

**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, 2015**

**Prepared by**

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



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**INTRODUCTORY SECTION**

# **South Bound Brook Public Schools**

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

November 20, 2015

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, 2015, 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 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 is an independent reporting entity within the criteria adopted by the GASB as established by the NCGA Statement No. 3. All funds of the District are included in this report.

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 2014-2015 was \$13,931 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 2014-2015 school year (June 30, 2015) with a PK-8 enrollment of 450 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> |
|--------------------|--------------------------|--------------------------------------|----------------------------------|-----------------------|
| 2010-11            | 454                      | 152                                  | 606                              | (2.26%)               |
| 2011-12            | 437                      | 155                                  | 592                              | (2.31%)               |
| 2012-13            | 446                      | 158                                  | 604                              | 2.03%                 |
| 2013-14            | 459                      | 149                                  | 608                              | 0.65%                 |
| 2014-15            | 450                      | 132                                  | 582                              | (4.28%)               |

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

The South Bound Brook School District continues to evaluate facilities in order to improve energy efficiency and maintain facilities in a prudent manner. To this end, the Board of Education continued to implement maintenance and improvements developed with the school's architect of record, Millemann & Tokarski. Projects completed this year included maintenance on the gym floor, the completion of the air conditioning project, placing heat in the gym locker rooms, and replacing outdated boilers and hot water heaters.

In the area of improved school security, additional security cameras were added.

Significant strides have been made in the school district's instructional program. The school continues to improve its technological capacities in order to accommodate PARCC testing requirements and infuse technology into instruction at all levels. To this end, Google Chromebooks have been purchased for a 1 to 1 initiative in grades 4 through 8.

Through expanded opportunities for professional development and improved curriculum materials, the district successfully made strides in closing the achievement gap for identified students. This achievement provided the district with the designation of "high performing" under the New Jersey Department of Education Quality Single Accountability Continuum (QSAC), a designation of which the district is very proud.

In order to expand the students' horizons and bring the curriculum to life, eighth grade students take an overnight trip to Washington, D.C. to visit the monuments, our nation's capital, and the Holocaust Museum.

The district's Leader in Me program, a school wide cultural approach that unifies the student body and celebrates their unique gifts, continues to expand in its fifth year of implementation. Based on Stephen Covey's world renown "7 Habits of Highly Effective People", the Leader in Me has created a cultural paradigm shift and provides a common language and focus to staff, students, and parents, empowering students to take a proactive approach to their learning and behavior. This year's milestone was an expanded Leadership Day. Influential community members were invited to view students' work and speak with them about goal setting and academic success. This event was extremely well received and showcased our students' leadership abilities.

#### 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 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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2015.

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, 2015 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 of the 2010 bonds at June 30, 2015 was \$2,115,000.00.

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.

10. RISK MANAGEMENT

The board carries various forms of insurance, including but not limited to general liability, automobile liability, hazard and theft insurance on property and contents, and fidelity bonds.

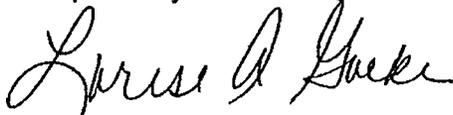
11. OTHER INFORMATION

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



Michael Steinmetz  
Business Administrator

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

**ROSTER OF OFFICIALS  
JUNE 30, 2015**

| <b><u>Members of the Board of Education</u></b> | <b><u>Term Expires</u></b> |
|---|----------------------------|
| Allison Lih-Thiessen – President                | 2017                       |
| Peter Allen – Vice-President                    | 2016                       |
| Frank Ambrose                                   | 2017                       |
| Janet Esposito                                  | 2015                       |
| Shirin Razani                                   | 2016                       |
| Nancy Santora                                   | 2015                       |
| Heidi Shallop                                   | 2015                       |

**Other Officials**

Dr. Lorise Goeke, Superintendent of Schools

Michael Steinmetz, Business Administrator/ Board Secretary

Joseph Marra, Treasurer of School Monies

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

**Architect**

Tokarski & Millemann, LLC  
228 Brick Blvd. #2  
Brick, NJ 08723

**Audit Firm**

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

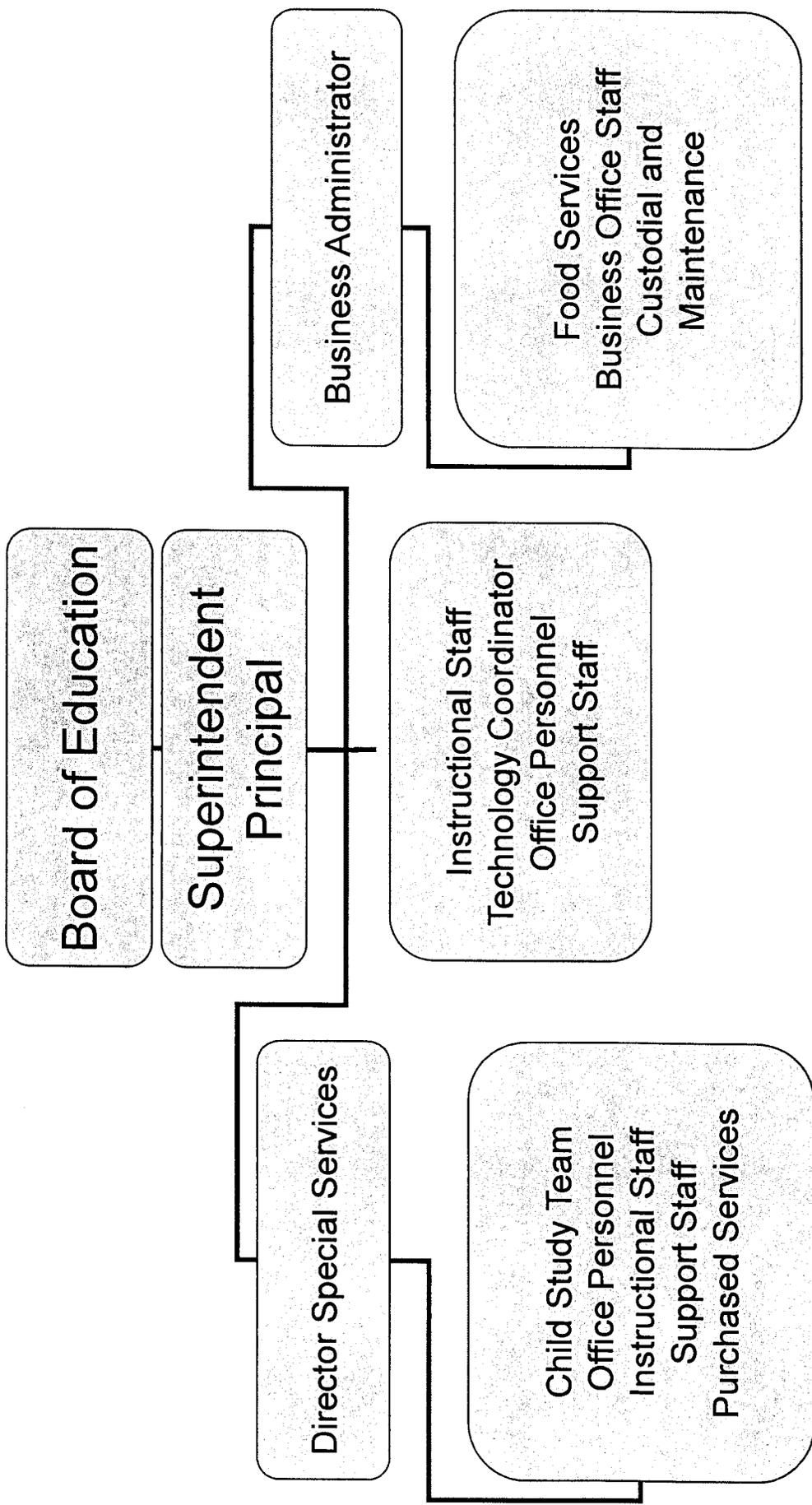
**Attorney**

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



**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](mailto:info@scnco.com)

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of South Bound Brook School District, County of Somerset, New Jersey as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, the provisions of 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 financial statements are free from material misstatement.

# SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of South Bound Brook School District, County of Somerset, New Jersey as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 6 to the basic financial statements, in 2015, the District adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement 68). Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis and budgetary comparison information in Exhibit C-1 through C-3 and the pension schedules in Exhibit L-1 through L-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

# SUPLEE, CLOONEY & COMPANY

## *Other Information*

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 accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by New Jersey's OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by New Jersey's OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2015 on our consideration of the Borough of South Bound Brook School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of South Bound Brook School District's internal control over financial reporting and compliance.

November 20, 2015

  
CERTIFIED PUBLIC ACCOUNTANTS  
  
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, 2015  
UNAUDITED**

This section of the South Bound Brook School District's Comprehensive Annual Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements-Management's Discussion and Analysis-for the State and Local Governments issued in June 1999. Certain comparative information between the current fiscal year (2014-2015) and the prior fiscal year (2013-2014) is required to be presented in the MD&A. In FY2015 the District implemented GASB 68 "Accounting and Financial Reporting for Pensions". Information necessary to restate the financial information provided for FY2014 was not available; therefore, the information has not been restated.

**Financial Highlights**

- Revenue from governmental activities accounted for \$10,603,742.76 or 97.97 percent of total school district revenue. The other 2.03 percent of revenue was generated by the business type activities.
- Governmental fund revenues exceeded expenditures by \$272,428.73.
- The District reduced its outstanding long term debt by 11.11%.

**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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015  
UNAUDITED**

- 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.

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 position 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 position and how they have changed. Net position, 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 position 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015  
UNAUDITED**

**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).

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 Position 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.

**Financial Analysis of the District as a Whole**

The District's statement of net position includes a pension liability beginning in the 2014-2015 fiscal year due to the implementation of GASB 68. The statement now shows the deferred outflows and inflows as related to the public employees' retirement system pension. Table 1 on the next page reflects the District's net position as a whole. Table 2 reflects the changes in net position from operating results.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015  
UNAUDITED**

**Table 1  
Condensed Statement of Net Position**

|  | Governmental Activities |                       | Business-Type Activities |                    | Total School District |                       | Total                |
|--|-------------------------|-----------------------|--------------------------|--------------------|-----------------------|-----------------------|----------------------|
|  | FY 2015                 | FY 2014               | FY 2015                  | FY 2014            | FY 2015               | FY 2014               | Percentage<br>Change |
| Current and                              |                         |                       |                          |                    |                       |                       |                      |
| Other Assets                             | \$3,669,154.73          | \$2,905,766.36        | \$70,998.48              | \$76,319.81        | \$3,740,153.21        | \$2,982,086.17        | 25.42%               |
| Capital Assets                           | 7,958,661.23            | 7,989,150.62          | 454.74                   | 12,495.94          | 7,959,115.97          | 8,001,646.56          | -0.53%               |
| <b>Total Assets</b>                      | <b>11,627,815.96</b>    | <b>10,894,916.98</b>  | <b>71,453.22</b>         | <b>88,815.75</b>   | <b>11,699,269.18</b>  | <b>10,983,732.73</b>  | <b>6.51%</b>         |
| Deferred Outflows<br>Related to Pensions | 73,488.00               |                       |                          |                    | 73,488.00             |                       |                      |
| Long-Term<br>Liabilities                 | 3,245,641.30            | 2,200,363.90          |                          |                    | 3,245,641.30          | 2,200,363.90          | 47.50%               |
| Short-Term<br>Liabilities                | 614,027.01              | 373,185.37            | 7,819.32                 | 14,497.57          | 621,846.33            | 387,682.94            | 60.40%               |
| <b>Total Liabilities</b>                 | <b>3,859,668.31</b>     | <b>2,573,549.27</b>   | <b>7,819.32</b>          | <b>14,497.57</b>   | <b>3,867,487.63</b>   | <b>2,588,046.84</b>   | <b>49.44%</b>        |
| Deferred Inflows<br>Related to Pensions  | 141,186.00              |                       |                          |                    | 141,186.00            |                       |                      |
| Net Position:                            |                         |                       |                          |                    |                       |                       |                      |
| Net investment<br>in Capital             |                         |                       |                          |                    |                       |                       |                      |
| Assets                                   | 5,843,661.23            | 5,584,150.62          | 454.74                   | 12,495.94          | 5,844,115.97          | 5,596,646.56          | 4.42%                |
| Restricted                               | 3,171,129.13            | 2,896,931.99          |                          |                    | 3,171,129.13          | 2,822,580.99          | 12.35%               |
| Unrestricted (Deficit)                   | (1,314,340.71)          | (159,714.90)          | 63,179.16                | 61,822.24          | (1,251,161.55)        | (23,541.66)           | 5214.67%             |
| <b>Total Net<br/>Position</b>            | <b>\$7,700,449.65</b>   | <b>\$8,321,367.71</b> | <b>\$63,633.90</b>       | <b>\$74,318.18</b> | <b>\$7,764,083.55</b> | <b>\$8,395,685.89</b> | <b>-7.52%</b>        |

The District's combined net position were \$7,764,083.55 on June 30, 2015. The net position for June 30, 2014 have not been restated to reflect the District's net pension liability required by the implementation of GASB 68. The District's investment in capital assets is shown net of any related debt used to acquire those assets.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015  
UNAUDITED**

**Table 2  
Changes in Net Position from Operating Results**

|  | Governmental<br>Activities |                      | Business-Type<br>Activities |                    | Total School<br>District |                      |
|--|----------------------------|----------------------|-----------------------------|--------------------|--------------------------|----------------------|
|  | <u>FY 2015</u>             | <u>FY 2014</u>       | <u>FY 2015</u>              | <u>FY 2014</u>     | <u>FY 2015</u>           | <u>FY 2014</u>       |
| Revenue:                                 |                            |                      |                             |                    |                          |                      |
| Program Revenue:                         |                            |                      |                             |                    |                          |                      |
| Charges for Services                     |                            |                      | \$75,472.95                 | \$76,479.37        | \$75,472.95              | \$76,479.37          |
| Operating Grants and Contributions       | \$1,741,247.07             | \$867,802.46         | 144,730.55                  | 132,945.18         | 1,885,977.62             | 1,000,747.64         |
| General Revenue:                         |                            |                      |                             |                    |                          |                      |
| Property Taxes                           | 6,046,956.55               | 5,857,065.00         |                             |                    | 6,046,956.55             | 5,857,065.00         |
| Federal and State Aid not restricted     | 3,379,161.00               | 3,375,534.00         |                             |                    | 3,379,161.00             | 3,375,534.00         |
| Federal and State Aid restricted         | 56,760.00                  |                      |                             |                    | 56,760.00                |                      |
| Other                                    | 113,581.14                 | 46,549.45            |                             |                    | 113,581.14               | 46,549.45            |
| <b>Total Revenue</b>                     | <u>11,337,705.76</u>       | <u>10,146,950.91</u> | <u>220,203.50</u>           | <u>209,424.55</u>  | <u>11,557,909.26</u>     | <u>10,356,375.46</u> |
| Expenses:                                |                            |                      |                             |                    |                          |                      |
| Instruction                              | 7,387,470.25               | 6,126,918.29         |                             |                    | 7,387,470.25             | 6,126,918.29         |
| Student & Instructional Support Services | 1,351,227.04               | 1,222,120.73         |                             |                    | 1,351,227.04             | 1,222,120.73         |
| Administrative and Business              | 801,683.48                 | 698,920.03           |                             |                    | 801,683.48               | 698,920.03           |
| Maintenance & Operations                 | 859,374.20                 | 595,900.23           |                             |                    | 859,374.20               | 595,900.23           |
| Transportation                           | 314,985.92                 | 315,264.53           |                             |                    | 314,985.92               | 315,264.53           |
| Other                                    | 82,175.00                  | 508,455.12           | 221,380.93                  | 196,421.01         | 303,555.93               | 704,876.13           |
| <b>Total Expenses</b>                    | <u>10,796,915.89</u>       | <u>9,467,578.93</u>  | <u>221,380.93</u>           | <u>196,421.01</u>  | <u>11,018,296.82</u>     | <u>9,663,999.94</u>  |
| Disposal of Capital Assets               | (955.93)                   |                      | (9,506.85)                  |                    | (10,462.78)              |                      |
| Increase/(Decrease) in Net Position      | <u>\$539,833.94</u>        | <u>\$679,371.98</u>  | <u>(\$10,684.28)</u>        | <u>\$13,003.54</u> | <u>\$529,149.66</u>      | <u>\$692,375.52</u>  |

**Sources of Revenue**

The District's total revenue for the 2014-2015 school year was \$11,557,909.26 as reflected in Table 3 below. Property taxes and state formula aid accounted for 81.68 percent of the total revenue with the other 18.32 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, 2015  
UNAUDITED**

**Table 3  
Sources of Revenue**

| <u>Sources of Revenue</u>   | <u>FY 2015</u>         |                   | <u>FY 2014</u>         |                   |
|-----------------------------|------------------------|-------------------|------------------------|-------------------|
|                             | <u>Amount</u>          | <u>Percentage</u> | <u>Amount</u>          | <u>Percentage</u> |
| Property Taxes              | \$6,046,956.55         | 52.32%            | \$5,857,065.00         | 56.56%            |
| State Formula Aid           | 3,394,026.00           | 29.37%            | 3,390,399.00           | 32.74%            |
| Other State and Federal Aid | 1,561,122.98           | 13.51%            | 728,703.62             | 7.04%             |
| Federal and State Grants    | 366,749.64             | 3.17%             | 257,179.02             | 2.48%             |
| Charges for Services        | 75,472.95              | 0.65%             | 76,479.37              | 0.74%             |
| Other                       | 113,581.14             | 0.98%             | 46,549.45              | 0.44%             |
|                             | <u>\$11,557,909.26</u> | <u>100.00%</u>    | <u>\$10,356,375.46</u> | <u>100.00%</u>    |

**Expenses for Fiscal Years 2015 and 2014**

The total expenditures for the 2014-2015 fiscal year for all programs and services were \$11,018,296.62. Table 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 82.17 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 \$318,398.74 for depreciation.

**Table 4  
Expenses for Fiscal Years 2015 and 2014**

| <u>Expense Category</u>        | <u>FY 2015</u>         |                   | <u>FY 2014</u>        |                   |
|--------------------------------|------------------------|-------------------|-----------------------|-------------------|
|                                | <u>Amount</u>          | <u>Percentage</u> | <u>Amount</u>         | <u>Percentage</u> |
| Instruction                    | \$7,387,470.25         | 67.05%            | \$6,126,918.29        | 63.40%            |
| Student & Instruction Services | 1,351,227.04           | 12.26%            | 1,222,120.73          | 12.65%            |
| Administrative and Business    | 801,683.48             | 7.28%             | 698,920.03            | 7.23%             |
| Maintenance & Operations       | 859,374.20             | 7.80%             | 595,900.23            | 6.17%             |
| Transportation                 | 314,985.92             | 2.86%             | 315,264.53            | 3.26%             |
| Other                          | 303,555.73             | 2.75%             | 704,876.13            | 7.29%             |
|                                | <u>\$11,018,296.62</u> | <u>100.00%</u>    | <u>\$9,663,999.94</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, 2015  
UNAUDITED**

**Governmental Activities**

Table 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.

**Table 5  
Net Cost of Governmental Activities**

| <u>Expense Category</u>        | <u>FY 2015</u>        |                   | <u>FY 2014</u>        |                   |
|--------------------------------|-----------------------|-------------------|-----------------------|-------------------|
|                                | <u>Amount</u>         | <u>Percentage</u> | <u>Amount</u>         | <u>Percentage</u> |
| Instruction                    | \$6,080,889.40        | 67.14%            | \$5,529,718.34        | 64.30%            |
| Student & Instruction Services | 1,014,318.30          | 11.20%            | 1,108,424.73          | 12.89%            |
| Administrative and Business    | 718,791.00            | 7.94%             | 660,261.65            | 7.68%             |
| Maintenance & Operations       | 859,374.20            | 9.49%             | 797,220.05            | 9.27%             |
| Transportation                 | 300,120.92            | 3.31%             | 300,399.53            | 3.49%             |
| Other                          | 83,352.43             | 0.92%             | 203,752.17            | 2.37%             |
|                                | <u>\$9,056,846.25</u> | <u>100.00%</u>    | <u>\$8,599,776.47</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, 2015  
UNAUDITED**

**Capital Assets**

During the fiscal year 2014-2015 the District had capital projects being worked on and also old equipment disposed of, causing a net decrease of .53%. Table 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.

**Table 6  
Capital Assets (Net of Depreciation)**

|  | Governmental Activities |                       | Business-Type Activities |                    | Total School District |                       | Total<br>Percentage<br>Change |
|--|-------------------------|-----------------------|--------------------------|--------------------|-----------------------|-----------------------|-------------------------------|
|  | FY 2015                 | FY 2014               | FY 2015                  | FY 2014            | FY 2015               | FY 2014               |                               |
| Land and Site<br>Improvements            | \$535,060.89            | \$536,996.70          |                          |                    | \$535,060.89          | \$536,996.70          | -0.36%                        |
| Building and<br>Building<br>Improvements | 7,149,122.05            | 7,224,311.39          |                          |                    | 7,149,122.05          | 7,224,311.39          | -1.04%                        |
| Machinery and<br>Equipment               | 274,478.29              | 227,842.53            | \$454.74                 | \$12,495.94        | 274,933.03            | 240,338.47            | 14.39%                        |
| <b>Total Assets</b>                      | <b>\$7,958,661.23</b>   | <b>\$7,989,150.62</b> | <b>\$454.74</b>          | <b>\$12,495.94</b> | <b>\$7,959,115.97</b> | <b>\$8,001,646.56</b> | <b>-0.53%</b>                 |

**Debt Administration**

At June 30, 2015 the District had \$3,245,641.30 of outstanding long-term debt, consisting of bonds payable from construction, compensated absences and net pension liability. The District will continue to pay down its debt, as the obligations are due. Table 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.

**Table 7  
Outstanding Long-term Debt**

|                               | Total School Debt     |                       | Total<br>Percentage Change |
|-------------------------------|-----------------------|-----------------------|----------------------------|
|                               | FY 2015               | FY 2014               |                            |
| Compensated Absences Payable  | \$84,997.30           | \$85,363.90           | -0.43%                     |
| Net Pension Liability Payable | 1,045,644.00          | 1,160,752.00          | -9.92%                     |
| Bonds Payable                 | 2,115,000.00          | 2,405,000.00          | -12.06%                    |
|                               | <b>\$3,245,641.30</b> | <b>\$3,651,115.90</b> | <b>-11.11%</b>             |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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 fluctuates, state/federal funding has fluctuated up and down over the years, 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. Michael D. Steinmetz, 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, 2015.

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

The statement of net position 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 POSITION  
JUNE 30, 2015

|  | <u>GOVERNMENTAL</u><br><u>ACTIVITIES</u> | <u>BUSINESS-TYPE</u><br><u>ACTIVITIES</u> | <u>TOTAL</u>          |
|--|--|---|-----------------------|
| <b>ASSETS:</b>                         |  |   |                       |
| Cash and cash equivalents              | \$642,103.68                             | \$58,380.20                               | \$700,483.88          |
| Receivables, net                       | 421,878.65                               | 9,586.36                                  | 431,465.01            |
| Inventory                              |  | 3,031.92                                  | 3,031.92              |
| Restricted assets:                     |  |   |                       |
| Restricted cash and cash equivalents   | 2,605,172.40                             |   | 2,605,172.40          |
| Capital assets:                        |  |   |                       |
| Land and construction in progress      | 524,414.00                               |   | 524,414.00            |
| Other capital assets, net              | 7,434,247.23                             | 454.74                                    | 7,434,701.97          |
| Total assets                           | <u>11,627,815.96</u>                     | <u>71,453.22</u>                          | <u>11,699,269.18</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b> |  |   |                       |
| Related to pensions                    | 73,488.00                                |   | 73,488.00             |
| Total Deferred Outflows of Resources   | <u>73,488.00</u>                         |   | <u>73,488.00</u>      |
| <b>LIABILITIES:</b>                    |  |   |                       |
| Accounts payable                       | 382,566.66                               | 5,427.81                                  | 387,994.47            |
| Unearned revenue                       | 224,914.52                               | 2,391.51                                  | 227,306.03            |
| Interest payable                       | 6,545.83                                 |   | 6,545.83              |
| Noncurrent liabilities:                |  |   |                       |
| Due within one year                    | 300,000.00                               |   | 300,000.00            |
| Due beyond one year:                   |  |   |                       |
| Net Pension Liability                  | 1,045,644.00                             |   | 1,045,644.00          |
| Compensated absences payable           | 84,997.30                                |   | 84,997.30             |
| Bonds and capital leases payable       | 1,815,000.00                             |   | 1,815,000.00          |
| Total liabilities                      | <u>3,859,668.31</u>                      | <u>7,819.32</u>                           | <u>3,867,487.63</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>  |  |   |                       |
| Related to pensions                    | 141,186.00                               |   | 141,186.00            |
| Total Deferred Inflows of Resources    | <u>141,186.00</u>                        |   | <u>141,186.00</u>     |
| <b>NET POSITION:</b>                   |  |   |                       |
| Net investment in capital assets       | 5,843,661.23                             | 454.74                                    | 5,844,115.97          |
| Restricted for:                        |  |   |                       |
| Capital projects fund                  | 56,760.00                                |   | 56,760.00             |
| Debt service fund (deficit)            | (6,545.83)                               |   | (6,545.83)            |
| Other purposes                         | 3,120,914.96                             |   | 3,120,914.96          |
| Unrestricted (deficit)                 | <u>(1,314,340.71)</u>                    | <u>63,179.16</u>                          | <u>(1,251,161.55)</u> |
| Total net position                     | <u>\$7,700,449.65</u>                    | <u>\$63,633.90</u>                        | <u>\$7,764,083.55</u> |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
JUNE 30, 2015

| FUNCTIONS/PROGRAMS                       | EXPENSES               | INDIRECT EXPENSES ALLOCATION | PROGRAM REVENUES     |                                    | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |                          |                         |
|--|------------------------|------------------------------|----------------------|------------------------------------|---|--------------------------|-------------------------|
|  |                        |                              | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES                           | BUSINESS-TYPE ACTIVITIES | TOTAL                   |
| Governmental Activities:                 |                        |                              |                      |                                    |   |                          |                         |
| Instruction:                             |                        |                              |                      |                                    |   |                          |                         |
| Regular                                  | 4,361,642.97           | \$972,371.53                 |                      | \$903,540.55                       | (\$4,430,473.95)                                  |                          | (\$4,430,473.95)        |
| Special education                        | 1,470,690.68           | 323,107.93                   |                      | 351,258.94                         | (1,442,539.67)                                    |                          | (1,442,539.67)          |
| Other                                    | 179,554.07             | 21,847.18                    |                      | 45,196.81                          | (156,204.44)                                      |                          | (156,204.44)            |
| Support services:                        |                        |                              |                      |                                    |   |                          |                         |
| Tuition                                  |                        |                              |                      |                                    |   |                          |                         |
| Student and instruction related services | 1,154,965.04           | 196,262.00                   |                      | 336,908.74                         | (1,014,318.30)                                    |                          | (1,014,318.30)          |
| General administrative services          | 147,631.78             | 46,231.77                    |                      |                                    | (193,863.55)                                      |                          | (193,863.55)            |
| School administrative services           | 267,910.40             | 58,046.61                    |                      | 82,892.48                          | (243,064.53)                                      |                          | (243,064.53)            |
| Central services                         | 210,947.83             | 70,915.09                    |                      |                                    | (281,862.92)                                      |                          | (281,862.92)            |
| Plant operations and maintenance         | 643,738.96             | 215,635.24                   |                      |                                    | (859,374.20)                                      |                          | (859,374.20)            |
| Student transportation services          | 314,985.92             |                              |                      | 14,865.00                          | (300,120.92)                                      |                          | (300,120.92)            |
| Special school / charter school          | 55,051.33              | 3,204.56                     |                      | 6,584.55                           | (51,671.34)                                       |                          | (51,671.34)             |
| Unallocated benefits                     | 1,589,223.17           | (1,589,223.17)               |                      |                                    |   |                          |                         |
| Unallocated Depreciation                 | 318,398.74             | (318,398.74)                 |                      |                                    |   |                          |                         |
| Interest on long term debt               | 82,175.00              |                              |                      |                                    | (82,175.00)                                       |                          | (82,175.00)             |
| Total governmental activities            | <u>10,796,915.89</u>   |                              |                      | <u>1,741,247.07</u>                | <u>(9,055,668.82)</u>                             |                          | <u>(9,055,668.82)</u>   |
| Business-type activities:                |                        |                              |                      |                                    |   |                          |                         |
| Food service                             | 221,380.93             |                              | 75,472.95            | 144,730.55                         |   | (1,177.43)               | (1,177.43)              |
| Total business-type activities           | <u>221,380.93</u>      |                              | <u>75,472.95</u>     | <u>144,730.55</u>                  |   | <u>(1,177.43)</u>        | <u>(1,177.43)</u>       |
| Total primary government                 | <u>\$11,018,296.82</u> |                              | <u>\$75,472.95</u>   | <u>\$1,885,977.62</u>              | <u>(\$9,055,668.82)</u>                           | <u>(\$1,177.43)</u>      | <u>(\$9,056,846.25)</u> |
| General Revenues:                        |                        |                              |                      |                                    |   |                          |                         |
| Taxes:                                   |                        |                              |                      |                                    |   |                          |                         |
| Property taxes - general                 |                        |                              |                      |                                    | \$5,683,604.00                                    |                          | \$5,683,604.00          |
| Property taxes - debt service            |                        |                              |                      |                                    | 363,352.55  |                          | 363,352.55              |
| Federal and state aid not restricted     |                        |                              |                      |                                    | 3,379,161.00                                      |                          | 3,379,161.00            |
| Capital grants                           |                        |                              |                      |                                    | 56,760.00   |                          | 56,760.00               |
| Miscellaneous income                     |                        |                              |                      |                                    | 113,581.14  |                          | 113,581.14              |
| Total general revenues                   |                        |                              |                      |                                    | <u>9,596,458.69</u>                               |                          | <u>9,596,458.69</u>     |
| Disposal of Capital Assets               |                        |                              |                      |                                    | (955.93)  | (9,506.85)               | (10,462.78)             |
| Change in net position                   |                        |                              |                      |                                    | <u>539,833.94</u>                                 | <u>(10,684.28)</u>       | <u>529,149.66</u>       |
| Net Position - beginning (restated)      |                        |                              |                      |                                    | <u>7,160,615.71</u>                               | <u>74,318.18</u>         | <u>7,234,933.89</u>     |
| Net Position ending                      |                        |                              |                      |                                    | <u>\$7,700,449.65</u>                             | <u>\$63,633.90</u>       | <u>\$7,764,083.55</u>   |

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

**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, 2015

| ASSETS AND OTHER DEBITS:                                       | GENERAL<br>FUND       | SPECIAL<br>REVENUE<br>FUND | CAPITAL<br>PROJECTS<br>FUND | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|-----------------------|----------------------------|-----------------------------|--------------------------------|
| <b>Assets:</b>   |                       |                            |                             |                                |
| Cash and cash equivalents                                      | \$617,988.29          |                            | \$24,115.39                 | \$642,103.68                   |
| Capital reserve account  | 2,127,552.40          |                            |                             | 2,127,552.40                   |
| Maintenance reserve account                                    | 477,620.00            |                            |                             | 477,620.00                     |
| Accounts receivable:   |                       |                            |                             |                                |
| Federal  |                       | \$80,850.66                |                             | 80,850.66                      |
| State  | 54,923.00             |                            | 280,934.00                  | 335,857.00                     |
| Interfund  | 83,916.26             |                            |                             | 83,916.26                      |
| <b>Total assets</b>  | <u>3,361,999.95</u>   | <u>80,850.66</u>           | <u>305,049.39</u>           | <u>3,747,900.00</u>            |
| <b>LIABILITIES AND FUND BALANCES:</b>                          |                       |                            |                             |                                |
| <b>Liabilities:</b>  |                       |                            |                             |                                |
| Accounts payable   | 316,479.40            | 1,364.87                   | 24,115.39                   | 341,959.66                     |
| Interfunds payable   |                       | 78,745.27                  |                             | 78,745.27                      |
| Unearned revenue   |                       | 740.52                     | 224,174.00                  | 224,914.52                     |
| <b>Total liabilities</b>                                       | <u>316,479.40</u>     | <u>80,850.66</u>           | <u>248,289.39</u>           | <u>645,619.45</u>              |
| <b>Fund balances:</b>  |                       |                            |                             |                                |
| <b>Restricted for:</b>   |                       |                            |                             |                                |
| Capital reserve account  | 2,127,552.40          |                            |                             | 2,127,552.40                   |
| Maintenance reserve account                                    | 477,620.00            |                            |                             | 477,620.00                     |
| Excess surplus designated for<br>subsequent years expenditures | 266,875.00            |                            |                             | 266,875.00                     |
| Excess surplus - current year                                  | 248,867.56            |                            |                             | 248,867.56                     |
| Capital projects fund  |                       |                            | 56,760.00                   | 56,760.00                      |
| <b>Assigned for:</b>   |                       |                            |                             |                                |
| ARRA/SEMI - Designated for<br>subsequent years expenditures    | 377.59                |                            |                             | 377.59                         |
| <b>Unassigned:</b>   |                       |                            |                             |                                |
| General fund (deficit)   | (75,772.00)           |                            |                             | (75,772.00)                    |
| <b>Total fund balances</b>                                     | <u>3,045,520.55</u>   |                            | <u>56,760.00</u>            | <u>3,102,280.55</u>            |
| <b>Total liabilities and fund balances</b>                     | <u>\$3,361,999.95</u> | <u>\$80,850.66</u>         | <u>\$305,049.39</u>         |                                |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

|  |                       |                              |
|--|-----------------------|------------------------------|
| Total Fund Balances (Brought Forward)  |                       | \$3,102,280.55               |
| <p>Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p> |                       |                              |
| Cost of Assets   | \$11,987,485.76       |                              |
| Accumulated Depreciation   | <u>(4,028,824.53)</u> |                              |
|  |                       | 7,958,661.23                 |
| <p>Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>  |                       |                              |
| Net pension liability  | (1,045,644.00)        |                              |
| Serial bonds payable   | (2,115,000.00)        |                              |
| Compensated absences payable   | <u>(84,997.30)</u>    |                              |
|  |                       | (3,245,641.30)               |
| <p>Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.</p> <p>Pensions:</p>   |                       |                              |
| Deferred Outflows  |                       |                              |
| Pension related  | 32,881.00             |                              |
| Employers contributions related to pensions  | <u>40,607.00</u>      |                              |
|  |                       | 73,488.00                    |
| Deferred Inflows:  |                       |                              |
| Pension related  |                       | (141,186.00)                 |
| <p>Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.</p>  |                       |                              |
| Accounts Payable - Pension Related   | (40,607.00)           |                              |
| Accrued Interest Payable   | <u>(6,545.83)</u>     |                              |
|  |                       | <u>(47,152.83)</u>           |
| Net Position of Governmental Activities  |                       | <u><u>\$7,700,449.65</u></u> |

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

**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, 2015**

|  | GENERAL<br>FUND       | SPECIAL<br>REVENUE<br>FUND | CAPITAL<br>PROJECTS<br>FUND | DEBT<br>SERVICE<br>FUND | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|-----------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| <b>REVENUES:</b>   |                       |                            |                             |                         |                                |
| <b>Local sources:</b>  |                       |                            |                             |                         |                                |
| Local tax levy   | \$5,683,604.00        |                            |                             | \$363,352.55            | \$6,046,956.55                 |
| Tuition from other LEA's within the state                            | 88,495.53             |                            |                             |                         | 88,495.53                      |
| Miscellaneous  | 20,085.61             | \$5,000.00                 |                             |                         | 25,085.61                      |
| <b>Total revenues-local sources</b>                                  | <b>5,792,185.14</b>   | <b>5,000.00</b>            |                             | <b>363,352.55</b>       | <b>6,160,537.69</b>            |
| State sources  | 4,076,455.43          |                            | \$56,760.00                 |                         | 4,133,215.43                   |
| Federal sources  |                       | 309,989.64                 |                             |                         | 309,989.64                     |
| <b>Total revenues</b>  | <b>9,868,640.57</b>   | <b>314,989.64</b>          | <b>56,760.00</b>            | <b>363,352.55</b>       | <b>10,603,742.76</b>           |
| <b>EXPENDITURES:</b>   |                       |                            |                             |                         |                                |
| <b>Current expense:</b>  |                       |                            |                             |                         |                                |
| <b>Instruction:</b>  |                       |                            |                             |                         |                                |
| Regular  | 2,087,136.91          | 134,589.73                 |                             |                         | 2,221,726.64                   |
| Special education  | 591,954.42            | 121,576.40                 |                             |                         | 713,530.82                     |
| Other instruction  | 114,868.07            |                            |                             |                         | 114,868.07                     |
| <b>Support services:</b>   |                       |                            |                             |                         |                                |
| Tuition  | 2,295,356.27          |                            |                             |                         | 2,295,356.27                   |
| Student and instruction related services                             | 887,690.97            | 55,044.51                  |                             |                         | 942,735.48                     |
| General administrative services                                      | 149,176.33            |                            |                             |                         | 149,176.33                     |
| School administrative services                                       | 215,051.71            |                            |                             |                         | 215,051.71                     |
| Central services   | 215,687.46            |                            |                             |                         | 215,687.46                     |
| Plant operations and maintenance                                     | 644,257.78            |                            |                             |                         | 644,257.78                     |
| Student transportation services                                      | 314,985.92            |                            |                             |                         | 314,985.92                     |
| Employee benefits  | 1,758,828.77          |                            |                             |                         | 1,758,828.77                   |
| Capital outlay   | 175,086.28            | 3,779.00                   | 110,000.00                  |                         | 288,865.28                     |
| Capital outlay - debt assessment                                     | 32,491.00             |                            |                             |                         | 32,491.00                      |
| Charter Schools  | 27,902.00             |                            |                             |                         | 27,902.00                      |
| Special schools  | 22,950.50             |                            |                             |                         | 22,950.50                      |
| <b>Debt service:</b>   |                       |                            |                             |                         |                                |
| Principal  |                       |                            |                             | 290,000.00              | 290,000.00                     |
| Interest   |                       |                            |                             | 82,900.00               | 82,900.00                      |
| <b>Total expenditures</b>  | <b>9,533,424.39</b>   | <b>314,989.64</b>          | <b>110,000.00</b>           | <b>372,900.00</b>       | <b>10,331,314.03</b>           |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>335,216.18</b>     |                            | <b>(53,240.00)</b>          | <b>(9,547.45)</b>       | <b>272,428.73</b>              |
| <b>Other financing sources (uses):</b>                               |                       |                            |                             |                         |                                |
| Operating transfers in   |                       |                            | 110,000.00                  |                         | 110,000.00                     |
| Operating transfers out  | (110,000.00)          |                            |                             |                         | (110,000.00)                   |
| <b>Total financing sources (uses):</b>                               | <b>(110,000.00)</b>   |                            | <b>110,000.00</b>           |                         |                                |
| <b>Net change in fund balances</b>                                   | <b>225,216.18</b>     |                            | <b>56,760.00</b>            | <b>(9,547.45)</b>       | <b>272,428.73</b>              |
| Fund balances, July 1, 2014  | 2,820,304.37          |                            |                             | 9,547.45                | 2,829,851.82                   |
| Fund balances, June 30, 2015   | <u>\$3,045,520.55</u> | <u>\$-0-</u>               | <u>\$56,760.00</u>          |                         | <u>\$3,102,280.55</u>          |

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

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, 2015

|   |                    |                            |
|---|--------------------|----------------------------|
| Total net change in fund balances - governmental funds (from B-2)   |                    | \$272,428.73               |
| 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  | (\$318,398.74)     |                            |
| Capital outlays   | 321,356.28         |                            |
| Capital outlays not capitalized   | <u>(32,491.00)</u> | (29,533.46)                |
| In the statement of activities, only the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed.   |                    |                            |
|   |                    | (955.93)                   |
| 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.  |                    |                            |
|   |                    | 290,000.00                 |
| 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.   |                    |                            |
|   |                    | 725.00                     |
| District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities. |                    |                            |
| District pension contributions  | 46,041.00          |                            |
| Less: Pension expense   | <u>(39,238.00)</u> | 6,803.00                   |
| 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>366.60</u>              |
| Change in net position of governmental activities   |                    | <u><u>\$539,833.94</u></u> |

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

**OTHER FUNDS**

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
PROPRIETARY FUND  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2015

|                                  | <u>BUSINESS-TYPE<br/>ACTIVITIES -<br/>ENTERPRISE FUND<br/>FOOD<br/>SERVICE<br/>(NON-MAJOR)</u> |
|----------------------------------|--|
| <b>ASSETS:</b>                   |  |
| Current assets:                  |  |
| Cash and cash equivalents        | \$58,380.20  |
| Accounts receivable:             |  |
| State                            | 202.91   |
| Federal                          | 9,383.45   |
| Inventories                      | <u>3,031.92</u>  |
| Total current assets             | <u>70,998.48</u>   |
| Noncurrent assets                |  |
| Furniture, machinery & equipment | 69,388.39  |
| Less: Accumulated depreciation   | <u>(68,933.65)</u>   |
| Total noncurrent assets          | <u>454.74</u>  |
| <b>TOTAL ASSETS</b>              | <u><u>71,453.22</u></u>  |
| <b>LIABILITIES:</b>              |  |
| Current liabilities:             |  |
| Accounts Payable                 | 5,427.81   |
| Unearned revenue                 | <u>2,391.51</u>  |
| Total current liabilities        | <u>7,819.32</u>  |
| <b>NET POSITION:</b>             |  |
| Net investment in capital assets | 454.74   |
| Unrestricted                     | <u>63,179.16</u>   |
| <b>TOTAL NET POSITION</b>        | <u><u>\$63,633.90</u></u>  |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|  | <u>BUSINESS-TYPE<br/>ACTIVITIES -<br/>ENTERPRISE FUND<br/>FOOD<br/>SERVICE<br/>(NON-MAJOR)</u> |
|--|--|
| OPERATING REVENUES:                    |  |
| Local sources:                         |  |
| Daily sales-reimbursable programs:     |  |
| School lunch program                   | \$75,315.12  |
| Daily sales non-reimbursable programs  | 157.83   |
|  | <hr/>  |
| Total operating revenue                | 75,472.95  |
|  | <hr/>  |
| OPERATING EXPENSES:                    |  |
| Salaries                               | 51,404.89  |
| Employee benefits and taxes            | 21,899.95  |
| Management fee                         | 12,875.00  |
| Supplies, materials and repairs        | 35,770.91  |
| Depreciation                           | 2,534.35   |
| Cost of sales                          | 96,895.83  |
|  | <hr/>  |
| Total operating expenses               | 221,380.93   |
|  | <hr/>  |
| Operating (loss)                       | (145,907.98)   |
|  | <hr/>  |
| Nonoperating revenues:                 |  |
| State sources:                         |  |
| State school lunch program             | 2,717.33   |
| Federal sources:                       |  |
| National school lunch program          | 108,415.50   |
| National school breakfast program      | 13,572.81  |
| National food distribution commodities | 20,024.91  |
|  | <hr/>  |
| Total nonoperating revenues            | 144,730.55   |
|  | <hr/>  |
| Net loss                               | (1,177.43)   |
|  | <hr/>  |
| Other financing sources (uses):        |  |
| Loss on disposal of capital assets     | (9,506.85)   |
|  | <hr/>  |
| Total financing sources (uses):        | (9,506.85)   |
|  | <hr/>  |
| Net change in fund balances            | (10,684.28)  |
|  | <hr/>  |
| Net position - July 1                  | 74,318.18  |
|  | <hr/>  |
| Net position - June 30                 | \$63,633.90  |
|  | <hr/> <hr/>  |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|   | <u>BUSINESS-TYPE</u><br><u>ACTIVITIES -</u><br><u>ENTERPRISE FUND</u><br><u>FOOD</u><br><u>SERVICE</u><br><u>(NON-MAJOR)</u> |
|---|--|
| Cash flows from operating activities:   |  |
| Receipts from customers   | \$75,472.95  |
| Payments to employees   | (51,404.89)  |
| Payments for employee benefits  | (21,899.95)  |
| Payments to suppliers   | (153,415.10)   |
| Net cash (used) by operating activities   | <u>(151,246.99)</u>  |
| Cash flows from noncapital financing activities:  |  |
| State sources   | 3,061.83   |
| Federal sources   | 156,107.69   |
| Net cash (used) by noncapital financing activities  | <u>159,169.52</u>  |
| Net increase in cash and cash equivalents   | 7,922.53   |
| Cash and cash equivalents, July 1   | <u>50,457.67</u>   |
| Cash and cash equivalents, June 30  | <u><u>58,380.20</u></u>  |
| Operating income(loss)  | (145,907.98)   |
| Adjustments to reconcile operating income (loss)<br>to cash provided by operating activities: |  |
| Depreciation  | 2,534.35   |
| Change in assets and liabilities:   |  |
| (Increase) Decrease in inventory  | (1,195.11)   |
| Increase (Decrease) in unearned revenue   | 1,422.76   |
| Increase (Decrease) in accounts payable   | (8,101.01)   |
| Net cash (used) by operating activities   | <u><u>(\$151,246.99)</u></u>   |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2015

|                                      | <u>TRUST</u>                                | <u>AGENCY</u>                 |                  |
|--------------------------------------|---|-------------------------------|------------------|
|                                      | <u>STATE<br/>UNEMPLOYMENT<br/>INSURANCE</u> | <u>STUDENT<br/>ACTIVITIES</u> | <u>PAYROLL</u>   |
| <b>ASSETS:</b>                       |   |                               |                  |
| Cash and cash equivalents            | \$187.54                                    | \$22,717.08                   | \$34,372.91      |
| Total assets                         | <u>187.54</u>                               | <u>22,717.08</u>              | <u>34,372.91</u> |
| <b>LIABILITIES:</b>                  |   |                               |                  |
| Liabilities:                         |   |                               |                  |
| Payroll deductions & withholdings    |   |                               | 29,201.92        |
| Interfunds payable                   |   |                               | 5,170.99         |
| Due to student groups                |   | <u>22,717.08</u>              |                  |
| Total liabilities                    |   | <u>22,717.08</u>              | <u>34,372.91</u> |
| <b>NET POSITION:</b>                 |   |                               |                  |
| Held in trust for state unemployment | <u>187.54</u>                               |                               |                  |
| Total net position                   | <u>\$187.54</u>                             | <u>\$-0-</u>                  | <u>\$-0-</u>     |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|                                     | <u>STATE<br/>UNEMPLOYMENT<br/>INSURANCE</u> |
|-------------------------------------|---|
| DEDUCTIONS:                         |   |
| State unemployment insurance claims | <u>9,575.36</u>                             |
| Total deductions                    | <u>9,575.36</u>                             |
| Change in net position              | (9,575.36)                                  |
| Net position - July 1               | <u>9,762.90</u>                             |
| Net position - June 30              | <u><u>\$187.54</u></u>                      |

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**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, 2015**

**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 position 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 position 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 general 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, 2015**

**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, 2015**

**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, 2015**

**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 unearned 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, 2015**

**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 for approval. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the April school Board election to the date of the November general election thereby eliminating the vote on the annual base budget. 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. 6A:23. All budget amendments and transfers must be approved by School Board resolution. The over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

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, 2015**

**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 assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund and capital projects fund for which the District has received advances are reflected in the balance sheet as unearned 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, 2015**

**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:

| <b><u>Asset Class</u></b>   | <b><u>Estimated Useful Lives</u></b> |
|-----------------------------|--------------------------------------|
| 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, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity**

Fund balance restrictions 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.

Unassigned net position represents the remains of the District's equity in the cumulative earnings of the proprietary funds.

**Unearned Revenue**

Unearned 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 Position**

GASB 63 provides guidance for reporting net position in the statement of financial position and related disclosures. In compliance with GASB 63, the Statement of Net Assets has been renamed the Statement of Net Position. Net Position represents the difference between assets and liabilities. Net investment in capital assets 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 position is 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 positions are available.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance Reserves**

The District has 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.

Under the new standard, in the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. The District reports the Capital Reserve, Emergency Reserve, Maintenance Reserve and Excess Surplus as Restricted Fund Balance.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education. The District reports amounts Designated for Subsequent Year's Expenditures as Committed Fund Balance.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator. The District reports Year End Encumbrances as Assigned Fund Balance.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance Reserves (continued)**

The general fund is the only fund that will report a negative unassigned fund balance. For all other governmental funds the amount of a residual deficit would be classified as unassigned.

**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.

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.

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.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Accounting and Financial Reporting for Pensions**

In fiscal year 2015, the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting and Financial Reporting for Pensions (continued)**

The District has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualify in this category, deferred amounts related to pension.

**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.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

The Borough of South Bound Brook School District had the following cash and cash equivalents at June 30, 2015:

|                    | <u>Cash in</u><br><u>Bank</u> | <u>Additions</u> | <u>Deletions</u>    | <u>Reconciled</u><br><u>Balance</u> |
|--------------------|-------------------------------|------------------|---------------------|-------------------------------------|
| Governmental Funds | \$3,459,962.96                |                  | \$212,686.88        | \$3,247,276.08                      |
| Proprietary Fund   | 67,559.57                     |                  | 9,179.37            | 58,380.20                           |
| Fiduciary Fund     | 83,113.11                     |                  | 25,835.58           | 57,277.53                           |
|                    | <u>\$3,610,635.64</u>         | <u>\$0.00</u>    | <u>\$247,701.83</u> | <u>\$3,362,933.81</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, 2015, 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 \$3,360,635.64 was covered under the provisions of NJ GUDPA.

**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.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

**Investments (continued)**

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.
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, 2015, 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, 2015**

**NOTE 3: CHANGE IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>     | <u>Deletions</u>    | <u>Ending<br/>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            | 10,607,853.64                | \$189,117.28         |                     | 10,796,970.92             |
| Machinery and equipment                       | 863,343.33                   | 99,748.00            | \$339,520.14        | 623,571.19                |
| Total capital assets being depreciated        | <u>11,513,726.62</u>         | <u>288,865.28</u>    | <u>339,520.14</u>   | <u>11,463,071.76</u>      |
| Total gross assets                            | 12,038,140.62                | 288,865.28           | 339,520.14          | 11,987,485.76             |
| Less: accumulated depreciation for:           |                              |                      |                     |                           |
| Site Improvements                             | (29,946.95)                  | (1,935.81)           |                     | (31,882.76)               |
| Building and building improvements            | (3,383,542.25)               | (264,306.62)         |                     | (3,647,848.87)            |
| Machinery and equipment                       | (635,500.80)                 | (52,156.31)          | (338,564.21)        | (349,092.90)              |
|   | <u>(4,048,990.00)</u>        | <u>(318,398.74)</u>  | <u>(338,564.21)</u> | <u>(4,028,824.53)</u>     |
| Governmental activities capital assets, net   | <u>\$7,989,150.62</u>        | <u>(\$29,533.46)</u> | <u>\$955.93</u>     | <u>\$7,958,661.23</u>     |
| Business type activities:                     |                              |                      |                     |                           |
| Machinery and equipment                       | \$89,644.62                  |                      | \$20,256.23         | \$69,388.39               |
| Less: accumulated depreciation                | <u>(77,148.68)</u>           | <u>(2,534.35)</u>    | <u>(10,749.38)</u>  | <u>(68,933.65)</u>        |
| Business type activities capital assets, net  | <u>\$12,495.94</u>           | <u>(\$2,534.35)</u>  | <u>\$9,506.85</u>   | <u>\$454.74</u>           |

Depreciation Expense was charged to governmental expenses as follows:

|  |                     |
|--|---------------------|
| Instruction:                             |                     |
| Regular                                  | \$68,837.33         |
| Support Services:                        |                     |
| Student and instruction related services | 19,366.64           |
| General Administration                   | 1,667.00            |
| School administration                    | 87.67               |
| Central services                         | 13,902.86           |
| Plant operations and maintenance         | 214,537.24          |
|  | <u>\$318,398.74</u> |

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 4: LONG-TERM LIABILITIES**

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, 2015, 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, 2015:

|                                     | <b><u>Bonds<br/>Payable</u></b> | <b><u>Compensated<br/>Absences Payable</u></b> | <b><u>Net Pension<br/>Liability</u></b> | <b><u>Total</u></b>          |
|-------------------------------------|---------------------------------|--|---|------------------------------|
| Balance, July 1, 2014 (as restated) | \$2,405,000.00                  | \$85,363.90                                    | \$1,160,752.00                          | \$3,651,115.90               |
| Additions/Issued                    |                                 | 1,713.40                                       |   | 1,713.40                     |
| Reductions                          | <u>290,000.00</u>               | <u>2,080.00</u>                                | <u>115,108.00</u>                       | <u>407,188.00</u>            |
| Balance, June 30, 2015              | <u><u>\$2,115,000.00</u></u>    | <u><u>\$84,997.30</u></u>                      | <u><u>\$1,045,644.00</u></u>            | <u><u>\$3,245,641.30</u></u> |
| Amounts Due<br>Within One Year      | <u><u>\$300,000.00</u></u>      |  |   | <u><u>\$300,000.00</u></u>   |

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 4: LONG-TERM DEBT (CONTINUED)**

**Bonds Payable**

The annual requirements to amortize all debt outstanding as of June 30, 2015, with interest payments on issued debt, are as follows:

| <b>Year Ending<br/>June 30</b> | <b>Principal</b>      | <b>Interest</b>     | <b>Total</b>          |
|--------------------------------|-----------------------|---------------------|-----------------------|
| 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>\$2,115,000.00</u> | <u>\$289,225.00</u> | <u>\$2,404,225.00</u> |

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, 2015, the District borrowing capacity under N.J.S. 18A:24-19 would be as follows:

| <b>Year</b>  | <b>Equalized Valuation<br/>of Real Property</b> |
|--|---|
| 2014   | \$300,301,929.00                                |
| 2013   | 303,373,333.00                                  |
| 2012   | 304,093,582.00                                  |
|  | <u>\$907,768,844.00</u>                         |
| Average equalized valuation of property                                    | \$302,589,614.67                                |
| School borrowing margin<br>(3% of average equalized valuation of property) | 9,077,688.44                                    |
| Net bonded school debt as of June 30, 2015                                 | <u>2,115,000.00</u>                             |
| School borrowing power available   | <u>\$6,962,688.44</u>                           |

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**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.

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 5: PENSION PLANS (CONTINUED)**

**Significant Legislation**

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

**Pension Plan Design Changes**

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

**Funding Changes**

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

**COLA Suspension**

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

**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 ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

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.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 5: PENSION PLANS (CONTINUED)**

**Contribution Requirements** - The contribution policy is set by N.J.S.A. 43:15A 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.

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of TPAF (*i.e.* the State of New Jersey makes the employer contribution on behalf of public school districts).

**PERS Contribution Requirements**

**Three-Year Trend Information for PERS**

| <u>Year</u><br><u>Funding</u> | <u>Annual Pension</u><br><u>Cost (APC)</u> | <u>Percentage of</u><br><u>APC Contributed</u> | <u>Net Pension</u><br><u>Obligation</u> |
|-------------------------------|--|--|---|
| 6/30/2015                     | \$46,041.00                                | 100%   | \$46,041.00                             |
| 6/30/2014                     | \$45,762.00                                | 100%   | \$45,762.00                             |
| 6/30/2013                     | \$38,132.00                                | 100%   | \$38,132.00                             |

During the fiscal years ended June 30, 2015, 2014 and 2013, the State of New Jersey contributed \$169,239.00, \$132,859.00 and \$215,460.00, respectively to the TPAF pension system on behalf of the District.

Also, in accordance with N.J.S.A. 18A:66-66, during the years ended June 30 2015, 2014 and 2013, the State of New Jersey reimbursed the District \$244,524.43, \$245,060.44 and \$229,072.57, respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**

**Public Employees Retirement System (PERS)**

At June 30, 2015, the District reported a liability of \$1,045,644.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.0055848866 percent, which was a decrease of 0.0004885362 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$39,238.00. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

|   | <u>Deferred<br/>Inflow of<br/>Resources</u> | <u>Deferred<br/>Outflow of<br/>Resources</u> |
|---|---|--|
| Changes of assumptions  |   | \$32,881.00                                  |
| Net difference between projected and actual earnings on pension plan investments                              | \$62,315.00                                 |  |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 78,871.00                                   |  |
| District contributions subsequent to the measurement date   |   | <u>40,607.00</u>                             |
|   | <u>\$141,186.00</u>                         | <u>\$73,488.00</u>                           |

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(Continued)**

**Public Employees Retirement System (PERS) (Continued)**

The \$40,607.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br><u>June 30</u> | <u>Amount</u> |
|------------------------------|---------------|
| 2016                         | (\$9,534.43)  |
| 2017                         | (\$9,534.43)  |
| 2018                         | (\$9,534.43)  |
| 2019                         | \$6,044.24    |
| Thereafter                   | \$2,659.46    |

**Additional Information**

Collective balances at June 30, 2014 and 2013 are as follows

|   | <u>6/30/2014</u> | <u>6/30/2013</u> |
|---|------------------|------------------|
| Collective deferred outflows of resources | \$1,452,705,538  | Not Available    |
| Collective deferred inflows of resources  | 2,146,719,012    | Not Available    |
| Collective net pension liability          | 38,849,838,953   | 38,410,610,030   |
| District's Proportion                     | 0.0055848866%    | 0.0060734228%    |

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which rolled forward to June 30, 2014. The total pension liability for the July 1, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

|                           |                                  |
|---------------------------|----------------------------------|
| Inflation                 | 3.01 Percent                     |
| Salary Increases          |                                  |
| 2012-2021                 | 2.15-4.40 Percent (based on age) |
| Thereafter                | 3.15-5.40 Percent (based on age) |
| Investment Rate of Return | 7.90 Percent                     |

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**Mortality Rates**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Actuarial Assumptions (Continued)**

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

| <u>Asset Class</u>           | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------|---|
| Cash                         | 6.00%                    | 0.80%   |
| Core Bond                    | 1.00%                    | 2.49%   |
| Intermediate Term Bonds      | 11.20%                   | 2.26%   |
| Mortgages                    | 2.50%                    | 2.17%   |
| High Yield Bonds             | 5.50%                    | 4.82%   |
| Inflation Indexed Bonds      | 2.50%                    | 3.51%   |
| Broad U.S. Equities          | 25.90%                   | 8.22%   |
| Developed Foreign Markets    | 12.70%                   | 8.12%   |
| Emerging Market Equities     | 6.50%                    | 9.91%   |
| Private Equity               | 8.25%                    | 13.02%  |
| Hedge Funds/Absolute Returns | 12.25%                   | 4.92%   |
| Real Estate (Property)       | 3.20%                    | 5.80%   |
| Commodities                  | 2.50%                    | 5.35%   |
|                              | <u>100.00%</u>           |   |

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Actuarial Assumptions (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the collective net pension liability to changes in the discount rate.**

The following presents the collective net pension liability of the participating employers as of June 30, 2014 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

|  | June 30, 2014 |               |              |
|--|---------------|---------------|--------------|
|  | 1%            | At Current    | 1%           |
|  | Decrease      | Discount Rate | Increase     |
|  | <u>4.39%</u>  | <u>5.39%</u>  | <u>6.39%</u> |
| District's proportionate share<br>of the pension liability | 1,315,455.00  | 1,045,644.00  | 819,070.00   |

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Pension plan fiduciary net position.**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

**Teachers Pensions and Annuity Fund (TPAF)**

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2015 was as follows:

|   |              |
|---|--------------|
| Net Pension Liability:                                      |              |
| Districts proportionate share                               | -0-          |
| State's proportionate share<br>associated with the District | \$16,785,217 |
|   | \$16,785,217 |

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the proportion of the TPAF net pension liability associated with the District was .0314054995%.

For the year ended June 30, 2015, the District recognized on-behalf pension expense and revenue of \$903,202.00 for contributions provided by the State.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (continued)**

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

|                           |                            |
|---------------------------|----------------------------|
| Inflation rate            | 2.50%                      |
| Salary increases:         |                            |
| 2012-2021                 | Varies based on experience |
| Thereafter                | Varies based on experience |
| Investment rate of return | 7.90%                      |

**Mortality rates**

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (continued)**

**Actuarial Assumptions (Continued)**

**Long-Term Expected Rate of Return (Continued)**

| <u>Asset Class</u>          | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Cash                        | 6.00%                    | 0.50%   |
| Core Fixed Income           | 0.00%                    | 2.19%   |
| Core Bonds                  | 1.00%                    | 1.38%   |
| Short-Term Bonds            | 0.00%                    | 1.00%   |
| Intermediate- Term Bonds    | 11.20%                   | 2.60%   |
| Long-Term Bonds             | 0.00%                    | 3.23%   |
| Mortgages                   | 2.50%                    | 2.84%   |
| High Yield Bonds            | 5.50%                    | 4.15%   |
| Non-US Fixed Income         | 0.00%                    | 1.41%   |
| Inflation-Indexed Bonds     | 2.50%                    | 1.30%   |
| Broad US Equities           | 25.90%                   | 5.88%   |
| Large Cap US Equities       | 0.00%                    | 5.62%   |
| Mid cap US Equities         | 0.00%                    | 6.39%   |
| Small Cap US Equities       | 0.00%                    | 7.39%   |
| Developed Foreign Equities  | 12.70%                   | 6.05%   |
| Emerging Market Equities    | 6.50%                    | 8.90%   |
| Private Equity              | 8.25%                    | 9.15%   |
| Hedge Funds Absolute Return | 12.25%                   | 3.85%   |
| Real Estate (Property)      | 3.20%                    | 4.43%   |
| Real Estate (REITS)         | 0.00%                    | 5.58%   |
| Commodities                 | 2.50%                    | 3.60%   |
| Long Credit Bonds           | 0.00%                    | 3.74%   |
|                             | 100.00%                  |   |

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (Continued)**

**Actuarial Assumptions (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability,

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 7: 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.

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, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 7: OTHER POST-RETIREMENT BENEFITS(CONTINUED)**

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, 2015, 2014 and 2013 were \$268,666.00, \$217,839 and \$243,631 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 8: 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.

**NOTE 9: 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 2014-2015 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.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 10: RISK MANAGEMENT**

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

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.

The table below 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> |
|--------------------|-------------------------------|-------------------------------|--------------------------|-----------------------|
| 2014-2015          |                               |                               | \$9,575.36               | \$187.54              |
| 2013-2014          | \$20,570.47                   | \$12,424.21                   | 36,578.68                | 9,762.90              |
| 2012-2013          |                               | 5,864.22                      | 555.70                   | 13,346.90             |

**NOTE 11: 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, 2015:

| <u>Fund</u>          | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|----------------------|-----------------------------|--------------------------|
| General Fund         | \$83,916.26                 |                          |
| Special Revenue Fund |                             | \$78,745.27              |
| Fiduciary Fund       |                             | 5,170.99                 |
|                      | <u>\$83,916.26</u>          | <u>\$83,916.26</u>       |

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 12: FUND BALANCE APPROPRIATED**

**General Fund (Exhibit B-1)**– Of the \$3,045,520.55 General Fund fund balance at June 30, 2015, \$377.59 has been designated for ARRA/SEMI; \$2,127,552.40 is restricted in the capital reserve account; \$477,620.00 is restricted in the maintenance reserve account; \$515,742.56 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7, of which \$266,875.00 has been appropriated and included as anticipated revenue for the year ending June 30, 2016.

**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 Restricted Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund 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 \$248,867.56 excess fund balance resulting from the year ended June 30, 2015.

|  |                |
|--|----------------|
| General Fund Expenditures                                |                |
| Fiscal Year Ended June 30, 2015                          | \$9,533,424.39 |
| Add:   |                |
| Transfer from Capital Outlay to Capital Projects Fund    | 110,000.00     |
| Less:  |                |
| On-behalf TPAF Pension and Social Security Reimbursement | 682,429.43     |
| Adjusted General Fund Expenditures                       | 8,960,994.96   |
| Excess Surplus Percentage                                | 2.00%          |
| 2% of Adjusted 2014-15 General Fund Expenditures         | 179,219.90     |
| Greater of line above of \$250,000.00                    | 250,000.00     |
| Add: Allowable Adjustments                               |                |
| Maximum Unreserved/Undesignated Fund Balance             | 250,000.00     |
| Actual Unreserved/Undesignated Fund Balance              | 498,867.56     |
| Excess Surplus   | \$248,867.56   |

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 14: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Borough of South Bound 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 as per N.J.S.A. 18A:7G-31(c), 18A:7G-13 and N.J.A.C. 6A23A-14.1, 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. 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 capital reserve for withdrawal in subsequent school years. 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, 2015 is as follows:

|                                       |                              |
|---------------------------------------|------------------------------|
| Beginning balance, July 1, 2014       | \$2,017,552.40               |
| Add: Board resolution/ Adopted budget | 350,000.00                   |
| Less: Withdrawals - Board Resolutions | <u>(240,000.00)</u>          |
| Ending balance, June 30, 2015         | <u><u>\$2,127,552.40</u></u> |

The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

**NOTE 15: 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, 2015.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**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 activity of the maintenance reserve for the year ending June 30, 2015 is as follows:

|                                       |                            |
|---------------------------------------|----------------------------|
| Beginning balance, July 1, 2014       | \$250,000.00               |
| Add: Board resolution/ Adopted budget | <u>227,620.00</u>          |
| Ending balance, June 30, 2015         | <u><u>\$477,620.00</u></u> |

**NOTE 17: DEFICIT FUND BALANCES**

The District has a deficit fund balance of \$75,772.00 in the General Fund as of June 30, 2015 as reported in the fund statements (modified accrual basis). P.L. 2003,C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset and liability) should be symmetry, ie, if one government recognized an asset, the other government recognized liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last two state aid payments, the General Fund balance deficit does not alone indicate that the District is facing financial difficulties.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 18: INVENTORY**

Inventory in the Food Service Fund at June 30, 2015 consisted of the following:

|                   |                   |
|-------------------|-------------------|
| Food and Supplies | <u>\$3,031.92</u> |
|-------------------|-------------------|

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Act of 1996) 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.

**NOTE 19: SUBSEQUENT EVENTS**

The Board of Education has evaluated subsequent events occurring after the financial statement date through November 20, 2015 which is the date the financial statements were available to be issued. No items were noted for disclosure or adjustment.

**NOTE 20: RESTATEMENT**

As stated in Note 6 in FY2015 the District implemented GASB 68. As a result the District's Net Position at June 30, 2014 was restated as follows:

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| Beginning Net Position 06/30/14               | \$8,321,367.71                     |
| Adjustments:                                  |                                    |
| Recognition of Net Pension Liability          | <u>(1,160,752.00)</u>              |
| Beginning Net Position 06/30/14 (As restated) | <u><u>\$7,160,615.71</u></u>       |

**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, 2015

|   | <u>ORIGINAL<br/>BUDGET</u> | <u>BUDGET TRANSFERS/<br/>AMENDMENTS</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>         | <u>VARIANCE<br/>FINAL TO ACTUAL</u> |
|---|----------------------------|---|-------------------------|-----------------------|-------------------------------------|
| <b>REVENUES:</b>  |                            |   |                         |                       |                                     |
| Local sources:  |                            |   |                         |                       |                                     |
| Local tax levy  | \$5,683,604.00             |   | \$5,683,604.00          | \$5,683,604.00        |                                     |
| Tuition from other LEA's within the state                     | 40,000.00                  |   | 40,000.00               | 88,495.53             | \$48,495.53                         |
| Miscellaneous   | 10,106.00                  |   | 10,106.00               | 19,708.02             | 9,602.02                            |
| <b>Total revenues-local sources</b>                           | <b>5,733,710.00</b>        |   | <b>5,733,710.00</b>     | <b>5,791,807.55</b>   | <b>58,097.55</b>                    |
| State sources:  |                            |   |                         |                       |                                     |
| Equalization aid  | 2,948,720.00               |   | 2,948,720.00            | 2,948,720.00          |                                     |
| Categorical special education aid                             | 335,311.00                 |   | 335,311.00              | 335,311.00            |                                     |
| Extraordinary aid   | 75,000.00                  |   | 75,000.00               | 54,923.00             | (20,077.00)                         |
| Categorical security aid                                      | 30,468.00                  |   | 30,468.00               | 30,468.00             |                                     |
| Categorical transportation aid                                | 14,865.00                  |   | 14,865.00               | 14,865.00             |                                     |
| Other state aids  | 11,160.00                  |   | 11,160.00               | 11,160.00             |                                     |
| On-behalf TPAF post retirement medical pension (non-budgeted) |                            |   |                         | 268,666.00            | 268,666.00                          |
| On-behalf TPAF pension (non-budgeted)                         |                            |   |                         | 169,239.00            | 169,239.00                          |
| Reimbursed TPAF social security cont. (non-budgeted)          |                            |   |                         | 244,524.43            | 244,524.43                          |
| <b>Total - state sources</b>                                  | <b>3,415,524.00</b>        |   | <b>3,415,524.00</b>     | <b>4,077,876.43</b>   | <b>662,352.43</b>                   |
| Federal sources:  |                            |   |                         |                       |                                     |
| Medicaid Reimbursement (ARRA-SEMI)                            |                            |   |                         | 377.59                | 377.59                              |
| <b>Total - federal sources</b>                                |                            |   |                         | <b>377.59</b>         | <b>377.59</b>                       |
| <b>Total revenues</b>   | <b>9,149,234.00</b>        |   | <b>9,149,234.00</b>     | <b>9,870,061.57</b>   | <b>720,827.57</b>                   |
| <b>EXPENDITURES</b>   |                            |   |                         |                       |                                     |
| <b>CURRENT EXPENSE:</b>                                       |                            |   |                         |                       |                                     |
| Regular programs - instruction:                               |                            |   |                         |                       |                                     |
| Salaries of teachers:   |                            |   |                         |                       |                                     |
| Preschool   | 82,555.00                  |   | 82,555.00               | 82,555.00             |                                     |
| Kindergarten  | 195,150.00                 | (33,865.00)                             | 161,285.00              | 161,285.00            |                                     |
| Grades 1-5  | 1,064,516.00               | (\$29,965.98)                           | 1,034,550.02            | 1,031,090.02          | 3,460.00                            |
| Grades 6-8  | 709,669.00                 | (14,841.42)                             | 694,827.58              | 663,592.29            | 31,235.29                           |
| Regular programs - home instruction:                          |                            |   |                         |                       |                                     |
| Salaries of teachers  | 3,300.00                   |   | 3,300.00                | 1,710.63              | 1,589.37                            |
| Regular programs - undistributed instruction:                 |                            |   |                         |                       |                                     |
| Other purchased services                                      | 49,150.00                  |   | 49,150.00               | 40,307.00             | 8,843.00                            |
| General supplies  | 102,500.00                 |   | 102,500.00              | 88,013.79             | 14,486.21                           |
| Textbooks   | 25,000.00                  | (14,035.00)                             | 10,965.00               | 10,938.05             | 26.95                               |
| Other objects   | 7,000.00                   | 14,035.00                               | 21,035.00               | 7,645.13              | 13,389.87                           |
| <b>Total regular programs</b>                                 | <b>\$2,238,640.00</b>      | <b>(\$78,672.40)</b>                    | <b>\$2,160,167.60</b>   | <b>\$2,087,136.91</b> | <b>\$73,030.69</b>                  |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>BUDGET TRANSFERS/<br/>AMENDMENTS</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>      | <u>VARIANCE<br/>FINAL TO ACTUAL</u> |
|--|----------------------------|---|-------------------------|--------------------|-------------------------------------|
| <b>Special education:</b>                          |                            |   |                         |                    |                                     |
| Learning and/or language disabilities:             |                            |   |                         |                    |                                     |
| Salaries of teachers                               | \$85,055.00                |   | \$85,055.00             | \$85,055.00        |                                     |
| Other salaries for instruction                     | 14,321.00                  |   | 14,321.00               | 9,240.93           | \$5,080.07                          |
| General supplies                                   | 100.00                     |   | 100.00                  | 78.60              | 21.40                               |
| Textbooks  | 100.00                     |   | 100.00                  |                    | 100.00                              |
| <b>Total learning and/or language disabilities</b> | <b>99,576.00</b>           |   | <b>99,576.00</b>        | <b>94,374.53</b>   | <b>5,201.47</b>                     |
| Auditorily impaired:                               |                            |   |                         |                    |                                     |
| Purchased professional-educational services        | 13,500.00                  |   | 13,500.00               | 13,500.00          |                                     |
| Purchased technical services                       | 200.00                     |   | 200.00                  |                    | 200.00                              |
| <b>Total auditory impairments</b>                  | <b>13,700.00</b>           |   | <b>13,700.00</b>        | <b>13,500.00</b>   | <b>200.00</b>                       |
| Multiple disabilities:                             |                            |   |                         |                    |                                     |
| Salaries of teachers                               | 57,000.00                  |   | 57,000.00               | 51,871.18          | 5,128.82                            |
| Other salaries for instruction                     | 90,228.00                  |   | 90,228.00               | 76,996.44          | 13,231.56                           |
| Purchased professional-educational services        | 10,200.00                  |   | 10,200.00               | 7,687.52           | 2,512.48                            |
| Other purchased services (400-500 series)          | 150.00                     |   | 150.00                  |                    | 150.00                              |
| General supplies                                   | 100.00                     |   | 100.00                  | 99.94              | 0.06                                |
| <b>Total multiple disabilities</b>                 | <b>157,678.00</b>          |   | <b>157,678.00</b>       | <b>136,655.08</b>  | <b>21,022.92</b>                    |
| Resource room/resource center:                     |                            |   |                         |                    |                                     |
| Salaries of teachers                               | 174,735.00                 | 49,767.40                               | 224,502.40              | 224,502.40         |                                     |
| Other purchased services (400-500 series)          | 450.00                     |   | 450.00                  |                    | 450.00                              |
| General supplies                                   | 300.00                     |   | 300.00                  | 122.15             | 177.85                              |
| Textbooks  | 300.00                     |   | 300.00                  | 144.06             | 155.94                              |
| <b>Total resource room/center</b>                  | <b>175,785.00</b>          | <b>49,767.40</b>                        | <b>225,552.40</b>       | <b>224,768.61</b>  | <b>783.79</b>                       |
| Preschool disabilities - part time:                |                            |   |                         |                    |                                     |
| Salaries of teachers                               | 57,000.00                  | 28,905.00                               | 85,905.00               | 85,905.00          |                                     |
| Other salaries for instruction                     | 33,170.00                  |   | 33,170.00               | 32,751.20          | 418.80                              |
| Purchased professional-educational services        | 4,000.00                   |   | 4,000.00                | 4,000.00           |                                     |
| Other purchased services                           | 150.00                     |   | 150.00                  |                    | 150.00                              |
| General supplies                                   | 100.00                     |   | 100.00                  |                    | 100.00                              |
| <b>Total preschool disabilities - part time</b>    | <b>94,420.00</b>           | <b>28,905.00</b>                        | <b>123,325.00</b>       | <b>122,656.20</b>  | <b>668.80</b>                       |
| <b>Total special education</b>                     | <b>541,159.00</b>          | <b>78,672.40</b>                        | <b>619,831.40</b>       | <b>591,954.42</b>  | <b>27,876.98</b>                    |
| Basic skills/remedial:                             |                            |   |                         |                    |                                     |
| Salaries of teachers                               | 28,500.00                  |   | 28,500.00               | 26,672.40          | 1,827.60                            |
| General Supplies                                   | 100.00                     |   | 100.00                  |                    | 100.00                              |
| Textbooks  | 100.00                     |   | 100.00                  |                    | 100.00                              |
| <b>Total basic skills/remedial</b>                 | <b>28,700.00</b>           |   | <b>28,700.00</b>        | <b>26,672.40</b>   | <b>2,027.60</b>                     |
| Bilingual education:                               |                            |   |                         |                    |                                     |
| Salaries of teachers                               | 60,995.00                  |   | 60,995.00               | 60,995.00          |                                     |
| Purchased services (400-500 series)                | 150.00                     |   | 150.00                  |                    | 150.00                              |
| General supplies                                   | 100.00                     |   | 100.00                  | 93.29              | 6.71                                |
| Textbook   | 100.00                     |   | 100.00                  |                    | 100.00                              |
| <b>Total bilingual education</b>                   | <b>\$61,345.00</b>         |   | <b>\$61,345.00</b>      | <b>\$61,088.29</b> | <b>\$256.71</b>                     |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015

|   | ORIGINAL<br>BUDGET | BUDGET TRANSFERS/<br>AMENDMENTS | FINAL<br>BUDGET | ACTUAL       | VARIANCE<br>FINAL TO ACTUAL |
|---|--------------------|---------------------------------|-----------------|--------------|-----------------------------|
| School sponsored cocurricular activities:                   |                    |                                 |                 |              |                             |
| Salaries  | \$23,000.00        |                                 | \$23,000.00     | \$17,837.38  | \$5,162.62                  |
| Supplies and Materials                                      | 1,470.00           |                                 | 1,470.00        | 1,470.00     |                             |
| Total school sponsored cocurricular activities              | 24,470.00          |                                 | 24,470.00       | 19,307.38    | 5,162.62                    |
| School sponsored athletics:                                 |                    |                                 |                 |              |                             |
| Salaries  | 7,800.00           |                                 | 7,800.00        | 7,800.00     |                             |
| Total school sponsored athletics                            | 7,800.00           |                                 | 7,800.00        | 7,800.00     |                             |
| Total other instructional programs                          | 122,315.00         |                                 | 122,315.00      | 114,868.07   | 7,446.93                    |
| Total - instruction   | 2,902,314.00       | (\$0.00)                        | 2,902,314.00    | 2,793,959.40 | 108,354.60                  |
| Undistributed expenditures:                                 |                    |                                 |                 |              |                             |
| Instruction:  |                    |                                 |                 |              |                             |
| Tuition to Other LEAs Within the State-Regular              | 1,643,800.00       | (46,436.53)                     | 1,597,363.47    | 1,567,785.08 | 29,578.39                   |
| Tuition to Other LEAs Within the State-Special              | 272,684.00         |                                 | 272,684.00      | 162,647.71   | 110,036.29                  |
| Tuition to county vocational school district - regular      | 80,600.00          |                                 | 80,600.00       | 78,600.00    | 2,000.00                    |
| Tuition to private schools for handicapped within the state | 530,724.00         |                                 | 530,724.00      | 450,458.48   | 80,265.52                   |
| Tuition - state facilities                                  | 35,865.00          |                                 | 35,865.00       | 35,865.00    |                             |
| Total undistributed expenditures - instruction              | 2,563,673.00       | (46,436.53)                     | 2,517,236.47    | 2,295,356.27 | 221,880.20                  |
| Attendance & Social Work:                                   |                    |                                 |                 |              |                             |
| Salaries  | 28,121.00          |                                 | 28,121.00       | 28,121.00    |                             |
| Other purchased services (400-500 series)                   | 5,200.00           |                                 | 5,200.00        | 5,200.00     |                             |
| Total attendance & social work                              | 33,321.00          |                                 | 33,321.00       | 33,321.00    |                             |
| Health services:  |                    |                                 |                 |              |                             |
| Salaries  | 122,191.00         |                                 | 122,191.00      | 113,940.47   | 8,250.53                    |
| Purchased professional technical services                   | 4,100.00           | 3,975.00                        | 8,075.00        | 8,075.00     |                             |
| Other purchased services                                    | 200.00             | (25.00)                         | 175.00          | 175.00       |                             |
| Supplies and Materials                                      | 2,900.00           | 299.79                          | 3,199.79        | 3,199.79     |                             |
| Other objects   | 350.00             |                                 | 350.00          | 350.00       |                             |
| Total health services                                       | 129,741.00         | 4,249.79                        | 133,990.79      | 125,740.26   | 8,250.53                    |
| Other support services - students-related services:         |                    |                                 |                 |              |                             |
| Salaries  | 54,595.00          | 6,995.00                        | 61,590.00       | 51,590.00    |                             |
| Purchased professional educational services                 | 69,000.00          |                                 | 69,000.00       | 54,485.00    | 14,515.00                   |
| Supplies and Materials                                      | 550.00             |                                 | 550.00          | 550.00       |                             |
| Total other support services - students-related services    | 124,145.00         | 6,995.00                        | 131,140.00      | 116,075.00   | 15,065.00                   |
| Related services - extraordinary services:                  |                    |                                 |                 |              |                             |
| Purchased professional - Educational Services               | 75,000.00          | 19,860.39                       | 94,860.39       | 59,109.65    | 35,750.74                   |
| Total related services - extraordinary services:            | \$75,000.00        | \$19,860.39                     | \$94,860.39     | \$59,109.65  | \$35,750.74                 |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015

|   | ORIGINAL<br>BUDGET  | BUDGET TRANSFERS/<br>AMENDMENTS | FINAL<br>BUDGET     | ACTUAL              | VARIANCE<br>FINAL TO ACTUAL |
|---|---------------------|---------------------------------|---------------------|---------------------|-----------------------------|
| Other support services - students-regular                         |                     |                                 |                     |                     |                             |
| Salaries of other professional staff                              | \$54,595.00         |                                 | \$54,595.00         | \$54,595.00         |                             |
| Supplies and materials  | 300.00              |                                 | 300.00              | 184.94              | 115.06                      |
| <b>Total other support services - students-regular</b>            | <b>54,895.00</b>    |                                 | <b>54,895.00</b>    | <b>54,779.94</b>    | <b>115.06</b>               |
| Other support services - students - special services:             |                     |                                 |                     |                     |                             |
| Salaries of other professional staff                              | 120,116.00          |                                 | 120,116.00          | 120,116.00          |                             |
| Salaries of secretarial and clerical assistants                   | 47,117.00           | 15,335.00                       | 62,452.00           | 48,171.63           | 14,280.37                   |
| Purchased services - special                                      | 10,500.00           |                                 | 10,500.00           | 5,469.00            | 5,031.00                    |
| Other purchased services  | 750.00              |                                 | 750.00              | 72.72               | 677.28                      |
| Supplies and materials  | 3,600.00            | (3.65)                          | 3,596.35            | 2,714.35            | 882.00                      |
| Other objects   | 2,000.00            |                                 | 2,000.00            | 1,020.00            | 980.00                      |
| <b>Total other support services - students - special services</b> | <b>184,083.00</b>   | <b>15,331.35</b>                | <b>199,414.35</b>   | <b>177,563.70</b>   | <b>21,850.65</b>            |
| Improvement of instructional services:                            |                     |                                 |                     |                     |                             |
| Salaries of Supervisor/Instructor                                 |                     | 61,057.03                       | 61,057.03           | 61,057.03           |                             |
| Salaries of other professional staff                              | 41,903.00           |                                 | 41,903.00           | 41,903.00           |                             |
| Other Salaries  | 12,540.00           |                                 | 12,540.00           | 5,212.00            | 7,328.00                    |
| Salaries of Inservice/Staff                                       | 65,000.00           | (61,057.03)                     | 3,942.97            | 3,942.97            |                             |
| <b>Total improvement of instructional services</b>                | <b>119,443.00</b>   |                                 | <b>119,443.00</b>   | <b>112,115.00</b>   | <b>7,328.00</b>             |
| Educational media services / school library                       |                     |                                 |                     |                     |                             |
| Salaries  | 177,117.00          |                                 | 177,117.00          | 177,117.00          |                             |
| Supplies and materials  | 7,000.00            |                                 | 7,000.00            | 5,449.57            | 1,550.43                    |
| <b>Total Educational media services / school library</b>          | <b>184,117.00</b>   |                                 | <b>184,117.00</b>   | <b>182,566.57</b>   | <b>1,550.43</b>             |
| Instructional staff training services:                            |                     |                                 |                     |                     |                             |
| Purchased professional educational services                       | 36,098.00           |                                 | 36,098.00           | 24,825.03           | 11,272.97                   |
| Other Purchased Services  | 12,000.00           |                                 | 12,000.00           | 1,594.82            | 10,405.18                   |
| <b>Total Instructional staff training services</b>                | <b>48,098.00</b>    |                                 | <b>48,098.00</b>    | <b>26,419.85</b>    | <b>21,678.15</b>            |
| Support services general administration:                          |                     |                                 |                     |                     |                             |
| Salaries  | 67,500.00           |                                 | 67,500.00           | 67,500.00           |                             |
| Legal services  | 21,471.50           |                                 | 21,471.50           | 13,471.50           | 8,000.00                    |
| Audit Fees  | 17,000.00           | (1,425.00)                      | 15,575.00           | 15,575.00           |                             |
| Other purchased professional services                             | 8,000.00            | 9,012.28                        | 17,012.28           | 17,012.28           |                             |
| Purchased technical services                                      | 8,900.00            | (120.00)                        | 8,780.00            | 8,780.00            |                             |
| Other purchased services  | 5,000.00            |                                 | 5,000.00            | 4,675.63            | 324.37                      |
| Supplies and materials  | 4,500.00            | (1,654.40)                      | 2,845.60            | 2,793.02            | 52.58                       |
| Miscellaneous Expenditures  | 19,000.00           | (3,993.62)                      | 15,006.38           | 14,211.50           | 794.88                      |
| BOE membership dues and fees                                      | 5,500.00            | (342.60)                        | 5,157.40            | 5,157.40            |                             |
| <b>Total support services general administration</b>              | <b>\$156,871.50</b> | <b>\$1,476.66</b>               | <b>\$158,348.16</b> | <b>\$149,176.33</b> | <b>\$9,171.83</b>           |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015

|  | ORIGINAL<br>BUDGET  | BUDGET TRANSFERS/<br>AMENDMENTS | FINAL<br>BUDGET     | ACTUAL              | VARIANCE<br>FINAL TO ACTUAL |
|--|---------------------|---------------------------------|---------------------|---------------------|-----------------------------|
| Support services school administration:                  |                     |                                 |                     |                     |                             |
| Salaries of principals/assistant principals              | \$170,500.00        | (\$2,083.23)                    | \$168,416.77        | \$164,133.71        | \$4,283.06                  |
| Salaries of secretarial and clerical assistants          | 43,671.00           | \$0.12                          | 43,671.12           | 43,671.12           |                             |
| Other purchased services (400-500 series)                | 500.00              |                                 | 500.00              | 484.12              | 15.88                       |
| Supplies and materials                                   | 6,000.00            |                                 | 6,000.00            | 5,776.31            | 223.69                      |
| Other objects  | 380.00              | 606.45                          | 986.45              | 986.45              |                             |
| <b>Total support services school administration</b>      | <b>221,051.00</b>   | <b>(1,476.66)</b>               | <b>219,574.34</b>   | <b>215,051.71</b>   | <b>4,522.63</b>             |
| Central Services:  |                     |                                 |                     |                     |                             |
| Salaries   | 205,632.00          | 1,500.00                        | 207,132.00          | 207,132.00          |                             |
| Purchased professional services                          | 7,000.00            |                                 | 7,000.00            | 7,000.00            |                             |
| Miscellaneous purchased services                         | 1,000.00            |                                 | 1,000.00            | 838.01              | 161.99                      |
| Supplies and materials                                   | 2,600.00            | (1,500.00)                      | 1,100.00            | 717.45              | 382.55                      |
| <b>Total central services</b>                            | <b>216,232.00</b>   |                                 | <b>216,232.00</b>   | <b>215,687.46</b>   | <b>544.54</b>               |
| Required maintenance for school facilities:              |                     |                                 |                     |                     |                             |
| Cleaning, repair and maint services                      | 77,000.00           | \$11,727.56                     | 88,727.56           | 88,727.56           |                             |
| General supplies   | 12,000.00           | 4,106.33                        | 16,106.33           | 16,106.33           |                             |
| <b>Total required maintenance for school facilities</b>  | <b>89,000.00</b>    | <b>15,833.89</b>                | <b>104,833.89</b>   | <b>104,833.89</b>   |                             |
| Other operations & maintenance of plant                  |                     |                                 |                     |                     |                             |
| Salaries   | 23,200.00           | (526.46)                        | 22,673.54           | 22,673.54           |                             |
| Purchased professional and technical services            | 12,000.00           | 2.37                            | 12,002.37           | 12,002.37           |                             |
| Cleaning, repair and maint services                      | 280,000.00          | 266.00                          | 280,266.00          | 280,266.00          |                             |
| Rental of land & building other than lease purchase      | 6,100.00            | (5,452.51)                      | 647.49              | 647.49              |                             |
| Other purchased property services                        | 7,500.00            | (304.00)                        | 7,196.00            | 7,196.00            |                             |
| Insurance  | 37,000.00           | (936.32)                        | 36,063.68           | 36,063.68           |                             |
| Energy (electricity)                                     | 181,664.00          | (1,089.19)                      | 180,574.81          | 180,574.81          |                             |
| Other objects  | 700.00              | (29.44)                         | 670.56              |                     | 670.56                      |
| <b>Total other operations &amp; maintenance of plant</b> | <b>\$548,164.00</b> | <b>(\$8,069.55)</b>             | <b>\$540,094.45</b> | <b>\$539,423.89</b> | <b>\$670.56</b>             |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015

|  | ORIGINAL<br>BUDGET    | BUDGET TRANSFERS/<br>AMENDMENTS | FINAL<br>BUDGET       | ACTUAL                | VARIANCE<br>FINAL TO ACTUAL |
|--|-----------------------|---------------------------------|-----------------------|-----------------------|-----------------------------|
| Student transportation services:                                 |                       |                                 |                       |                       |                             |
| Contracted services (between home and school) - joint agreements | \$35,884.00           |                                 | \$35,884.00           | \$18,737.74           | \$17,146.26                 |
| Contracted services (special education students) - vendors       | 345,000.00            | (7,764.34)                      | 337,235.66            | 296,248.18            | 40,987.48                   |
| <b>Total student transportation services</b>                     | <b>380,884.00</b>     | <b>(7,764.34)</b>               | <b>373,119.66</b>     | <b>314,985.92</b>     | <b>58,133.74</b>            |
| Unallocated benefits:  |                       |                                 |                       |                       |                             |
| Social security contributions                                    | 70,000.00             |                                 | 70,000.00             | 47,799.92             | 22,200.08                   |
| Other retirement contributions - regular                         | 59,000.00             |                                 | 59,000.00             | 45,546.67             | 13,453.33                   |
| Unemployment Compensation  | 46,520.00             |                                 | 46,520.00             | 38,874.01             | 7,645.99                    |
| Workmen's compensation   | 36,000.00             |                                 | 36,000.00             | 28,788.28             | 7,211.72                    |
| Health benefits  | 30,000.00             |                                 | 30,000.00             | 24,298.98             | 5,701.02                    |
| Other employee benefits  | 1,500.00              |                                 | 1,500.00              | 793.10                | 706.90                      |
| <b>Total unallocated benefits</b>                                | <b>243,020.00</b>     |                                 | <b>243,020.00</b>     | <b>186,100.96</b>     | <b>56,919.04</b>            |
| Allocated benefits:  |                       |                                 |                       |                       |                             |
| Regular programs - health benefits                               | 663,883.00            |                                 | 663,883.00            | 518,913.19            | 144,969.81                  |
| Regular programs - tuition reimbursement                         | 20,000.00             |                                 | 20,000.00             | 11,844.34             | 8,155.66                    |
| Special programs - health benefits                               | 213,864.00            |                                 | 213,864.00            | 213,864.00            |                             |
| Improvement of instruction services - health benefits            | 11,380.00             |                                 | 11,380.00             | 7,602.85              | 3,777.15                    |
| Library services - health benefits                               | 33,074.00             |                                 | 33,074.00             | 33,074.00             |                             |
| General administration - health benefits                         | 41,000.00             |                                 | 41,000.00             | 41,000.00             |                             |
| School administration - health benefits                          | 17,000.00             |                                 | 17,000.00             | 17,000.00             |                             |
| Central services - health benefits                               | 47,000.00             |                                 | 47,000.00             | 47,000.00             |                             |
| <b>Total allocated benefits</b>                                  | <b>1,047,201.00</b>   |                                 | <b>1,047,201.00</b>   | <b>890,298.38</b>     | <b>156,902.62</b>           |
| On-behalf TPAF post retirement medical pension (non-budgeted)    |                       |                                 |                       | 268,666.00            | (268,666.00)                |
| On-behalf TPAF pension (non-budgeted)                            |                       |                                 |                       | 169,239.00            | (169,239.00)                |
| Reimbursed TPAF social security contributions (non-budgeted)     |                       |                                 |                       | 244,524.43            | (244,524.43)                |
| <b>Total on-behalf contributions</b>                             |                       |                                 |                       | <b>682,429.43</b>     | <b>(682,429.43)</b>         |
| <b>Total undistributed expenditures</b>                          | <b>6,418,939.50</b>   | <b>(0.00)</b>                   | <b>6,418,939.50</b>   | <b>6,481,035.21</b>   | <b>(62,095.71)</b>          |
| <b>TOTAL EXPENDITURES - CURRENT EXPENSE</b>                      | <b>\$9,321,253.50</b> | <b>(\$0.00)</b>                 | <b>\$9,321,253.50</b> | <b>\$9,274,994.61</b> | <b>\$46,258.89</b>          |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015

|   | BUDGET         | BUDGET TRANSFERS/<br>AMENDMENTS | FINAL<br>BUDGET | ACTUAL         | VARIANCE<br>FINAL TO ACTUAL |
|---|----------------|---------------------------------|-----------------|----------------|-----------------------------|
| CAPITAL OUTLAY:   |                |                                 |                 |                |                             |
| Facilities Acquisition and Construction Services  |                |                                 |                 |                |                             |
| Legal Services  | \$3,000.00     |                                 | \$3,000.00      | \$3,000.00     |                             |
| Other purchased prof. and tech. service   | 13,000.00      | 4,387.28                        | 17,387.28       | 17,387.28      |                             |
| Instructional equipment   | 86,169.00      |                                 | 86,169.00       | 86,169.00      |                             |
| Infrastructure  | 129,000.00     | (4,387.28)                      | 124,612.72      | 68,530.00      | 56,082.72                   |
| Assessment for debt service on SDA funding  | 32,491.00      |                                 | 32,491.00       | 32,491.00      |                             |
| Total Facilities Acquisition and Const. Serv.   | 263,660.00     |                                 | 263,660.00      | 207,577.28     | 56,082.72                   |
| TOTAL CAPITAL OUTLAY  | 263,660.00     |                                 | 263,660.00      | 207,577.28     | 56,082.72                   |
| CHARTER SCHOOLS:  |                |                                 |                 |                |                             |
| Transfer of funds to charter schools  | 27,902.00      |                                 | 27,902.00       | 27,902.00      |                             |
| SPECIAL SCHOOLS:  |                |                                 |                 |                |                             |
| Summer school-instruction:  |                |                                 |                 |                |                             |
| Salaries of teachers  | 11,434.00      |                                 | 11,434.00       | 10,987.00      | 447.00                      |
| Other salaries for instruction  | 5,520.00       |                                 | 5,520.00        | 5,520.00       |                             |
| Purchased professional and technical services   | 9,692.00       |                                 | 9,692.00        | 6,443.50       | 3,248.50                    |
| Total summer school-instruction   | 26,646.00      |                                 | 26,646.00       | 22,950.50      | 3,695.50                    |
| Total special schools   | 26,646.00      |                                 | 26,646.00       | 22,950.50      | 3,695.50                    |
| Total expenditures  | 9,639,461.50   |                                 | 9,639,461.50    | 9,533,424.39   | 106,037.11                  |
| Excess (deficiency) of revenues<br>over (under) expenditures  | (490,227.50)   |                                 | (490,227.50)    | 336,637.18     | 826,864.68                  |
| Other financing sources (uses):   |                |                                 |                 |                |                             |
| Operating transfer out - capital projects fund  | (110,000.00)   |                                 | (110,000.00)    | (110,000.00)   |                             |
| Total other financing sources (uses)  | (110,000.00)   |                                 | (110,000.00)    | (110,000.00)   |                             |
| Excess (deficiency) of revenues and other financing<br>sources over (under) expenditures and other financing uses | (600,227.50)   |                                 | (600,227.50)    | 226,637.18     | 826,864.68                  |
| Fund balances, July 1   | 3,144,655.37   |                                 | 3,144,655.37    | 3,144,655.37   |                             |
| Fund balances, June 30  | \$2,544,427.87 |                                 | \$2,544,427.87  | \$3,371,292.55 | \$826,864.68                |
| Recapitulation:   |                |                                 |                 |                |                             |
| Capital reserve   |                |                                 |                 | 2,127,552.40   |                             |
| Maintenance reserve   |                |                                 |                 | 477,620.00     |                             |
| Excess surplus - prior year   |                |                                 |                 | 266,875.00     |                             |
| Excess surplus - current year   |                |                                 |                 | 248,867.56     |                             |
| Designated fund balance - ARRA / SEMI   |                |                                 |                 | 377.59         |                             |
| Unrestricted fund balance   |                |                                 |                 | 250,000.00     |                             |
|   |                |                                 |                 | \$3,371,292.55 |                             |
| Reconciliation to government fund statements  |                |                                 |                 |                |                             |
| Last state aid payment not recognized on GAAP basis   |                |                                 |                 | (325,772.00)   |                             |
| Fund balance per governmental funds (GAAP)  |                |                                 |                 | \$3,045,520.55 |                             |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR FISCAL YEARS ENDED JUNE 30, 2015

|   | <u>ORIGINAL<br/>BUDGET</u> | <u>BUDGET TRANSFERS/<br/>AMENDMENTS</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>       | <u>VARIANCE<br/>FINAL TO ACTUAL</u> |
|---|----------------------------|---|-------------------------|---------------------|-------------------------------------|
| REVENUES:                                       |                            |   |                         |                     |                                     |
| Federal sources                                 | \$206,731.00               | \$107,328.25                            | \$314,059.25            | \$297,373.75        | (\$16,685.50)                       |
| Other sources                                   | 1,122.00                   | 3,878.00                                | 5,000.00                | 5,000.00            |                                     |
| Total revenues                                  | <u>207,853.00</u>          | <u>111,206.25</u>                       | <u>319,059.25</u>       | <u>302,373.75</u>   | <u>(16,685.50)</u>                  |
| EXPENDITURES:                                   |                            |   |                         |                     |                                     |
| Instruction:                                    |                            |   |                         |                     |                                     |
| Salaries of teachers                            | 66,840.00                  | 24,065.00                               | 90,905.00               | 90,791.25           | 113.75                              |
| Other purchased services                        |                            | 7,911.39                                | 7,911.39                |                     | 7,911.39                            |
| Tuition   | 103,355.00                 | 15,090.00                               | 118,445.00              | 118,411.40          | 33.60                               |
| General supplies                                | 19,519.00                  | 22,980.00                               | 42,499.00               | 39,052.09           | 3,446.91                            |
| Total instruction                               | <u>189,714.00</u>          | <u>70,046.39</u>                        | <u>259,760.39</u>       | <u>248,254.74</u>   | <u>11,505.65</u>                    |
| Support services:                               |                            |   |                         |                     |                                     |
| Purchased professional & technical services     | 7,519.00                   | 7,242.36                                | 14,761.36               | 14,761.36           |                                     |
| Personal services - employee benefits           | 10,450.00                  | 24,904.50                               | 35,354.50               | 30,608.65           | 4,745.85                            |
| Supplies and materials                          |                            | 5,234.00                                | 5,234.00                | 4,800.00            | 434.00                              |
| Other objects                                   | 170.00                     |   | 170.00                  | 170.00              |                                     |
| Total support services                          | <u>18,139.00</u>           | <u>37,380.86</u>                        | <u>55,519.86</u>        | <u>50,340.01</u>    | <u>5,179.85</u>                     |
| Facilities acquisition & construction services: |                            |   |                         |                     |                                     |
| Equipment                                       |                            | 3,779.00                                | 3,779.00                | 3,779.00            |                                     |
| Total expenditures                              | <u>\$207,853.00</u>        | <u>\$111,206.25</u>                     | <u>\$319,059.25</u>     | <u>\$302,373.75</u> | <u>\$16,685.50</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, 2015

|   | GENERAL<br>FUND | SPECIAL<br>REVENUE<br>FUND |
|---|-----------------|----------------------------|
| <b>Sources/inflows of resources</b>   |                 |                            |
| Actual amounts (budgetary) "revenues" from the budgetary comparison schedules   | \$9,870,061.57  | \$302,373.75               |
| Difference - budget to GAAP<br>Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and related revenue is recognized.   |                 | 12,615.89                  |
| State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.   | 324,351.00      |                            |
| State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.  | (325,772.00)    |                            |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.  | 9,868,640.57    | 314,989.64                 |
| <b>Uses/outflows of resources</b>   |                 |                            |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules   | \$9,643,424.39  | 302,373.75                 |
| Difference - budget to GAAP<br>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 |                 | 12,615.89                  |
| Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.<br>Net transfers (outflows) to general fund.  |                 |                            |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.  | \$9,643,424.39  | \$314,989.64               |

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)**

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TEN YEARS

| <u>Fiscal Year</u><br><u>Ending</u><br><u>June 30,</u> | <u>District's</u><br><u>Proportion Share</u><br><u>of the Net Pension</u><br><u>Liability (Asset)</u> | <u>District's</u><br><u>Proportionate</u><br><u>Share of</u><br><u>the Net Pension</u><br><u>Liability (Asset)</u> | <u>District's</u><br><u>Covered-Employee</u><br><u>Payroll</u> | <u>District's</u><br><u>Proportion Share</u><br><u>of the Net Pension</u><br><u>Liability (Asset)</u><br><u>as a percentage</u><br><u>of it's Covered-</u><br><u>Employee Payroll</u> | <u>Plan Fiduciary</u><br><u>Net Position</u><br><u>as a percentage</u><br><u>of the total</u><br><u>Pension Liability</u> |
|--|---|--|--|---|---|
| 2014   | 0.0060734228%   | \$ 1,160,752   | \$ 340,333.00  | 341.06%   | 40.71%  |
| 2015   | 0.0055848866%   | 1,045,644  | 350,749.00   | 298.12%   | 42.74%  |

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TEN YEARS

| Fiscal Year<br>Ending<br><u>June 30,</u> | Contractually<br>Required<br><u>Contribution</u> | Contributions in<br>Relation to the<br>Contractually<br>Required<br><u>Contributions</u> | Contribution<br>Deficiency<br>( <u>Excess</u> ) | District's<br>Covered-<br>Employee<br><u>Payroll</u> | Contributions as<br>a Percentage of<br>Covered-<br>Employee<br><u>Payroll</u> |
|--|--|--|---|--|---|
| 2014                                     | \$ 45,762  | \$ 45,762  | \$ -0-  | \$ 340,333.00  | 13.45%  |
| 2015                                     | 46,041   | 46,041   | -0-   | 350,749.00   | 13.13%  |

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS PENSION AND ANNUITY FUND  
LAST TEN YEARS

| Fiscal Year<br>Ending<br><u>June 30,</u> | District's<br>Proportion Share<br>of the Net Pension<br><u>Liability (Asset)</u> | District's<br>Proportionate<br>Share of<br>the Net Pension<br><u>Liability (Asset)</u> | District's<br>Covered-Employee<br><u>Payroll</u> | District's<br>Proportion Share<br>of the Net Pension<br>Liability (Asset)<br>as a percentage<br>of it's Covered-<br><u>Employee Payroll</u> | Plan Fiduciary<br>Net Position<br>as a percentage<br>of the total<br><u>Pension Liability</u> |
|--|--|--|--|---|---|
| 2014                                     | 0.0333448840%  | \$ -0-   | \$ 3,289,205.00                                  | -0-   | 33.76%  |
| 2015                                     | 0.0314054995%  | -0-  | 3,383,672.00                                     | -0-   | 33.64%  |

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Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)  
NOTE TO RSI III  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms:

None

Change in assumptions:

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.63%) to the current measurement date (4.29%), resulting in a change in the discount rate from 5.55% to 5.39%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms:

None

Change in assumptions:

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.63%) to the current measurement date (4.29%), resulting in a change in the discount rate from 4.95% to 4.68%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

**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, 2015

|   | <u>TITLE I</u>      | <u>TITLE II A</u>  | <u>TITLE III</u>   | <u>IDEA<br/>BASIC</u> | <u>IDEA BASIC -<br/>PRESCHOOL</u> | <u>SAFETY<br/>GRANT</u> | <u>COMPARATIVE TOTAL<br/>(MEMORANDUM ONLY)<br/>2015</u> |
|---|---------------------|--------------------|--------------------|-----------------------|-----------------------------------|-------------------------|---|
| REVENUES:                                       |                     |                    |                    |                       |                                   |                         |   |
| Federal sources                                 | \$126,833.56        | \$14,583.36        | \$25,427.21        | \$125,133.62          | \$5,396.00                        |                         | \$297,373.75  |
| Other sources                                   |                     |                    |                    |                       |                                   | \$5,000.00              | 5,000.00  |
| Total revenues                                  | <u>126,833.56</u>   | <u>14,583.36</u>   | <u>25,427.21</u>   | <u>125,133.62</u>     | <u>5,396.00</u>                   | <u>5,000.00</u>         | <u>302,373.75</u>                                       |
| EXPENDITURES:                                   |                     |                    |                    |                       |                                   |                         |   |
| Instruction:                                    |                     |                    |                    |                       |                                   |                         |   |
| Salaries of teachers                            | 85,840.00           |                    | 2,386.25           | 2,565.00              |                                   |                         | 90,791.25   |
| Other purchased services                        |                     |                    |                    |                       |                                   |                         |   |
| Tuition   |                     |                    |                    | 118,411.40            |                                   |                         | 118,411.40  |
| General supplies                                | 10,593.66           |                    | 22,858.43          | 500.00                | 100.00                            | 5,000.00                | 39,052.09   |
| Total instruction                               | <u>96,433.66</u>    |                    | <u>25,244.68</u>   | <u>121,476.40</u>     | <u>100.00</u>                     | <u>5,000.00</u>         | <u>248,254.74</u>                                       |
| Support services:                               |                     |                    |                    |                       |                                   |                         |   |
| Purchased professional & technical services     |                     | 14,583.36          |                    |                       | 178.00                            |                         | 14,761.36   |
| Personal services - employee benefits           | 30,229.90           |                    | 182.53             | 196.22                |                                   |                         | 30,608.65   |
| Other purchased services                        |                     |                    |                    |                       |                                   |                         |   |
| Supplies and materials                          |                     |                    |                    | 3,461.00              | 1,339.00                          |                         | 4,800.00  |
| Other objects                                   | 170.00              |                    |                    |                       |                                   |                         | 170.00  |
| Total support services                          | <u>30,399.90</u>    | <u>14,583.36</u>   | <u>182.53</u>      | <u>3,657.22</u>       | <u>1,517.00</u>                   |                         | <u>50,340.01</u>  |
| Facilities acquisition & construction services: |                     |                    |                    |                       |                                   |                         |   |
| Equipment                                       |                     |                    |                    |                       | 3,779.00                          |                         | 3,779.00  |
| Total expenditures                              | <u>\$126,833.56</u> | <u>\$14,583.36</u> | <u>\$25,427.21</u> | <u>\$125,133.62</u>   | <u>\$5,396.00</u>                 | <u>\$5,000.00</u>       | <u>\$302,373.75</u>                                     |

**CAPITAL PROJECTS FUND DETAIL STATEMENTS**

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY STATEMENT OF PROJECT EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| <u>ISSUE / PROJECT TITLE</u>                            | <u>ORIGINAL DATE</u> | <u>APPROPRIATION</u> | <u>CURRENT YEAR</u> | <u>UNEXPENDED BALANCE JUNE 30, 2015</u> |
|---|----------------------|----------------------|---------------------|---|
| Various Improvements of Robert Morris Elementary School | 11/28/14             | <u>\$390,934.00</u>  | <u>\$110,000.00</u> | <u>\$280,934.00</u>                     |
|   |                      | <u>\$390,934.00</u>  | <u>\$110,000.00</u> | <u>\$280,934.00</u>                     |

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, 2015

|  |              |
|--|--------------|
| REVENUES AND OTHER FINANCING SOURCES:                |              |
| Transfer from capital reserve                        | \$110,000.00 |
| State sources - SDA grant                            | 280,934.00   |
|  | <hr/>        |
| Total revenues and other financing sources           | 390,934.00   |
|  | <hr/>        |
| EXPENDITURES AND OTHER FINANCING USES:               |              |
| Purchased professional services                      | 95,000.00    |
| Construction services                                | 15,000.00    |
|  | <hr/>        |
| Total expenditures and other financing uses          | 110,000.00   |
|  | <hr/>        |
| Excess of revenues over expenditures                 | 280,934.00   |
| Fund balance - July 1                                | <hr/>        |
| Fund balance - June 30                               | \$280,934.00 |
|  | <hr/> <hr/>  |
| <u>Reconciliation to GAAP Basis:</u>                 |              |
| Fund Balance June 30 - Budgetary Basis (Exhibit F-2) | \$280,934.00 |
| Add: Encumbrances - current year                     | -0-          |
| Less: Unrealized revenue SDA grant                   | (224,174.00) |
|  | <hr/>        |
| Fund Balance June 30 - GAAP Basis (Exhibit B-2)      | \$56,760.00  |
|  | <hr/> <hr/>  |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS  
BUDGETARY BASIS - VARIOUS IMPROVEMENTS OF ROBERT MORRIS ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|  | <u>PRIOR PERIODS</u> | <u>CURRENT YEAR</u> | <u>TOTALS</u> | <u>REVISED<br/>AUTHORIZED<br/>COST</u> |
|--|----------------------|---------------------|---------------|--|
| REVENUES AND OTHER FINANCING SOURCES:                        |                      |                     |               |  |
| State sources - SCC grant                                    |                      | \$280,934.00        | \$280,934.00  | \$280,934.00                           |
| Transfer from capital reserve                                |                      | 110,000.00          | 110,000.00    | 110,000.00                             |
|  |                      |                     |               |  |
| Total revenues and other financing sources                   |                      | 390,934.00          | 390,934.00    | 390,934.00                             |
| EXPENDITURES AND OTHER FINANCING USES:                       |                      |                     |               |  |
| Purchased professional and technical services                |                      | 95,000.00           | 95,000.00     | 140,000.00                             |
| Construction services  |                      | 15,000.00           | 15,000.00     | 250,934.00                             |
|  |                      |                     |               |  |
| Total expenditures and other financing uses                  |                      | 110,000.00          | 110,000.00    | 390,934.00                             |
| Excess (deficiency) of revenues over<br>(under) expenditures |                      |                     |               |  |
|  |                      | \$280,934.00        | \$280,934.00  |  |
| ADDITIONAL PROJECT INFORMATION:                              |                      |                     |               |  |
| Project number   | 4850-060-14-1001     |                     |               |  |
| Grant date   | 11/28/14             |                     |               |  |
| Bond authorization date                                      | N/A                  |                     |               |  |
| Bonds authorized   | N/A                  |                     |               |  |
| Bonds issued   | N/A                  |                     |               |  |
| Original authorized cost                                     | \$544,116.00         |                     |               |  |
| Additional authorized cost                                   |                      |                     |               |  |
| Revised authorized cost                                      | \$544,116.00         |                     |               |  |
| Percentage increase over original<br>authorized cost         | N/A                  |                     |               |  |
| Percentage completion  | 25.00%               |                     |               |  |
| Original target completion date                              | 9/30/15              |                     |               |  |
| Completion date  | 10/30/15             |                     |               |  |

## 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.

|  |  |
|--|--|
| <b>Unemployment Compensation Insurance Trust Fund:</b> | This trust fund is used to account for board contributions which are utilized to pay unemployment compensation claims as they arise. |
| <b>Student Activity Fund:</b>                          | This agency fund is used to account for student funds held at the schools.   |
| <b>Payroll Agency Fund:</b>                            | 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 POSITION  
JUNE 30, 2015

|                                      | STATE<br>UNEMPLOYMENT<br>INSURANCE | TOTAL<br>TRUST FUND | AGENCY                |                  | TOTAL<br>AGENCY FUND |
|--------------------------------------|------------------------------------|---------------------|-----------------------|------------------|----------------------|
|                                      |                                    |                     | STUDENT<br>ACTIVITIES | PAYROLL          |                      |
| <b>ASSETS:</b>                       |                                    |                     |                       |                  |                      |
| Cash and cash equivalents            | \$187.54                           | \$187.54            | \$22,717.08           | \$34,372.91      | \$57,089.99          |
| Intrafunds receivable                | 9,575.36                           | 9,575.36            |                       |                  |                      |
| <b>Total assets</b>                  | <b>9,762.90</b>                    | <b>9,762.90</b>     | <b>22,717.08</b>      | <b>34,372.91</b> | <b>57,089.99</b>     |
| <b>LIABILITIES:</b>                  |                                    |                     |                       |                  |                      |
| <b>Liabilities:</b>                  |                                    |                     |                       |                  |                      |
| Payroll deductions & withholdings    |                                    |                     |                       | 29,201.92        | 29,201.92            |
| Intrafunds payable                   | 9,575.36                           | 9,575.36            |                       |                  |                      |
| Interfunds payable                   |                                    |                     |                       | 5,170.99         | 5,170.99             |
| Due to student groups                |                                    |                     | 22,717.08             |                  | 22,717.08            |
| <b>Total liabilities</b>             | <b>9,575.36</b>                    | <b>9,575.36</b>     | <b>22,717.08</b>      | <b>34,372.91</b> | <b>57,089.99</b>     |
| <b>NET POSITION:</b>                 |                                    |                     |                       |                  |                      |
| Held in trust for state unemployment | 187.54                             | 187.54              |                       |                  |                      |
| <b>Total net position</b>            | <b>\$187.54</b>                    | <b>\$187.54</b>     |                       |                  |                      |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|                                     | <u>STATE<br/>UNEMPLOYMENT<br/>INSURANCE</u> | <u>TOTAL</u>           |
|-------------------------------------|---|------------------------|
| DEDUCTIONS:                         |   |                        |
| State unemployment insurance claims | <u>\$9,575.36</u>                           | <u>\$9,575.36</u>      |
| Total deductions                    | <u>9,575.36</u>                             | <u>9,575.36</u>        |
| Change in net position              | (9,575.36)                                  | (9,575.36)             |
| Net position - July 1               | <u>9,762.90</u>                             | <u>9,762.90</u>        |
| Net position - June 30              | <u><u>\$187.54</u></u>                      | <u><u>\$187.54</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, 2015

|                           | <u>BALANCE</u><br><u>JULY 1, 2014</u> | <u>ADDITIONS</u>          | <u>DELETIONS</u>          | <u>BALANCE</u><br><u>JUNE 30, 2015</u> |
|---------------------------|---------------------------------------|---------------------------|---------------------------|--|
| <b>ASSETS:</b>            |                                       |                           |                           |  |
| Cash and cash equivalents | <u>\$18,913.92</u>                    | <u>\$35,186.01</u>        | <u>\$31,382.85</u>        | <u>\$22,717.08</u>                     |
| Total assets              | <u><u>18,913.92</u></u>               | <u><u>35,186.01</u></u>   | <u><u>31,382.85</u></u>   | <u><u>22,717.08</u></u>                |
| <b>LIABILITIES:</b>       |                                       |                           |                           |  |
| Due student groups:       |                                       |                           |                           |  |
| Robert Morris School      | <u>18,913.92</u>                      | <u>35,186.01</u>          | <u>31,382.85</u>          | <u>22,717.08</u>                       |
| Total liabilities         | <u><u>\$18,913.92</u></u>             | <u><u>\$35,186.01</u></u> | <u><u>\$31,382.85</u></u> | <u><u>\$22,717.08</u></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, 2015

|                           | <u>BALANCE</u><br><u>JULY 1, 2014</u> | <u>ADDITIONS</u>             | <u>DELETIONS</u>             | <u>BALANCE</u><br><u>JUNE 30, 2015</u> |
|---------------------------|---------------------------------------|------------------------------|------------------------------|--|
| <b>ASSETS:</b>            |                                       |                              |                              |  |
| Cash and cash equivalents | <u>\$44,203.08</u>                    | <u>\$2,322,426.23</u>        | <u>\$2,332,256.40</u>        | <u>\$34,372.91</u>                     |
| Total assets              | <u><u>44,203.08</u></u>               | <u><u>2,322,426.23</u></u>   | <u><u>2,332,256.40</u></u>   | <u><u>34,372.91</u></u>                |
| <b>LIABILITIES:</b>       |                                       |                              |                              |  |
| Deductions payable        | 34,488.10                             | 2,317,236.34                 | 2,322,522.52                 | 29,201.92                              |
| Intrafunds payable        | 9,575.36                              |                              | 9,575.36                     |  |
| Interfunds payable        | <u>139.62</u>                         | <u>5,189.89</u>              | <u>158.52</u>                | <u>5,170.99</u>                        |
| Total liabilities         | <u><u>\$44,203.08</u></u>             | <u><u>\$2,322,426.23</u></u> | <u><u>\$2,332,256.40</u></u> | <u><u>\$34,372.91</u></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, 2015

| <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, 2014</u> | <u>RETIRED</u>        | <u>BALANCE JUNE 30, 2015</u> |
|------------------------|----------------------|------------------------|--------------------------|---------------|-----------------------|------------------------------|-----------------------|------------------------------|
|                        |                      |                        | <u>DATE</u>              | <u>AMOUNT</u> |                       |                              |                       |                              |
| School Refunding Bonds | 12/01/10             | \$2,865,000.00         | 12/01/15                 | 300,000.00    | 3.00%                 | <u>\$2,405,000.00</u>        | <u>\$290,000.00</u>   | <u>\$2,115,000.00</u>        |
|                        |                      |                        | 12/01/16                 | 305,000.00    | 3.00%                 |                              |                       |                              |
|                        |                      |                        | 12/01/17                 | 300,000.00    | 4.00%                 |                              |                       |                              |
|                        |                      |                        | 12/01/18                 | 310,000.00    | 4.00%                 |                              |                       |                              |
|                        |                      |                        | 12/01/19                 | 305,000.00    | 4.00%                 |                              |                       |                              |
|                        |                      |                        | 12/01/20                 | 300,000.00    | 4.00%                 |                              |                       |                              |
|                        |                      |                        | 12/01/21                 | 295,000.00    | 4.00%                 |                              |                       |                              |
|                        |                      |                        |                          |               | <u>\$2,405,000.00</u> | <u>\$290,000.00</u>          | <u>\$2,115,000.00</u> |                              |
|                        |                      |                        |                          |               | <u>\$2,405,000.00</u> | <u>\$290,000.00</u>          | <u>\$2,115,000.00</u> |                              |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
DEBT SERVICE FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|  | 2015                               |                                    |                                    |                 |
|--|------------------------------------|------------------------------------|------------------------------------|-----------------|
|  | <u>BUDGET</u>                      | <u>FINAL BUDGET</u>                | <u>ACTUAL</u>                      | <u>VARIANCE</u> |
| REVENUES:  |                                    |                                    |                                    |                 |
| Local sources:   |                                    |                                    |                                    |                 |
| Local tax levy   | \$363,352.55                       | \$363,352.55                       | \$363,352.55                       |                 |
| Total revenues   | <u>363,352.55</u>                  | <u>363,352.55</u>                  | <u>363,352.55</u>                  |                 |
| EXPENDITURES:  |                                    |                                    |                                    |                 |
| Regular debt service:  |                                    |                                    |                                    |                 |
| Interest   | 82,900.00                          | 82,900.00                          | 82,900.00                          |                 |
| Redemption of principal                                      | 290,000.00                         | 290,000.00                         | 290,000.00                         |                 |
| Total regular debt service-expenditures                      | <u>372,900.00</u>                  | <u>372,900.00</u>                  | <u>372,900.00</u>                  |                 |
| Excess (deficiency) of revenues<br>over (under) expenditures | (9,547.45)                         | (9,547.45)                         | (9,547.45)                         |                 |
| Fund balance, July 1   | <u>9,547.45</u>                    | <u>9,547.45</u>                    | <u>9,547.45</u>                    |                 |
| Fund balance, June 30  | <u><u>                    </u></u> | <u><u>                    </u></u> | <u><u>                    </u></u> |                 |

**STATISTICAL SECTION**  
**(UNAUDITED)**

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.

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

|   | 2015                  | 2014                  | 2013                  | 2012                  | 2011                  | 2010                  | 2009                  | 2008                  | 2007                  | 2006                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities                     |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets            | \$5,843,661.23        | \$5,584,150.62        | \$5,070,810.77        | \$5,119,307.60        | \$5,152,889.34        | \$5,201,117.25        | \$4,535,756.04        | \$4,447,355.19        | \$4,439,914.39        | \$4,431,003.45        |
| Restricted                                  | 3,171,129.13          | 2,896,931.99          | 2,664,676.02          | 2,142,168.54          | 1,546,317.67          | 878,425.13            | 1,032,031.95          | 923,304.79            | 582,234.80            | 716,624.35            |
| Unrestricted (Deficit)                      | (1,314,340.71)        | (159,714.90)          | (93,491.06)           | (116,860.93)          | (71,962.30)           | (65,218.97)           | (91,734.71)           | (53,643.52)           | 236,195.89            | (10,989.38)           |
| Total governmental activities net position  | <u>7,700,449.65</u>   | <u>8,321,367.71</u>   | <u>7,641,995.73</u>   | <u>7,144,615.21</u>   | <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>   |
| Business-type activities                    |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets            | 454.74                | 12,495.94             | 17,480.89             | 22,465.82             | 27,321.86             | 20,726.58             | 25,174.02             | 30,786.37             | 36,398.70             | 42,011.06             |
| Unrestricted                                | 63,179.16             | 61,822.24             | 43,833.75             | 40,825.44             | 38,183.55             | 37,286.74             | 26,247.52             | 27,327.81             | 27,700.45             | 40,005.75             |
| Total business-type activities net position | <u>63,633.90</u>      | <u>74,318.18</u>      | <u>61,314.64</u>      | <u>63,291.26</u>      | <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>      |
| District-wide                               |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets            | 5,844,115.97          | 5,596,646.56          | 5,088,291.66          | 5,141,773.42          | 5,180,211.20          | 5,221,843.83          | 4,560,930.06          | 4,478,141.56          | 4,476,313.09          | 4,473,014.51          |
| Restricted                                  | 3,171,129.13          | 2,896,931.99          | 2,664,676.02          | 2,142,168.54          | 1,546,317.67          | 878,425.13            | 1,032,031.95          | 923,304.79            | 582,234.80            | 716,624.35            |
| Unrestricted                                | (1,251,161.55)        | (97,892.66)           | (49,657.31)           | (76,035.49)           | (33,778.75)           | (27,932.23)           | (65,487.19)           | (26,315.71)           | 263,896.34            | 29,016.37             |
| Total district net position                 | <u>\$7,764,083.55</u> | <u>\$8,395,685.89</u> | <u>\$7,703,310.37</u> | <u>\$7,207,906.47</u> | <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> |

Source: CAFR Schedule A-1

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

|   | 2015                    | 2014                    | 2013                    | 2012                    | 2011                    | 2010                    | 2009                    | 2008                    | 2007                    | 2006                    |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>EXPENSES</b>                                 |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Governmental activities</b>                  |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Instruction:                                    |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Regular   | \$5,334,014.50          | \$4,450,408.86          | \$4,428,294.37          | \$4,382,810.29          | \$3,628,938.34          | \$4,281,292.76          | \$4,099,161.14          | \$4,313,669.45          | \$3,981,241.67          | \$3,732,623.28          |
| Special education                               | 1,793,798.61            | 1,552,269.23            | 1,517,687.67            | 1,423,538.70            | 1,317,871.51            | 1,550,918.02            | 1,397,205.23            | 1,586,145.96            | 1,433,522.98            | 1,415,653.30            |
| Other instruction                               | 201,401.25              | 178,939.03              | 139,432.10              | 149,479.91              | 115,483.79              | 106,922.33              | 295,030.47              | 208,562.28              | 290,036.44              | 229,695.57              |
| Support Services:                               |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Student & instruction related services          | 1,351,227.04            | 1,241,487.38            | 1,538,533.97            | 1,463,925.07            | 1,826,685.64            | 1,521,178.93            | 1,363,082.62            | 1,384,121.83            | 1,134,624.25            | 1,131,654.74            |
| General administrative services                 | 193,863.55              | 200,848.10              | 227,912.75              | 202,165.50              | 231,435.34              | 338,656.48              | 368,126.14              | 366,827.48              | 416,219.06              | 323,319.95              |
| School administrative services                  | 325,957.01              | 206,570.43              | 229,379.84              | 150,988.28              | 124,982.18              | 135,927.48              | 214,300.62              | 281,258.72              | 244,433.00              | 227,365.30              |
| Central services                                | 281,862.92              | 318,257.40              | 276,480.97              | 284,776.69              | 228,251.29              | 263,092.38              | 228,210.87              | 241,888.83              | 212,141.97              | 191,777.93              |
| Plant operations and maintenance                | 859,374.20              | 797,220.05              | 737,783.20              | 683,570.35              | 820,468.17              | 784,147.51              | 746,858.34              | 700,482.68              | 866,324.12              | 922,924.14              |
| Student transportation services                 | 314,985.92              | 315,264.53              | 269,501.42              | 356,364.65              | 276,502.14              | 338,022.64              | 429,809.50              | 319,987.50              | 351,053.27              | 254,664.76              |
| Special & Charter schools                       | 58,255.89               | 116,688.92              | 98,632.50               | 89,610.54               | 111,790.62              | 70,374.08               | 22,632.54               | 17,404.95               | 12,418.00               | 1,000.00                |
| Interest on long-term debt                      | 82,175.00               | 89,625.00               | 94,408.33               | 100,954.17              | 183,251.38              | 151,775.28              | 168,136.67              | 176,170.00              | 183,803.33              | 191,331.38              |
| Total governmental activities expenses          | <u>10,796,915.89</u>    | <u>9,467,578.93</u>     | <u>9,558,047.12</u>     | <u>9,288,184.15</u>     | <u>8,865,860.40</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>     |
| Business-type activities:                       |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Food Service                                    | 221,380.93              | 196,421.01              | 191,971.03              | 191,104.37              | 165,626.51              | 147,724.33              | 146,268.88              | 149,658.47              | 156,917.61              | 133,780.56              |
| Total business-type activities expense          | <u>221,380.93</u>       | <u>196,421.01</u>       | <u>191,971.03</u>       | <u>191,104.37</u>       | <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>       |
| Total district expenses                         | <u>11,018,296.82</u>    | <u>9,663,999.94</u>     | <u>9,750,018.15</u>     | <u>9,479,288.52</u>     | <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>     |
| <b>PROGRAM REVENUES</b>                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Governmental activities:</b>                 |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Operating grants and contributions              | 1,741,247.07            | 867,802.46              | 1,038,844.83            | 837,698.37              | 778,259.90              | 966,094.06              | 833,953.34              | 1,318,604.75            | 1,223,950.19            | 1,162,967.24            |
| Total governmental activities program revenues  | <u>1,741,247.07</u>     | <u>867,802.46</u>       | <u>1,038,844.83</u>     | <u>837,698.37</u>       | <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>     |
| <b>Business-type activities:</b>                |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Charges for services                            |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Food Service                                    | 75,472.95               | 76,479.37               | 75,367.96               | 75,642.01               | 72,296.07               | 70,360.04               | 63,740.78               | 71,215.77               | 69,445.50               | 68,237.80               |
| Operating grants and contributions              | 144,730.55              | 132,945.18              | 114,595.54              | 113,222.41              | 100,731.81              | 83,845.35               | 75,835.46               | 71,926.73               | 69,554.45               | 54,763.95               |
| Total business type activities program revenues | <u>220,203.50</u>       | <u>209,424.55</u>       | <u>189,963.50</u>       | <u>188,864.42</u>       | <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>       |
| Total district program revenues                 | <u>1,961,450.57</u>     | <u>1,077,227.01</u>     | <u>1,228,808.33</u>     | <u>1,026,562.79</u>     | <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>     |
| <b>NET (EXPENSE)/REVENUE</b>                    |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Governmental activities                         | (9,055,668.82)          | (8,599,776.47)          | (8,519,202.29)          | (8,450,485.78)          | (8,087,400.50)          | (8,576,213.83)          | (8,498,600.80)          | (8,277,914.93)          | (7,901,867.90)          | (7,459,043.11)          |
| Business-type activities                        | (1,177.43)              | 13,003.54               | (2,007.53)              | (2,239.95)              | 7,401.37                | 6,481.06                | (6,692.64)              | (6,515.97)              | (17,917.66)             | (10,778.81)             |
| Total district-wide net expense                 | <u>(\$9,056,846.25)</u> | <u>(\$8,586,772.93)</u> | <u>(\$8,521,209.82)</u> | <u>(\$8,452,725.73)</u> | <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> |

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

|   | 2015                | 2014                | 2013                | 2012                | 2011                | 2010                | 2009                | 2008                | 2007                | 2006                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b> |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Governmental activities:</b>                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Property taxes levied for general purposes                | \$5,683,604.00      | \$5,481,965.00      | \$5,380,122.00      | \$5,300,811.00      | \$5,248,130.00      | \$5,166,471.00      | \$5,045,171.00      | \$5,067,874.00      | \$4,788,682.00      | \$4,412,609.00      |
| Taxes levied for debt service                             | 363,352.55          | 375,100.00          | 269,700.00          | 336,855.00          | 376,395.00          | 375,420.00          | 373,820.00          | 356,072.00          | 348,963.00          | 387,468.00          |
| Unrestricted grants and contributions                     | 3,379,161.00        | 3,375,534.00        | 3,355,805.00        | 3,272,799.00        | 3,052,944.00        | 3,558,910.00        | 3,258,148.10        | 2,874,590.00        | 2,816,403.00        | 2,801,461.00        |
| Capital Grants  | 56,780.00           |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Miscellaneous income                                      | 113,581.14          | 46,549.45           | 10,955.81           | 57,591.28           | 22,852.80           | 13,682.96           | 15,273.44           | 38,050.31           | 61,597.56           | 95,378.51           |
| Retirement of fixed assets                                | (955.93)            |                     |                     |                     |                     |                     | (34,774.92)         |                     |                     |                     |
| <b>Total governmental activities</b>                      | <b>9,595,502.76</b> | <b>9,279,148.45</b> | <b>9,016,582.81</b> | <b>8,967,856.28</b> | <b>8,700,321.80</b> | <b>9,114,483.96</b> | <b>8,657,637.62</b> | <b>8,336,586.31</b> | <b>8,015,645.56</b> | <b>7,696,916.51</b> |
| <b>Business-type activities:</b>                          |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Miscellaneous income                                      |                     |                     | 30.91               | 25.80               | 90.72               | 110.72              |                     | 531.00              |                     |                     |
| Retirement of fixed assets                                | (9,506.85)          |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Total business-type activities</b>                     | <b>(9,506.85)</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Total district-wide</b>                                | <b>9,585,995.91</b> | <b>9,279,148.45</b> | <b>9,016,582.81</b> | <b>8,967,856.28</b> | <b>8,700,321.80</b> | <b>9,114,483.96</b> | <b>8,657,637.62</b> | <b>8,336,586.31</b> | <b>8,015,645.56</b> | <b>7,696,916.51</b> |
| <b>CHANGE IN NET POSITION</b>                             |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities                                   | 539,833.94          | 679,371.98          | 497,380.52          | 517,370.50          | 612,921.30          | 538,270.13          | 159,036.82          | 58,671.38           | 113,777.66          | 237,873.40          |
| Business-type activities                                  | (10,684.28)         | 13,003.54           | (2,007.53)          | (2,239.95)          | 7,401.37            | 6,481.06            | (6,692.64)          | (6,515.97)          | (17,917.66)         | (10,778.81)         |
| <b>Total district</b>                                     | <b>\$529,149.66</b> | <b>\$692,375.52</b> | <b>\$495,372.99</b> | <b>\$515,130.55</b> | <b>\$620,322.67</b> | <b>\$544,751.19</b> | <b>\$152,344.18</b> | <b>\$52,155.41</b>  | <b>\$95,860.00</b>  | <b>\$227,094.59</b> |

Source: CAFR Schedule A-2

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

|                                    | <u>2015</u>         | <u>2014</u>         | <u>2013</u>         | <u>2012</u>         | <u>2011</u>         | <u>2010</u>        | <u>2009</u>         | <u>2008</u>         | <u>2007</u>        | <u>2006</u>        |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|--------------------|--------------------|
| General Fund                       |                     |                     |                     |                     |                     |                    |                     |                     |                    |                    |
| Restricted                         | \$3,120,914.96      | \$2,783,793.87      | \$2,413,508.40      | \$2,046,631.59      | \$1,545,708.55      |                    |                     |                     |                    |                    |
| Assigned                           |                     | 1,004.50            | 26,022.14           | 15,001.48           | 67,591.70           |                    |                     |                     |                    |                    |
| Unassigned (Deficit)               | (75,394.41)         | 35,506.00           | 208,585.00          | 53,246.61           | (36,889.00)         |                    |                     |                     |                    |                    |
| Reserved                           |                     |                     |                     |                     |                     | \$930,291.41       | \$1,175,270.09      | \$943,283.79        | \$827,508.38       | \$784,481.63       |
| Unreserved (Deficit)               |                     |                     |                     |                     |                     | (51,734.00)        | (89,856.00)         | 119,208.80          | 144,364.80         | 31,871.39          |
| Total general fund                 | <u>3,045,520.55</u> | <u>2,820,304.37</u> | <u>2,648,115.54</u> | <u>2,114,879.68</u> | <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>  |
| All Other Governmental Funds       |                     |                     |                     |                     |                     |                    |                     |                     |                    |                    |
| Restricted                         | 56,760.00           | 9,547.45            | 9,547.45            | 9,547.45            | 9,547.45            |                    |                     |                     |                    |                    |
| Reserved                           |                     |                     |                     |                     |                     |                    |                     |                     |                    |                    |
| Unreserved, reported in:           |                     |                     |                     |                     |                     |                    |                     |                     |                    |                    |
| Special revenue fund (Deficit)     |                     |                     |                     |                     |                     |                    |                     | (7,927.80)          | (3,877.80)         | (3,877.80)         |
| Capital projects fund              |                     |                     |                     |                     |                     | 34,904.98          | 35,898.90           |                     |                    |                    |
| Debt service fund (Deficit)        |                     |                     |                     |                     |                     |                    |                     |                     | 15,747.71          | 36,204.71          |
| Total all other governmental funds | <u>\$56,760.00</u>  | <u>\$9,547.45</u>   | <u>\$9,547.45</u>   | <u>\$9,547.45</u>   | <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> |

Source: CAFR Schedule B-1

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

|   | 2015                 | 2014                 | 2013                 | 2012                | 2011                | 2010                  | 2009                | 2008                | 2007                | 2006                 |
|---|----------------------|----------------------|----------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|----------------------|
| <b>Revenues</b>   |                      |                      |                      |                     |                     |                       |                     |                     |                     |                      |
| Tax levy  | \$6,046,957.00       | \$5,857,065.00       | \$5,649,822.00       | \$5,637,466.00      | \$5,624,525.00      | \$5,541,891.00        | \$5,418,991.00      | \$5,423,946.00      | \$5,137,645.00      | \$4,800,077.00       |
| Interest earnings - capital reserve fund                  |                      |                      |                      | 289.04              | 999.74              | 1,119.17              | 2,543.55            | 4,204.00            | 7,808.00            | 4,769.94             |
| Tuition from other LEA's within the state                 | 88,495.53            |                      |                      |                     |                     |                       |                     |                     |                     |                      |
| Miscellaneous   | 25,085.16            | 46,549.45            | 17,161.62            | 62,600.26           | 29,068.87           | 20,732.03             | 18,703.15           | 71,551.61           | 70,901.80           | 110,099.74           |
| State sources   | 4,133,215.43         | 3,986,157.44         | 4,063,067.57         | 3,725,451.54        | 3,511,826.14        | 3,599,007.98          | 3,830,170.53        | 3,915,242.24        | 3,752,164.62        | 3,529,815.32         |
| Federal sources   | 309,989.64           | 257,179.02           | 325,376.45           | 379,747.81          | 312,161.95          | 917,827.84            | 255,957.65          | 240,246.92          | 271,076.33          | 415,121.75           |
| <b>Total revenue</b>                                      | <b>10,603,742.76</b> | <b>10,146,950.91</b> | <b>10,055,427.64</b> | <b>9,805,554.65</b> | <b>9,478,581.70</b> | <b>10,080,578.02</b>  | <b>9,526,365.88</b> | <b>9,655,190.77</b> | <b>9,239,595.75</b> | <b>8,859,883.75</b>  |
| <b>Expenditures</b>                                       |                      |                      |                      |                     |                     |                       |                     |                     |                     |                      |
| Instruction   |                      |                      |                      |                     |                     |                       |                     |                     |                     |                      |
| Regular   | 2,221,726.64         | 2,193,867.22         | 2,213,600.62         | 2,131,993.77        | 1,941,459.55        | 2,092,789.56          | 2,089,166.75        | 2,141,561.40        | 2,011,247.48        | 2,096,822.32         |
| Special education   | 713,530.82           | 730,862.93           | 675,705.13           | 655,492.70          | 647,596.01          | 698,673.80            | 584,728.20          | 566,922.55          | 480,132.97          | 567,893.35           |
| Other   | 114,868.07           | 118,979.96           | 114,868.19           | 86,438.70           | 76,233.49           | 80,444.51             | 219,341.75          | 152,438.76          | 218,623.20          | 183,279.10           |
| Support Services:   |                      |                      |                      |                     |                     |                       |                     |                     |                     |                      |
| Tuition   | 2,295,356.27         | 2,073,393.46         | 1,967,142.59         | 2,035,964.33        | 1,816,165.77        | 2,154,975.28          | 1,979,206.44        | 2,225,975.31        | 2,064,847.82        | 1,767,775.82         |
| Student & instruction related services                    | 942,735.48           | 898,560.50           | 1,076,005.20         | 1,074,996.87        | 1,153,692.13        | 1,164,957.06          | 1,021,711.18        | 978,833.22          | 851,905.91          | 900,926.94           |
| General administrative services                           | 149,176.33           | 142,015.78           | 199,062.39           | 161,573.25          | 185,583.78          | 323,621.17            | 297,956.08          | 277,827.80          | 300,526.93          | 263,852.86           |
| School administrative services                            | 215,051.71           | 169,031.41           | 153,951.23           | 111,640.89          | 103,199.72          | 116,995.12            | 157,825.69          | 199,782.07          | 182,146.93          | 177,947.89           |
| Central services  | 215,687.46           | 214,335.64           | 196,462.93           | 189,906.17          | 179,479.70          | 176,105.89            | 178,843.35          | 172,063.23          | 159,822.12          | 152,159.97           |
| Plant operations and maintenance                          | 644,257.78           | 595,100.01           | 553,430.13           | 356,364.65          | 601,986.89          | 600,865.89            | 555,091.77          | 517,939.40          | 523,016.56          | 590,883.91           |
| Student transportation services                           | 314,985.92           | 315,264.53           | 269,501.42           | 495,524.00          | 276,502.14          | 338,022.64            | 429,809.50          | 319,987.50          | 264,616.37          | 203,202.56           |
| Employee benefits   | 1,758,828.77         | 1,458,939.59         | 1,648,086.29         | 1,504,575.22        | 1,286,056.34        | 1,391,015.10          | 1,404,982.61        | 1,608,529.06        | 1,630,648.60        | 1,300,966.35         |
| Capital outlay  | 321,356.28           | 575,872.05           | 90,223.19            | 43,673.00           | 52,433.59           | 707,646.06            | 150,402.75          | 37,523.00           | 72,458.35           | 322,875.55           |
| Special schools   | 27,902.00            | 21,142.00            | 19,262.47            | 18,548.67           | 11,337.28           | 9,577.54              | 16,731.61           | 13,166.06           | 12,418.00           | 1,000.00             |
| Charter schools   | 22,950.50            | 92,297.00            | 75,190.00            | 63,539.00           | 97,964.00           | 57,319.00             |                     |                     |                     |                      |
| Debt service:   |                      |                      |                      |                     |                     |                       |                     |                     |                     |                      |
| Principal   | 290,000.00           | 285,000.00           | 175,000.00           | 235,000.00          | 225,000.00          | 215,000.00            | 205,000.00          | 195,000.00          | 185,000.00          | 180,000.00           |
| Interest and other charges                                | 82,900.00            | 90,100.00            | 94,700.00            | 101,855.00          | 151,395.00          | 160,420.00            | 168,820.00          | 176,820.00          | 184,420.00          | 191,720.00           |
| <b>Total expenditures</b>                                 | <b>10,331,314.03</b> | <b>9,974,762.08</b>  | <b>9,522,191.78</b>  | <b>9,267,086.22</b> | <b>8,806,085.39</b> | <b>10,288,428.62</b>  | <b>9,459,617.68</b> | <b>9,584,369.36</b> | <b>9,141,831.24</b> | <b>8,901,306.62</b>  |
| Excess (Deficiency) of revenues over (under) expenditures | 272,428.73           | 172,188.83           | 533,235.86           | 538,468.43          | 672,496.31          | (207,850.60)          | 66,748.20           | 70,821.41           | 97,764.51           | (41,422.87)          |
| <b>Other Financing sources (uses)</b>                     |                      |                      |                      |                     |                     |                       |                     |                     |                     |                      |
| Capital leases (non-budgeted)                             |                      |                      |                      |                     |                     |                       |                     |                     | 37,298.35           |                      |
| Transfers in  | 110,000.00           |                      |                      |                     | 34,904.98           | 872,830.36            | 150,402.75          | 0.29                |                     |                      |
| Transfers out   | (110,000.00)         |                      |                      |                     | (34,904.98)         | (872,830.36)          | (150,402.75)        |                     |                     |                      |
| <b>Total other financing sources (uses)</b>               |                      |                      |                      |                     |                     |                       |                     | 0.29                | 37,298.35           |                      |
| <b>Net change in fund balances</b>                        | <b>\$272,428.73</b>  | <b>\$172,188.83</b>  | <b>\$533,235.86</b>  | <b>\$538,468.43</b> | <b>\$672,496.31</b> | <b>(\$207,850.60)</b> | <b>\$66,748.20</b>  | <b>\$70,821.70</b>  | <b>\$135,062.86</b> | <b>(\$41,422.87)</b> |
| Debt service as a percentage of noncapital expenditures   | 3.73%                | 3.99%                | 2.86%                | 3.65%               | 4.30%               | 3.92%                 | 4.02%               | 3.89%               | 4.07%               | 4.33%                |

Source: CAFR Schedule B-2

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

| <u>Fiscal Year</u><br><u>Ended June 30,</u> | <u>Tuition</u> | <u>Canceled</u><br><u>Accounts Payable</u> | <u>Interest on</u><br><u>Investments</u> | <u>Miscellaneous</u> | <u>Total</u> |
|---|----------------|--|--|----------------------|--------------|
| 2015  |                | \$5,822.64                                 | \$2,238.11                               | \$11,647.27          | \$19,708.02  |
| 2014  |                | 35,089.36                                  | 2,046.36                                 | 8,413.73             | 45,549.45    |
| 2013  |                | 5,442.29                                   | 2,679.76                                 | 2,833.76             | 10,955.81    |
| 2012  |                | 38,140.13                                  | 3,122.86                                 | 16,039.25            | 57,302.24    |
| 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    |

Source: District Records

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

| Fiscal Year<br>Ended<br>December 31, | Vacant Land    | Residential      | Farm | Commercial      | Industrial   | Apartment       | Total<br>Assessed Value | Less: Tax<br>Exempt Property | Public<br>Utilities (a) | Net<br>Valuation<br>Taxable | Est. Actual<br>(County Equalized<br>Value) | Total Direct<br>School<br>Tax Rate (b) |
|--------------------------------------|----------------|------------------|------|-----------------|--------------|-----------------|-------------------------|------------------------------|-------------------------|-----------------------------|--|--|
| 2015                                 | \$1,707,600.00 | \$272,815,976.00 |      | \$24,801,500.00 | \$387,500.00 | \$20,532,100.00 | \$320,244,676.00        |                              | \$1,029,761.00          | \$321,274,437.00            | \$301,319,139.00                           | \$1.92                                 |
| 2014                                 | 1,782,600.00   | 275,197,176.00   |      | 25,225,500.00   | 387,500.00   | 20,532,100.00   | 323,124,876.00          |                              | 1,017,210.00            | 324,142,086.00              | 304,431,157.00                             | 1.87                                   |
| 2013                                 | 2,005,200.00   | 279,004,176.00   |      | 24,472,800.00   | 387,500.00   | 21,591,500.00   | 327,461,176.00          |                              | 1,057,824.00            | 328,519,000.00              | 305,063,068.00                             | 1.78                                   |
| 2012                                 | 2,005,200.00   | 287,316,176.00   |      | 24,690,400.00   | 387,500.00   | 23,144,600.00   | 337,543,876.00          |                              | 969,486.00              | 338,513,362.00              | 327,483,937.00                             | 1.67                                   |
| 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              | 342,414,939.00                             | 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              | 351,527,291.00                             | 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              | 372,215,705.00                             | 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              | 362,823,109.00                             | 3.26                                   |
| 2007                                 | 3,064,800.00   | 141,831,867.00   |      | 11,418,800.00   | 201,300.00   | 8,034,100.00    | 164,350,867.00          |                              | 337,738.00              | 164,688,605.00              | 339,015,650.00                             | 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              | 294,206,707.00                             | 3.00                                   |

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<br>Ended<br>Dec 31, | Borough of South Bound Brook Board of Education |   |                                    | Overlapping Rates               |                    | Total Direct and<br>Overlapping<br>Tax Rate |
|---------------------------------|---|---|------------------------------------|---------------------------------|--------------------|---|
|                                 | Basic Rate (a)                                  | General<br>Obligation<br>Debt Service (b) | Total Direct<br>School<br>Tax Rate | Borough of<br>South Bound Brook | Somerset<br>County |   |
| 2015                            | 1.81  | 0.11                                      | 1.92                               | 0.75                            | 0.46               | 3.13  |
| 2014                            | 1.75  | 0.12                                      | 1.87                               | 0.86                            | 0.34               | 3.07  |
| 2013                            | 1.70  | 0.08                                      | 1.78                               | 0.86                            | 0.34               | 2.99  |
| 2012                            | 1.57  | 0.10                                      | 1.67                               | 0.84                            | 0.36               | 2.87  |
| 2011                            | 1.55  | 0.11                                      | 1.66                               | 0.80                            | 0.36               | 2.82  |
| 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  |

\* 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 NINE YEARS AGO  
UNAUDITED

| <u>Taxpayer</u>                         | <u>2015</u>                   |                        |   | <u>2006</u>                   |                        |   |
|---|-------------------------------|------------------------|---|-------------------------------|------------------------|---|
|   | <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                        | \$8,999,000.00                | 1                      | 2.80%   | \$4,300,000.00                | 1                      | 2.60%   |
| Towne Oaks                              | 7,566,000.00                  | 2                      | 2.35%   | 3,450,000.00                  | 2                      | 2.09%   |
| 41 Canal Street Association (Bldg)      | 1,939,300.00                  | 3                      | 0.60%   | 1,188,200.00                  | 3                      | 0.72%   |
| Durling Realty, LLC                     | 1,600,000.00                  | 4                      | 0.50%   |                               |                        |   |
| Zehra Associates                        | 1,275,000.00                  | 5                      | 0.40%   | 550,000.00                    | 7                      | 0.33%   |
| J&M Associates                          | 1,275,000.00                  | 6                      | 0.40%   | 625,000.00                    | 5                      | 0.38%   |
| Chafos, J & G                           | 1,106,100.00                  | 7                      | 0.34%   | 572,000.00                    | 6                      | 0.35%   |
| Ukrainian Orthodox Federal Credit Union | 1,050,000.00                  | 8                      | 0.33%   | 500,100.00                    | 8                      | 0.30%   |
| Verizon                                 | 1,029,761.00                  | 9                      | 0.32%   | 480,476.00                    | 9                      | 0.29%   |
| Queens Bridge, LLC                      | 1,000,000.00                  | 10                     | 0.31%   |                               |                        |   |
| Canal Road Realty                       |                               |                        |   | 661,600.00                    | 4                      | 0.40%   |
| Granity Realty                          |                               |                        |   | 450,000.00                    | 10                     | 0.27%   |
| <b>Total</b>                            | <b>\$26,840,161.00</b>        |                        | <b>8.35%</b>                                  | <b>\$12,777,376.00</b>        |                        | <b>7.73%</b>                                  |

Source: Municipal Tax Assessor

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

| Fiscal Year<br>Ended<br>June 30, | Taxes Levied<br>for the<br>Fiscal Year | Collected within the Fiscal Year of the Levy (a) |                       | Collections in<br>Subsequent Years |
|----------------------------------|--|--|-----------------------|------------------------------------|
|                                  |  | Amount   | Percentage<br>of Levy |                                    |
| 2015                             | \$6,046,957.00                         | \$6,046,957.00                                   | 100.00%               | \$0.00                             |
| 2014                             | 5,857,065.00                           | 5,857,065.00                                     | 100.00%               | 0.00                               |
| 2013                             | 5,649,822.00                           | 5,649,822.00                                     | 100.00%               | 0.00                               |
| 2012                             | 5,637,466.00                           | 5,637,466.00                                     | 100.00%               | 0.00                               |
| 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                           | 5,418,991.00                                     | 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                               |

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<br>Ended<br>June 30, | Governmental Activities            |                                     |                   | Business-Type<br>Activities   |                   | Total<br>District | Percentage<br>of Personal<br>Income (a) | Per Capita (a) |
|----------------------------------|------------------------------------|-------------------------------------|-------------------|-------------------------------|-------------------|-------------------|---|----------------|
|                                  | General<br>Obligation<br>Bonds (b) | Certificates<br>of<br>Participation | Capital<br>Leases | Bond<br>Anticipation<br>Notes | Capital<br>Leases |                   |   |                |
| 2015                             | \$2,115,000.00                     |                                     |                   |                               |                   | \$2,115,000.00    | 3.67%                                   | \$461.09       |
| 2014                             | 2,405,000.00                       |                                     |                   |                               |                   | 2,405,000.00      | 3.23%                                   | 524.31         |
| 2013                             | 2,690,000.00                       |                                     |                   |                               |                   | 2,690,000.00      | 2.89%                                   | 583.64         |
| 2012                             | 2,865,000.00                       |                                     |                   |                               |                   | 2,865,000.00      | 2.68%                                   | 621.07         |
| 2011                             | 3,100,000.00                       |                                     | 6,918.23          |                               |                   | 3,106,918.23      | 2.34%                                   | 676.45         |
| 2010                             | 3,297,000.00                       |                                     | 14,828.90         |                               |                   | 3,311,828.90      | 2.11%                                   | 724.06         |
| 2009                             | 3,512,000.00                       |                                     | 22,333.54         |                               |                   | 3,534,333.54      | 1.96%                                   | 660.01         |
| 2008                             | 3,717,000.00                       |                                     | 29,452.94         |                               |                   | 3,746,452.94      | 1.95%                                   | 706.21         |
| 2007                             | 3,912,000.00                       |                                     | 36,206.89         |                               |                   | 3,948,206.89      | 1.82%                                   | 784.00         |
| 2006                             | 4,097,000.00                       |                                     | 6,087.69          |                               |                   | 4,103,087.69      | 1.66%                                   | 863.63         |

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.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
RATIOS OF NET BONDED DEBT OUTSTANDING  
UNAUDITED

| Fiscal Year<br>Ended<br><u>June 30,</u> | <u>General Bonded Debt Outstanding</u>  |  | Percentage of<br>Actual Taxable<br>Value (a) of<br><u>Property</u> | <u>Per Capita (b)</u> |
|---|---|--|--|-----------------------|
|   | <u>General<br/>Obligation<br/>Bonds</u> | <u>Net General<br/>Bonded Debt<br/>Outstanding</u> |  |                       |
| 2015                                    | \$2,115,000.00                          | \$2,115,000.00                                     | 0.65832%   | \$461.09              |
| 2014                                    | 2,405,000.00                            | 2,405,000.00                                       | 0.74196%   | 524.31                |
| 2013                                    | 2,690,000.00                            | 2,690,000.00                                       | 0.81883%   | 583.64                |
| 2012                                    | 2,865,000.00                            | 2,865,000.00                                       | 0.84635%   | 621.07                |
| 2011                                    | 3,100,000.00                            | 3,100,000.00                                       | 0.91629%   | 674.94                |
| 2010                                    | 3,297,000.00                            | 3,297,000.00                                       | 0.96885%   | 720.81                |
| 2009                                    | 3,512,000.00                            | 3,512,000.00                                       | 1.02189%   | 655.84                |
| 2008                                    | 3,717,000.00                            | 3,717,000.00                                       | 2.23783%   | 700.66                |
| 2007                                    | 3,912,000.00                            | 3,912,000.00                                       | 2.37539%   | 776.81                |
| 2006                                    | 4,097,000.00                            | 4,097,000.00                                       | 2.47249%   | 862.34                |

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, 2014  
UNAUDITED

| <u>Governmental Unit</u>                              | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable (a)</u> | <u>Estimated Share<br/>of Overlapping<br/>Debt</u> |
|---|-----------------------------|--|--|
| Debt repaid with property taxes                       |                             |  |  |
| South Bound Brook Borough                             | \$1,587,282.91              | 100.00%  | \$1,587,282.91                                     |
| Other debt  |                             |  |  |
| Somerset County                                       | 170,821,882.45              | 0.57%  | 982,059.18   |
| Middlesex County Utilities Authority                  | 47,866,916.00               | 0.74%  | <u>354,215.18</u>                                  |
| Subtotal, overlapping debt                            |                             |  | \$2,923,557.27                                     |
| South Bound Brook Borough School District Direct Debt |                             |  | <u>2,115,000.00</u>                                |
| Total direct and overlapping debt                     |                             |  | <u>\$5,038,557.27</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 2014:

Equalized Valuation Basis

Calendar Year

|      |                         |
|------|-------------------------|
| 2014 | \$300,301,929.00        |
| 2013 | 303,373,333.00          |
| 2012 | 304,093,582.00          |
|      | <u>\$907,768,844.00</u> |

Average Equalized Valuation of Taxable Property \$302,589,614.67

|   |                       |
|---|-----------------------|
| Debt Limit (3% (a) of average equalization value) | 9,077,688.44          |
| Total Net Debt Applicable to Limit                | <u>(2,115,000.00)</u> |
| Legal Debt Margin                                 | <u>\$6,962,688.44</u> |

|   | <u>2014</u>           | <u>2013</u>           | <u>2012</u>           | <u>2011</u>           | <u>2010</u>           | <u>2009</u>           | <u>2008</u>           | <u>2007</u>           | <u>2006</u>           | <u>2005</u>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt Limit  | \$9,077,688.44        | \$9,338,810.42        | \$9,714,292.61        | \$10,177,689.85       | \$10,631,397.23       | \$10,847,035.42       | \$10,729,033.11       | \$9,948,446.77        | \$8,857,250.03        | \$7,783,404.41        |
| Total Net Debt Applicable To Limit                          | <u>2,115,000.00</u>   | <u>2,405,000.00</u>   | <u>2,690,000.00</u>   | <u>2,865,000.00</u>   | <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>   |
| Legal Debt Margin   | <u>\$6,962,688.44</u> | <u>\$6,933,810.42</u> | <u>\$7,024,292.61</u> | <u>\$7,312,689.85</u> | <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> |
| Total Net Debt Applicable to the Limit as a % of Debt Limit | 23.30%                | 25.75%                | 27.69%                | 28.15%                | 29.16%                | 30.40%                | 32.73%                | 37.36%                | 44.17%                | 52.64%                |

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<br/>Personal Income (c)</u> | <u>Unemployment<br/>Rate (d)</u> |
|-------------|-----------------------|----------------------------|---|----------------------------------|
| 2014        | 4,587                 | *                          | *   | 7.60%                            |
| 2013        | 4,596                 | \$357,040,260.00           | \$77,685.00                               | 9.00%                            |
| 2012        | 4,814                 | 365,204,482.00             | 75,863.00                                 | 12.80%                           |
| 2011        | 4,583                 | 334,870,644.00             | 73,068.00                                 | 12.30%                           |
| 2010        | 4,572                 | 320,570,352.00             | 70,116.00                                 | 12.50%                           |
| 2009        | 5,355                 | 368,964,855.00             | 68,901.00                                 | 7.20%                            |
| 2008        | 5,305                 | 387,933,430.00             | 73,126.00                                 | 5.50%                            |
| 2007        | 5,036                 | 361,544,512.00             | 71,792.00                                 | 6.10%                            |
| 2006        | 4,751                 | 324,483,798.00             | 68,298.00                                 | 5.80%                            |
| 2005        | 4,451                 | 284,303,174.00             | 63,874.00                                 | 6.50%                            |

## 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 was computed using Census Bureau midyear population estimates.  
Estimates for 2005-2013 reflect county population.  
(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 NINE YEARS AGO  
UNAUDITED

| <u>Employer</u> | 2015                  |                        |                                       | 2004                  |                        |                                       |
|-----------------|-----------------------|------------------------|---------------------------------------|-----------------------|------------------------|---------------------------------------|
|                 | <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> |

NOT AVAILABLE

|          |              |          |              |
|----------|--------------|----------|--------------|
| <u>0</u> | <u>0.00%</u> | <u>0</u> | <u>0.00%</u> |
|----------|--------------|----------|--------------|

Source: Municipal Records

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

| Function/Program                       | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction:                           |             |             |             |             |             |             |             |             |             |             |
| Regular                                | 29          | 28          | 28          | 28          | 30          | 32          | 34          | 34          | 37          | 36          |
| Special education                      | 7           | 7           | 7           | 6           | 14          | 9           | 9           | 8           | 9           | 9           |
| Support Services:                      |             |             |             |             |             |             |             |             |             |             |
| Student & instruction related services | 20          | 19          | 22          | 21          | 14          | 11          | 10          | 11          | 10          | 10          |
| School administrative services         | 3           | 2           | 2           | 2           | 2           | 4           | 4           | 5           | 5           | 5           |
| Plant operations and maintenance       | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| Central services                       | 3           | 3           | 3           | 3           | 3           | 4           | 4           | 4           | 4           | 4           |
| Administration information technology  | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Food Service                           | 4           | 4           | 3           | 3           | 3           | 3           | 3           | 3           | 4           | 3           |
| <b>Total</b>                           | <u>67</u>   | <u>64</u>   | <u>66</u>   | <u>64</u>   | <u>65</u>   | <u>64</u>   | <u>65</u>   | <u>66</u>   | <u>70</u>   | <u>68</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> |
|--------------------|-------------------|-----------------------------------|-----------------------|-----------------|---------------------------|---|-------------------------------------|-------------------------------------|---|--------------------------------------|
| 2015               | 582               | \$9,637,057.75                    | \$16,558.52           | 9.16%           | 40                        | 1/14  | 455                                 | 435                                 | -0.87%                                      | 95.60%                               |
| 2014               | 608               | 9,023,790.03                      | 14,841.76             | -1.13%          | 40                        | 1/15  | 459                                 | 438                                 | 2.00%                                       | 95.42%                               |
| 2013               | 604               | 9,162,268.59                      | 15,169.32             | 9.73%           | 42                        | 1/14  | 450                                 | 429                                 | -2.81%                                      | 95.33%                               |
| 2012               | 592               | 8,886,558.22                      | 15,011.08             | 1.10%           | 42                        | 1/14  | 463                                 | 443                                 | 4.04%                                       | 95.68%                               |
| 2011               | 606               | 8,377,257.40                      | 13,823.86             | -6.89%          | 44                        | 1/15  | 445                                 | 421                                 | 3.73%                                       | 94.61%                               |
| 2010               | 620               | 9,205,362.56                      | 14,847.36             | 2.19%           | 41                        | 1/15  | 429                                 | 405                                 | 0.23%                                       | 94.41%                               |
| 2009               | 615               | 8,935,394.93                      | 14,529.10             | -3.25%          | 43                        | 1/14  | 428                                 | 406                                 | -1.61%                                      | 94.86%                               |
| 2008               | 611               | 9,175,026.36                      | 15,016.41             | 6.84%           | 45                        | 1/12  | 435                                 | 414                                 | -7.64%                                      | 95.17%                               |
| 2007               | 619               | 8,699,952.59                      | 14,054.85             | 4.90%           | 46                        | 1/13  | 471                                 | 448                                 | -1.26%                                      | 95.12%                               |
| 2006               | 613               | 8,206,711.07                      | 13,398.71             | #DIV/0!         | 45                        | 1/14  | 477                                 | 456                                 | #DIV/0!                                     | 95.60%                               |

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>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>District Building</u>         |             |             |             |             |             |             |             |             |             |             |
| Elementary School/Middle School: |             |             |             |             |             |             |             |             |             |             |
| Robert Morris School (2001)      |             |             |             |             |             |             |             |             |             |             |
| Square Feet                      | 83,416      | 83,416      | 83,416      | 83,416      | 83,416      | 83,416      | 83,416      | 83,416      | 83,416      | 83,416      |
| Capacity (students)              | 594         | 594         | 594         | 594         | 594         | 594         | 594         | 594         | 594         | 594         |
| Enrollment                       | 450         | 459         | 450         | 465         | 454         | 429         | 427         | 435         | 469         | 490         |

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 *<br>Project #(s) | Robert Morris<br><u>School</u> |
|-------------------------------------|--------------------------------|
| 2015                                | \$104,833.89                   |
| 2014                                | 95,763.45                      |
| 2013                                | 88,206.83                      |
| 2012                                | 60,067.58                      |
| 2011                                | 78,028.71                      |
| 2010                                | 38,463.00                      |
| 2009                                | 67,781.51                      |
| 2008                                | 42,851.80                      |
| 2007                                | 58,586.46                      |
| 2006                                | 40,591.19                      |

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, 2015  
UNAUDITED

|   | <u>Coverage Amount</u> | <u>Deductible</u> |
|---|------------------------|-------------------|
| New Jersey School Boards Association<br>Insurance Group |                        |                   |
| Property Coverage:                                      |                        |                   |
| Blanket Real & Personal Property                        | \$350,000,000.00       | \$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   | 75,000,000.00          | 500,000.00        |
| Increased Cost of Construction                          | 10,000,000.00          | 10,000.00         |
| Earthquake  | 50,000,000.00          | 10,000.00         |
| Electronic Data Processing:                             |                        |                   |
| Blanket Hardware and Software                           | 500,000.00             | 1,000.00          |
| Boiler & Machinery Coverage:                            |                        |                   |
| Property Damage   | 350,000,000.00         |                   |
| Crime Coverage:   |                        |                   |
| Money & Securities Limit                                | 50,000.00              | 1,000.00          |
| Employee Dishonesty                                     | 250,000.00             | 1,000.00          |
| Public Official Bond Limit - Board Treasurer            | 200,000.00             | 1,000.00          |
| Public Official Bond Limit - Board Secretary            | 100,000.00             | 1,000.00          |
| General Liability Coverage:                             |                        |                   |
| Bodily Injury & Property Damage                         | 31,000,000.00          |                   |
| Sexual Abuse Claims                                     | 31,000,000.00          |                   |
| Personal Injury & Advertising Injury                    | 31,000,000.00          |                   |
| Employee Benefit Liability                              | 31,000,000.00          |                   |
| Automobile Coverage:                                    |                        |                   |
| Bodily Injury & Property Damage                         | 31,000,000.00          |                   |

Source: District Records

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**SINGLE AUDIT SECTION**



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "K-1"

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

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**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 School District  
County of Somerset  
South Bound Brook, New Jersey 08880

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Borough of South Bound Brook School District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 20, 2015.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of South Bound Brook School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

# SUPLEE, CLOONEY & COMPANY

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## ***Compliance and Other Matters***

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

## ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
PUBLIC SCHOOL ACCOUNTANT NO. 93

November 20, 2015



**SUPLEE, CLOONEY & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT "K-2"

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO MAJOR  
STATE FINANCIAL ASSISTANCE PROGRAMS AND  
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 School District  
County of Somerset  
South Bound Brook, New Jersey 08880

***Report on Compliance for Each Major Federal and State Program***

We have audited the Borough of South Bound Brook School District's compliance with the types of compliance requirements described in the New Jersey *OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Borough of South Bound Brook School District's major state programs for the year ended June 30, 2015. The District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Borough of South Bound Brook School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and New Jersey *OMB 04-04*. Those standards, and New Jersey *OMB 04-04* 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Borough of South Bound Brook School District's compliance.

***Opinion on Each Major State Program***

In our opinion, the Borough of South Bound Brook School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

***Report on Internal Control Over Compliance***

Management of the Borough of South Bound Brook School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Borough of South Bound Brook School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB 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 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 program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

# SUPLEE, CLOONEY & COMPANY

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of State of New Jersey OMB 04-04. Accordingly, this report is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2015

  
PUBLIC SCHOOL ACCOUNTANT NO. 93

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| FEDERAL GRANTOR/PASS-THROUGH<br>GRANTOR/PROGRAM TITLE  | FEDERAL<br>CFDA<br>NUMBER | GRANT OR<br>STATE<br>PROJECT<br>NUMBER | GRANT<br>PERIOD    | AWARD<br>AMOUNT | BALANCE<br>AT<br>JUNE 30, 2014 | ADJUSTMENT /<br>CARRYOVER<br>AMOUNT | CASH<br>RECEIPTS | BUDGETARY<br>EXPENDITURES | REPAYMENT<br>OF PRIOR YEAR'S<br>BALANCE | BALANCE AT JUNE 30, 2015 |                     |                   |
|--|---------------------------|--|--------------------|-----------------|--------------------------------|-------------------------------------|------------------|---------------------------|---|--------------------------|---------------------|-------------------|
|  |                           |  |                    |                 |                                |                                     |                  |                           |   | (ACCOUNTS<br>RECEIVABLE) | UNEARNED<br>REVENUE | DUE TO<br>GRANTOR |
| General Fund   |                           |  |                    |                 |                                |                                     |                  |                           |   |                          |                     |                   |
| U.S. Department of Education<br>Medicaid Assistance Program (SEMI ARRA)                                | 93.778                    | N/A                                    | 10/1/08 - 12/31/10 | 377.59          |                                |                                     | 377.59           | (377.59)                  |   |                          |                     |                   |
| Total General Fund   |                           |  |                    |                 |                                |                                     | 377.59           | (377.59)                  |   |                          |                     |                   |
| U.S. Department of Education<br>Passed-through State Department of Education:<br>Special Revenue Fund: |                           |  |                    |                 |                                |                                     |                  |                           |   |                          |                     |                   |
| Title I  | 84.010                    | NCLB485014                             | 7/1/13 - 6/30/14   | \$115,850.00    | (\$22,749.50)                  | \$10,043.50                         | \$12,706.00      |                           |   |                          |                     |                   |
| Title I  | 84.010                    | NCLB485015                             | 7/1/14 - 6/30/15   | 126,901.00      |                                |                                     | 77,225.00        | (\$126,833.56)            |   | (\$49,608.56)            |                     |                   |
| Title II- Part A   | 84.367                    | NCLB485015                             | 7/1/14 - 6/30/15   | 15,017.00       |                                |                                     | 10,434.00        | (14,583.36)               |   | (4,149.36)               |                     |                   |
| Title III  | 84.365A                   | NCLB485014                             | 7/1/13 - 6/30/14   | 15,446.00       | (5,372.00)                     | 5,008.09                            | 363.91           |                           |   | 0.00                     |                     |                   |
| Title III  | 84.365A                   | NCLB485015                             | 7/1/14 - 6/30/15   | 28,929.00       |                                |                                     | 12,497.09        | (25,427.21)               |   | (12,930.12)              |                     |                   |
| I.D.E.A. Part B, Basic   | 84.027                    | IDEA485014                             | 7/1/13 - 6/30/14   | 132,267.00      | (23,726.00)                    | 33.00                               | 23,693.09        |                           |   |                          |                     |                   |
| I.D.E.A. Part B, Basic   | 84.027                    | IDEA485015                             | 7/1/14 - 6/30/15   | 125,167.00      |                                |                                     | 112,310.00       | (125,133.62)              |   | (12,823.62)              |                     |                   |
| I.D.E.A. Part B- Preschool   | 84.173                    | IDEA485015                             | 7/1/14 - 6/30/15   | 5,396.00        |                                |                                     | 4,057.00         | (5,396.00)                |   | (1,339.00)               |                     |                   |
| Total Special Revenue Fund   |                           |  |                    |                 | (51,847.50)                    | 15,084.59                           | 253,286.00       | (297,373.75)              |   | (80,850.66)              |                     |                   |
| U.S. Department of Agriculture<br>Passed-through State Department of Education:<br>Enterprise Fund:    |                           |  |                    |                 |                                |                                     |                  |                           |   |                          |                     |                   |
| National School Lunch Program - Commodities  | 10.555                    | N/A                                    | 7/1/13 - 6/30/14   | 16,181.33       | 968.75                         |                                     |                  | (968.75)                  |   |                          |                     |                   |
| National School Lunch Program - Commodities  | 10.555                    | N/A                                    | 7/1/14 - 6/30/15   | 21,447.67       |                                |                                     | 21,447.67        | (19,056.16)               |   | \$2,391.51               |                     |                   |
| National School Lunch Program  | 10.555                    | N/A                                    | 7/1/13 - 6/30/14   | 101,343.76      | (21,070.13)                    |                                     | 21,070.13        |                           |   |                          |                     |                   |
| National School Lunch Program  | 10.555                    | N/A                                    | 7/1/14 - 6/30/15   | 108,415.50      |                                |                                     | 100,266.70       | (108,415.50)              |   | (8,148.80)               |                     |                   |
| National School Breakfast Program  | 10.553                    | N/A                                    | 7/1/13 - 6/30/14   | 10,911.69       | (2,407.79)                     |                                     | 2,407.79         |                           |   |                          |                     |                   |
| National School Breakfast Program  | 10.553                    | N/A                                    | 7/1/14 - 6/30/15   | 13,572.81       |                                |                                     | 12,338.16        | (13,572.81)               |   | (1,234.65)               |                     |                   |
| Total Enterprise Fund  |                           |  |                    |                 | (22,509.17)                    |                                     | 157,530.45       | (142,013.22)              |   | (9,383.45)               |                     | 2,391.51          |
| Total Expenditures of Federal Awards   |                           |  |                    |                 | (\$74,356.67)                  | \$15,084.59                         | \$411,194.04     | (\$439,764.56)            |   | (\$90,234.11)            |                     | \$2,391.51        |

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, 2015

| STATE GRANTOR/PROGRAM TITLE   | GRANT OR STATE PROJECT NUMBER | GRANT PERIOD     | AWARD AMOUNT   | BALANCE AT JUNE 30, 2014 |                       |                         |                     |                                    | BALANCE AT JUNE 30, 2015 |                       |                | MEMO                 |                               |                       |
|---|-------------------------------|------------------|----------------|--------------------------|-----------------------|-------------------------|---------------------|------------------------------------|--------------------------|-----------------------|----------------|----------------------|-------------------------------|-----------------------|
|   |                               |                  |                | CARRYOVER AMOUNT         | CASH RECEIPTS         | BUDGETARY EXPENDITURES  | ADJUSTMENT          | REPAYMENT OF PRIOR YEAR'S BALANCES | (ACCOUNTS RECEIVABLE)    | UNEARNED REVENUE      | DUE TO GRANTOR | BUDGETARY RECEIVABLE | CUMULATIVE TOTAL EXPENDITURES |                       |
| State Department of Education   |                               |                  |                |                          |                       |                         |                     |                                    |                          |                       |                |                      |                               |                       |
| General Funds:  |                               |                  |                |                          |                       |                         |                     |                                    |                          |                       |                |                      |                               |                       |
| Equalization Aid  | 15-495-034-5120-078           | 7/1/14 - 6/30/15 | \$2,948,720.00 |                          | \$2,661,161.00        | (\$2,948,720.00)        | \$287,559.00        |                                    |                          |                       |                |                      | \$287,559.00                  | \$2,948,720.00        |
| Special Education Aid   | 15-495-034-5120-011           | 7/1/14 - 6/30/15 | 335,311.00     |                          | 302,604.00            | (335,311.00)            | 32,707.00           |                                    |                          |                       |                |                      | 32,707.00                     | 335,311.00            |
| Categorical Security Aid  | 15-495-034-5120-084           | 7/1/14 - 6/30/15 | 30,468.00      |                          | 27,503.00             | (30,468.00)             | 2,965.00            |                                    |                          |                       |                |                      | 2,965.00                      | 30,468.00             |
| Categorical Transportation Aid  | 15-495-034-5120-014           | 7/1/14 - 6/30/15 | 14,865.00      |                          | 13,432.00             | (14,865.00)             | 1,433.00            |                                    |                          |                       |                |                      | 1,433.00                      | 14,865.00             |
| PARCC Readiness   | 15-495-034-5120-098           | 7/1/14 - 6/30/15 | 5,580.00       |                          | 5,026.00              | (5,580.00)              | 554.00              |                                    |                          |                       |                |                      | 554.00                        | 5,580.00              |
| Per Pupil Growth  | 15-495-034-5120-097           | 7/1/14 - 6/30/15 | 5,580.00       |                          | 5,026.00              | (5,580.00)              | 554.00              |                                    |                          |                       |                |                      | 554.00                        | 5,580.00              |
| Extraordinary Aid   | 14-100-034-5120-473           | 7/1/13 - 6/30/14 | 59,099.00      | (\$59,099.00)            | 59,099.00             |                         |                     |                                    |                          |                       |                |                      |                               | 59,099.00             |
| Extraordinary Aid   | 15-100-034-5120-473           | 7/1/14 - 6/30/15 | 54,923.00      |                          |                       | (54,923.00)             |                     |                                    |                          | (\$54,923.00)         |                |                      | 54,923.00                     | 54,923.00             |
| Reimbursed TPAF social security contributions                           | 15-495-034-5095-002           | 7/1/14 - 6/30/15 | 244,524.43     |                          | 244,524.43            | (244,524.43)            |                     |                                    |                          |                       |                |                      |                               | 244,524.43            |
| <b>Total General Funds</b>  |                               |                  |                | <b>(\$59,099.00)</b>     | <b>3,318,375.43</b>   | <b>(3,639,971.43)</b>   | <b>325,772.00</b>   |                                    |                          | <b>(54,923.00)</b>    |                |                      | <b>380,695.00</b>             | <b>3,699,070.43</b>   |
| New Jersey Schools Development Authority                                |                               |                  |                |                          |                       |                         |                     |                                    |                          |                       |                |                      |                               |                       |
| Capital Projects Fund:  |                               |                  |                |                          |                       |                         |                     |                                    |                          |                       |                |                      |                               |                       |
| Robert Morris School - Various Improvements                             | 4850-060-14-1001              | various          | 280,934.00     |                          |                       | (56,760.00)             |                     |                                    |                          | (56,760.00)           |                |                      | 56,760.00                     | 56,760.00             |
| <b>Total Capital Projects Fund</b>                                      |                               |                  |                |                          |                       | <b>(56,760.00)</b>      |                     |                                    |                          | <b>(56,760.00)</b>    |                |                      | <b>56,760.00</b>              | <b>56,760.00</b>      |
| State Department of Agriculture   |                               |                  |                |                          |                       |                         |                     |                                    |                          |                       |                |                      |                               |                       |
| Enterprise Fund:  |                               |                  |                |                          |                       |                         |                     |                                    |                          |                       |                |                      |                               |                       |
| State School Lunch Program  | 14-100-010-3350-023           | 7/1/13 - 6/30/14 | 2,644.22       | (547.41)                 | 547.41                |                         |                     |                                    |                          |                       |                |                      |                               | 2,644.22              |
| State School Lunch Program  | 15-100-010-3350-023           | 7/1/14 - 6/30/15 | 2,717.33       |                          | 2,514.42              | (2,717.33)              |                     |                                    |                          | (202.91)              |                |                      | 202.91                        | 2,717.33              |
| <b>Total Enterprise Fund</b>  |                               |                  |                | <b>(547.41)</b>          | <b>3,061.83</b>       | <b>(2,717.33)</b>       |                     |                                    |                          | <b>(202.91)</b>       |                |                      | <b>202.91</b>                 | <b>5,361.55</b>       |
| <b>Total State Financial Assistance Subject to Single Audit Testing</b> |                               |                  |                | <b>(\$59,646.41)</b>     | <b>\$3,321,437.26</b> | <b>(\$3,699,448.76)</b> | <b>\$325,772.00</b> |                                    |                          | <b>(\$111,885.91)</b> |                |                      | <b>\$437,657.91</b>           | <b>\$3,761,191.98</b> |
| On-Behalf amounts utilized for determination of Single Audit:           |                               |                  |                |                          |                       |                         |                     |                                    |                          |                       |                |                      |                               |                       |
| On Behalf TPAF Pension Post Retirement Medical                          | 15-495-034-5095-001           | 7/1/14 - 6/30/15 | 268,666.00     |                          | 268,666.00            | (268,666.00)            |                     |                                    |                          |                       |                |                      |                               |                       |
| On Behalf TPAF Pension Contribution                                     | 15-495-034-5095-001           | 7/1/14 - 6/30/15 | 169,239.00     |                          | 169,239.00            | (169,239.00)            |                     |                                    |                          |                       |                |                      |                               |                       |
| <b>Total Expenditures of State Financial Assistance</b>                 |                               |                  |                |                          | <b>\$3,759,342.26</b> | <b>(\$4,137,353.76)</b> |                     |                                    |                          |                       |                |                      |                               |                       |

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, 2015**

**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, 2015**

**NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,421.00) for the general fund, \$12,615.89 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                           | \$377.59            | \$4,076,455.43        | \$4,076,833.02        |
| Special Revenue Fund                   | 309,989.64          |                       | 309,989.64            |
| Capital Projects Fund                  |                     | 56,760.00             | 56,760.00             |
| Food Service Fund                      | <u>142,013.22</u>   | <u>2,717.33</u>       | <u>144,730.55</u>     |
| Total Awards &<br>Financial Assistance | <u>\$452,380.45</u> | <u>\$4,135,932.76</u> | <u>\$4,588,313.21</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, 2015. 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, 2015.

**Borough of South Bound Brook School District**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2015**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

- |     |  |            |
|-----|--|------------|
| (1) | Type of Auditor’s Report Issued:   | Unmodified |
| (2) | Internal Control Over Financial Reporting:   |            |
|     | (a) Material weakness identified?  | No         |
|     | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No         |
| (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?                | No         |
| (2) | Type of Auditor’s Report issued on compliance for major state program(s)?                                 | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? | No         |
| (4) | Identification of Major State Program(s):   |            |

| <u>Program</u>            | <u>Grant Number</u> |
|---------------------------|---------------------|
| State Aid Public Cluster: |                     |
| Special Education         |                     |
| Categorical Aid           | 15-495-034-5120-011 |
| Equalization Aid          | 15-495-034-5120-078 |
| Categorical Security Aid  | 15-495-034-5120-084 |
| PARCC Readiness Aid       | 15-495-034-5120-098 |
| Per Pupil Growth Aid      | 15-495-034-5120-097 |

**Borough of South Bound Brook School District**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2015**

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

- (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

**Internal Control Findings**

None Reported

**Compliance Findings**

None Reported

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

State Programs – None Reported

**Borough of South Bound Brook School District**

**Schedule of Prior Year Audit Findings**

Not Applicable



