663

Audit Firm

Suplee, Clooney & Company
308 East Broad Street
Westfield, NJ 07090

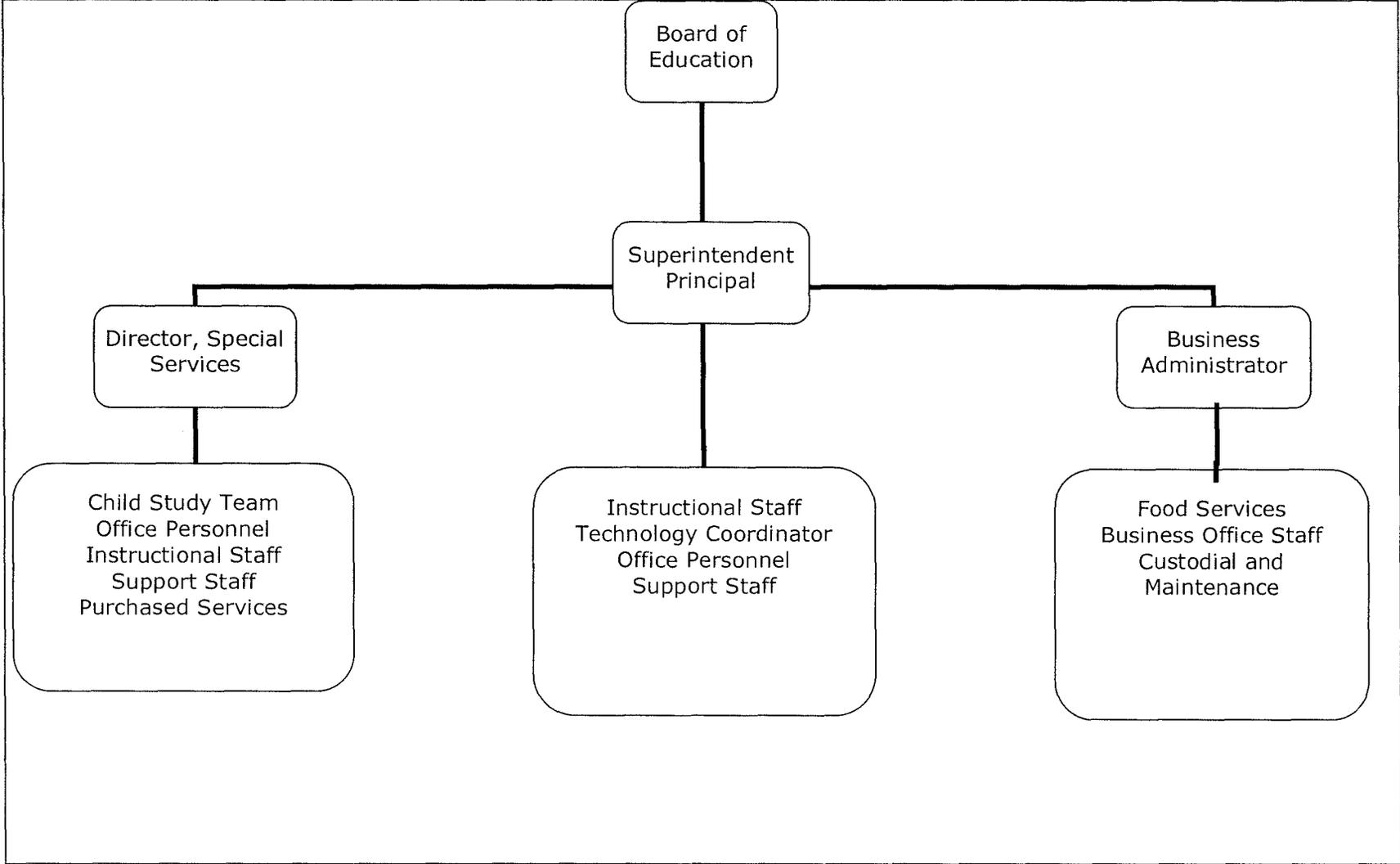
Attorney

Fogarty & Hara
16-00 Route 208 South
Fair Lawn, NJ 07410

Official Depository

TD Bank, NA
2059 Springdale Road
Cherry Hill, NJ 08004

South Bound Brook Schools



THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Borough of South Bound Brook
County of Somerset
South Bound Brook, New Jersey 08880

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 Borough of South Bound Brook School District, County of Somerset, New Jersey as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey and the provisions of U. S. Office of Management and Budget (OMB) Circular A-133 "Audits of State, Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of South Bound Brook School District, County of Somerset, New Jersey as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

SUPLEE, CLOONEY & COMPANY

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2011 on our consideration of the Borough of South Bound Brook School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of South Bound Brook School District's basic financial statements. The introductory section, combining and individual fund schedules and statements, other schedules, statistical tables and the schedules of expenditures of federal awards and state financial assistance as listed in the table of contents are presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid" and State of New Jersey, Department of Education, Division of Finance and are not a required part of the basic financial statements of the Borough of South Bound Brook School District, County of Somerset, New Jersey. Such information, except for the introductory section and that portion marked unaudited on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


CERTIFIED PUBLIC ACCOUNTANTS

November 9, 2011


PUBLIC SCHOOL ACCOUNTANT NO. 93

REQUIRED SUPPLEMENTARY INFORMATION – Part I

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

**BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SOUTH BOUND BROOK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED**

The Management's Discussion and Analysis of the Borough of South Bound Brook School District (the "District") offers readers of the District's financial statements a narrative overview of the financial activities for the fiscal year ended June 30, 2011. The intent of this discussion is to look at the District's financial performance as a whole; therefore readers should also review the transmittal letter at the front of this report, along with the District's financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Revenue from governmental activities accounted for \$9,478,581.70 or 98.21 percent of total school district revenue. The other 1.79 percent of revenue was generated by the business type activities.
- Governmental fund revenues exceeded expenditures by \$672,496.31.
- Total net assets of the District increased by \$620,413.39.

Overview of the Financial Statements

This Comprehensive Annual Financial Report ("CAFR") consists of three parts: Management's Discussion and Analysis (this section), The Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District, District-wide Financial Statements and Fund Financial Statements.

- District-wide Financial Statements provide both short-term and long-term information about the District's overall financial status.
- Fund Financial Statements report the District's operations in more detail than the District-wide statements on individual parts of the District, the Governmental Funds, Proprietary Funds and Fiduciary Funds.
- Governmental Funds Statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Proprietary Funds Statements offer short and long-term financial information about the activities the District operates like a business, which include food services.
- 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.

**BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SOUTH BOUND BROOK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED**

The notes to financial statements are also included, which are an integral part of the financial statements. The information in the notes provides detailed data on the District's financial operations.

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year. Exhibit A-1 reflects how the various parts of this annual report are arranged and related to one another.

District-wide Financial Statements

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

The District-wide Financial Statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position has improved or diminished. The causes of this change may be a result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the District-wide Financial Statements, the District's activities are divided into two categories, governmental and business-type activities.

- Governmental activities - All of the District's programs and services are reported here including, but not limited to regular and special education instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities. Property taxes and state formula aid finance most of these activities.
- Business-type activities - These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. District charges fees to help it cover the costs of certain services it provided. The food service activities are reported as business activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on major funds. 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 establishes other funds to control and manage money for particular purposes (i.e. long-term debt) or to show that it is properly using certain restricted revenues (i.e. entitlement grants).

**BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SOUTH BOUND BROOK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED**

The District maintains three financial funds:

- **Governmental Funds:** The District's activities reported in governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the government-wide Statement of Net Assets and Statement of Activities) and governmental funds statements is reconciled in the financial statements.
- **Proprietary Funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flow.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SOUTH BOUND BROOK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED**

Financial Analysis of the District as a Whole

The District's combined net assets have increased from the 2009-2010 fiscal year. The net assets from governmental activities increased \$612,921.30 primarily as a result of an increase in capital reserve and the establishment of a maintenance reserve and tuition adjustment account. Net assets from business-type activities increased \$7,492.09. Restricted net assets increased from the prior year by \$667,892.54. Exhibit A-1 below reflects the District's net assets as a whole. Exhibit A-2 reflects the changes in net assets from operating results.

**Exhibit A-1
Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	Change
Current and Other Assets	\$1,733,973.91	\$1,116,210.01	\$45,630.13	\$39,104.65	\$1,779,604.04	\$1,155,314.66	54.04%
Capital Assets	8,259,807.57	8,512,946.15	27,321.86	20,726.58	8,287,129.43	8,533,672.73	-2.89%
Total Assets	9,993,781.48	9,629,156.16	72,951.99	59,831.23	10,066,733.47	9,688,987.39	3.90%
Long-Term Liabilities	2,967,665.00	3,174,092.51			2,967,665.00	3,174,092.51	-6.50%
Short-Term Liabilities	398,871.77	440,740.24	7,446.58	1,817.91	406,318.35	442,558.15	-8.19%
Total Liabilities	3,366,536.77	3,614,832.75	7,446.58	1,817.91	3,373,983.35	3,616,650.66	-6.71%
Net Assets:							
Invested in Capital Assets Net of Related Debt	5,152,889.34	5,201,117.25	27,321.86	20,726.58	5,180,211.20	5,221,843.83	-0.80%
Restricted	1,546,317.67	878,425.13			1,546,317.67	878,425.13	76.03%
Unrestricted	(71,962.30)	(65,218.97)	38,183.55	37,286.74	(33,778.75)	(27,932.23)	20.93%
Total Net Assets	\$6,627,244.71	\$6,014,323.41	\$65,505.41	\$58,013.32	\$6,692,750.12	\$6,072,336.73	10.22%

**BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SOUTH BOUND BROOK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED**

**Exhibit A-2
Changes in Net Assets from Operating Results**

	Governmental Activities <u>FY 2011</u>	Business-Type Activities <u>FY 2011</u>	Total School District <u>FY 2011</u>
Revenue:			
Program Revenue:			
Charges for Services		\$72,296.07	\$72,296.07
Operating Grants and Contributions	\$778,259.90	100,731.81	878,991.71
General Revenue:			
Property Taxes	5,624,525.00		5,624,525.00
Federal and State Aid not restricted	3,052,944.00		3,052,944.00
Other	22,852.80	90.72	22,943.52
	<u>9,478,581.70</u>	<u>173,118.60</u>	<u>9,651,700.30</u>
Total Revenue			
Expenses:			
Instruction	5,062,293.64		5,062,293.64
Student & Instructional Support Services	1,826,685.64		1,826,685.64
Administrative and Business	584,668.81		584,668.81
Maintenance & Operations	648,212.31		648,212.31
Transportation	276,502.14		276,502.14
Other	467,297.86	165,626.51	632,924.37
	<u>8,865,660.40</u>	<u>165,626.51</u>	<u>9,031,286.91</u>
Total Expenses			
Increase/(Decrease) in Net Assets	<u>\$612,921.30</u>	<u>\$7,492.09</u>	<u>\$620,413.39</u>

Sources of Revenue for Fiscal Year 2011

The District's total revenue for the 2010-2011 school year was \$9,651,700.30 as reflected in Exhibit A-3 below. Property taxes and state formula aid accounted for 89.39 percent of the total revenue with the other 10.61 percent consisting of other state and federal aid and grants, charges for services, and miscellaneous sources.

**BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SOUTH BOUND BROOK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED**

**Exhibit A-3
Sources of Revenue for Fiscal Year 2011**

<u>Sources of Revenue</u>	<u>Amount</u>	<u>Percentage</u>
Property Taxes	\$5,624,525.00	58.27%
State Formula Aid	3,003,188.00	31.12%
Other State and Federal Aid	608,794.95	6.31%
Federal and State Grants	312,736.95	3.24%
Charges for Services	72,296.07	0.75%
Other	30,159.33	0.31%
	<u>\$9,651,700.30</u>	<u>100.00%</u>

Expenses for the Fiscal Year 2011

The total expenditures for the 2010-2011 fiscal year for all programs and services were \$9,031,286.91. Exhibit A-4 below summarizes these program costs. The District's expenses are predominantly related to instructing, providing services and transporting students, grades kindergarten through eight, which accounts for 79.34 percent of the total District costs. Administrative and business expenses account for the costs of the office of the superintendent of schools, the business office, and the principal's office. Maintenance and operations account for the costs of keeping the school buildings and grounds safe, clean and in good operating condition, and includes all the utility costs related to the school facilities. Other costs include interest on long-term debt, unallocated depreciation expense and the costs of the business-type activities of the proprietary funds. It is important to note that depreciation expense on capital assets is included in expenses for the year under the new accounting reporting model; expenses therefore include \$270,777.39 for depreciation.

**Exhibit A-4
Expenses for Fiscal Year 2011**

<u>Expense Category</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$5,062,293.64	56.05%
Student & Instruction Services	1,826,685.64	20.23%
Administrative and Business	584,668.81	6.47%
Maintenance & Operations	648,212.31	7.18%
Transportation	276,502.14	3.06%
Other	632,924.37	7.01%
	<u>\$9,031,286.91</u>	<u>100.00%</u>

**BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SOUTH BOUND BROOK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED**

Governmental Activities

Exhibit A-5 presents the net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs) of six major District activities: instruction, student and instructional services, administration and business, maintenance and operations, transportation, and other. The net cost shows the financial burden placed on the District's taxpayers and the state by each of these functions.

**Exhibit A-5
Net Cost of Governmental Activities**

<u>Expense Category</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$4,655,976.34	57.63%
Student & Instruction Services	1,492,690.88	18.47%
Administrative and Business	547,637.60	6.78%
Maintenance & Operations	648,212.31	8.02%
Transportation	276,502.14	3.42%
Other	458,979.86	5.68%
	<u>\$8,079,999.13</u>	<u>100.00%</u>

General Fund Budgeting Highlights

The District's budget is prepared according to New Jersey Statutes and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting.

Over the course of the year, the Board of Education approved revisions to the general fund budget as needed. These budget amendments were necessary for the following reasons:

- Realign budgeted salary accounts after contract negotiation settlement and staff transfers to various programs.
- Realigned appropriations in accordance with the prescribed chart of accounts as modified by the comprehensive educational improvement and financing act.
- Transferred from unexpended appropriations to purchase teaching materials, computers, and equipment to meet various program needs.

**BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SOUTH BOUND BROOK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED**

Capital Assets

During the fiscal year 2010-2011 the District's depreciation expense and retired assets exceeded capital acquisitions, therefore capital assets net of depreciation decreased in total. Exhibit A-6 reflects the comparative balances of capital assets net of depreciation. The detail of the changes in capital assets is reflected in Note 3 to the financial statements.

**Exhibit A-6
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	
Land and Site Improvements	\$542,775.95	\$544,739.88			\$542,775.95	\$544,739.88	-0.36%
Building and Building Improvements	7,429,061.58	7,657,824.89			7,429,061.58	7,657,824.89	-2.99%
Machinery and Equipment	<u>287,970.04</u>	<u>310,381.38</u>	<u>\$27,321.86</u>	<u>\$20,726.58</u>	<u>315,291.90</u>	<u>331,107.96</u>	<u>-4.78%</u>
Total Assets	<u>\$8,259,807.57</u>	<u>\$8,512,946.15</u>	<u>\$27,321.86</u>	<u>\$20,726.58</u>	<u>\$8,287,129.43</u>	<u>\$8,533,672.73</u>	<u>-2.89%</u>

Debt Administration

At June 30, 2011 the District had \$3,209,583.23 of outstanding long-term debt, consisting of bonds payable from construction, compensated absences, and capital leases of district copiers. The District will continue to pay down its debt, as the obligations are due. Exhibit A-7 reflects the comparison of outstanding debt for the past two fiscal years. More information of the District's long-term debt is presented in Note 4 to the financial statements.

**Exhibit A-7
Outstanding Long-term Debt**

	Total School Debt		Total Percentage Change
	FY 2011	FY 2010	
Capital Leases	\$6,918.23	\$14,828.90	-53.35%
Compensated Absences	102,665.00	95,174.28	7.87%
Bonds Payable	<u>3,100,000.00</u>	<u>3,297,000.00</u>	<u>-5.98%</u>
	<u>\$3,209,583.23</u>	<u>\$3,407,003.18</u>	<u>-5.79%</u>

**BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SOUTH BOUND BROOK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED**

The District's Future

The Borough of South Bound Brook School District is in good financial condition presently. The District is proud of its community support of the public schools. A major concern is the continued salary/benefit cost growth of the District with the reliance on local property taxes. However, future finances are not without challenges as enrollment grows, state/federal funding has decreased, and taxpayer reluctance to fund education at much more than the rate of inflation.

In conclusion, the Borough of South Bound Brook School District has committed itself to sound financial practices. The District plans to continue to improve its fiscal management to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Dr. Lorise A. Goeke, Superintendent, or Mr. John A. Gomez, Business Administrator/Board Secretary at the South Bound Brook Board of Education, 122 Elizabeth Street, South Bound Brook, NJ 08880.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2011.

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$846,396.38	\$7,853.65	\$854,250.03
Receivables, net	131,273.98	35,885.83	167,159.81
Inventory		1,890.65	1,890.65
Restricted assets:			
Restricted cash and cash equivalents	756,303.55		756,303.55
Capital assets:			
Land and construction in progress	524,414.00		524,414.00
Other capital assets, net	7,735,393.57	27,321.86	7,762,715.43
Total assets	<u>9,993,781.48</u>	<u>72,951.99</u>	<u>10,066,733.47</u>
LIABILITIES:			
Accounts payable	136,287.99	6,544.75	142,832.74
Interfunds payable	11,727.22		11,727.22
Deferred revenue		901.83	901.83
Interest payable	8,938.33		8,938.33
Noncurrent liabilities:			
Due within one year	241,918.23		241,918.23
Due beyond one year	2,967,665.00		2,967,665.00
Total liabilities	<u>3,366,536.77</u>	<u>7,446.58</u>	<u>3,373,983.35</u>
NET ASSETS:			
Investment in capital assets, net of related debt	5,152,889.34	27,321.86	5,180,211.20
Restricted for:			
Debt service fund	609.12		609.12
Other purposes	1,545,708.55		1,545,708.55
Unrestricted (deficit)	<u>(71,962.30)</u>	<u>38,183.55</u>	<u>(33,778.75)</u>
Total net assets	<u>\$6,627,244.71</u>	<u>\$65,505.41</u>	<u>\$6,692,750.12</u>

See accompanying notes to financial statements.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction:						
Regular	\$3,628,938.34		\$243,818.68	(\$3,385,119.66)		(\$3,385,119.66)
Special education	1,317,871.51		156,448.96	(1,161,422.55)		(1,161,422.55)
Other	115,483.79		6,049.66	(109,434.13)		(109,434.13)
Support services:						
Student and instruction related services	1,826,685.64		333,994.76	(1,492,690.88)		(1,492,690.88)
General administrative services	231,435.34		14,665.82	(216,769.52)		(216,769.52)
School administrative services	124,982.18		8,157.87	(116,824.31)		(116,824.31)
Central services	228,251.29		14,207.52	(214,043.77)		(214,043.77)
Plant operations and maintenance	648,212.31			(648,212.31)		(648,212.31)
Student transportation services	276,502.14			(276,502.14)		(276,502.14)
Special schools/ charter schools	111,790.62		916.63	(110,873.99)		(110,873.99)
Interest on long term debt	183,251.38			(183,251.38)		(183,251.38)
Unallocated depreciation	172,255.86			(172,255.86)		(172,255.86)
Total governmental activities	8,865,660.40		778,259.90	(8,087,400.50)		(8,087,400.50)
Business-type activities:						
Food service	165,626.51	\$72,296.07	100,731.81		\$7,401.37	7,401.37
Total business-type activities	165,626.51	72,296.07	100,731.81		7,401.37	7,401.37
Total primary government	\$9,031,286.91	\$72,296.07	\$878,991.71	(8,087,400.50)	\$7,401.37	(\$8,079,999.13)
General Revenues:						
Taxes:						
				\$5,248,130.00		\$5,248,130.00
				376,395.00		376,395.00
				3,052,944.00		3,052,944.00
				22,852.80	\$90.72	22,943.52
				8,700,321.80	90.72	8,700,412.52
				612,921.30	7,492.09	620,413.39
				6,014,323.41	58,013.32	6,072,336.73
				\$6,627,244.71	\$65,505.41	\$6,692,750.12

See accompanying notes to financial statements.

MAJOR FUND FINANCIAL STATEMENTS

The Individual fund financial statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

ASSETS AND OTHER DEBITS:	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
Assets:					
Cash and cash equivalents	\$801,943.95		\$34,904.98	\$9,547.45	\$846,396.38
Capital reserve account	756,303.55				756,303.55
Accounts receivable:					
Federal		\$81,517.98			81,517.98
State	49,756.00				49,756.00
Interfund	109,183.41				109,183.41
Total assets	<u>1,717,186.91</u>	<u>81,517.98</u>	<u>34,904.98</u>	<u>9,547.45</u>	<u>1,843,157.32</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	129,048.44	7,239.55			136,287.99
Interfunds payable	11,727.22	74,278.43	34,904.98		120,910.63
Total liabilities	<u>140,775.66</u>	<u>81,517.98</u>	<u>34,904.98</u>		<u>257,198.62</u>
Fund balances:					
Restricted for:					
Capital reserve account	756,303.55				756,303.55
Maintenance reserve account	250,000.00				250,000.00
Tuition adjustment reserve account	134,700.00				134,700.00
Excess surplus designated for subsequent years expenditures	249,366.00				249,366.00
Excess surplus - current year	155,339.00				155,339.00
Debt service fund				9,547.45	9,547.45
Assigned for year-end encumbrances	67,591.70				67,591.70
Unassigned:					
General fund (deficit)	(36,889.00)				(36,889.00)
Total fund balances	<u>1,576,411.25</u>			<u>9,547.45</u>	<u>1,585,958.70</u>
Total liabilities and fund balances	<u>\$1,717,186.91</u>	<u>\$81,517.98</u>	<u>\$34,904.98</u>	<u>\$9,547.45</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$11,429,925.38 and the accumulated depreciation is \$3,170,117.81

8,259,807.57

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

(3,218,521.56)

Net assets of governmental activities

\$6,627,244.71

See accompanying notes to financial statements.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	\$5,248,130.00			\$376,395.00	\$5,624,525.00
Interest earned on capital reserve funds	999.74				999.74
Miscellaneous	12,305.61	\$7,215.81		9,547.45	29,068.87
Total revenues-local sources	5,261,435.35	7,215.81		385,942.45	5,654,593.61
State sources	3,511,251.14	575.00			3,511,826.14
Federal sources		312,161.95			312,161.95
Total revenues	8,772,686.49	319,952.76		385,942.45	9,478,581.70
EXPENDITURES:					
Current expense:					
Instruction:					
Regular	1,843,428.37	98,031.18			1,941,459.55
Special education	533,311.30	114,284.71			647,596.01
Other instruction	76,233.49				76,233.49
Support services:					
Tuition	1,816,165.77				1,816,165.77
Student and instruction related services	1,046,055.26	107,636.87			1,153,692.13
General administrative services	185,583.78				185,583.78
School administrative services	103,199.72				103,199.72
Central services	179,479.70				179,479.70
Plant operations and maintenance	601,986.89				601,986.89
Student transportation services	276,502.14				276,502.14
Employee benefits	1,286,056.34				1,286,056.34
Capital outlay	12,810.59				12,810.59
Capital outlay - debt assessment	39,623.00				39,623.00
Charter Schools	97,964.00				97,964.00
Special schools	11,337.28				11,337.28
Debt service:					
Principal				225,000.00	225,000.00
Interest				151,395.00	151,395.00
Total expenditures	8,109,737.63	319,952.76		376,395.00	8,806,085.39
Excess (deficiency) of revenues over (under) expenditures	662,948.86			9,547.45	672,496.31
Other financing sources (uses):					
Operating transfers in	34,904.98				34,904.98
Operating transfers out			(\$34,904.98)		(\$34,904.98)
Total financing sources (uses):	34,904.98		(34,904.98)		
Net change in fund balances	697,853.84		(34,904.98)	9,547.45	672,496.31
Fund balances, July 1, 2010	878,557.41		34,904.98		913,462.39
Fund balances, June 30, 2011	<u>\$1,576,411.25</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$9,547.45</u>	<u>\$1,585,958.70</u>

See accompanying notes to financial statements.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds (from B-2)		\$672,496.31
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.		
Depreciation expense	(\$265,949.17)	
Capital outlays	52,433.59	
Capital outlays not capitalized	<u>(39,623.00)</u>	(253,138.58)
Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets and is not reported in the statements of activities.		
		225,000.00
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		
Payment of capital leases payable		7,910.67
Refunding bond proceeds		(28,000.00)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		
		(3,856.39)
In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		<u>(7,490.72)</u>
Change in net assets of governmental activities		<u><u>\$612,921.29</u></u>

See accompanying notes to financial statements.

OTHER FUNDS

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u> <u>FOOD SERVICE FUND</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$7,853.65
Accounts receivable:	
State	276.04
Federal	6,383.48
Other	17,499.09
Interfunds	11,727.22
Inventories	1,890.65
	45,630.13
Total current assets	45,630.13
Noncurrent assets	
Furniture, machinery & equipment	89,644.62
Less: Accumulated depreciation	(62,322.76)
	27,321.86
Total noncurrent assets	27,321.86
TOTAL ASSETS	72,951.99
LIABILITIES:	
Current liabilities:	
Accounts Payable	6,544.75
Deferred revenue	901.83
	7,446.58
Total current liabilities	7,446.58
NET ASSETS:	
Invested in capital assets	27,321.86
Unrestricted	38,183.55
	\$65,505.41

See accompanying notes to financial statements

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u> <u>FOOD SERVICE</u>
OPERATING REVENUES:	
Local sources:	
Daily sales-reimbursable programs:	
School lunch program	\$66,788.73
Daily sales non-reimbursable programs	5,507.34
	72,296.07
Total operating revenue	72,296.07
OPERATING EXPENSES:	
Salaries	46,811.35
Employee benefits and taxes	14,979.53
Management fee	10,437.26
Supplies, materials and repairs	18,981.82
Depreciation	4,828.22
Cost of sales	69,588.33
	165,626.51
Total operating expenses	165,626.51
Operating (loss)	(93,330.44)
Nonoperating revenues:	
State sources:	
State school lunch program	2,353.89
Federal sources:	
National school lunch program	75,069.04
National school breakfast program	11,572.78
National food distribution commodities	11,736.10
Interest earned	90.72
	100,822.53
Total nonoperating revenues	100,822.53
Net income	7,492.09
Net assets - July 1	58,013.32
Net assets - June 30	\$65,505.41

See accompanying notes to financial statements

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE
Cash flows from operating activities:	
Receipts from customers	\$72,296.07
Payments to employees	(46,811.35)
Payments for employee benefits	(14,979.53)
Payments to suppliers	(104,289.22)
	(93,784.03)
Net cash (used) by operating activities	
Cash flows from noncapital financing activities:	
State sources	2,438.19
Federal sources	98,900.85
	101,339.04
Net cash (used) by noncapital financing activities	
Cash flows from investing activities:	
Interest	90.72
	90.72
Net cash provided (used) by investing activities	
Cash flows from capital and related financing activities:	
Purchases of capital assets	(11,423.50)
	(11,423.50)
Net cash provided (used) by capital and related financing activities	
Net decrease in cash and cash equivalents	(3,777.77)
Cash and cash equivalents, July 1	11,631.42
Cash and cash equivalents, June 30	7,853.65
Operating income(loss)	(93,330.44)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:	
Depreciation	4,828.22
Change in assets and liabilities:	
(Increase) Decrease in inventory	834.65
(Increase) Decrease in accounts receivable	(11,745.13)
Increase (Decrease) in deferred revenue	(916.08)
Increase (Decrease) in accounts payable	6,544.75
	6,544.75
Net cash (used) by operating activities	(\$93,784.03)

See accompanying notes to financial statements

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	<u>AGENCY</u>		
	<u>STATE UNEMPLOYMENT INSURANCE</u>	<u>STUDENT ACTIVITIES</u>	<u>PAYROLL</u>
ASSETS:			
Cash and cash equivalents	\$2,554.56	\$15,218.24	\$34,897.36
Intrafunds receivable	316.13		
Total assets	<u>2,870.69</u>	<u>15,218.24</u>	<u>34,897.36</u>
LIABILITIES:			
Liabilities:			
Payroll deductions & withholdings			34,581.23
Intrafunds payable			316.13
Due to student groups		15,218.24	
Total liabilities		<u>15,218.24</u>	<u>34,897.36</u>
NET ASSETS:			
Reserve for state unemployment	2,870.69		
Total net assets	<u>\$2,870.69</u>	<u>\$-0-</u>	<u>\$-0-</u>

See accompanying notes to financial statements

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>STATE</u> <u>UNEMPLOYMENT</u> <u>INSURANCE</u>
ADDITIONS:	
Contributions:	
Employee contribution	\$8,316.13
Other - interest earned	36.02
	8,352.15
Total additions	8,352.15
DEDUCTIONS:	
State unemployment insurance claims	30,016.37
	30,016.37
Total deductions	30,016.37
Change in net assets	(21,664.22)
Net assets - July 1	24,534.91
Net assets - June 30	\$2,870.69

See accompanying notes to financial statements

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of South Bound Brook School District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Reporting Entity

The South Bound Brook School District is a Type II District located in Somerset County, New Jersey. The School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The District is governed by a 7 member board elected to three-year terms and is responsible for the fiscal control of the District. A Superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under GASB Statement 14 the Financial Reporting Entity is determined by the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the board exercises operating control. The operations of the District include one school, facilitating both elementary and middle school aged students. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting

The District's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Basis of Presentation

District-wide Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish generally between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activity of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as generally revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by the New Jersey State Department of Education, the District includes budgeted Capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

Enterprise Fund - The enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Fund Types

Agency Funds – The agency funds are used to account for assets held by the district on behalf of others and are custodial in nature. The agency funds included in this category are as follows:

Unemployment Compensation Insurance Trust Fund - A trust fund used to account for assets to finance the costs of unemployment benefits. Since the Board has adopted the direct reimbursement method, the District is under obligation to appropriate sufficient funds out of its general fund and hold them in trust for this purpose.

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Districtwide, Proprietary, and Fiduciary Fund Financial Statements: The Districtwide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Val Orem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments and transfers must be approved by School Board resolution.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

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

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

Interfunds

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The Interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the district's available spendable resources.

Inventories and Prepaid Expenses

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of Food Distribution Commodities, at stated value which approximates market.

Prepaid expenses which benefit future period, other than those recorded in the enterprise fund, are recorded as an expenditure in the year of purchase.

Capital Assets

The District has an established formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are depreciated in the district-wide statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office & Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

Compensated Absences

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

Under the existing policy of the District, employees are allowed to accumulate unused vacation and sick pay over the life of their working careers which may be taken as time off or paid at a later date. Upon retirement for service and age or disability from a State administered retirement system, each employee who has accumulated at least fifty (50) sick leave days shall be entitled to receive a lump sum retirement payment for any unused accumulated sick leave days in excess of fifty (50) days. For teachers, such payment shall be made at the rate of \$35.00 per day for each day of earned and unused accumulated sick leave beyond the first fifty (50) days accumulated, but not to exceed a total of \$3,800. A senior service increment of \$500.00 shall be paid in the last year of employment to any teacher eligible for retirement under the New Jersey Teachers Pension and Annuity Fund. For secretaries, such payment shall be made at the rate of \$25.00 per day up to \$2,900.00. An employee who elects a deferred retirement benefit shall not be eligible for the retirement payment.

For the District-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the fund financial statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

Fund balance reserves are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designation of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unreserved fund balances represent the amount available for future budgetary operations.

Unrestricted retained earnings represents the remains of the District's equity in the cumulative earnings of the proprietary funds.

Deferred Revenue

Deferred revenue in the special revenue and capital projects funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is allowable under generally accepted accounting principles.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

In fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement modifies fund balance reporting and clarifies fund type definitions. This new Statement aims to enhance the usefulness of fund balance information by providing clearer fund balance clarifications that can be applied more consistently.

The restricted fund balance classification includes amounts that are subject to externally enforceable legal restriction such as by constitutional provision, enabling legislation or other government imposed restrictions. The committed fund balance classification includes amounts constrained for a specific purpose by a government using its highest decision-making authority. The assigned fund balance classification includes amounts for all funds, other than the general fund with any remaining positive balances not already classified as restricted or committed. For the general fund, amounts constrained with the intent to be used for a specific purpose by the governing board or an official delegated authority by the board. The unassigned fund balance classification includes for the general fund, amounts not classified as restricted, committed or assigned. The general fund is the only fund that will report a positive unassigned fund balance. For all other governmental funds the amount of a residual deficit would be classified as unassigned. Fund balance restrictions have been established for excess surplus, excess surplus-designated for subsequent year's expenditures, capital reserve, maintenance and tuition adjustment reserve.

Revenues – Exchange and Nonexchange Transactions

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales in the Enterprise Funds. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of the program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent of occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Board considers petty cash, change funds, cash in banks, deposits in the government money market account, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a Banking Institution that is a member of the Federal Reserve System, and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Borough of South Bound Brook School District had the following cash and cash equivalents at June 30, 2011:

	<u>Cash in</u>			<u>Reconciled</u>
	<u>Bank</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental Funds	\$1,696,438.17	\$55.22	\$93,802.46	\$1,602,690.93
Proprietary Fund	9,795.41		1,941.76	7,853.65
Fiduciary Fund	111,869.99		59,199.83	52,670.16
	<u>\$1,818,103.57</u>	<u>\$55.22</u>	<u>\$154,944.05</u>	<u>\$1,663,214.74</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2011, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$1,568,103.57 was covered under the provisions of NJ GUDPA.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 1: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

The purchase of investments by the Board is strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts.
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and;
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2011, the District had no investments outstanding. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the District is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 3: CHANGE IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land and Improvements	\$524,414.00			\$524,414.00
Total capital assets that are not depreciated	<u>524,414.00</u>			<u>524,414.00</u>
Capital assets being depreciated:				
Site Improvements	42,529.65			42,529.65
Building and building improvements	10,084,128.59			10,084,128.59
Machinery and equipment	766,042.55	\$12,810.59		778,853.14
Total capital assets being depreciated	<u>10,892,700.79</u>	<u>12,810.59</u>		<u>10,905,511.38</u>
 Total gross assets	 11,417,114.79	 12,810.59		 11,429,925.38
 Less: accumulated depreciation for:				
Site Improvements	(22,203.77)	(1,963.93)		(24,167.70)
Building and building improvements	(2,426,303.70)	(228,763.31)		(2,655,067.01)
Machinery and equipment	(455,661.17)	(35,221.93)		(490,883.10)
	<u>(2,904,168.64)</u>	<u>(265,949.17)</u>		<u>(3,170,117.81)</u>
 Governmental activities capital assets, net	 <u>\$8,512,946.15</u>	 <u>(\$253,138.58)</u>		 <u>\$8,259,807.57</u>
 Business type activities:				
Machinery and equipment	\$78,221.12	\$11,423.50		\$89,644.62
Less: accumulated depreciation	<u>(57,494.54)</u>	<u>(4,828.22)</u>		<u>(62,322.76)</u>
 Proprietary fund capital assets, net	 <u>\$20,726.58</u>	 <u>\$6,595.28</u>		 <u>\$27,321.86</u>

Depreciation Expense was charged to governmental expenses as follows:

Instruction:	
Regular	\$49,795.73
Support Services:	
Student and instruction related services	12,698.33
General Administration	2,033.80
School administration	2,303.24
Central services	18,299.38
Plant operations and maintenance	8,562.83
Unallocated	172,255.86
	<u>\$265,949.17</u>

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 4: LONG-TERM DEBT

Bonds are issued by the District pursuant to the provisions of Title 18A, Education, of the New Jersey Statutes and are required to be approved by the voters of the municipality through referendum. The proceeds of bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond referendum. All bonds are retired in annual installments within the statutory period of usefulness.

School Bonds issued by the District are entitled to and benefit from the provision of the New Jersey School Board Reserve Act P.L. 1980 c.72. Basically, funds are held by the State of New Jersey within its State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payment of principal and interest due on such bonds in the event of the inability of the issuer to make payments.

At June 30, 2011, the District had no bonds or notes authorized but not issued.

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2011:

	<u>Capital Leases Payable</u>	<u>Bonds Payable</u>	<u>Compensated Absences Payable</u>	<u>Total</u>
Balance, July 1, 2010	\$14,828.90	\$3,297,000.00	\$95,174.28	\$3,407,003.18
Additions/Issued		2,865,000.00	19,334.30	2,884,334.30
Reductions	<u>7,910.67</u>	<u>3,062,000.00</u>	<u>11,843.58</u>	<u>3,081,754.25</u>
Balance, June 30, 2011	<u>\$6,918.23</u>	<u>\$3,100,000.00</u>	<u>\$102,665.00</u>	<u>\$3,209,583.23</u>
Amounts Due				
Within One Year	<u>\$6,918.23</u>	<u>\$235,000.00</u>		<u>\$241,918.23</u>

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 4: LONG-TERM DEBT (CONTINUED)

Bonds Payable

The annual requirements to amortize all debt outstanding as of June 30, 2011, with interest payments on issued debt, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$235,000.00	\$101,855.00	\$336,855.00
2013	175,000.00	94,700.00	269,700.00
2014	285,000.00	90,100.00	375,100.00
2015	290,000.00	82,900.00	372,900.00
2016	300,000.00	74,050.00	374,050.00
2017	305,000.00	64,975.00	369,975.00
2018	300,000.00	54,400.00	354,400.00
2019	310,000.00	42,200.00	352,200.00
2020	305,000.00	29,900.00	334,900.00
2021	300,000.00	17,800.00	317,800.00
2022	295,000.00	5,900.00	300,900.00
	<u>\$3,100,000.00</u>	<u>\$658,780.00</u>	<u>\$3,758,780.00</u>

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 4: LONG-TERM DEBT (CONTINUED)

Under New Jersey Statutes the District may incur debt in an amount not to exceed 3% of the averaged equalized valuation basis of real property. For the fiscal year ended June 30, 2011, the District borrowing capacity under N.J.S. 18A:24-19 would be as follows:

<u>Year</u>	<u>Equalized Valuation of Real Property</u>
2010	\$340,921,552.00
2009	350,433,306.00
2008	371,784,865.00
	<u>\$1,063,139,723.00</u>
Average equalized valuation of property	\$354,379,907.67
School borrowing margin (3% of average equalized valuation of property)	10,631,397.23
Net bonded school debt as of June 30, 2011	<u>3,100,000.00</u>
School borrowing power available	<u>\$7,531,397.23</u>

Capital Leases Payable

The District is leasing several copy machines under capital leases. The lease is for a term of six years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2011:

<u>Year</u>	<u>Amount</u>
2012	<u>\$7,086.80</u>
Total minimum lease payments	7,086.80
Less: Amount representing interest	<u>(168.57)</u>
Present value of net minimum lease payment	<u>\$6,918.23</u>

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 5: PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 5: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions - Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - Chapter 89- P.L. 2008- Members of either system who became members before July 1, 2007 may retire at age 55 years with 25 years of service or at age 60 with any number of years of service without a reduction in the amount of retirement allowance the members' receive. There is a reduction in such an allowance if the member is under 55 with 25 years of service. There is also a reduction in an allowance for members of either system who became members on or after July 1, 2007 and who retire between age 55 and 60 years with 25 or more years of service.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of TPAF.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 5: PENSION PLANS (CONTINUED)

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2011	\$36,158.00	100%	\$36,158.00
6/30/2010	\$28,928.00	100%	\$28,928.00
6/30/2009	\$23,437.00	100%	\$23,437.00

During the fiscal years ended June 30, 2011, 2010 and 2009, the State of New Jersey did not contribute to the TPAF pension system on behalf of the District.

During the fiscal year ended June 30, 2011, the State of New Jersey contributed \$227,337.00 to the TPAF for normal and post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$230,970.14 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

NOTE 6: OTHER POST-RETIREMENT BENEFITS

For eligible retired employees, the School District participates in the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 *et seq.*, to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 6: OTHER POST-RETIREMENT BENEFITS(CONTINUED)

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on state disability retirement. P.L. 2007, Chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State made post-retirement (PRM) contributions of \$1.38 billion for fiscal year 2009 and \$3.22 million for fiscal year 2008.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

The State will set the contribution rate based 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, 2011, 2010 and 2009 were \$217,115, \$225,594 and \$223,413 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.

NOTE 7: LITIGATION

The Board attorney's letter advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the Board of Education and which might materially affect the Board's financial position.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 8: CONTINGENCIES

The Board receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2010-2011 fiscal year were subject to the U.S. OMB A-133 and New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the Board's annual audit. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. Further, the School Child Nutrition Program is a recipient of federal reimbursements and is subject to certain related federal regulations. These federal reimbursements are subject to subsequent audit and interpretation by the New Jersey Department of Education. The Board management does not believe such an audit would result in material amounts of disallowed costs.

NOTE 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, and student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 9: RISK MANAGEMENT(CONTINUED)

The table on the following page is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the District's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$36.02	\$8,316.13	\$30,016.37	\$2,870.69
2009-2010	64.03	5,747.89	27,380.01	24,534.91
2008-2009	152.00	7,147.10		46,103.00

NOTE 10: INTERFUND RECEIVABLES AND PAYABLES

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made. The following interfund balances remained on the balance sheet at June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$109,183.41	\$11,272.00
Special Revenue Fund		74,278.43
Capital Projects Fund		34,904.98
Proprietary Fund	11,272.00	
	<u>\$120,455.41</u>	<u>\$120,455.41</u>

NOTE 11: INVENTORY

Inventory in the Food Service Fund at June 30, 2011 consisted of the following:

Food and Supplies	<u>\$1,890.65</u>
-------------------	-------------------

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 12: FUND BALANCE APPROPRIATED

General Fund – Of the \$1,576,411.25 General Fund fund balance at June 30, 2011, \$67,591.70 is assigned for year-end encumbrances. \$756,303.55 has been restricted in the Capital Reserve; \$250,000.00 has been restricted in the Maintenance Reserve; \$134,700.00 has been restricted in the Tuition Adjustment Account; \$404,705.00 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7, of which \$249,366.00 has been appropriated and included as anticipated revenue for the year ended June 30, 2012. There is (\$36,889.00) of unassigned fund balance.

NOTE 13: CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2004,c.73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. Based on this calculation, the South Bound Brook School District has excess fund balance of \$155,339.00 resulting from the year ended June 30, 2011.

NOTE 14: DEFERRED COMPENSATION

The District offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the District does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2011.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Borough of South Bound Brook Board of Education by the inclusion of \$100,000.00 in the 2000-2001 school year for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d) 7, the balance in the account cannot at any time exceed the local costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the year ending June 30, 2011 year is as follows:

Beginning balance, July 1, 2010	\$489,202.95
Add: Board Contributions	231,195.88
Interest	999.74
Unused from Capital Projects Fund	<u>34,904.98</u>
Ending balance, June 30, 2011	<u><u>\$756,303.55</u></u>

The June 30, 2011 LRFP balance of local support costs of uncompleted capital projects is \$6,028,500.00. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2011

NOTE 16: MAINTENANCE RESERVE

A maintenance reserve was established through a board resolution by the Borough of South Bound Brook School District in the amount of \$250,000.00 in the 2010-2011 school year for the accumulation of funds for the required maintenance of a facility in accordance with N.J.S.A. 18A:7G-9 as amended by P.L. 2004, c. 73 (S1701). N.J.S.A. 18A:7G-31(c), 18A:7G-13 and N.J.A.C. 6A:23A-14.2 permits districts, by board resolution, to transfer undesignated general fund balance to the maintenance reserve account if approved in the district's original budget certified for taxes or if the district received voter approval by a separate proposal at budget time or by special question at one of the four special elections authorized pursuant to N.J.S.A.19:60-2. N.J.S.A. 18A:7F-41(a), 18A:7F-41(b) and N.J.A.C. 6A:23A-14.3 permit a district board of education to transfer by board resolution (prior to June 30) any unanticipated revenue or unexpended line-item appropriation amounts to the maintenance reserve for withdrawal in subsequent school years. The district, by board resolution, transferred \$250,000.00 into the maintenance reserve in the 2010-2011 school year.

REQUIRED SUPPLEMENTARY INFORMATION - Part II

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Local sources:					
Local tax levy	\$5,248,130.00		\$5,248,130.00	\$5,248,130.00	
Interest earned on capital reserve funds	1,000.00		1,000.00	999.74	(\$0.26)
Miscellaneous	8,850.00		8,850.00	12,305.61	3,455.61
Total revenues-local sources	5,257,980.00		5,257,980.00	5,261,435.35	3,455.35
State sources:					
Equalization aid	2,893,787.00		2,893,787.00	2,637,676.00	(256,111.00)
Categorical special education aid	54,504.00		54,504.00	310,615.00	256,111.00
Extraordinary aid	65,708.00		65,708.00	49,756.00	(15,952.00)
On-behalf TPAF post retirement medical pension (non-budgeted)				217,115.00	217,115.00
On-behalf TPAF pension (non-budgeted)				10,222.00	10,222.00
Reimbursed TPAF social security cont. (non-budgeted)				230,970.14	230,970.14
Total - state sources	3,013,999.00		3,013,999.00	3,456,354.14	442,355.14
Total revenues	8,271,979.00		8,271,979.00	8,717,789.49	445,810.49
EXPENDITURES					
CURRENT EXPENSE:					
Regular programs - instruction:					
Salaries of teachers:					
Preschool	40,413.00	\$37,682.00	78,095.00	78,095.00	
Kindergarten	148,685.00		148,685.00	148,685.00	
Grades 1-5	920,065.00	(87,403.02)	832,661.98	832,661.98	
Grades 6-8	629,418.00	8,348.90	637,766.90	637,766.90	
Regular programs - home instruction:					
Salaries of teachers	5,000.00		5,000.00		5,000.00
Regular programs - undistributed instruction:					
Other salaries for instruction		138.00	138.00		138.00
Other purchased services	36,005.00	(3,666.81)	32,338.19	24,077.88	8,260.31
General supplies	58,729.00		118,533.76	80,251.22	38,282.54
Textbooks	7,782.00	30,699.55	38,481.55	37,031.74	1,449.81
Other objects	5,000.00		5,000.00	4,858.65	141.35
Total regular programs	\$1,851,097.00	\$45,603.38	\$1,896,700.38	\$1,843,428.37	\$53,272.01

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Special education:					
Learning and/or language disabilities:					
Other salaries for instruction	\$105,192.00	\$11,333.40	\$116,525.40	\$116,525.40	
Total learning and/or language disabilities	105,192.00	11,333.40	116,525.40	116,525.40	
Behavioral disabilities					
Salaries of teachers		47,325.00	47,325.00	47,325.00	
Total behavioral disabilities		47,325.00	47,325.00	47,325.00	
Multiple disabilities:					
Salaries of teachers		47,925.20	47,925.20	47,925.00	\$0.20
Total multiple disabilities		47,925.20	47,925.20	47,925.00	0.20
Resource room/resource center:					
Salaries of teachers	293,920.00	(11,749.12)	282,170.88	282,170.88	
General supplies	736.00		736.00	138.04	597.96
Textbooks	409.00		409.00	235.62	173.38
Total resource room/center	295,065.00	(11,749.12)	283,315.88	282,544.54	771.34
Preschool disabilities - part time:					
Salaries of teachers	39,323.00	(79.86)	39,243.14	38,991.36	251.78
Other salaries for instruction	6,220.00	(6,220.00)			
Total preschool disabilities - part time	45,543.00	(6,299.86)	39,243.14	38,991.36	251.78
Total special education	445,800.00	88,534.62	534,334.62	533,311.30	1,023.32
Bilingual education:					
Salaries of teachers	52,825.00		52,825.00	49,371.25	3,453.75
General supplies	335.00	627.96	962.96	848.88	114.08
Total bilingual education	53,160.00	627.96	53,787.96	50,220.13	3,567.83
School sponsored cocurricular activities:					
Salaries	20,590.00	(459.61)	20,130.39	20,130.39	
Purchased services	450.00	(448.44)	1.56		1.56
Supplies and Materials	1,325.00		1,325.00	143.53	1,181.47
Total school sponsored cocurricular activities	\$22,365.00	(\$98.05)	\$21,456.95	\$20,273.92	\$1,183.03

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
School sponsored athletics:					
Salaries	\$4,465.00	\$1,274.44	\$5,739.44	\$5,739.44	
Total school sponsored athletics	4,465.00	1,274.44	5,739.44	5,739.44	
Total other instructional programs	79,990.00	994.35	80,984.35	76,233.49	\$4,750.86
Total - instruction	2,376,887.00	135,132.35	2,512,019.35	2,452,973.16	59,046.19
Undistributed expenditures:					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,310,944.00		1,310,944.00	1,168,652.90	142,291.10
Tuition to Other LEAs Within the State-Special	219,851.00	(66,386.00)	153,465.00	153,432.85	32.15
Tuition to county vocational school district - regular	93,760.00		93,760.00	69,480.00	24,280.00
Tuition to private schools for handicapped within the state	404,571.00	75,784.08	480,355.08	401,829.02	78,526.06
Tuition - state facilities	33,469.00	(3,400.00)	30,069.00	22,771.00	7,298.00
Total undistributed expenditures - instruction	2,062,595.00	5,998.08	2,068,593.08	1,818,165.77	252,427.31
Attendance & Social Work:					
Salaries	25,331.00		25,331.00	25,330.00	1.00
Other purchased services (400-500 series)	2,600.00		2,600.00	2,402.50	197.50
Total attendance & social work	27,931.00		27,931.00	27,732.50	198.50
Health services:					
Salaries	110,520.00	9,738.57	120,258.57	115,481.58	4,776.99
Purchased professional technical services	4,000.00		4,000.00	4,000.00	
Other purchased services	200.00		200.00	195.00	5.00
Supplies and Materials	2,101.00		2,101.00	469.47	1,631.53
Other objects	200.00	80.00	280.00	270.00	10.00
Total health services	117,021.00	9,818.57	126,839.57	120,416.05	6,423.52
Other support services - students-related services:					
Salaries	57,800.00		57,800.00	57,800.00	
Purchased professional educational services		3,400.00	3,400.00	3,400.00	
Supplies and Materials	653.00		653.00		653.00
Total other support services - students-related services	58,453.00	3,400.00	61,853.00	61,200.00	653.00
Related services - extraordinary services:					
Purchased professional - Educational Services	179,598.00	622.57	180,220.57	122,166.89	58,053.68
Supplies and Materials	500.00	85.10	585.10	359.95	225.15
O/T Salary		560.61	560.61	43.13	517.48
Total related services - extraordinary services:	\$180,098.00	\$1,268.28	\$181,366.28	\$122,569.97	\$58,796.31

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Other support services - students-regular					
Salaries of other professional staff	\$83,495.00		\$83,495.00	\$83,468.75	\$26.25
Supplies and materials	900.00		900.00	40.72	859.28
Total other support services - students-regular	84,395.00		84,395.00	83,509.47	885.53
Other support services - students - special services:					
Salaries of other professional staff	255,971.00	(\$1,657.00)	254,314.00	254,313.55	0.45
Salaries of secretarial and clerical assistants	43,492.00	100.00	43,592.00	43,592.00	
Purchased services - special	19,400.00		19,400.00	3,300.00	16,100.00
Misc purch serv (400-500 series of than resid costs)	500.00		500.00	481.46	18.54
Supplies and materials	3,450.00	(85.00)	3,365.00	2,173.16	1,191.84
Other objects	4,466.00		4,466.00	4,300.00	166.00
Total other support services - students - special services	327,279.00	(1,642.00)	325,637.00	308,160.17	17,476.83
Improvement of instructional services:					
Salaries of other professional staff	170,796.00	(16,215.24)	154,580.76	151,526.83	3,053.93
Other Salaries	6,240.00	641.80	6,881.80	6,881.80	
Total improvement of instructional services	177,036.00	(15,573.44)	161,462.56	158,408.63	3,053.93
Educational media services / school library					
Salaries	156,540.00		156,540.00	156,164.96	375.04
Supplies and materials	5,335.00	4,803.77	10,138.77	7,893.51	2,245.26
Total Educational media services / school library	161,875.00	4,803.77	166,678.77	164,058.47	2,620.30
Support services general administration:					
Salaries	100,690.00	2,250.00	102,940.00	102,939.84	0.16
Legal services	10,000.00		10,000.00	2,730.36	7,269.64
Audit Fees	14,000.00		14,000.00	14,000.00	
Other purchased professional services	8,990.00	8,500.00	17,490.00	17,490.00	
Purchased technical services	3,465.00	11,910.00	15,375.00	15,375.00	
Other purchased services	5,000.00	600.00	5,600.00	757.09	4,842.91
Supplies and materials	5,500.00		5,500.00	4,634.63	865.37
Miscellaneous Expenditures	22,513.00	135.46	22,648.46	22,648.46	
BOE membership dues and fees	6,240.00	(555.46)	5,684.54	5,008.40	676.14
Total support services general administration	\$176,398.00	\$22,840.00	\$199,238.00	\$185,583.78	\$13,654.22

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Support services school administration:					
Salaries of principals/assistant principals	\$72,500.00	(\$7,500.00)	\$65,000.00	\$64,999.92	\$0.08
Salaries of secretarial and clerical assistants	35,403.00	232.00	35,635.00	35,634.73	0.27
Other purchased services (400-500 series)	1,000.00		1,000.00	35.34	964.66
Supplies and materials	5,700.00	396.28	6,096.28	2,529.73	3,566.55
Other objects	350.00		350.00		350.00
Total support services school administration	114,953.00	(6,871.72)	108,081.28	103,199.72	4,881.56
Central Services:					
Salaries	189,395.00	(13,313.00)	176,082.00	176,081.99	0.01
Purchased professional services	6,000.00		6,000.00		6,000.00
Miscellaneous purchased services	1,500.00		1,500.00	419.44	1,080.56
Supplies and materials	3,000.00		3,000.00	2,978.27	21.73
Total central services	199,895.00	(13,313.00)	186,582.00	179,479.70	7,102.30
Required maintenance for school facilities:					
Cleaning, repair and maint. services	62,640.00	20,200.00	82,840.00	74,916.84	7,923.16
General supplies	7,853.00	1,209.97	9,062.97	3,111.87	5,951.10
Total required maintenance for school facilities	70,493.00	21,409.97	91,902.97	78,028.71	13,874.26
Other operations & maintenance of plant					
Salaries	15,488.00	(1,011.00)	14,477.00	14,442.49	34.51
Purchased professional and technical services	20,950.00	(5,697.60)	15,252.40	8,250.00	7,002.40
Cleaning, repair and maint. services	252,000.00	7,723.92	259,723.92	258,962.56	761.36
Rental of land & building other than lease purchase	9,508.00	4,203.68	13,711.68	13,711.68	
Other purchased property services	5,000.00		5,000.00	3,626.98	1,373.02
Insurance	29,064.00	13.93	29,077.93	29,077.93	
Maintenance supplies	10,000.00	(4,217.61)	5,782.39	2,698.34	3,084.05
Energy (electricity)	216,662.00		216,662.00	193,022.20	23,639.80
Other objects	1,000.00		1,000.00	186.00	834.00
Total other operations & maintenance of plant	\$559,672.00	\$1,015.32	\$560,687.32	\$523,958.18	\$36,729.14

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Student transportation services:					
Contracted services (other than between home and school) - vendors	\$10,727.00	(\$3,066.68)	\$7,660.32		\$7,660.32
Contracted services (between home and school) - joint agreements	57,890.00	3,066.68	60,956.68	\$60,956.68	
Contracted services (special education students) - vendors	389,663.00		389,663.00	215,545.46	174,117.54
Total student transportation services	458,280.00		458,280.00	276,502.14	181,777.86
Unallocated benefits:					
Social security contributions	38,175.00	11,430.17	49,605.17	49,605.17	
Other retirement contributions - regular	37,500.00	(1,342.00)	36,158.00	36,158.00	
Unemployment Compensation		3.93	3.93	3.93	
Workmen's compensation	29,000.00	2,622.00	31,622.00	31,622.00	
Health benefits	945,430.00	(125,067.84)	820,362.16	691,522.14	128,840.02
Tuition reimbursement	20,000.00		20,000.00		20,000.00
Other employee benefits	5,362.00	13,476.00	18,838.00	18,837.96	0.04
Total unallocated benefits	1,075,467.00	(98,877.74)	976,589.26	827,749.20	148,840.06
On-behalf TPAF post retirement medical pension (non-budgeted)				217,115.00	(217,115.00)
On-behalf TPAF pension (non-budgeted)				10,222.00	(10,222.00)
Reimbursed TPAF social security contributions (non-budgeted)				230,970.14	(230,970.14)
Total on-behalf contributions				458,307.14	(458,307.14)
Total undistributed expenditures	5,851,841.00	(65,723.91)	5,786,117.09	5,495,029.60	291,087.49
TOTAL EXPENDITURES - CURRENT EXPENSE	6,228,728.00	69,408.44	8,298,136.44	7,948,002.76	350,133.68
CAPITAL OUTLAY:					
Interest to Capital Reserve	1,000.00		1,000.00		1,000.00
	1,000.00		1,000.00		1,000.00
Equipment:					
Undistributed General Administration		4,112.99	4,112.99	4,112.99	
Equipment- Custodial		8,697.60	8,697.60	8,697.60	
Total Equipment		12,810.59	12,810.59	12,810.59	
Facilities Acquisition and Construction Services					
Other objects	\$39,623.00		\$39,623.00	\$39,623.00	
Total Facilities Acquisition and Const. Serv.	\$39,623.00		\$39,623.00	\$39,623.00	
TOTAL CAPITAL OUTLAY	\$40,623.00	\$12,810.59	\$53,433.59	\$52,433.59	\$1,000.00

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2011

	BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
CHARTER SCHOOLS:					
Transfer of funds to charter schools	\$100,701.00	\$1.00	\$100,702.00	\$97,964.00	\$2,738.00
SPECIAL SCHOOLS:					
Summer school-instruction:					
Salaries of teachers	8,050.00	(530.72)	7,519.28	7,519.28	
Other salaries for instruction	3,910.00		3,910.00	3,818.00	92.00
Total summer school-instruction	11,960.00	(530.72)	11,429.28	11,337.28	92.00
Total special schools	11,960.00	(530.72)	11,429.28	11,337.28	92.00
Total expenditures	8,382,012.00	81,689.31	8,463,701.31	8,109,737.63	353,963.68
Excess (deficiency) of revenues over (under) expenditures	(110,033.00)	(81,689.31)	(191,722.31)	608,051.86	799,774.17
Other financing sources (uses):					
Operating transfer in - capital projects fund				34,904.98	34,904.98
Total other financing sources (uses)				34,904.98	34,904.98
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(110,033.00)	(81,689.31)	(191,722.31)	642,956.84	834,679.15
Fund balances, July 1	1,220,343.41		1,220,343.41	1,220,343.41	
Fund balances, June 30	\$1,110,310.41	(\$81,689.31)	\$1,028,621.10	\$1,863,300.25	\$834,679.15
Recapitulation:					
Reserve for encumbrances				\$67,591.70	
Capital reserve				756,303.55	
Maintenance reserve				250,000.00	
Tuition adjustment reserve				134,700.00	
Excess surplus - designated for subsequent year's expenditures				249,366.00	
Excess surplus - current year				155,339.00	
Unrestricted fund balance				250,000.00	
				\$1,863,300.25	
Reconciliation to government fund statements					
Last state aid payment not recognized on GAAP basis				(286,889.00)	
Fund balance per governmental funds (GAAP)				\$1,576,411.25	

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR FISCAL YEARS ENDED JUNE 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
State sources		\$575.00	\$575.00	\$575.00	
Federal sources	\$189,472.00	148,806.27	338,278.27	301,956.94	\$36,321.33
Other sources		7,215.81	7,215.81	7,215.81	
Total revenues	<u>189,472.00</u>	<u>156,597.08</u>	<u>346,069.08</u>	<u>309,747.75</u>	<u>36,321.33</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	80,643.00	(23,436.88)	57,206.12	57,008.74	197.38
Other purchased services		14,630.00	14,630.00	13,408.00	1,222.00
Tuition	108,829.00	(5,177.56)	103,651.44	103,651.44	
General supplies		46,322.16	46,322.16	38,247.71	8,074.45
Total instruction	<u>189,472.00</u>	<u>32,337.72</u>	<u>221,809.72</u>	<u>212,315.89</u>	<u>9,493.83</u>
Support services:					
Other salaries		12,055.00	12,055.00	12,055.00	
Purchased professional & technical services		36,408.31	36,408.31	30,119.88	6,288.43
Personal services - employee benefits		15,717.43	15,717.43	15,396.43	321.00
Other purchased services		37,726.49	37,726.49	19,802.00	17,924.49
Travel		1,900.00	1,900.00	1,900.00	
Supplies and materials		19,815.75	19,815.75	17,522.17	2,293.58
Total support services		<u>123,622.98</u>	<u>123,622.98</u>	<u>96,795.48</u>	<u>26,827.50</u>
Facilities acquisition & construction services:					
Equipment		636.38	636.38	636.38	
Total expenditures	<u>\$189,472.00</u>	<u>\$156,597.08</u>	<u>\$346,069.08</u>	<u>\$309,747.75</u>	<u>\$36,321.33</u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$8,717,789.49	\$309,747.75
Difference - budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and related revenue is recognized.		10,205.01
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	341,786.00	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(286,889.00)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>8,772,686.49</u>	<u>319,952.76</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules	\$8,109,737.63	309,747.75
Difference - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial purposes		10,205.01
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfers (outflows) to general fund.		
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$8,109,737.63</u>	<u>\$319,952.76</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	TITLE I CARRYOVER	TITLE I	TITLE I - SIA CARRYOVER	TITLE II CARRYOVER	TITLE III CARRYOVER	TITLE III	TITLE I ARRA	IDEA PART B BASIC CARRYOVER	IDEA PART B PRESCHOOL SUMMER
REVENUES:									
State sources									
Federal sources	\$8,677.13	\$107,015.47	\$1,760.80	\$11,855.17	\$5,479.56	\$10,445.68	\$5,022.67	\$3,283.30	\$4,560.30
Other sources									
Total revenues	8,677.13	107,015.47	1,760.80	11,855.17	5,479.56	10,445.68	5,022.67	3,283.30	4,560.30
EXPENDITURES:									
Instruction:									
Salaries of teachers		56,670.00					338.74		
Other purchased services		4,158.00							
Tuition								362.44	
General supplies	539.95	12,913.47	101.80		5,478.73	5,821.68	4,218.00	1,020.86	5.85
Total instruction	539.95	73,741.47	101.80		5,478.73	5,821.68	4,556.74	1,383.30	5.85
Support services:									
Other salaries	800.00	5,300.00	1,495.00	460.00		4,000.00			
Purchased professional & technical services									4,554.45
Personal services - employee benefits	2,926.18	12,295.00	114.00	35.00	0.83		25.42		
Other purchased services	2,645.00	10,126.00	50.00	3,556.00		224.00	440.51		
Travel								1,900.00	
Supplies and materials	1,765.00	5,553.00		7,804.17		400.00			
Total support services	8,137.18	33,274.00	1,659.00	11,855.17	0.83	4,624.00	465.93	1,900.00	4,554.45
Facilities acquisition & construction services:									
Equipment									
Total expenditures	\$8,677.13	\$107,015.47	\$1,760.80	\$11,855.17	\$5,479.56	\$10,445.68	\$5,022.67	\$3,283.30	\$4,560.30

(Continued on next page)

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

								COMPARATIVE TOTALS (MEMORANDUM ONLY)	
	IDEA PART B- BASIC	IDEA PART B PRESCHOOL	IDEA PART B BASIC ARRA	WAL-MART DONATION	CHARACTER EDUCATION	UNITED WAY PEACE GRANT CARRYOVER	NJSBAIG DONATION	TOTAL 2011	TOTAL 2010
REVENUES:									
State sources					\$575.00			\$575.00	
Federal sources	\$125,148.66	\$4,747.00	\$13,961.20					301,956.94	\$402,763.20
Other sources				\$519.61		\$1,696.20	\$5,000.00	7,215.81	8,168.24
Total revenues	<u>125,148.66</u>	<u>4,747.00</u>	<u>13,961.20</u>	<u>519.61</u>	<u>575.00</u>	<u>1,696.20</u>	<u>5,000.00</u>	<u>309,747.75</u>	<u>410,931.44</u>
EXPENDITURES:									
Instruction:									
Salaries of teachers								57,008.74	57,669.14
Other purchased services			9,250.00					13,408.00	68,406.00
Tuition	103,289.00							103,651.44	120,634.46
General supplies	259.66		96.90	519.61	575.00	1,696.20	5,000.00	38,247.71	46,668.61
Total instruction	<u>103,548.66</u>		<u>9,346.90</u>	<u>519.61</u>	<u>575.00</u>	<u>1,696.20</u>	<u>5,000.00</u>	<u>212,315.89</u>	<u>293,378.21</u>
Support services:									
Other salaries								12,055.00	3,392.50
Purchased professional & technical services	19,600.00	4,747.00	1,218.43					30,119.88	21,238.06
Personal services - employee benefits								15,396.43	32,550.51
Other purchased services			2,759.49					19,802.00	14,036.95
Travel								1,900.00	100.00
Supplies and materials	2,000.00							17,522.17	19,462.96
Total support services	<u>21,600.00</u>	<u>4,747.00</u>	<u>3,977.92</u>					<u>96,795.48</u>	<u>90,780.98</u>
Facilities acquisition & construction services:									
Equipment			636.38					636.38	26,772.25
Total expenditures	<u>\$125,148.66</u>	<u>\$4,747.00</u>	<u>\$13,961.20</u>	<u>\$519.61</u>	<u>\$575.00</u>	<u>\$1,696.20</u>	<u>\$5,000.00</u>	<u>\$309,747.75</u>	<u>\$410,931.44</u>

CAPITAL PROJECTS FUND DETAIL STATEMENTS

The capital projects fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

EXPENDITURES AND OTHER FINANCING USES:	
Operating use - transfer to capital reserve	<u>\$34,904.98</u>
Total expenditures and other financing uses	<u>34,904.98</u>
Excess (deficiency) of revenues over (under) expenditures	(34,904.98)
Fund balance - July 1	<u>34,904.98</u>
Fund balance - June 30	<u><u>\$-0-</u></u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS
BUDGETARY BASIS - MEDIA CENTER REHABILITATION
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>PRIOR PERIODS</u>	<u>CURRENT YEAR</u>	<u>TOTALS</u>	<u>REVISED AUTHORIZED COST</u>
REVENUES AND OTHER FINANCING SOURCES:				
State sources - SCC grant	\$221,405.37		\$221,405.37	\$221,405.37
Transfer from capital outlay	65,228.14		65,228.14	65,288.14
Transfer from capital reserve	187,985.12		187,985.12	153,079.94
Total revenues and other financing sources	<u>474,618.63</u>		<u>474,618.63</u>	<u>439,773.45</u>
EXPENDITURES AND OTHER FINANCING USES:				
Purchased professional and technical services	45,690.50		45,690.50	45,690.50
Equipment and Furniture	132,384.59		132,384.59	132,384.39
Construction services	261,698.56		261,698.56	261,698.56
Transfer to capital reserve		\$34,844.98	34,844.98	
Total expenditures and other financing uses	<u>439,773.65</u>	<u>34,844.98</u>	<u>474,618.63</u>	<u>\$439,773.45</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$34,844.98</u>	<u>(\$34,844.98)</u>		
ADDITIONAL PROJECT INFORMATION:				
Project number	#4850-060-09-1002			
Grant date	6/16/09			
Bond authorization date	N/A			
Bonds authorized	N/A			
Bonds issued	N/A			
Original authorized cost	\$655,879.00			
Additional authorized cost	(216,105.55)			
Revised authorized cost	\$439,773.45			
Percentage increase over original authorized cost	N/A			
Percentage completion	100.00%			
Original target completion date	10/23/09			
Revised completion date	10/20/10			

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>ISSUE / PROJECT TITLE</u>	<u>ORIGINAL DATE</u>	<u>APPROPRIATION</u>	<u>EXPENDITURES TO DATE PRIOR YEARS</u>	<u>TRANSFER TO CAPITAL RESERVE</u>
Media Center Renovations	06/16/09	<u>\$474,678.63</u>	<u>\$439,773.65</u>	<u>\$34,904.98</u>
		<u>\$474,678.63</u>	<u>\$439,773.65</u>	<u>\$34,904.98</u>

PROPRIETARY FUND DETAIL STATEMENTS

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

Food Services Fund: This fund provides for the operation of food services in all schools within the school district.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

ASSETS:	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND	COMPARATIVE TOTALS	
	FOOD SERVICE FUND	2011	JUNE 30 2010
Current assets:			
Cash and cash equivalents	\$7,853.65	\$7,853.65	\$11,631.42
Accounts receivable:			
State	276.04	276.04	360.34
Federal	6,383.48	6,383.48	6,906.41
Other	17,499.09	17,499.09	17,481.18
Interfunds	11,727.22	11,727.22	
Inventories	1,890.65	1,890.65	2,725.30
Total current assets	<u>45,630.13</u>	<u>45,630.13</u>	<u>39,104.65</u>
Noncurrent assets			
Furniture, machinery & equipment	89,644.62	89,644.62	78,221.12
Less: Accumulated depreciation	<u>(62,322.76)</u>	<u>(62,322.76)</u>	<u>(57,494.54)</u>
Total noncurrent assets	<u>27,321.86</u>	<u>27,321.86</u>	<u>20,726.58</u>
TOTAL ASSETS	<u>72,951.99</u>	<u>72,951.99</u>	<u>59,831.23</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	6,544.75	6,544.75	
Deferred revenue	901.83	901.83	1,817.91
Total current liabilities	<u>7,446.58</u>	<u>7,446.58</u>	<u>1,817.91</u>
NET ASSETS:			
Invested in capital assets	27,321.86	27,321.86	20,726.58
Unrestricted	<u>38,183.55</u>	<u>38,183.55</u>	<u>37,286.74</u>
TOTAL NET ASSETS	<u>\$65,505.41</u>	<u>\$65,505.41</u>	<u>\$58,013.32</u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND	COMPARATIVE TOTALS	
	FOOD SERVICE	2011	JUNE 30 2010
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs:			
School lunch program	\$66,788.73	\$66,788.73	\$68,776.12
Daily sales non-reimbursable programs	5,507.34	5,507.34	1,583.92
Total operating revenue	<u>72,296.07</u>	<u>72,296.07</u>	<u>70,360.04</u>
OPERATING EXPENSES:			
Salaries	46,811.35	46,811.35	38,797.52
Employee benefits and taxes	14,979.53	14,979.53	12,569.69
Management fee	10,437.26	10,437.26	9,888.56
Supplies, materials and repairs	18,981.82	18,981.82	18,798.77
Depreciation	4,828.22	4,828.22	4,447.44
Cost of sales	69,588.33	69,588.33	63,222.35
Total operating expenses	<u>165,626.51</u>	<u>165,626.51</u>	<u>147,724.33</u>
Operating (loss)	<u>(93,330.44)</u>	<u>(93,330.44)</u>	<u>(77,364.29)</u>
Nonoperating revenues:			
State sources:			
State school lunch program	2,353.89	2,353.89	3,294.46
State school breakfast program			602.00
Federal sources:			
National school lunch program	75,069.04	75,069.04	66,904.85
National school breakfast program	11,572.78	11,572.78	8,163.12
National food distribution commodities	11,736.10	11,736.10	4,880.92
Interest	90.72	90.72	110.72
Total nonoperating revenues	<u>100,822.53</u>	<u>100,822.53</u>	<u>83,956.07</u>
Net income (loss)	7,492.09	7,492.09	6,591.78
Net assets - July 1	<u>58,013.32</u>	<u>58,013.32</u>	<u>51,421.54</u>
Net assets - June 30	<u><u>\$65,505.41</u></u>	<u><u>\$65,505.41</u></u>	<u><u>\$58,013.32</u></u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES -		COMPARATIVE TOTALS	
	<u>ENTERPRISE FUND</u>	<u>JUNE 30</u>		
	<u>FOOD SERVICE</u>	<u>2011</u>	<u>2010</u>	
Cash flows from operating activities:				
Receipts from customers	\$72,296.07	\$72,296.07	\$77,949.08	
Payments to employees	(46,811.35)	(46,811.35)	(38,797.52)	
Payments for employee benefits	(14,979.53)	(14,979.53)	(12,569.69)	
Payments to suppliers	(104,289.22)	(104,289.22)	(106,282.21)	
Net cash provided (used) by operating activities	<u>(93,784.03)</u>	<u>(93,784.03)</u>	<u>(79,700.34)</u>	
Cash flows from noncapital financing activities:				
State sources	2,438.19	2,438.19	3,866.86	
Federal sources	98,900.85	98,900.85	80,244.97	
Net cash provided (used) by noncapital financing activities	<u>101,339.04</u>	<u>101,339.04</u>	<u>84,111.83</u>	
Cash flows from investing activities:				
Interest	90.72	90.72	110.72	
Net cash provided (used) by investing activities	<u>90.72</u>	<u>90.72</u>	<u>110.72</u>	
Cash flows from capital and related financing activities:				
Purchases of capital assets	(11,423.50)	(11,423.50)		
Net cash provided (used) by capital and related financing activities	<u>(11,423.50)</u>	<u>(11,423.50)</u>		
Net increase(decrease) in cash and cash equivalents	(3,777.77)	(3,777.77)	4,522.21	
Cash and cash equivalents, July 1	<u>11,631.42</u>	<u>11,631.42</u>	<u>7,109.21</u>	
Cash and cash equivalents, June 30	<u><u>7,853.65</u></u>	<u><u>7,853.65</u></u>	<u><u>11,631.42</u></u>	
Operating (loss)	(93,330.44)	(93,330.44)	(77,364.29)	
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation and net amortization	4,828.22	4,828.22	4,447.44	
Change in assets and liabilities:				
(Increase) Decrease in inventory	834.65	834.65	(1,763.32)	
(Increase) Decrease in accounts receivable	(11,745.13)	(11,745.13)	1,443.29	
Increase (Decrease) in deferred revenue	(916.08)	(916.08)		
Increase (Decrease) in accounts payable	6,544.75	6,544.75	(6,463.46)	
Net cash (used) by operating activities	<u><u>(\$93,784.03)</u></u>	<u><u>(\$93,784.03)</u></u>	<u><u>(\$79,700.34)</u></u>	

FIDUCIARY FUND DETAIL STATEMENTS

Fiduciary funds are used to account for assets when a school district is functioning either as a trustee or as an agent for another party.

**Unemployment Compensation
Insurance Trust Fund:**

This trust fund is used to account for board contributions which are utilized to pay unemployment compensation claims as they arise.

Student Activity Fund:

This agency fund is used to account for student funds held at the schools.

Payroll Agency Fund:

This agency fund is used to account for the payroll transactions of the school district.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	<u>AGENCY</u>			<u>COMPARATIVE TOTALS</u>	
	<u>STATE</u>	<u>STUDENT</u>	<u>PAYROLL</u>	<u>JUNE 30</u>	
	<u>UNEMPLOYMENT</u>			<u>2011</u>	<u>2010</u>
	<u>INSURANCE</u>	<u>ACTIVITIES</u>			
ASSETS:					
Cash and cash equivalents	\$2,554.56	\$15,218.24	\$34,897.36	\$52,670.16	\$77,028.80
Intrafunds receivable	316.13			316.13	12,894.99
Interfunds receivable					64.03
Total assets	<u>2,870.69</u>	<u>15,218.24</u>	<u>34,897.36</u>	<u>52,986.29</u>	<u>89,987.82</u>
LIABILITIES:					
Liabilities:					
Payroll deductions & withholdings			34,581.23	34,581.23	38,497.18
Intrafunds payable			316.13	316.13	12,894.99
Due to student groups		15,218.24		15,218.24	14,060.74
Total liabilities		<u>15,218.24</u>	<u>34,897.36</u>	<u>50,115.60</u>	<u>65,452.91</u>
NET ASSETS:					
Reserve for state unemployment	2,870.69			2,870.69	24,534.91
Total net assets	<u>\$2,870.69</u>			<u>\$2,870.69</u>	<u>\$24,534.91</u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	STATE UNEMPLOYMENT INSURANCE	<u>COMPARATIVE TOTALS</u> <u>JUNE 30</u>	
		2011	2010
ADDITIONS:			
Contributions:			
Employee contribution	\$8,316.13	\$8,316.13	\$5,747.89
Other - interest earned	36.02	36.02	64.03
Total additions	<u>8,352.15</u>	<u>8,352.15</u>	<u>5,811.92</u>
DEDUCTIONS:			
State unemployment insurance claims	<u>30,016.37</u>	<u>30,016.37</u>	<u>27,380.01</u>
Total deductions	<u>30,016.37</u>	<u>30,016.37</u>	<u>27,380.01</u>
Change in net assets	(21,664.22)	(21,664.22)	(21,568.09)
Net assets - July 1	<u>24,534.91</u>	<u>24,534.91</u>	<u>46,103.00</u>
Net assets - June 30	<u><u>\$2,870.69</u></u>	<u><u>\$2,870.69</u></u>	<u><u>\$24,534.91</u></u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUND
STUDENT ACTIVITY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
ASSETS:				
Cash and cash equivalents	<u>\$14,060.74</u>	<u>\$42,128.39</u>	<u>\$40,970.89</u>	<u>\$15,218.24</u>
Total assets	<u>14,060.74</u>	<u>42,128.39</u>	<u>40,970.89</u>	<u>15,218.24</u>
LIABILITIES:				
Due student groups: Robert Morris School	<u>14,060.74</u>	<u>42,128.39</u>	<u>40,970.89</u>	<u>15,218.24</u>
Total liabilities	<u>\$14,060.74</u>	<u>\$42,128.39</u>	<u>\$40,970.89</u>	<u>\$15,218.24</u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUND
PAYROLL AGENCY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
ASSETS:				
Cash and cash equivalents	\$51,392.17	\$1,659,202.43	\$1,675,697.24	\$34,897.36
Total assets	<u>51,392.17</u>	<u>1,659,202.43</u>	<u>1,675,697.24</u>	<u>34,897.36</u>
LIABILITIES:				
Deductions payable	38,497.18	1,658,592.10	1,662,508.05	34,581.23
Intrafunds payable	12,894.99	316.13	12,894.99	316.13
Interfunds payable		<u>294.20</u>	<u>294.20</u>	
Total liabilities	<u>\$51,392.17</u>	<u>\$1,659,202.43</u>	<u>\$1,675,697.24</u>	<u>\$34,897.36</u>

LONG-TERM DEBT SCHEDULES

The Long-Term schedules are used to reflect the outstanding principal balances of the long-term liabilities of the District. This includes obligations under Serial Bonds and Capital Leases.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2011

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2010</u>	<u>NEW ISSUE</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2011</u>
			<u>DATE</u>	<u>AMOUNT</u>					
School Bonds	12/01/01	\$4,757,000.00	12/01/11	\$235,000.00	4.60%	\$3,297,000.00		\$3,062,000.00	\$235,000.00
School Refunding Bonds	12/01/10	2,865,000.00	12/01/12	175,000.00	2.00%				
				285,000.00	2.00%				
				290,000.00	3.00%				
				300,000.00	3.00%				
				305,000.00	3.00%				
				300,000.00	4.00%				
				310,000.00	4.00%				
				305,000.00	4.00%				
				300,000.00	4.00%				
				295,000.00	4.00%				
							\$2,865,000.00		\$2,865,000.00
						\$3,297,000.00	\$2,865,000.00	\$3,062,000.00	\$3,100,000.00

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
JUNE 30, 2011

<u>DESCRIPTION</u>	<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OF ORIGINAL ISSUE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2010</u>	<u>RETIRED CURRENT YEAR</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2011</u>
District copiers	5.28%	\$37,298.35	<u>\$14,828.90</u>	<u>\$7,910.67</u>	<u>\$6,918.23</u>
			<u>\$14,828.90</u>	<u>\$7,910.67</u>	<u>\$6,918.23</u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>			<u>2010</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:						
Local sources:						
Local tax levy	\$376,395.00	\$376,395.00		\$375,420.00	\$375,420.00	
Local tax levy		9,547.45	\$9,547.45			
Total revenues	376,395.00	385,942.45	9,547.45	375,420.00	375,420.00	
EXPENDITURES:						
Regular debt service:						
Interest	151,395.00	151,395.00		160,420.00	160,420.00	
Redemption of principal	225,000.00	225,000.00		215,000.00	215,000.00	
Total regular debt service-expenditures	376,395.00	376,395.00		375,420.00	375,420.00	
Excess (deficiency) of revenues over(under) expenditures		9,547.45	9,547.45			
Other financing sources (uses):						
Operating transfers in						
Operating transfers in						
Total other financing sources (uses)						
Excess (deficiency) of revenues over(under) expenditures		9,547.45	9,547.45			
Fund balance , July 1						
Fund balance , June 30		\$9,547.45	\$9,547.45			

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION
(UNAUDITED)

THIS PAGE INTENTIONALLY LEFT BLANK

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends:	
These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	J-1 to J-4
Revenue Capacity:	
These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-5 to J-9
Debt Capacity:	
These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	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 district's financial activities take place.	J-14 to J-15
Operating Information:	
These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district 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 (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
NET ASSETS BY COMPONENT
UNAUDITED

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental activities								
· Invested in capital assets, net of related debt	\$5,152,889.34	\$5,201,117.25	\$4,535,756.04	\$4,447,355.19	\$4,439,914.39	\$4,431,003.45	\$4,055,221.19	\$3,858,168.10
Restricted	1,546,317.67	878,425.13	1,032,031.95	923,304.79	582,234.80	716,624.35	965,019.53	755,982.12
Unrestricted (Deficit)	(71,962.30)	(65,218.97)	(91,734.71)	(53,643.52)	236,195.89	(10,989.38)	(120,875.70)	46,255.54
Total governmental activities net assets	<u>6,627,244.71</u>	<u>6,014,323.41</u>	<u>5,476,053.28</u>	<u>5,317,016.46</u>	<u>5,258,345.08</u>	<u>5,136,638.42</u>	<u>4,899,365.02</u>	<u>4,660,405.76</u>
Business-type activities								
Invested in capital assets, net of related debt	27,321.86	20,726.58	25,174.02	30,786.37	36,398.70	42,011.06	46,496.20	52,338.37
Unrestricted	38,183.55	37,286.74	26,247.52	27,327.81	27,700.45	40,005.75	46,309.42	60,404.29
Total business-type activities net assets	<u>65,505.41</u>	<u>58,013.32</u>	<u>51,421.54</u>	<u>58,114.18</u>	<u>64,099.15</u>	<u>82,016.81</u>	<u>92,805.62</u>	<u>112,742.66</u>
District-wide								
Invested in capital assets, net of related debt	5,180,211.20	5,221,843.83	4,560,930.06	4,478,141.56	4,476,313.09	4,473,014.51	4,101,717.39	3,910,506.47
Restricted	1,546,317.67	878,425.13	1,032,031.95	923,304.79	582,234.80	716,624.35	965,019.53	755,982.12
Unrestricted	(33,778.75)	(27,932.23)	(65,487.19)	(26,315.71)	263,896.34	29,016.37	(74,566.28)	106,659.83
Total district net assets	<u>\$6,692,750.12</u>	<u>\$6,072,336.73</u>	<u>\$5,527,474.82</u>	<u>\$5,375,130.64</u>	<u>\$5,322,444.23</u>	<u>\$5,218,655.23</u>	<u>\$4,992,170.64</u>	<u>\$4,773,148.42</u>

Source: CAFR Schedule A-1

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
CHANGES IN NET ASSETS
UNAUDITED

	2011	2010	2009	2008	2007	2006	2005	2004
EXPENSES								
Governmental activities								
Instruction:								
Regular	\$3,628,938.34	\$4,281,292.76	\$4,099,161.14	\$4,313,669.45	\$3,981,241.67	\$3,732,623.28	\$3,423,976.74	\$2,497,923.11
Special education	1,317,871.51	1,550,918.02	1,397,205.23	1,586,145.96	1,433,522.98	1,415,653.30	1,467,054.47	675,925.24
Other instruction	115,483.79	106,922.33	295,030.47	208,562.28	290,036.44	229,695.57	168,359.11	134,885.63
Support Services:								
Student & instruction related services	1,826,685.64	1,521,178.93	1,363,082.62	1,384,121.83	1,134,624.25	1,131,654.74	1,084,533.94	838,552.84
General administrative services	231,435.34	338,656.48	368,126.14	366,827.48	416,219.06	323,319.95	348,528.02	345,679.05
School administrative services	124,982.18	135,927.48	214,300.62	281,258.72	244,433.00	227,365.30	210,563.79	328,313.35
Central services	228,251.29	263,092.38	228,210.87	241,888.83	212,141.97	191,777.93	184,847.79	205,881.30
Plant operations and maintenance	648,212.31	611,891.65	563,606.64	520,979.05	694,913.72	741,718.20	700,106.08	538,196.93
Student transportation services	276,502.14	338,022.64	429,809.50	319,987.50	351,053.27	254,664.76	367,932.81	256,784.65
Special & Charter schools	111,790.62	70,374.08	22,632.54	17,404.95	12,418.00	1,000.00	1,000.00	202.00
Interest on long-term debt	183,251.38	151,775.28	168,136.67	176,170.00	183,803.33	191,331.38	197,341.96	204,786.66
Unallocated depreciation	172,255.86	172,255.86	183,251.70	179,503.63	171,410.40	181,205.94	188,297.94	173,975.93
Total governmental activities expenses	<u>8,865,660.40</u>	<u>9,542,307.89</u>	<u>9,332,554.14</u>	<u>9,596,519.68</u>	<u>9,125,818.09</u>	<u>8,622,010.35</u>	<u>8,342,542.65</u>	<u>6,201,106.69</u>
Business-type activities:								
Food Service	165,626.51	147,724.33	146,268.88	149,658.47	156,917.61	133,780.56	143,987.16	121,649.29
Total business-type activities expense	<u>165,626.51</u>	<u>147,724.33</u>	<u>146,268.88</u>	<u>149,658.47</u>	<u>156,917.61</u>	<u>133,780.56</u>	<u>143,987.16</u>	<u>121,649.29</u>
Total district expenses	<u>9,031,286.91</u>	<u>9,690,032.22</u>	<u>9,478,823.02</u>	<u>9,746,178.15</u>	<u>9,282,735.70</u>	<u>8,755,790.91</u>	<u>8,486,529.81</u>	<u>6,322,755.98</u>
PROGRAM REVENUES								
Governmental activities:								
Operating grants and contributions	778,259.90	966,094.06	833,953.34	1,318,604.75	1,223,950.19	1,162,967.24	1,041,860.43	974,269.45
Total governmental activities program revenues	<u>778,259.90</u>	<u>966,094.06</u>	<u>833,953.34</u>	<u>1,318,604.75</u>	<u>1,223,950.19</u>	<u>1,162,967.24</u>	<u>1,041,860.43</u>	<u>974,269.45</u>
Business-type activities:								
Charges for services								
Food Service	72,296.07	70,360.04	63,740.78	71,215.77	69,445.50	68,237.80	68,525.40	64,886.43
Operating grants and contributions	100,731.81	83,845.35	75,835.46	71,926.73	69,554.45	54,763.95	55,514.72	54,103.65
Total business-type activities program revenues	<u>173,027.88</u>	<u>154,205.39</u>	<u>139,576.24</u>	<u>143,142.50</u>	<u>138,999.95</u>	<u>123,001.75</u>	<u>124,040.12</u>	<u>118,990.08</u>
Total district program revenues	<u>951,287.78</u>	<u>1,120,299.45</u>	<u>973,529.58</u>	<u>1,461,747.25</u>	<u>1,362,950.14</u>	<u>1,285,968.99</u>	<u>1,165,900.55</u>	<u>1,093,259.53</u>
NET (EXPENSE)/REVENUE								
Governmental activities	(8,087,400.50)	(8,576,213.83)	(8,498,600.80)	(8,277,914.93)	(7,901,867.90)	(7,459,043.11)	(7,300,682.22)	(5,226,837.24)
Business-type activities	7,401.37	6,481.06	(6,692.64)	(6,515.97)	(17,917.66)	(10,778.81)	(19,947.04)	(2,659.21)
Total district-wide net expense	<u>(\$8,079,999.13)</u>	<u>(\$8,569,732.77)</u>	<u>(\$8,505,293.44)</u>	<u>(\$8,284,430.90)</u>	<u>(\$7,919,785.56)</u>	<u>(\$7,469,821.92)</u>	<u>(\$7,320,629.26)</u>	<u>(\$5,229,496.45)</u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
CHANGES IN NET ASSETS
UNAUDITED

	2011	2010	2009	2008	2007	2006	2005	2004
<u>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</u>								
Governmental activities:								
Property taxes levied for general purposes	\$5,248,130.00	\$5,166,471.00	\$5,045,171.00	\$5,067,874.00	\$4,788,682.00	\$4,412,609.00	\$4,130,032.00	\$4,085,308.00
Taxes levied for debt service	376,395.00	375,420.00	373,820.00	356,072.00	348,963.00	387,468.00	398,457.00	381,853.00
Unrestricted grants and contributions	3,052,944.00	3,558,910.00	3,258,148.10	2,874,590.00	2,816,403.00	2,801,461.00	2,992,055.00	2,950,203.14
Miscellaneous income	22,852.80	13,682.96	15,273.44	38,050.31	61,597.56	95,378.51	113,615.96	63,253.23
Retirement of fixed assets			(34,774.92)					
Total governmental activities	<u>8,700,321.80</u>	<u>9,114,483.96</u>	<u>8,657,637.62</u>	<u>8,336,586.31</u>	<u>8,015,645.56</u>	<u>7,696,916.51</u>	<u>7,634,159.96</u>	<u>7,480,617.37</u>
Business-type activities:								
Miscellaneous Income	90.72	110.72		531.00				
Total business-type activities	<u>90.72</u>	<u>110.72</u>		<u>531.00</u>				
Total district-wide	<u>8,700,412.52</u>	<u>9,114,594.68</u>	<u>8,657,637.62</u>	<u>8,337,117.31</u>	<u>8,015,645.56</u>	<u>7,696,916.51</u>	<u>7,634,159.96</u>	<u>7,480,617.37</u>
<u>CHANGE IN NET ASSETS</u>								
Governmental activities	612,921.30	538,270.13	159,036.82	58,671.38	113,777.66	237,873.40	333,477.74	2,253,780.13
Business-type activities	<u>7,492.09</u>	<u>6,591.78</u>	<u>(6,692.64)</u>	<u>(5,984.97)</u>	<u>(17,917.66)</u>	<u>(10,778.81)</u>	<u>(19,947.04)</u>	<u>(2,659.21)</u>
Total district	<u>\$620,413.39</u>	<u>\$544,861.91</u>	<u>\$152,344.18</u>	<u>\$52,686.41</u>	<u>\$95,860.00</u>	<u>\$227,094.59</u>	<u>\$313,530.70</u>	<u>\$2,251,120.92</u>

Source: CAFR Schedule A-2

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
UNAUDITED

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund								
Restricted	1,545,708.55							
Assigned	67,591.70							
Unassigned (Deficit)	(36,889.00)							
Reserved		\$930,291.41	\$1,175,270.09	\$943,283.79	\$827,508.38	\$784,481.63	\$505,522.00	\$551,286.16
Unreserved (Deficit)		(51,734.00)	(89,856.00)	119,208.80	144,364.80	31,871.39	59,537.14	82,859.88
Total general fund	<u>1,576,411.25</u>	<u>878,557.41</u>	<u>1,085,414.09</u>	<u>1,062,492.59</u>	<u>971,873.18</u>	<u>816,353.02</u>	<u>565,059.14</u>	<u>634,146.04</u>
All Other Governmental Funds								
Restricted	9,547.45							
Reserved								297,693.86
Unreserved, reported in:								
Special revenue fund (Deficit)				(7,927.80)	(3,877.80)	(3,877.80)	(3,877.80)	(3,877.80)
Capital projects fund		34,904.98	35,898.90				308,464.75	
Debt service fund (Deficit)					15,747.71	36,204.71	20,456.71	(12,148.45)
Total all other governmental funds	<u>\$9,547.45</u>	<u>\$34,904.98</u>	<u>\$35,898.90</u>	<u>(\$7,927.80)</u>	<u>\$11,869.91</u>	<u>\$32,326.91</u>	<u>\$325,043.66</u>	<u>\$281,667.61</u>

Source: CAFR Schedule B-1

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
UNAUDITED

	2011	2010	2009	2008	2007	2006	2005	2004
Revenues								
Tax levy	\$5,624,525.00	\$5,541,891.00	\$5,418,991.00	\$5,423,946.00	\$5,137,645.00	\$4,800,077.00	\$4,528,489.00	\$4,467,161.00
Interest earnings - capital reserve fund	999.74	1,119.17	2,543.55	4,204.00	7,808.00	4,769.94	3,955.23	3,103.43
Miscellaneous	29,068.87	20,732.03	18,703.15	71,551.61	70,901.80	110,099.74	138,503.77	68,537.13
State sources	3,511,826.14	3,599,007.98	3,830,170.53	3,915,242.24	3,752,164.62	3,529,815.32	3,633,142.09	3,578,785.38
Federal sources	312,161.95	917,827.84	255,957.65	240,246.92	271,076.33	415,121.75	371,930.30	337,299.88
Total revenue	<u>9,478,581.70</u>	<u>10,080,578.02</u>	<u>9,526,365.88</u>	<u>9,655,190.77</u>	<u>9,239,595.75</u>	<u>8,859,883.75</u>	<u>8,676,020.39</u>	<u>8,454,886.82</u>
Expenditures								
Instruction								
Regular	1,941,459.55	2,092,789.56	2,089,166.75	2,141,561.40	2,011,247.48	2,096,822.32	1,983,549.83	1,910,031.42
Special education	647,596.01	698,673.80	584,728.20	566,922.55	480,132.97	567,893.35	525,493.10	531,169.75
Other	76,233.49	80,444.51	219,341.75	152,438.76	218,623.20	183,279.10	137,986.30	107,959.33
Support Services:								
Tuition	1,816,165.77	2,154,975.28	1,979,206.44	2,225,975.31	2,064,847.82	1,767,775.82	1,796,303.43	1,766,330.09
Student & instruction related services	1,153,692.13	1,164,957.06	1,021,711.18	978,833.22	851,905.91	900,926.94	881,918.17	673,239.64
General administrative services	185,583.78	323,621.17	297,956.08	277,827.80	300,526.93	263,852.86	266,552.85	278,563.01
School administrative services	103,199.72	116,995.12	157,825.69	199,782.07	182,146.93	177,947.89	169,660.74	228,532.51
Central services	179,479.70	176,105.89	178,843.35	172,063.23	159,822.12	152,159.97	151,304.29	146,259.00
Plant operations and maintenance	601,986.89	600,865.89	555,091.77	517,939.40	523,016.56	590,883.91	571,525.06	537,919.79
Student transportation services	276,502.14	338,022.64	429,809.50	319,987.50	264,616.37	203,202.56	301,244.01	256,784.65
Unallocated employee benefits	1,286,056.34	1,391,015.10	1,404,982.61	1,608,529.06	1,630,648.60	1,300,966.35	1,116,764.40	1,047,715.85
Capital outlay	52,433.59	707,646.06	150,402.75	37,523.00	72,458.35	322,875.55	415,800.07	244,323.14
Special schools	11,337.28	9,577.54	16,731.61	13,166.06	12,418.00	1,000.00	1,000.00	202.00
Charter schools	97,964.00	57,319.00						
Debt service:								
Principal	225,000.00	215,000.00	205,000.00	195,000.00	185,000.00	180,000.00	170,000.00	160,000.00
Interest and other charges	151,395.00	160,420.00	168,820.00	176,820.00	184,420.00	191,720.00	198,720.00	205,320.00
Total expenditures	<u>8,806,085.39</u>	<u>10,288,428.62</u>	<u>9,459,617.68</u>	<u>9,584,369.36</u>	<u>9,141,831.24</u>	<u>8,901,306.62</u>	<u>8,687,222.25</u>	<u>8,094,350.18</u>
Excess (Deficiency) of revenues over (under) expenditures	672,496.31	(207,850.60)	66,748.20	70,821.41	97,764.51	(41,422.87)	(11,201.86)	360,536.64
Other Financing sources (uses)								
Capital leases (non-budgeted)					37,298.35			
Transfers in	34,904.98	872,830.36	150,402.75	0.29			193,564.16	276,055.65
Transfers out	(34,904.98)	(872,830.36)	(150,402.75)				(193,564.16)	(276,055.65)
Total other financing sources (uses)				0.29	37,298.35			
Net change in fund balances	<u>\$672,496.31</u>	<u>(\$207,850.60)</u>	<u>\$66,748.20</u>	<u>\$70,821.70</u>	<u>\$135,062.86</u>	<u>(\$41,422.87)</u>	<u>(\$11,201.86)</u>	<u>\$360,536.64</u>
Debt service as a percentage of noncapital expenditures	4.30%	3.92%	4.02%	3.89%	4.07%	4.33%	4.46%	4.65%

Source: CAFR Schedule B-2

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Miscellaneous</u>	<u>Total</u>
2011		\$6,351.30	\$5,954.31	\$12,305.61
2010		7,100.26	5,463.53	12,563.79
2009		4,755.67	7,974.22	12,729.89
2008		31,956.46	1,889.56	33,846.02
2007		50,033.91	3,755.65	53,789.56
2006	\$53,569.15	36,932.63	106.79	90,608.57
2005	80,602.53	21,033.16	5,156.88	106,792.57
2004	51,782.69	9,085.45	1,329.44	62,197.58
2003	18,417.20	11,570.44	2,193.62	32,181.26
2002	8,000.00	8,432.09	5,456.65	21,888.74

Source: District Records

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
UNAUDITED

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax Exempt Property	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2011	\$2,236,200.00	\$285,911,776.00		\$25,571,000.00	\$387,500.00	\$23,144,600.00	\$337,251,076.00		\$1,069,810.00	\$338,320,886.00	\$330,742,498.15	\$1.66
2010	1,905,700.00	287,184,276.00		26,184,276.00	387,500.00	23,144,600.00	338,806,352.00		1,493,387.00	340,299,739.00	342,414,939.00	1.66
2009	3,305,000.00	287,361,700.00		27,839,800.00	681,000.00	23,396,100.00	342,583,600.00		1,093,985.00	343,677,585.00	342,583,600.00	1.60
2008	2,598,300.00	143,115,654.00		11,506,700.00	201,300.00	8,245,382.00	165,667,336.00		430,840.00	166,098,176.00	165,667,336.00	3.26
2007	3,064,800.00	141,631,867.00		11,418,800.00	201,300.00	8,034,100.00	164,350,867.00		337,738.00	164,688,605.00	164,350,867.00	3.21
2006	3,075,800.00	141,144,567.00		11,464,900.00	201,300.00	9,434,100.00	165,320,667.00		382,575.00	165,703,242.00	92,578,401.31	3.00
2005	652,600.00	141,157,745.00		11,709,100.00	201,300.00	10,384,100.00	164,104,845.00		480,476.00	164,585,321.00	106,585,453.88	2.84
2004	651,100.00	140,380,445.00		12,590,700.00	201,300.00	10,256,100.00	164,079,645.00		547,406.00	164,627,051.00	117,165,072.20	2.73
2003	685,200.00	140,521,245.00		12,590,700.00	926,300.00	9,856,100.00	164,579,545.00		652,999.00	165,232,544.00	143,620,127.24	2.49
2002	844,800.00	140,441,745.00		12,590,700.00	1,801,300.00	9,954,200.00	165,632,745.00		728,336.00	166,361,081.00	148,893,167.50	2.35

* not available at time of audit

Source: District records Tax list summary & Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

(a): Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

(b): Tax rates are per \$100

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
UNAUDITED

Fiscal Year Ended Dec 31,	Borough of South Bound Brook Board of Education			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	Total Direct School Tax Rate	Borough of South Bound Brook	Somerset County	
2010	1.55	0.11	1.66	0.80	0.34	2.80
2009*	1.48	0.11	1.60	0.74	0.36	2.70
2008	3.05	0.21	3.26	1.54	0.75	5.55
2007	2.99	0.22	3.21	1.52	0.70	5.43
2006	2.76	0.24	3.00	1.51	0.65	5.15
2005	2.59	0.25	2.84	1.48	0.54	4.86
2004	2.50	0.23	2.73	1.28	0.52	4.53
2003	2.45	0.04	2.49	1.16	0.47	4.12
2002	2.07	0.28	2.35	1.18	0.46	3.99
2001	2.21	0.06	2.27	1.15	0.45	3.87

* revaluation

Source: District Records and Municipal Tax Collector
(Rates are per \$100 of assessed value)

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

(a) The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND TEN YEARS AGO
UNAUDITED

<u>Taxpayer</u>	2011			2001		
	<u>Taxable Assessed Value</u>	<u>Rank [Optional]</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank [Optional]</u>	<u>% of Total District Net Assessed Value</u>
Finchley Gardens	\$10,058,400.00	1	2.97%	\$4,300,000.00	1	2.59%
Towne Oaks	8,776,500.00	2	2.59%	4,000,000.00	2	2.41%
Town & Country Developers	5,713,600.00	3	1.69%			
41 Canal Street Association (Bldg)	1,939,300.00	4	0.57%	1,188,200.00	3	0.72%
J&M Association	1,617,200.00	5	0.48%	625,000.00	6	0.38%
Ukrainian Orthodox Federal Credit Union	1,462,600.00	6	0.43%			0.00%
41 Canal Street Association (Bldg)	1,434,300.00	7	0.42%			
Paitakis, Nicholas	1,290,400.00	8	0.38%	487,700.00	10	0.29%
Zehra Associates	1,275,000.00	9	0.38%	550,000.00	9	
Canal Road Realty	1,214,800.00	10	0.36%	661,600.00	5	0.40%
Martin Frenkel Manufacturing				725,000.00	4	0.44%
RB Associates/Retail Stores				572,000.00	7	0.34%
JMJ Properties Inc.				570,000.00	8	0.34%
Total	\$34,782,100.00		10.28%	\$13,679,500.00		7.91%

Source: Municipal Tax Assessor

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
UNAUDITED

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy (a)</u>		<u>Collections in</u> <u>Subsequent Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2011	\$5,624,525.00	\$5,624,525.00	100.00%	\$0.00
2010	5,541,891.00	5,541,891.00	100.00%	0.00
2009	5,418,991.00	5,418,891.00	100.00%	0.00
2008	5,423,946.00	5,423,946.00	100.00%	0.00
2007	5,137,645.00	5,137,645.00	100.00%	0.00
2006	4,800,077.00	4,800,077.00	100.00%	0.00
2005	4,528,489.00	4,528,489.00	100.00%	0.00
2004	4,467,161.00	4,467,161.00	100.00%	0.00
2003	3,757,864.00	3,757,864.00	100.00%	0.00
2002	4,071,734.00	4,071,734.00	100.00%	0.00

Source: District records including the Certificate and Report of School Taxes (A4F form)

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities	Total District	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes	Capital Leases			
2011	\$3,100,000.00		\$6,918.23			\$3,106,918.23	2.23%	\$580.19
2010	3,297,000.00		14,828.90			3,311,828.90	2.10%	618.46
2009	3,512,000.00		22,333.54			3,534,333.54	1.96%	666.23
2008	3,717,000.00		29,452.94			3,746,452.94	1.95%	743.93
2007	3,912,000.00		36,206.89			3,948,206.89	1.81%	831.03
2006	4,097,000.00		6,087.69			4,103,087.69	1.64%	921.84
2005	4,277,000.00		15,878.45			4,292,878.45	1.45%	965.34
2004	4,447,000.00		24,768.83			4,471,768.83	1.34%	1,005.34
2003	4,607,000.00		32,841.65			4,639,841.65	1.22%	1,039.86
2002	7,791,000.00		40,172.06			7,831,172.06	0.71%	1,757.44

Source: District CAFR Schedules I-1, I-2

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

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

(b) Includes Early Retirement Incentive Plan (ERIP) refunding

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
RATIOS OF NET BONDED DEBT OUTSTANDING
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			
2011	\$3,100,000.00		\$3,100,000.00	0.91629%	\$578.90
2010	3,297,000.00		3,297,000.00	0.96885%	621.49
2009	3,512,000.00		3,512,000.00	1.02189%	662.02
2008	3,717,000.00		3,717,000.00	2.23783%	738.09
2007	3,912,000.00		3,912,000.00	2.37539%	823.41
2006	4,097,000.00		4,097,000.00	2.47249%	920.47
2005	4,277,000.00		4,277,000.00	2.59865%	961.77
2004	4,447,000.00		4,447,000.00	2.70126%	999.78
2003	4,607,000.00		4,607,000.00	2.78819%	1,032.50
2002	7,791,000.00		7,791,000.00	4.68319%	1,748.43

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

(a) See Exhibit NJ J-6 for property tax data.

(b) Population data can be found in Exhibit NJ J-14.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
South Bound Brook Borough	\$3,336,107.43	100.00%	\$3,336,107.43
Other debt			
Somerset County	135,950,155.00	0.63%	863,181.41
Middlesex County Utilities Authority	73,436,719.00	0.55%	<u>403,901.95</u>
Subtotal, overlapping debt			\$4,603,190.80
South Bound Brook Borough School District Direct Debt			<u>3,100,000.00</u>
Total direct and overlapping debt			<u><u>\$7,703,190.80</u></u>

Source: Borough of South Bound Brook Chief Financial Officer, Somerset County Treasurer's Office and Middlesex County Utilities Authority

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

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
UNAUDITED

Legal Debt Margin Calculation for Calendar Year 2010:Equalized Valuation Basis

Calendar Year

2010	\$340,921,552.00
2009	350,433,306.00
2008	371,784,865.00
	<u>\$1,063,139,723.00</u>

Average Equalized Valuation of Taxable Property

\$354,379,907.67

Debt Limit (3% (a) of average equalization value)

10,631,397.23

Total Net Debt Applicable to Limit

(3,100,000.00)

Legal Debt Margin

\$7,531,397.23

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Debt Limit	\$10,631,397.23	\$10,847,035.42	\$10,729,033.11	\$9,948,446.77	\$8,857,250.03	\$7,783,404.41	\$6,893,012.40	\$6,204,546.69	\$5,611,010.95	\$5,268,528.62
Total Net Debt Applicable To Limit	<u>3,100,000.00</u>	<u>3,297,000.00</u>	<u>3,512,000.00</u>	<u>3,717,000.00</u>	<u>3,912,000.00</u>	<u>4,097,000.00</u>	<u>4,277,000.00</u>	<u>4,447,000.00</u>	<u>4,607,000.00</u>	<u>7,791,000.00</u>
Legal Debt Margin	<u>\$7,531,397.23</u>	<u>\$7,550,035.42</u>	<u>\$7,217,033.11</u>	<u>\$6,231,446.77</u>	<u>\$4,945,250.03</u>	<u>\$3,686,404.41</u>	<u>\$2,616,012.40</u>	<u>\$1,757,546.69</u>	<u>\$1,004,010.95</u>	<u>(\$2,522,471.38)</u>
Total Net Debt Applicable to the Limit as a % of Debt Limit	29.16%	30.40%	32.73%	37.36%	44.17%	52.64%	62.05%	71.67%	82.11%	147.88%

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 N.J.S.A. 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
UNAUDITED

<u>Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Unemployment Rate (d)</u>
2010	*	*	*	12.50%
2009	5,355	\$371,556,675.00	\$69,385.00	7.20%
2008	5,305	325,900,600.00	73,197.00	5.50%
2007	5,036	360,396,304.00	71,564.00	6.10%
2006	4,751	320,478,705.00	67,455.00	5.80%
2005	4,451	277,065,848.00	62,248.00	6.50%
2004	4,447	266,517,604.00	59,932.00	7.50%
2003	4,448	252,699,776.00	56,812.00	7.80%
2002	4,462	249,372,256.00	55,888.00	4.90%
2001	4,456	251,336,224.00	56,404.00	3.80%

Source:

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

* Not Available

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - CURRENT YEAR AND TEN YEARS AGO
UNAUDITED

<u>Employer</u>	<u>2011</u>			<u>2001</u>		
	<u># of Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u># of Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
	<u>0</u>		<u>0.00%</u>	<u>0</u>		<u>0.00%</u>

NOT AVAILABLE

Source: Municipal Records

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
UNAUDITED

Function/Program	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Instruction:										
Regular	30	32	34	34	37	36	35	36	35	35
Special education	14	9	9	8	9	9	8	8	8	13
Support Services:										
Student & instruction related services	14	11	10	11	10	10	8	9	9	9
School administrative services	2	4	4	5	5	5	5	5	5	5
Plant operations and maintenance	0	0	0	0	0	0	0	0	0	8
Central services	3	4	4	4	4	4	4	4	4	4
Administration information technology	1	1	1	1	1	1	1	1	1	1
Food Service	3	3	3	3	4	3	3	3	3	4
Total	<u>65</u>	<u>64</u>	<u>65</u>	<u>66</u>	<u>70</u>	<u>68</u>	<u>64</u>	<u>66</u>	<u>65</u>	<u>79</u>

Source: District Personnel Records

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
OPERATING STATISTICS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>% Change</u>	<u>Teaching Staff (b)</u>	<u>Teacher/Pupil Elementary/Middle School</u>	<u>Average Daily Enrollment (c)</u>	<u>Average Daily Attendance (c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2011	606	\$8,377,257.40	\$13,823.86	3.17%	44	1/15	445	421	3.73%	94.61%
2010	620	9,205,362.56	14,847.36	14.60%	41	1/15	429	405	0.23%	94.41%
2009	615	8,935,394.93	14,529.10	12.15%	43	1/14	428	406	-1.61%	94.86%
2008	611	9,175,026.36	15,016.41	15.91%	45	1/12	435	414	-7.64%	95.17%
2007	619	8,699,952.59	14,054.85	8.49%	46	1/13	471	448	-1.26%	95.12%
2006	613	8,206,711.07	13,398.71	3.42%	45	1/14	477	456	-1.85%	95.60%
2005	610	7,902,702.18	12,955.25	6.54%	43	1/14	486	462	0.62%	95.06%
2004	616	7,484,707.04	12,160.37	11.82%	44	1/14	483	460	-6.58%	95.24%
2003	636	6,916,492.97	10,874.99	-1.30%	43	1/15	517	494	5.73%	95.55%
2002	634	6,979,891.46	11,017.98	12.87%	48	1/13	489	464	-6.00%	94.89%

Sources: District records

Note: Enrollment based on annual October district count.

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

(b) Teaching staff includes only full-time equivalents of certificated staff.

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
UNAUDITED

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>District Building</u>										
Elementary School/Middle School:										
Robert Morris School (2001)										
Square Feet	83416	83416	83416	83416	83416	83,416	83,416	83,416	83,416	83,416
Capacity (students)	594	594	597	594	594	594	594	594	594	594
Enrollment	454	429	427	435	469	490	502	498	530	479

Elementary/Middle School = 1

Source: District records

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual June district count.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
UNAUDITED

Undistributed expenditures - Required maintenance for school facilities - 11-000-261-XXX

School Facilities * Project #(s)	Robert Morris <u>School</u>
2011	\$78,028.71
2010	38,463.00
2009	67,781.51
2008	42,851.80
2007	58,586.46
2006	40,591.19
2005	68,073.22
2004	61,934.13
2003	50,930.79
2002	53,214.90

Total School Facilities

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

Source: District records

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2011
UNAUDITED

	<u>Coverage Amount</u>	<u>Deductible</u>
New Jersey School Boards Association Insurance Group		
Property Coverage:		
Blanket Real & Personal Property	\$300,000,000.00	\$5,000.00
Blanket Extra Expense	50,000,000.00	5,000.00
Blanket Valuable Papers & Records	10,000,000.00	5,000.00
Sublimits:		
Flood	5,000,000.00	500,000.00
Increased Cost of Construction	10,000,000.00	10,000.00
Earthquake	50,000,000.00	25,000.00
Electronic Data Processing:		
Blanket Hardware	38,200.00	1,000.00
Boiler & Machinery Coverage:		
Property Damage	13,695,732.00	5,000.00
Perishable Goods	500,000.00	
Crime Coverage:		
Money & Securities Limit	5,000.00	500.00
Employee Dishonesty	100,000.00	1,000.00
Public Official Bond Limit - Board Treasurer	200,000.00	
Public Official Bond Limit - Board Secretary	100,000.00	
General Liability Coverage:		
Bodily Injury & Property Damage	11,000,000.00	
Sexual Abuse Claims	11,000,000.00	
Fire Legal Liability	11,000,000.00	
Employee Benefit Liability	1,000,000.00	
Automobile Coverage:		
Bodily Injury & Property Damage	11,000,000.00	

Source: District Records

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "K-1"

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@senco.com

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

Honorable President and Members
of the Board of Education
Borough of South Bound Brook
County of Somerset
South Bound Brook, New Jersey 08880

We have audited the basic financial statements of the Borough of South Bound Brook School District, County of Somerset, New Jersey as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 9, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of South Bound Brook School District, County of Somerset, New Jersey internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of South Bound Brook School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of South Bound Brook School District'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 combination of deficiencies, in internal control, such that there is a possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

SUPLEE, CLOONEY & COMPANY

Our consideration of the internal control over financial reporting was limited for the purposes 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of South Bound Brook School District's basic 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 basic 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.

This report is intended solely for the information and use of management and the Board of Education of the Borough of South Bound Brook School District, the New Jersey State Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

However, we noted immaterial instances of non-compliance that we have reported to the Borough of South Bound Brook School District in a separate Auditor's Management Report on Administrative Findings-Financial and Compliance dated November 9, 2011.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 93

November 9, 2011



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "K-2"

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
STATE FINANCIAL ASSISTANCE PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH NEW JERSEY OMB CIRCULAR 04-04

Honorable President and Members
of the Board of Education
Borough of South Bound Brook
County of Somerset
South Bound Brook, New Jersey 08880

Compliance

We have audited the compliance of the Borough of South Bound Brook School District 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 State Grant Compliance Supplement that are applicable to each of its major state programs for the year ended June 30, 2011. The Borough of South Bound Brook School District'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 requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of Borough of South Bound Brook School District's management. Our responsibility is to express an opinion on Borough of South Bound Brook School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey and the State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions 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 state program occurred. An audit includes examining, on a test basis, evidence about the Borough of South Bound Brook School District'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 the Borough of South Bound Brook School District's compliance with those requirements.

SUPLEE, CLOONEY & COMPANY

In our opinion, the Borough of South Bound Brook School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2011.

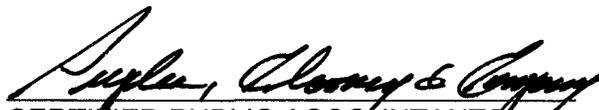
Internal Control Over Compliance

The management of the Borough of South Bound Brook School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Borough of South Bound Brook School District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our 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 Borough of South Bound Brook School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 and the Board of Education of the Borough of South Bound Brook School District, the New Jersey State Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 93

November 9, 2011

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2010	CARRYOVER AMOUNT	CASH RECEIPTS	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR YEAR'S BALANCE	BALANCE AT JUNE 30, 2011		
										(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR
U.S. Department of Education												
Passed-through State Department of Education:												
Special Revenue Fund:												
Title I School Improvement	84.010	NCLB485009	9/1/08 - 8/31/09	\$8,614.00	(\$6,853.20)		\$6,853.20					
Title I School Improvement - summer	84.010	NCLB485009	9/1/09 - 8/31/10	8,614.00			1,760.80	(\$1,760.80)				
Title I	84.010	NCLB485010	9/1/09 - 8/31/10	94,874.00	(47,485.22)		47,485.22					
Title I - carryover	84.010	NCLB485010	9/1/10 - 8/31/11	94,874.00			8,677.13	(8,677.13)				
Title I	84.010	NCLB485011	9/1/10 - 8/31/11	107,084.00			71,119.65	(107,015.47)		(\$35,895.82)		
ARRA - Title I	84.389	ARRA485010	9/1/09 - 8/31/11	28,314.00	(51.65)			(5,022.67)		(5,074.32)		
Title II - Part A - summer	84.367	NCLB485009	9/1/09 - 8/31/10	14,786.00	3,924.68			(3,924.68)				
Title II - Part A	84.367	NCLB485010	9/1/09 - 8/31/10	14,806.00	(321.52)		321.52					
Title II - Part A - carryover	84.367	NCLB485010	9/1/10 - 8/31/11	14,806.00			7,930.49	(7,930.49)				
Title II - Part A	84.367	NCLB485011	9/1/10 - 8/31/11	14,967.00								
Title II - Part D	84.318	NCLB485010	9/1/09 - 8/31/10	945.00	(247.00)		247.00					
Title II - Part D	84.318	NCLB485011	9/1/10 - 8/31/11	245.00								
Title III - carryover	84.365A	NCLB485009	9/1/09 - 8/31/10	11,505.00	(397.00)		397.00					
Title III	84.365A	NCLB485010	9/1/09 - 8/31/10	18,433.00	(9,617.14)		9,617.14					
Title III - carryover	84.365A	NCLB485010	9/1/10 - 8/31/11	18,433.00			2,439.25	(2,439.25)				
Title III	84.365A	NCLB485011	9/1/10 - 8/31/11	11,535.00			2,758.61	(10,445.68)		(7,687.07)		
Title III - Immigrant	84.365A	NCLB485010	9/1/09 - 8/31/10	5,199.00	(2,158.00)		2,158.00					
Title III - Immigrant - carryover	84.365A	NCLB485010	9/1/10 - 8/31/11	5,199.00				(3,040.31)		(3,040.31)		
Title IV	84.186	NCLB485010	9/1/09 - 8/31/10	1,667.00	(104.00)		104.00					
I.D.E.A. Part B, Basic	84.027	IDEA485010	9/1/09 - 8/31/10	128,033.00	(45,385.70)		45,385.70					
I.D.E.A. Part B, Basic - carryover	84.027	IDEA485010	9/1/10 - 8/31/11	128,033.00			3,283.30	(3,283.30)				
I.D.E.A. Part B, Basic	84.027	IDEA485011	9/1/10 - 8/31/11	131,889.00			93,909.00	(125,148.66)		(31,239.66)		
ARRA - I.D.E.A. Part B, Basic	84.391	ARRA485010	9/1/09 - 8/31/11	125,805.00	(182.80)		11,813.00	(13,961.20)		(2,331.00)		
I.D.E.A. Part B-Preschool - summer	84.173	IDEA485009	9/1/08 - 8/31/09	5,635.00	5.85			(5.85)				
I.D.E.A. Part B-Preschool	84.173	IDEA485010	9/1/09 - 8/31/10	5,571.00	(1,016.55)		1,016.55					
I.D.E.A. Part B-Preschool - carryover	84.173	IDEA485010	9/1/09 - 8/31/11	5,571.00			4,554.45	(4,554.45)				
I.D.E.A. Part B-Preschool	84.173	IDEA485011	9/1/09 - 8/31/11	5,797.00			1,864.00	(4,747.00)		(2,883.00)		
ARRA - I.D.E.A. Part B-Preschool	84.392	ARRA485010	9/1/09 - 8/31/11	4,537.00	(31.00)		31.00					
Total Special Revenue Fund					(109,920.25)		323,726.01	(301,956.94)		(86,151.18)		
U.S. Department of Agriculture												
Passed-through State Department of Education:												
Enterprise Fund:												
Food Distribution Program	10.550	N/A	7/1/09 - 6/30/10	6,229.34	1,817.91			(1,817.91)				
Food Distribution Program	10.550	N/A	7/1/10 - 6/30/11	10,820.02			10,820.02	(9,918.19)			\$901.83	
National School Lunch Program	10.555	N/A	7/1/09 - 6/30/10	68,904.85	(6,071.23)		6,071.23					
National School Lunch Program	10.555	N/A	7/1/10 - 6/30/11	75,069.04			70,040.10	(75,069.04)		(5,028.94)		
National School Breakfast Program	10.553	N/A	7/1/09 - 6/30/10	8,163.12	(835.18)		835.18					
National School Breakfast Program	10.553	N/A	7/1/10 - 6/30/11	11,572.78			10,218.24	(11,572.78)		(1,354.54)		
Total Enterprise Fund					(5,088.50)		97,984.77	(98,377.92)		(6,383.48)	901.83	
Total Expenditures of Federal Awards					(\$115,008.75)	\$-0-	\$421,710.78	(\$400,334.86)	\$-0-	(\$94,534.66)	\$901.83	\$-0-

See accompanying notes to schedules of expenditures of awards and financial assistance.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2010	CARRYOVER AMOUNT	CASH RECEIPTS	BUDGETARY EXPENDITURES	ADJUSTMENT	REPAYMENT OF PRIOR YEAR'S BALANCES	BALANCE AT JUNE 30, 2011			MEMO CUMULATIVE TOTAL EXPENDITURES	
										(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	TOTAL EXPENDITURES
State Department of Education														
General Funds														
Equalization Aid	11-495-034-5120-078	7/1/10 - 6/30/11	\$2,637,676.00			\$2,381,025.00	(\$2,637,676.00)	\$256,651.00					\$256,651.00	\$2,637,676.00
Special Education Aid	11-495-034-5120-011	7/1/10 - 6/30/11	310,615.00			280,377.00	(310,615.00)	30,238.00					30,238.00	310,615.00
Extraordinary Aid	10-100-034-5120-473	7/1/09 - 6/30/10	70,052.00	(\$70,052.00)		70,052.00								70,052.00
Extraordinary Aid	11-100-034-5120-473	7/1/10 - 6/30/11	49,756.00				(49,756.00)			(\$49,756.00)				49,756.00
Reimbursed TPAF social security contributions	11-495-034-5095-002	7/1/10 - 6/30/11	230,970.14			230,970.14	(230,970.14)							230,970.14
Total General Funds				(70,052.00)		2,962,424.14	(3,229,017.14)	286,889.00		(49,756.00)			336,645.00	3,299,069.14
Special Revenue Fund														
Character Education Partnership - Carryover	06-495-034-5120-053	7/1/10 - 6/30/11	4,000.00	575.00			(575.00)							4,000.00
Total Special Revenue Fund				575.00			(575.00)							4,000.00
New Jersey Schools Development Authority														
Capital Projects Fund														
Robert Morris School - Toilet Room Renovations	4850-060-09-1001	various	114,484.53	(33,228.74)		33,228.74								114,484.53
Robert Morris School - Media Center Rehabilitation	4850-060-05-1002	various	221,405.37	(64,502.85)		64,502.85								221,405.37
Total Capital Projects Fund				(97,731.59)		97,731.59								335,889.90
State Department of Agriculture														
Enterprise Fund														
State School Lunch Program	10-100-010-3350-023	7/1/09 - 6/30/10	3,294.46	(297.34)		297.34								3,294.46
State School Lunch Program	11-100-010-3350-023	7/1/10 - 6/30/11	2,353.89			2,077.85	(2,353.89)			(276.04)			276.04	2,353.89
State School Breakfast Program	10-100-010-3350-021	7/1/09 - 6/30/10	602.00	(63.00)		63.00								602.00
Total Enterprise Fund				(360.34)		2,438.19	(2,353.89)			(276.04)			276.04	6,250.35
Total State Financial Assistance Subject to OMB 04-04				(\$167,568.93)		\$3,062,593.92	(\$3,231,946.03)	\$286,889.00		(\$50,032.04)			\$336,921.04	\$3,645,209.39
On Behalf TPAF Pension Post Retirement Medical														
On Behalf TPAF Pension Contribution	11-495-034-5095-001	7/1/10 - 6/30/11	217,115.00			217,115.00	(217,115.00)							
	11-495-034-5095-001	7/1/10 - 6/30/11	10,222.00			10,222.00	(10,222.00)							
Total Expenditures of State Financial Assistance						\$3,289,930.92	(\$3,459,283.03)							

See accompanying notes to schedules of expenditures of awards and financial assistance.

Borough of South Bound Brook School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2011

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Education, Borough of South Bound Brook School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from the federal and state 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 of expenditures of awards and federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 of the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from 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 schedule (RSI) are presented for the general fund and special revenue fund to demonstrate finance-regulated 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 the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment 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 revenue, whereas GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

Borough of South Bound Brook School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2011

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$54,897.00 for the general fund and \$10,205.01 for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$3,511,251.14	\$3,511,251.14
Special Revenue Fund	\$312,161.95	575.00	312,736.95
Food Service Fund	98,377.92	2,353.89	100,731.81
	<u> </u>	<u> </u>	<u> </u>
Total Awards & Financial Assistance	<u>\$410,539.87</u>	<u>\$3,514,180.03</u>	<u>\$3,924,719.90</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5: OTHER

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF pension contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2011. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2011.

Borough of South Bound Brook School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

- | | | |
|-----|--|-------------|
| (1) | Type of Auditor’s Report Issued: | Unqualified |
| (2) | Internal Control Over Financial Reporting: | |
| (a) | Material weakness identified? | No |
| (b) | Significant deficiencies identified that are not considered to be material weaknesses? | N/A |
| (3) | Noncompliance material to basic financial statements noted? | No |

Federal Program(s) - Not Applicable

State Program(s)

- | | | |
|-----|---|-------------|
| (1) | Internal Control Over Major State Programs: | |
| (a) | Material weakness identified? | No |
| (a) | Significant deficiencies identified that are not considered to be material weaknesses? | N/A |
| (2) | Type of Auditor’s Report issued on compliance for major state program(s)? | Unqualified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? | No |

Borough of South Bound Brook School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

Section I – Summary of Auditor’s Results (Continued)

State Program(s) (Continued)

(4) Identification of Major State Program(s):

<u>Program</u>	<u>Grant Number</u>
State Aid Public Cluster: Special Education Categorical Aid	11-495-034-5120-011
Equalization Aid	11-495-034-5095-002

(5) Program Threshold Determination:
Type A State Program Threshold > \$300,000.00
Type B State Program Threshold <= \$300,000.00

(6) Auditee qualified as a low-risk auditee under OMB Circular A-133? Yes

**Section II – Financial Statement Audit – Reported Findings
Under Government Auditing Standards**

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III – Findings and Questioned Costs Relative to Major Federal and State Programs

Federal Programs – None Reported

State Programs – None Reported

Borough of South Bound Brook School District

Schedule of Prior Year Audit Findings

Not Applicable

