

**BOUND BROOK
SCHOOL DISTRICT**

**Bound Brook Borough Board of Education
Bound Brook, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

**Comprehensive Annual
Financial Report**

of the

**BOROUGH OF BOUND BROOK
SCHOOL DISTRICT**

Bound Brook, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
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INTRODUCTORY SECTION

BOUND BROOK BOARD OF EDUCATION
111 WEST UNION AVENUE
BOUND BROOK, NJ 08805

Phone: (732) 356-2500 x 3575
 Fax: (732) 271-9097

Danielle Mancuso
 Business Administrator/ Board Secretary

November 4, 2016

The Honorable President and
 Members of the Board of Education
 of the Borough of Bound Brook School District
 County of Somerset
 Bound Brook, New Jersey 08805

Dear Honorable President and Board Members:

The Comprehensive Annual Financial Report of the Borough of Bound Brook School District (the "District") for the fiscal year ended June 30, 2016 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 Borough of Bound Brook School District (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: The Borough of Bound Brook School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) Codification Section 2100. All funds of the District are included in this report. The Borough of Bound Brook Board of Education and its schools constitute the District's reporting entity.

The District continues to provide a full range of educational services appropriate to grade levels Preschool Handicapped through Grade 12. The District completed the 2015-2016 school year with an average daily enrollment of 1,836 students, which is 33 students more than last year.

The Honorable President and Members
of the Board of Education
Borough of Bound Brook School District
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2. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP).

The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance 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 awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

3. 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 a vote of the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

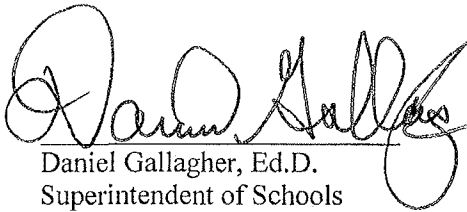
An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at fiscal year-end are either cancelled or are included as reappropriations of fund balance in the subsequent fiscal year. Those amounts to be reappropriated are reported as restricted commitments and assignments of fund balance at June 30, 2016.

4. 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. These funds are explained in "Notes to the Basic Financial Statements", Note 1.
5. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
6. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, excess liability, auto liability and comprehensive/collision, hazard and theft insurance on property and contents, workers' compensation, and fidelity bonds. A schedule of insurance coverage is found on Exhibit J-20.

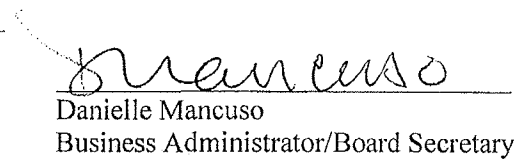
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7. OTHER INFORMATION: **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.
8. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Bound Brook Board of Education 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 our financial and accounting staff.

Respectfully submitted,

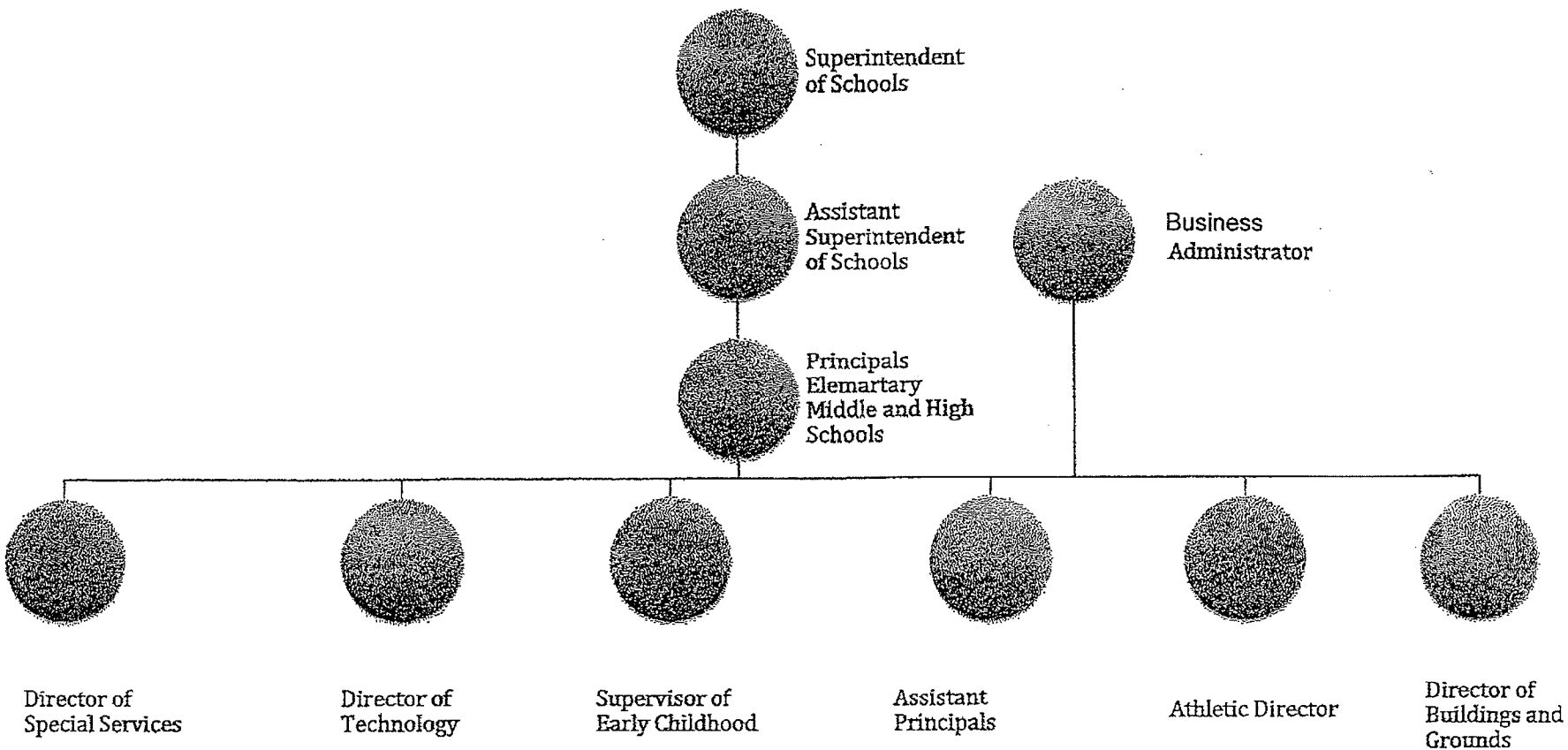


Daniel Gallagher, Ed.D.
Superintendent of Schools



Danielle Mancuso
Business Administrator/Board Secretary

Borough of Bound Brook
Organizational Chart
Fiscal Year Ended June 30, 2016



**Bound Brook Board of Education
Bound Brook, New Jersey**

ROSTER OF OFFICIALS

JUNE 30, 2016

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

Terrence Hoben, President	2016
Michele DeFazio, Vice President	2018
William Boehm	2017
Nicholas DelVecchio	2016
Shawn Hasting	Resigned April 2016
Gabriel Gleason	2017
Charity Morris	2018
Camilla Stevens	2018
Roger Zupko	2016
Heidi Shallop, South Bound Brook Representative	2018

OTHER OFFICIALS

Dr. Daniel Gallagher, Superintendent

Vincent McFadden, Interim Business Administrator/Board Secretary

Danielle Mancuso, Assistant Business Administrator

Thomas A. Venanzi, Treasurer

**Borough of Bound Brook School District
Consultants and Advisors**

Architects

Design Resources Group Architects, AIA, Inc.
371 Hoes Lane, Suite 301
Piscataway, New Jersey 08854

Gianforcaro Engineers
555 East Main Street
Suite One
Chester, NJ 07930

Audit Firm

Nisivoccia LLP, CPAs
200 Valley Road, Suite 300
Mount Arlington, NJ 07856

Attorney

Apruzzese, McDermott, Mastro & Murphy, P.C.
25 Independence Boulevard
Warren, NJ 07059

Official Depository

TD Bank, NA
452 Union Avenue
Bridgewater, NJ 08807

Clerk of the Works

Summit Management Solutions, LLC
14 Main Street, Suite 305
Madison, NJ 07940-0310

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Bound Brook School District (the "District") in the County of Somerset, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable President and Members
of the Board of Education
Borough of Bound Brook School District
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Bound Brook School District, in the County of Somerset, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable President and Members
of the Board of Education
Borough of Bound Brook School District
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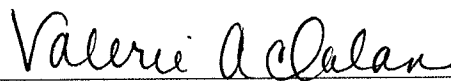
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 4, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP



Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Borough of Bound Brook School District
Management Discussion and Analysis
For This Fiscal Year Ended June 30, 2016
(Unaudited)**

This section of Borough of Bound Brook School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. 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.

Financial Highlights

- The District's financial status is strong, in spite of minimal increases in state aid for several years and changes in the net pension.
- Overall revenue was \$34.12 million.
- Overall expenses were \$34.71 million.
- Enrollment in the District has increased significantly in the last three years and cost per pupil has increased.
- Community Middle School underwent a complete interior renovation using the referendum funds issued in 2014. This included a new gymnasium, cafeteria, and classrooms. Site work was also completed at Lafayette, Lamonte, and Lamonte Annex.

Overview of the Financial Statements

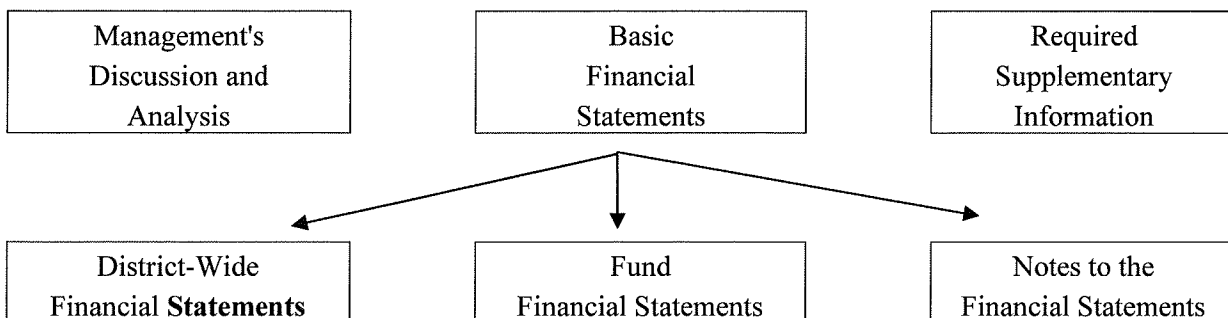
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as 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 financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of K-12 School District's Financial Report**



**Borough of Bound Brook School District
Management Discussion and Analysis
For This Fiscal Year Ended June 30, 2016
(Unaudited)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Borough of Bound Brook School District
Management Discussion and Analysis
For This Fiscal Year Ended June 30, 2016
(Unaudited)**

District-wide Statements

The District-wide 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, deferred inflows and outflows, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows, 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 is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *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 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 flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

Borough of Bound Brook School District
Management Discussion and Analysis
For This Fiscal Year Ended June 30, 2016
(Unaudited)

- *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.

Notes to the Basic Financial Statements: The notes provide basic information that is essential to a full understanding of the data provided in the District-wide and Fund financial statements. The notes to the basic financial statements can be found immediately following the Fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position at June 30, 2016 decreased \$596,944 from the previous year. The net position from governmental activities decreased \$684,357 and the net position from business activities increased \$87,413. The net investment in capital assets increased by \$672,912, due to capital asset additions of \$253,013, redemption of outstanding debt of \$980,000 offset by depreciation expense of \$558,849, and capital asset deletions of \$1,252. Restricted net position decreased by \$453,550 due to a decrease in the capital reserve of \$303,756, and a decrease in excess surplus of \$182,802, offset by an increase in the debt service fund of \$33,008. Unrestricted net position decreased by \$816,306.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Current and Other Assets	\$18,983,465	\$27,676,568	\$ 291,277	\$ 369,468	\$19,274,742	\$28,046,036	-31.27%
Capital Assets, Net	17,608,452	10,198,699	401,026	288,615	18,009,478	10,487,314	71.73%
Total Assets	<u>36,591,917</u>	<u>37,875,267</u>	<u>692,303</u>	<u>658,083</u>	<u>37,284,220</u>	<u>38,533,350</u>	-3.24%
Deferred Outflows of Resources	<u>2,242,986</u>	<u>340,841</u>			<u>2,242,986</u>	<u>340,841</u>	558.07%
Other Liabilities	1,552,288	1,243,479	18,813	72,006	1,571,101	1,315,485	19.43%
Long-Term Liabilities	36,152,641	34,933,121			36,152,641	34,933,121	3.49%
Total Liabilities	<u>37,704,929</u>	<u>36,176,600</u>	<u>18,813</u>	<u>72,006</u>	<u>37,723,742</u>	<u>36,248,606</u>	4.07%
Deferred Inflows of Resources	<u>131,492</u>	<u>356,669</u>			<u>131,492</u>	<u>356,669</u>	-63.13%
Net Position:							
Net Investment in							
Capital Assets	5,910,924	5,350,423	401,026	288,615	6,311,950	5,639,038	11.93%
Restricted	1,734,140	2,187,690			1,734,140	2,187,690	-20.73%
Unrestricted / (Deficit)	<u>(6,646,582)</u>	<u>(5,855,274)</u>	<u>272,464</u>	<u>297,462</u>	<u>(6,374,118)</u>	<u>(5,557,812)</u>	-14.69%
Total Net Position	<u>\$ 998,482</u>	<u>\$ 1,682,839</u>	<u>\$ 673,490</u>	<u>\$ 586,077</u>	<u>\$ 1,671,972</u>	<u>\$ 2,268,916</u>	-26.31%

**Borough of Bound Brook School District
Management Discussion and Analysis
For This Fiscal Year Ended June 30, 2016
(Unaudited)**

**Figure A-4
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,611,381	\$ 1,644,174	\$ 230,139	\$ 214,846	\$ 1,841,520	\$ 1,859,020	-0.94%
Operating Grants & Contributions	9,042,408	7,359,245	1,128,331	995,174	10,170,739	8,354,419	21.74%
General Revenue:							
Property Taxes	13,829,069	13,215,312			13,829,069	13,215,312	4.64%
Unrestricted Federal & State Aid	8,149,850	7,349,935			8,149,850	7,349,935	10.88%
Other	125,000	186,339	34	49,481	125,034	235,820	-46.98%
Transfers	(630)		630				0.00%
Total Revenue	<u>32,757,078</u>	<u>29,755,005</u>	<u>1,359,134</u>	<u>1,259,501</u>	<u>34,116,212</u>	<u>31,014,506</u>	10.00%
Expenses:							
Instruction	19,209,267	16,804,397			19,209,267	16,804,397	14.31%
Pupil & Instruction Services	5,795,173	6,298,755			5,795,173	6,298,755	-7.99%
Administrative & Business	3,953,962	3,249,576			3,953,962	3,249,576	21.68%
Maintenance & Operations	2,809,504	3,004,402			2,809,504	3,004,402	-6.49%
Transportation	689,036	629,387			689,036	629,387	9.48%
Other	984,493	582,515	1,271,721	1,159,932	2,256,214	1,742,447	29.49%
Total Expenses	<u>33,441,435</u>	<u>30,569,032</u>	<u>1,271,721</u>	<u>1,159,932</u>	<u>34,713,156</u>	<u>31,728,964</u>	9.41%
Change in Net Position	<u>\$ (684,357)</u>	<u>\$ (814,027)</u>	<u>\$ 87,413</u>	<u>\$ 99,569</u>	<u>\$ (596,944)</u>	<u>\$ (714,458)</u>	-16.45%

Revenue Sources. The District's total revenue for the 2015-2016 school year was \$34,116,212, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$13,829,069 of the total, or 40.54 percent. (See Figure A-5). Approximately 53.69 percent came from state and federal aid and the remainder from miscellaneous sources and charges for services.

**Figure A-5
Sources of School District Revenue - Fiscal Year 2016**

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 8,091,036	23.71%
Property Taxes	13,829,069	40.54%
Federal and State Categorical Grants	10,229,553	29.98%
Charges for Services	1,841,520	5.40%
Other	125,034	0.37%
	<u>\$ 34,116,212</u>	<u>100.00%</u>

**Borough of Bound Brook School District
Management Discussion and Analysis
For This Fiscal Year Ended June 30, 2016
(Unaudited)**

The total cost of all programs and services was \$34,713,156. The District's expenses are predominantly related to instructing and caring for pupil services and transportation (74.01 percent). (See Figure A-6). The District's administrative and maintenance and operations activities accounted for 19.48 percent of total costs. It is important to remember that depreciation and accrued interest are included in expenses for the year.

**Figure A-6
Sources of School District Expenses - Fiscal Year 2016**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 19,209,267	55.34%
Pupil and Instruction Services	5,795,173	16.69%
Administrative and Business	3,953,962	11.39%
Maintenance and Operations	2,809,504	8.09%
Transportation	689,036	1.98%
Other	2,256,214	6.51%
	<u>\$ 34,713,156</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District decreased from the prior year. Once again, the state aid remained flat, however there was an increase in the tax levy to cover the contractual obligations and reduce carryover. The District is over \$6 million below adequacy, which causes a severe strain on maintaining the budget. Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented or continued during the year were:

- Participation in an insurance pool operated by New Jersey Schools Insurance Group resulting in low cost property, liability and workers compensation insurance.
- Participation in a group health plan with Horizon – which resulted in significant savings as compared to the State Health Benefits Program.
- Participation in Joint Transportation Agreements.
- Participation in joint purchasing agreements.

It is crucial that the District examine its expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

**Borough of Bound Brook School District
Management Discussion and Analysis
For This Fiscal Year Ended June 30, 2016
(Unaudited)**

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial obligation placed on the District's taxpayers by each of these functions:

**Figure A-7
Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 19,209,267	\$ 16,804,397	\$ 10,026,846	\$ 9,009,729
Pupil and Instruction Services	5,795,173	6,298,755	4,912,447	5,501,590
Administrative and Business	3,953,962	3,249,576	3,439,948	2,902,271
Maintenance and Operations	2,809,504	3,004,402	2,809,504	3,004,402
Transportation	689,036	629,387	614,407	565,106
Other	984,493	582,515	984,494	582,515
	<u>\$ 33,441,435</u>	<u>\$ 30,569,032</u>	<u>\$ 22,787,646</u>	<u>\$ 21,565,613</u>

- Fortunately, the health benefits did not increase over the previous year. This is due to the District's staff being younger than many districts.
- The following school year the District will most likely have another year of tax increase to cover contractual obligations. The District continues to reduce its level of using surplus to cover projected costs.
- The District continues to experience increased enrollment, which requires increased instructional costs. The District is attempting to bring some Special Education Students back into the District to reduce these extraordinary costs.
- The cost of all governmental activities this year was \$33.44 million.
- The federal and state governments subsidized certain programs with grants and contributions of \$17.19 million.
- Approximately \$13.83 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from charges for services, miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's business-type activity increased by \$87,413 (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenue increased from the prior year which was related to non-operating revenue from federal and state subsidies, mainly because the District offered an extended preschool program in the current year. This increase was partially offset by an increase in expenses especially in the area of cost of sales.

Financial Analysis of the District's Funds

Difficult economic times have had a direct impact upon the District's revenue sources. Interest from investments continues to be significantly lower than in prior years. The District has also reduced its level of using surplus to reduce the tax levy. As overall revenue for the District is strained, the amount of funds generated for this purpose likewise decreases.

**Borough of Bound Brook School District
Management Discussion and Analysis
For This Fiscal Year Ended June 30, 2016
(Unaudited)**

A significant increase in enrollment has required the District to expand its classroom teaching staff, special education aides and special transportation. Fringe benefit costs for all staff have increased dramatically in the past several years.

These factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made within budgetary line items to improve school based needs for programs such as google chrome book 1:1 initiative for all schools, curriculum resources, and student materials. Increase in staff to decrease class size due to the guidelines provided by the state of New Jersey for high poverty districts. The purchase of a new maintenance truck was made to improve the buildings and grounds department.
- Changes in budgetary line accounts to more accurately reflect current requirements. Of these current requirements, there is a contractual obligation of an increase in salary for teachers and administrators.

Capital Asset and Long-Term Liabilities Administration

At year-end, the District had \$18,009,478 in capital assets as shown in Figure A-8. Capital Assets had a net increase of \$7,522,164 or 71.73% over the prior year. The District had \$8,082,265 of additions offset by \$558,849 of depreciation expense \$1,252 of deletions.

**Figure A-8
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Construction in Progress	\$ 2,286,433	3,968,174			\$ 2,286,433	3,968,174	-42.38%
Buildings and Building Improvements	14,771,956	\$ 5,649,122	\$ 315,112	\$ 225,856	15,087,068	\$ 5,874,978	156.80%
Machinery and Equipment	550,063	581,403	85,914	62,759	635,977	644,162	-1.27%
Total Capital Assets (Net of Depreciation)	\$17,608,452	\$10,198,699	\$ 401,026	\$ 288,615	\$18,009,478	\$10,487,314	71.73%

**Borough of Bound Brook School District
Management Discussion and Analysis
For This Fiscal Year Ended June 30, 2016
(Unaudited)**

Long-term Liabilities

At year-end, the District had \$27,300,000 in general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

**Figure A-9
Outstanding Long-Term Debt**

	Total School District		Percentage Change
	2015/2016	2014/2015	
General Obligation Bonds (Financed with Property Taxes)	\$ 27,300,000	\$ 28,280,000	-3.47%
Net Pension Liability	8,178,346	5,984,930	36.65%
Compensated Absences	674,295	668,191	0.91%
	<u>\$ 36,152,641</u>	<u>\$ 34,933,121</u>	<u>3.49%</u>

- The District continued to pay down its long-term liabilities, retiring \$980,000 of outstanding bonds.
- Compensated absences payable increased by a net amount of \$6,104 from the prior year.
- The Net Pension Liability increased by a net of \$2,193,416 from the prior year.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- There are two primary revenue sources available to school districts: state aid and local taxes. The state aid revenue stream had been frozen or very limited for a number of years. This means all inflationary pressures and related cost increases for salary, benefits, supplies, and materials have to be born by the local tax base.
- The school district enrollment has increased significantly over the past three years, with over 150 new students to educate; this has placed an additional burden on the capped revenue source.
- The District is continuing its goal of eliminating the need of carryover surplus to cover projected costs. To that end, it would probably need at least another year of an increase to the tax levy to cover contract costs.
- As stated previously, the District is over \$6 million under adequacy.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Danielle Mancuso, Business Administrator/Board Secretary at the Board of Education Office at 111 West Union Ave, Bound Brook, NJ 08805.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1
1 of 2

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 17,097,366	\$ 69,680	\$ 17,167,046
Receivable from Federal Government	228,540	182,104	410,644
Receivable from State Government	151,266	2,132	153,398
Receivable from Other Governments	125,252		125,252
Other Accounts Receivable		16,853	16,853
Interfund Accounts Receivable	13,019		13,019
Inventories		20,508	20,508
Restricted Assets:			
Maintenance Reserve Account - Cash and Cash Equivalents	359,178		359,178
Capital Reserve Account - Cash and Cash Equivalents	1,008,844		1,008,844
Capital Assets:			
Construction in Progress	2,286,433		2,286,433
Depreciable Buildings and Building Improvements and Machinery and Equipment	15,322,019	401,026	15,723,045
Total Assets	<u>36,591,917</u>	<u>692,303</u>	<u>37,284,220</u>
DEFERRED OUTFLOWS OF RESOURCES			
Changes in Assumptions - Pensions	878,289		878,289
Difference Between Expected & Actual Experience- Pensions	195,107		195,107
Changes in Proportions - Pensions	834,028		834,028
District Contribution Subsequent to the Measurement Date - Pensions	335,562		335,562
Total Deferred Outflows of Resources	<u>2,242,986</u>		<u>2,242,986</u>
LIABILITIES			
Accounts Payable - Vendors	584,691	13,296	597,987
Payable to State Government	335,562		335,562
Payable to Local Government	125,073		125,073
Accrued Interest Payable	403,067		403,067
Prepaid Sales		3,195	3,195
Unearned Revenue	103,895	2,322	106,217
Noncurrent Liabilities:			
Due Within One Year	2,423,034		2,423,034
Due Beyond One Year	33,729,607		33,729,607
Total Liabilities	<u>37,704,929</u>	<u>18,813</u>	<u>37,723,742</u>
DEFERRED INFLOWS OF RESOURCES			
Investment Gains - Pensions	131,492		131,492
Total Deferred Inflows of Resources	<u>131,492</u>		<u>131,492</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	\$ 5,910,924	\$ 401,026	\$ 6,311,950
Restricted for:			
Capital Projects	1,008,844		1,008,844
Debt Service	41,249		41,249
Maintenance Reserve Account	359,178		359,178
Excess Surplus	324,869		324,869
Unrestricted/(Deficit)	<u>(6,646,582)</u>	<u>272,464</u>	<u>(6,374,118)</u>
Total Net Position	<u>\$ 998,482</u>	<u>\$ 673,490</u>	<u>\$ 1,671,972</u>

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 13,025,688	\$ 1,560,159	\$ 4,427,026		\$ (7,038,503)		\$ (7,038,503)
Special Education	4,203,934		2,806,312		(1,397,622)		(1,397,622)
Other Instruction	1,427,274				(1,427,274)		(1,427,274)
School-Sponsored Instruction	552,371		388,924		(163,447)		(163,447)
Support Services:							
Tuition	1,658,891				(1,658,891)		(1,658,891)
Student & Instruction Related Services	4,136,282		882,725		(3,253,557)		(3,253,557)
General Administrative Services	1,115,261		126,730		(988,531)		(988,531)
School Administrative Services	1,900,486		383,461		(1,517,025)		(1,517,025)
Central Services and Administrative Information Technology	938,214		3,823		(934,392)		(934,392)
Plant Operations and Maintenance	2,809,504				(2,809,504)		(2,809,504)
Pupil Transportation	689,036	51,222	23,407		(614,407)		(614,407)
Interest and Other Charges	893,001				(893,001)		(893,001)
Capital Outlay	9,836				(9,836)		(9,836)
Transfer to Charter School	81,656				(81,656)		(81,656)
Total Governmental Activities	33,441,435	1,611,381	9,042,408		(22,787,646)		(22,787,646)

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 1,271,721	\$ 230,139	\$ 1,128,331			\$ 86,749	\$ 86,749
Total Business-Type Activities	<u>1,271,721</u>	<u>230,139</u>	<u>1,128,331</u>			<u>86,749</u>	<u>86,749</u>
Total Primary Government	<u>\$ 34,713,156</u>	<u>\$ 1,841,520</u>	<u>\$ 10,170,739</u>	<u>\$ -0-</u>	\$ (22,787,646)	86,749	(22,700,897)
General Revenue and Transfers							
Taxes:							
Property Taxes, Levied for General Purposes, Net					13,446,977		13,446,977
Taxes Levied for Debt Service					382,092		382,092
Federal and State Aid not Restricted:					8,149,850		8,149,850
Miscellaneous Income					125,000	34	125,034
Transfers					(630)	630	
Total General Revenue and Transfers					22,103,289	664	22,103,953
Change in Net Position					(684,357)	87,413	(596,944)
Net Position - Beginning					1,682,839	586,077	2,268,916
Net Position - Ending					<u>\$ 998,482</u>	<u>\$ 673,490</u>	<u>\$ 1,671,972</u>

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

FUND FINANCIAL STATEMENTS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 1,162,946	\$ 56,400	\$ 15,869,779	\$ 8,241	\$ 17,097,366
Receivables From Federal Government	260	228,280			228,540
Receivables From State Government	151,266				151,266
Receivables From Other Governments	125,252				125,252
Interfund Receivable	13,019			33,008	46,027
Restricted Cash and Cash Equivalents	1,368,022				1,368,022
Total Assets	<u>\$ 2,820,765</u>	<u>\$ 284,680</u>	<u>\$ 15,869,779</u>	<u>\$ 41,249</u>	<u>\$ 19,016,473</u>
<u>LIABILITIES AND FUND BALANCES:</u>					
Liabilities:					
Interfund Payable			\$ 33,008		\$ 33,008
Accounts Payable - Vendors	\$ 126,929	\$ 223,463	234,299		584,691
Payable to Local Government	125,073				125,073
Unearned Revenue		103,895			103,895
Total Liabilities	<u>252,002</u>	<u>327,358</u>	<u>267,307</u>		<u>846,667</u>
Fund Balances:					
Restricted:					
Excess Surplus	324,869				324,869
Maintenance Reserve	359,178				359,178
Capital Reserve Account	1,008,844				1,008,844
Capital Projects			15,602,472		15,602,472
Debt Service				41,249	41,249

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Assigned:					
Year-End Encumbrances	\$ 148,665				\$ 148,665
For Subsequent Year's Expenditures	727,207				727,207
Unassigned / (Deficit)		\$ (42,678)			(42,678)
Total Fund Balances/(Deficit)	2,568,763	(42,678)	\$ 15,602,472	\$ 41,249	18,169,806
Total Liabilities and Fund Balances	\$ 2,820,765	\$ 284,680	\$ 15,869,779	\$ 41,249	

Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$24,793,899 and the Accumulated Depreciation is \$7,185,447.	\$ 17,608,452
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(403,067)
Long-Term Liabilities, Including Bonds Payable and Compensated Absences, Are Not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds	(27,974,295)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(8,178,346)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Changes in Assumptions - Pensions	878,289
Difference Between Expected & Actual Experience Changes in Assumptions - Pensions	195,107
Investments in Gains - Pensions	834,028
Changes in Proportions - Pensions	(131,492)
Net Position of Governmental Activities	\$ 998,482

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 13,446,977			\$ 382,092	\$ 13,829,069
Tuition Charges	1,560,159				1,560,159
Transportation Fees	51,222				51,222
Miscellaneous	91,992	\$ 22,296	\$ 33,008		147,296
Total - Local Sources	15,150,350	22,296	33,008	382,092	15,587,746
State Sources	10,936,321	517,354		956,311	12,409,986
Federal Sources	55,161	1,934,072			1,989,233
Total Revenues	26,141,832	2,473,722	33,008	1,338,403	29,986,965
EXPENDITURES:					
Current:					
Regular Instruction	7,031,452	1,484,974			8,516,426
Special Education Instruction	1,864,993	992,233			2,857,226
Other Instruction	539,533				539,533
School-Sponsored	552,371				552,371
Support Services and Undistributed Costs:					
Tuition	1,658,891				1,658,891
Student and Other Instruction Related Services	2,589,664				2,589,664
General Administration Services	900,363				900,363
School Administration Services	1,140,120				1,140,120
Central Services & Administrative Information Technology	668,299				668,299
Plant Operations and Maintenance	2,207,295				2,207,295
Student Transportation	580,826				580,826
Unallocated Benefits	6,520,465				6,520,465

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Debt Service:					
Interest and Other Charges				\$ 962,160	\$ 962,160
Principal				980,000	980,000
Capital Outlay	\$ 137,297		\$ 7,829,252		7,966,549
Transfer of Funds to Charter School	81,656				81,656
Total Expenditures	<u>26,473,225</u>	<u>\$ 2,477,207</u>	<u>7,829,252</u>	<u>1,942,160</u>	<u>38,721,844</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>(331,393)</u>	<u>(3,485)</u>	<u>(7,796,244)</u>	<u>(603,757)</u>	<u>(8,734,879)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In/(Out)	<u>(604,387)</u>		<u>(33,008)</u>	<u>636,765</u>	<u>(630)</u>
Total Other Financing Sources/(Uses)	<u>(604,387)</u>		<u>(33,008)</u>	<u>636,765</u>	<u>(630)</u>
Net Change in Fund Balances	(935,780)	(3,485)	(7,829,252)	33,008	(8,735,509)
Fund Balance / (Deficit) - July 1	<u>3,504,543</u>	<u>(39,193)</u>	<u>23,431,724</u>	<u>8,241</u>	<u>26,905,315</u>
Fund Balance / (Deficit) - June 30	<u>\$ 2,568,763</u>	<u>\$ (42,678)</u>	<u>\$ 15,602,472</u>	<u>\$ 41,249</u>	<u>\$ 18,169,806</u>

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

BOROUGH OF 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, 2016

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (8,735,509)

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 capital outlays differ from depreciation.

Depreciation Expense	\$ (538,521)	
Capital outlays	<u>7,948,274</u>	7,409,753

In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). (6,104)

Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. 980,000

In the Statement of Activities, interest on long term debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 69,159

BOROUGH OF 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, 2016

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Changes in Net Pension Liability	\$ (2,193,416)
Deferred Outflows:	
Changes in Assumptions	690,091
Difference Between Expected & Actual Experience Changes in Assumptions - Pensions	195,107
Changes in Proportions	681,385
Deferred Inflows:	
Net Difference between projected and actual investment earnings on Pension Plan Investments	225,177
Change in Net Position of Governmental Activities (Exhibit A-2)	\$ (684,357)

Exhibit B-4

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds</u> <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 69,680
Intergovernmental Accounts Receivable:	
Federal	182,104
State	2,132
Accounts Receivable	16,780
Other Accounts Receivable	73
Inventories	20,508
	291,277
Total Current Assets	291,277
Non-Current Assets:	
Capital Assets	737,431
Less: Accumulated Depreciation	(336,405)
	401,026
Total Non-Current Assets	401,026
Total Assets	692,303
 LIABILITIES:	
Current Liabilities:	
Prepaid Sales	3,195
Unearned Revenue	2,322
Accounts Payable - Vendors	13,296
	18,813
Total Current Liabilities	18,813
 NET POSITION:	
Investment in Capital Assets	401,026
Unrestricted	272,464
	673,490
Total Net Position	\$ 673,490

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

Exhibit B-5

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - <u>Enterprise Funds</u> <u>Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Meals	\$ 132,373
Daily Sales - Non-Reimbursable Meals	74,400
Other Income	23,366
	230,139
Total Operating Revenue	230,139
Operating Expenses:	
Cost of Sales - Reimbursable Programs	547,500
Cost of Sales - Non-Reimbursable Programs	139,296
Salaries, Benefits & Payroll Taxes	384,029
Supplies, Insurance & Other Costs	136,088
Management Fee	43,228
Depreciation Expense	21,580
	1,271,721
Total Operating Expenses	1,271,721
Operating Loss	(1,041,582)
Non-Operating Revenue:	
Local Sources:	
Interest Income	34
State Sources:	
State School Breakfast Program	13,155
Federal Sources:	
National School Lunch Program	636,210
After School Snack Program	2,042
School Breakfast Program	405,154
Food Distribution Program	71,770
	1,128,365
Total Non-Operating Revenue	1,128,365
Net Income Before Transfers	86,783
Transfers:	
Transfer - General Fund	630
	630
Total Transfers	630
Change in Net Position	87,413
Net Position - Beginning of Year	586,077
Net Position - End of Year	\$ 673,490

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

Exhibit B-6

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 217,901
Payments to Employees/Vendors	(384,029)
Payments to Food Service Vendor	(852,824)
Net Cash Used for Operating Activities	(1,018,952)
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	34
Net Cash Provided by Investing Activities	34
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(133,991)
Net Cash Used for Capital and Related Financial Activities	(133,991)
Cash Flows from Noncapital Financing Activities:	
State Sources	11,801
Federal Sources	929,816
Net Cash Provided by Noncapital Financing Activities	942,247
Net Decrease in Cash and Cash Equivalents	(210,662)
Cash and Cash Equivalents, July 1	280,342
Cash and Cash Equivalents, June 30	\$ 69,680
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (1,041,582)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	21,580
Food Distribution Program	71,770
Changes in Assets and Liabilities:	
Decrease in Other Accounts Receivable	1,347
(Increase) in Accounts Receivable	(16,780)
(Increase) in Inventory	(2,094)
Increase in Prepaid Sales	3,195
(Decrease) in Unearned Revenue	(1,893)
(Decrease) in Accounts Payable	(54,495)
Net Cash Used for Operating Activities	\$ (1,018,952)

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received \$73,663 and utilized \$71,770 of commodities from the Federal Food Distribution Program for the fiscal year ended June 30, 2016.

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
ASSETS:					
Cash and Cash Equivalents	\$ 227,097	\$ 263,832	\$ 3,986	\$ 623	\$ 495,538
Interfund Receivable - Payroll Agency		8,974			8,974
Total Assets	<u>227,097</u>	<u>272,806</u>	<u>3,986</u>	<u>623</u>	<u>504,512</u>
LIABILITIES:					
Interfund Payable - General Fund	13,019				13,019
Interfund Payable - Unemployment Trust	8,974				8,974
Due to Student Groups	52,524				52,524
Due to Athletics	1,064				1,064
Payroll Deductions and Withholdings	151,516				151,516
Total Liabilities	<u>227,097</u>				<u>227,097</u>
NET POSITION:					
Held in Trust for:					
Unemployment Claims		272,806			272,806
Flexible Spending Claims			3,986		3,986
Restricted for Scholarships				623	623
Total Net Position	<u>\$ -0-</u>	<u>\$ 272,806</u>	<u>\$ 3,986</u>	<u>\$ 623</u>	<u>\$ 277,415</u>

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

Exhibit B-8

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
Additions:				
Contributions:				
Plan Contributions	\$ 24,510	\$ 9,420		\$ 33,930
Total Contributions	24,510	9,420		33,930
Investment Earnings:				
Interest	257			257
Net Investment Earnings	257			257
Total Additions	24,767	9,420		34,187
Deductions				
Unemployment Compensation Claims	74,845			74,845
Flexible Spending Claims		8,482		8,482
Scholarships Awarded			\$ 250	250
Total Deductions	74,845	8,482	250	83,577
Change in Net Position	(50,078)	938	(250)	(49,390)
Net Position - Beginning of the Year	322,884	3,048	873	326,805
Net Position - End of the Year	<u>\$ 272,806</u>	<u>\$ 3,986</u>	<u>\$ 623</u>	<u>\$ 277,415</u>

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's 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.

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 26,142,388	\$ 2,429,926
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		47,281
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Statements	803,940	39,193
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(804,496)	(42,678)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 26,141,832	\$ 2,473,722

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

D. Budgets/Budgetary Control: (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 26,473,225	\$ 2,429,926
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		47,281
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 26,473,225	\$ 2,477,207

E. Cash and Cash Equivalents:

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

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

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

F. Interfund Transactions:

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

K. Capital Assets:

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

K. Capital Assets: (Cont'd)

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

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

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond premiums as revenue and bond discounts as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District allows employees who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year. The District no longer holds these funds on hand. They have been transferred them to a credit union account, where each employee is able to withdraw their accrued salaries over the summer.

N. Compensated Absences:

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

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

O. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$2,568,763 General Fund balance at June 30, 2016, \$148,665 is assigned for year-end encumbrances; \$1,008,844 is restricted in a capital reserve account; \$359,178 is restricted in a maintenance reserve account; \$284,537 is restricted for prior year excess surplus in accordance with N.J.S.A.18A:7F (S1701) and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017; \$40,332 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the year ended June 30, 2018 and \$727,207 of assigned fund balance designated for subsequent year's expenditures, which is \$271,804 less than the actual assigned fund balance due to the final two state aid payments, which are not recognized on a GAAP basis until the fiscal year ended June 30, 2017. Additionally, there is \$-0- of unassigned fund balance which is \$532,692 less on a GAAP basis due to the final two state aid payments not being recognized on a GAAP basis.

Special Revenue Fund: The deficit fund balance of \$42,678 in Special Revenue Fund at June 30, 2016 is unassigned. This deficit is due to the last two June state aid payments, which are not recognized until the fiscal year ended June 30, 2017.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2016 is \$15,602,472 and is restricted.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2016 is \$41,249 and is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus as noted above.

The District's fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$804,496 not recognized due to the last two State Aid payments. (\$532,692 in unassigned fund balance and \$271,804 in assigned fund balance designated for subsequent year's expenditures), 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, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

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

Q. Deficit Fund Balances / Net Position

The District has a deficit in unrestricted net position of \$6,646,582 in its governmental activities. This is due to \$727,207 fund balance designated for subsequent year's expenditures, \$148,665 of general fund fund balance assigned for encumbrances, a \$(42,678) deficit in unassigned Special Revenue fund balance, due to the June State Aid payments not being recognized on a GAAP basis, \$878,289 of changes in pension assumptions, the \$195,107 difference between expected and actual experience in pensions, \$834,028 of changes in proportion in pensions; offset by accrued interest payable of \$403,067, investment gains in pensions of \$131,492, the net pension liability of \$8,178,346, and \$674,295 of compensated absences payable. These deficits do not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2016 for the changes in assumptions in pensions, difference between expected and actual experience in pensions, changes in proportion in pension and the district contribution subsequent to the measurement date for pensions.

The District had a deferred inflow of resources at June 30, 2016 for the net difference between projected and actual investment earnings on pension plan investments.

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

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

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2016.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$148,665 of assigned resources for year-end encumbrances and \$727,207 for fund balance designated for subsequent year's expenditures in the General Fund on the budgetary basis at June 30, 2016.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

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

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the Investments section of this note.

Custodial Credit Risk – The District does not have a policy with respect to custodial credit risk. However, the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Deposits: (Cont'd)

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

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

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

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

Investments:

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Investments: (Cont'd)

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents Capital, Tuition & Maintenance Reserve Accounts</u>	<u>Total</u>
Checking Accounts	<u>\$ 17,662,584</u>	<u>\$ 1,368,022</u>	<u>\$ 19,030,606</u>

During the period ended June 30, 2016, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$19,030,606 and the bank balance was \$19,533,472.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account in the amount of \$1 was established by Board resolution on October 10, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$ 1,312,601
Deposits:	
Transferred by Board resolution June 13, 2016	300,000
Withdrawals:	
Approved Withdrawals to Debt Service Fund - Budgeted	<u>603,757</u>
Ending Balance, June 30, 2016	<u>\$ 1,008,844</u>

The balance in the capital reserve account at June 30, 2016 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$175,000 was established by the Borough of Bound Brook School District during the fiscal year ended June 30, 2008. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan.

Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	<u>\$ 359,178</u>
Ending Balance, June 30, 2016	<u><u>\$ 359,178</u></u>

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Construction in Progress	\$ 3,968,174	\$ 7,829,252	\$ (9,510,993)	\$ 2,286,433
Total Capital Assets Not Being Depreciated	<u>3,968,174</u>	<u>7,829,252</u>	<u>(9,510,993)</u>	<u>2,286,433</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	\$ 10,870,588		9,510,993	20,381,581
Machinery and Equipment	2,040,498	119,022	(33,635)	2,125,885
Total Capital Assets Being Depreciated	<u>12,911,086</u>	<u>119,022</u>	<u>9,477,358</u>	<u>22,507,466</u>
Governmental Activities Capital Assets	<u>16,879,260</u>	<u>7,948,274</u>	<u>(33,635)</u>	<u>24,793,899</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(5,221,466)	(388,159)		(5,609,625)
Machinery and Equipment	(1,459,095)	(150,362)	33,635	(1,575,822)
	<u>(6,680,561)</u>	<u>(538,521)</u>	<u>33,635</u>	<u>(7,185,447)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 10,198,699</u></u>	<u><u>\$ 7,409,753</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 17,608,452</u></u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Buildings and Building Improvements	\$ 405,495	\$ 101,504		\$ 506,999
Machinery and Equipment	203,345	32,487	\$ (5,400)	230,432
Business Type Activities Capital Assets	<u>608,840</u>	<u>133,991</u>	<u>(5,400)</u>	<u>737,431</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(179,638)	(12,249)		(191,887)
Machinery and Equipment	(140,587)	(8,079)	4,148	(144,518)
	<u>(320,225)</u>	<u>(20,328)</u>	<u>4,148</u>	<u>(336,405)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 288,615</u>	<u>\$ 113,663</u>	<u>\$ (1,252)</u>	<u>\$ 401,026</u>

The District expended \$7,829,252 on various capital projects during the fiscal year. The District also expended \$119,022 from its capital outlay budget. The Food Service Fund also expended \$133,991 for equipment and cafeteria building improvements. The District has \$15,602,472 in an active construction project as of June 30, 2016 of which \$8,023,929 was encumbered.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 190,087
Special Education	48,378
Other Instruction	123,624
Student and Instruction Related Services	51,110
General Administration	3,776
School Administration	39,943
Central Services & Administrative Information Tehnology	6,632
Operations and Maintenance of Plant	50,518
Pupil Transportation	24,453
	<u>\$ 538,521</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in long-term liabilities reported in the District-wide financial statements:

	<u>Beginning Balance</u>	<u>Accrued</u>	<u>Retired</u>	<u>Ending Balance</u>
Serial Bonds Payable	\$28,280,000		\$ 980,000	\$27,300,000
Net Pension Liability	5,984,930	\$ 2,193,416		8,178,346
Compensated Absences Payable	668,191	68,537	62,433	674,295
	<u>\$34,933,121</u>	<u>\$ 2,261,953</u>	<u>\$ 1,042,433</u>	<u>\$36,152,641</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

A. Bonds Payable

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

On December 24, 2014, the District issued debt in the amount of \$27,140,000 with interest rates ranging from 2.00% to 3.75% with consent of the taxpayers through a referendum to repair the infrastructure of its buildings and acquire two additional school buildings to fulfill enrollment and curriculum demands. The bonds mature on January 15, 2016 through 2040.

The District had bonds outstanding as of June 30, 2016 as follows:

<u>Purpose</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
School Refunding Bonds	7/15/2018	4.00%	\$ 870,000
School Bonds	1/15/2040	2.00% - 3.750%	26,430,000
			<u>\$ 27,300,000</u>

Principal and interest due on Serial Bonds outstanding are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 995,000	\$ 876,862	\$ 1,871,862
2018	1,050,000	843,962	1,893,962
2019	1,095,000	809,262	1,904,262
2020	830,000	779,462	1,609,462
2021	870,000	754,562	1,624,562
2022-2026	4,860,000	3,360,312	8,220,312
2027-2031	5,450,000	2,592,311	8,042,311
2032-2036	6,520,000	1,680,390	8,200,390
2037-2040	5,630,000	514,078	6,144,078
	<u>\$ 27,300,000</u>	<u>\$ 12,211,201</u>	<u>\$ 39,511,201</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2016, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2016, the Board had no capital leases payable.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

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

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the liability is \$38,034 and the long-term liability balance of compensated absences is \$636,261.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the Food Service Fund.

The General Fund will be used to liquidate Compensated Absences Payable. The Debt Service Fund will be used to liquidate the Serial Bonds.

E. Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long-term portion is \$8,178,346. See Note 9 for further information on the PERS.

NOTE 8. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District transferred \$61,681 to the capital outlay accounts for equipment and did not require County Superintendent approval.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Public Employee's Retirement System (PERS) of New Jersey; or the Teachers' Pension and Annuity Fund (TPAF); or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$313,221 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$8,178,346 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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 members, actuarially determined. At June 30, 2015, the District's proportion was 0.036%, which was an increase of 0.0045% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$714,864. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions - 2014	6.44	\$ 175,064	
Changes in Assumptions - 2015	5.72	703,225	
Changes in Proportion - 2014	6.44	124,584	
Changes in Proportion - 2015	5.72	709,444	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		\$ 304,877
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		(173,385)
Difference Between Expected and Actual Experience - 2015	5.72	195,107	
District Contribution Subsequent to the Measurement Date - 2015	1	335,562	
		\$ 1,907,424	\$ 131,492

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2016	\$ 171,474
2017	171,474
2018	171,474
2019	273,102
2020	154,380
	\$ 941,904

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. 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 3.80% as of June 30, 2015 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 upon the average of the last five years of contributions made in relation to the last five years of actuarially determined 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 10,164,683	\$ 8,178,346	\$ 6,513,015

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. 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. The following represents the membership tiers for TPAF:

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarially determined amount.

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, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$831,939 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$3,622,682.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$59,330,833. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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 members, actuarially determined. At June 30, 2015, the District's proportion was 0.094%, which was a decrease of 0.00005% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>59,330,833</u>
Total	<u><u>\$ 59,330,833</u></u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$3,622,682 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321224871	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		1,305,927,430
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		(770,568,242)
		<u><u>\$ 7,521,378,257</u></u>	<u><u>\$ 554,399,005</u></u>

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	<u>2,196,835,040</u>
	<u>\$ 6,966,979,252</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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 were based on the RP-2000 Health Annuitant Mortality Tables 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, 2014 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 pension plan investments (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. 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 3.80% as of June 30, 2015 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 upon the average of the last five years. Based on those assumptions, the pension 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 pension 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Cont'd)

	Fiscal Year Ended June 30, 2015		
	At 1% Decrease (3.13%)	At Current Discount Rate (4.13%)	At 1% Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 70,512,478	\$ 59,330,833	\$ 49,697,177

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$647 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$1,187 for the year ended June 30, 2016.

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994. C.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 10. POST-RETIREMENT BENEFITS (Cont'd)

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at:
<http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$990,610, \$805,663 and \$651,529 for 2016, 2015 and 2014 respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 11. RISK MANAGEMENT

Property and Liability Insurance

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. Health benefits are obtained from Horizon Blue Cross / Blue Shield of New Jersey.

The Borough of Bound Brook School District is a member of the New Jersey Schools Insurance Group (NJSIG) (the "Group"). This public entity risk management pool provides liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

Selected, summarized financial information for the Group as of June 30, 2016 is as follows:

	New Jersey Schools Insurance Group (NJSIG)
Total Assets	\$ 305,785,525
Total Net Position	\$ 68,222,364
Total Revenue	\$ 124,872,219
Total Expenses	\$ 113,965,181
Change in Net Position	\$ 10,907,038
Member Dividends	\$ -0-

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

New Jersey Schools Insurance Group
6000 Midlantic Drive
Mount Laurel, NJ 08054
(609) 386-6060

New Jersey Unemployment Compensation Insurance

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

The following is a summary of the District's contributions, employee contributions and interest earned, reimbursements to the State for benefits paid and the ending balance of the District's Unemployment Trust Fiduciary Fund for the current and previous two years:

Fiscal Year	District Contributions	Employee Contributions and Interest	Amount Reimbursed	Ending Balance
2016	\$ -0-	\$ 24,767	\$ 74,845	\$ 272,806
2015	-0-	24,804	80,186	322,884
2014	-0-	24,878	37,645	378,266

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. DEFERRED COMPENSATION

The Board offers its employees a choice of the following approved service providers created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by The Omni Group, Inc., permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, or death. There is however, a loan option for qualified applicants in which participants can access funds prior to termination, retirement or death. Also, a Roth 403(b) plan feature has been added for the providers noted with an asterisk (*). The approved service providers are as follows:

Valic	Lincoln Investment Planning*
Fidelity Management Trust Co.*	Lincoln National
Fiduciary Trust International	Primerica Financial Services
Franklin Templeton Bank & Trust	Siracusa Benefits Programs
FTJ Fundchoice, Inc.	AXA Equitable Life Insurance Company*
	ADMM/GWN*

GWN/Employee Deposit Account and FTJ Fundchoice, Inc. are the approved service providers for the District's Internal Revenue Code Section 457 plan, which is administered by the Omni Group, Inc.

NOTE 14. COMMITMENTS AND CONTINGENCIESGrant Programs

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

Litigation

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

Encumbrances

At June 30, 2016, there were encumbrances as detailed below in the governmental funds:

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 148,665	\$ 47,281	\$ 8,023,929	\$ 8,219,875

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 14. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances (Cont'd)

On the District's Governmental Funds Balance Sheet as of June 30, 2016, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$2,591 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund. The Capital Projects Fund has \$8,023,929 of encumbrances which are included in the \$15,602,472 of restricted fund balance.

Arbitrage

The District may have a liability for arbitrage payable to the federal government relative to its \$28,140,000 School Bonds dated December 23, 2014.

NOTE 15. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school District on a predetermined mutually agreed-upon schedule.

NOTE 16. INTERFUND RECEIVABLES AND PAYABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 13,019	
Capital Projects Fund		\$ 33,008
Debt Service Fund	33,008	
Fiduciary Funds - Agency		21,993
Fiduciary Funds - Unemployment Fund	8,974	
	<u>\$ 55,001</u>	<u>\$ 55,001</u>

The interfund between the General Fund and the Agency Fiduciary Fund is a prior year interfund. The transfer between the Capital Projects Fund and the Debt Service Fund is for interest earnings in the Capital Projects Fund. The interfund receivable in the Unemployment Fund from the Agency Fiduciary Fund is for current year employee deductions not turned over at year end.

During the fiscal year, the District transferred \$603,757 from the Capital Reserve in General Fund and \$33,008 from the Capital Projects Fund to the Debt Service Fund as financing sources.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 17. OPERATING LEASES

The District had operating leases for the use of copiers as of June 30, 2016, of future minimum lease payments are detailed below:

<u>Fiscal Year</u>	<u>Amount</u>
2016-2017	\$ 210
Total Minimum Lease Payments	<u>\$ 210</u>

NOTE 18. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental Activities as of June 30, 2016 consisted of the following:

	<u>Governmental Fund</u>			<u>District Contribution Subsequent to Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business- Type Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>			<u>Proprietary Funds</u>
Vendors	\$ 126,929	\$ 223,463	\$ 234,299		\$ 584,691	\$ 13,296
State of New Jersey				\$ 335,562	335,562	
	<u>\$ 126,929</u>	<u>\$ 223,463</u>	<u>\$ 234,299</u>	<u>\$ 335,562</u>	<u>\$ 920,253</u>	<u>\$ 13,296</u>

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

L-1

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2015	2016
District's proportion of the net pension liability	0.031966110000%	0.036432408200%
District's proportionate share of the net pension liability	\$ 5,984,930	\$ 8,178,346
District's covered employee payroll	\$ 2,390,466	\$ 2,489,416
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	250.37%	328.52%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 263,524	\$ 314,090
Contributions in relation to the contractually required contribution	<u>(263,524)</u>	<u>(314,090)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 2,489,416	\$ 2,592,656
Contributions as a percentage of covered employee payroll	10.59%	12.11%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ATTRIBUTABLE WITH THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2015	2016
State's proportion of the net pension liability attributable to the District	0.0939304738%	0.0938715579%
State's proportionate share of the net pension liability attributable to the District	\$ 50,202,781	\$ 59,330,833
District's covered employee payroll	\$ 9,870,838	\$ 10,464,674
District's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	508.60%	566.96%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 2,701,381	\$ 3,622,682
Contributions in relation to the contractually required contribution	<u>(507,504)</u>	<u>(831,939)</u>
Contribution deficiency/(excess)	<u>\$ 2,193,877</u>	<u>\$ 2,790,743</u>
District's covered employee payroll	\$ 9,870,838	\$ 10,464,674
Contributions as a percentage of covered employee payroll	27.37%	7.95%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 13,446,977		\$ 13,446,977	\$ 13,446,977	
Tuition from Other LEA's	1,527,425		1,527,425	1,560,159	\$ 32,734
Transportation Fees	10,000		10,000	51,222	41,222
Miscellaneous	108,526		108,526	91,992	(16,534)
Total - Local Sources	<u>15,092,928</u>		<u>15,092,928</u>	<u>15,150,350</u>	<u>57,422</u>
State Sources:					
Categorical Special Education Aid	880,722		880,722	880,722	
Equalization Aid	6,288,222		6,288,222	6,288,222	
Categorical Security Aid	118,638		118,638	118,638	
Categorical Transportation Aid	23,408		23,408	23,408	
School Choice Aid	421,542		421,542	421,542	
Other State Aids	365,631		365,631	365,631	
Extraordinary Aid	90,000		90,000	147,048	57,048
TPAF Pension Contributions (Non-Budgeted)				831,939	831,939
TPAF Post Retirement Medical Benefits (Non-Budgeted)				990,610	990,610
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				869,117	869,117
Total State Sources	<u>8,188,163</u>		<u>8,188,163</u>	<u>10,936,877</u>	<u>2,748,714</u>
Federal Sources:					
Medicaid Assistance Program	34,768		34,768	55,161	20,393
Total Federal Sources	<u>34,768</u>		<u>34,768</u>	<u>55,161</u>	<u>20,393</u>
TOTAL REVENUES	<u>23,315,859</u>		<u>23,315,859</u>	<u>26,142,388</u>	<u>2,826,529</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers		\$ 29,100	\$ 29,100	\$ 27,145	\$ 1,955
Kindergarten - Salaries of Teachers	\$ 499,034	28,000	527,034	524,042	2,992
Grades 1-5 - Salaries of Teachers	2,393,610	30,425	2,424,035	2,409,555	14,480
Grades 6-8 - Salaries of Teachers	1,194,190	88,389	1,282,579	1,264,166	18,413
Grades 9-12 - Salaries of Teachers	2,208,900	(88,810)	2,120,090	2,088,728	31,362
Regular Programs - Home Instruction:					
Salaries of Teachers	33,550	15,043	48,593	43,702	4,891
Purchased Professional - Educational Services	35,900	13,300	49,200	26,251	22,949
Regular Programs - Undistributed Instruction:					
Textbooks	12,542	(11,444)	1,098	1,098	
Other Objects	23,900	(1,000)	22,900	11,432	11,468
Other Purchased Services (400-500 series)	311,733	(145,200)	166,533	140,563	25,970
General Supplies	333,245	170,494	503,739	494,770	8,969
Total Regular Programs - Instruction	<u>7,046,604</u>	<u>128,297</u>	<u>7,174,901</u>	<u>7,031,452</u>	<u>143,449</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	270,875	(60,780)	210,095	209,929	166
Other Salaries for Instruction	62,506	(8,385)	54,121	50,369	3,752
General Supplies	1,200		1,200		1,200
Textbooks	350		350		350
Total Learning and/or Language Disabilities	<u>334,931</u>	<u>(69,165)</u>	<u>265,766</u>	<u>260,298</u>	<u>5,468</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Behavioral Disabilities:					
Salaries of Teachers	\$ 229,428	\$ 36,270	\$ 265,698	\$ 253,504	\$ 12,194
Other Salaries for Instruction	20,798	(2,500)	18,298	16,228	2,070
General Supplies	150		150	150	
Total Behavioral Disabilities	<u>250,376</u>	<u>33,770</u>	<u>284,146</u>	<u>269,882</u>	<u>14,264</u>
Resource Room/Resource Center:					
Salaries of Teachers	915,707	105,540	1,021,247	1,013,765	7,482
Other Salaries for Instruction	35,425	30,845	66,270	62,749	3,521
General Supplies	4,600		4,600	400	4,200
Textbooks	250		250		250
Total Resource Room/Resource Center	<u>955,982</u>	<u>136,385</u>	<u>1,092,367</u>	<u>1,076,914</u>	<u>15,453</u>
Autism:					
Salaries of Teachers		117,850	117,850	110,686	7,164
Other Salaries for Instruction		71,000	71,000	65,782	5,218
General Supplies		250	250	230	20
Total Autism		<u>189,100</u>	<u>189,100</u>	<u>176,698</u>	<u>12,402</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	30,190	49,500	79,690	79,669	21
Other Salaries for Instruction	51,591	(48,100)	3,491	1,532	1,959
Total Preschool Disabilities - Part-Time	<u>81,781</u>	<u>1,400</u>	<u>83,181</u>	<u>81,201</u>	<u>1,980</u>
Total Special Education Instruction	<u>1,623,070</u>	<u>291,490</u>	<u>1,914,560</u>	<u>1,864,993</u>	<u>49,567</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 500	\$ 3,000	\$ 3,500	\$ 2,761	\$ 739
General Supplies	1,000	(500)	500		500
Textbooks	100		100		100
Total Basic Skills/Remedial - Instruction	<u>1,600</u>	<u>2,500</u>	<u>4,100</u>	<u>2,761</u>	<u>1,339</u>
Bilingual Education - Instruction:					
Salaries of Teachers	371,953	9,058	381,011	378,399	2,612
Other Salaries for Instruction	16,101	8,000	24,101	21,051	3,050
General Supplies	2,600		2,600	963	1,637
Total Bilingual Education - Instruction	<u>390,654</u>	<u>17,058</u>	<u>407,712</u>	<u>400,413</u>	<u>7,299</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	95,542	500	96,042	81,770	14,272
Purchased Services (300-500 series)	10,700		10,700	9,314	1,386
Supplies and Materials	17,000		17,000	2,695	14,305
Other Objects	1,750		1,750	1,688	62
Total School-Sponsored Cocurricular Activities - Instruction	<u>124,992</u>	<u>500</u>	<u>125,492</u>	<u>95,467</u>	<u>30,025</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	371,609		371,609	347,326	24,283
Purchased Services (300-500 series)	44,276	(2,573)	41,703	41,701	2
Supplies and Materials	44,673	5,073	49,746	49,320	426
Other Objects	24,838	(2,500)	22,338	18,557	3,781
Total School-Sponsored Cocurricular Athletics - Instruction	<u>485,396</u>	<u></u>	<u>485,396</u>	<u>456,904</u>	<u>28,492</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Before/After School Programs - Instruction:					
Salaries of Teachers		\$ 40,000	\$ 40,000	\$ 17,396	\$ 22,604
Supplies and Materials	\$ 100	1,100	1,200	201	999
Total Before/After School Programs - Instruction	<u>100</u>	<u>41,100</u>	<u>41,200</u>	<u>17,597</u>	<u>23,603</u>
Summer School - Instruction:					
Salaries of Teachers	35,500	(8,247)	27,253	27,253	
Total Summer School - Instruction	<u>35,500</u>	<u>(8,247)</u>	<u>27,253</u>	<u>27,253</u>	
Alternative Education Program - Instruction:					
Salaries of Teachers	58,000		58,000	51,330	6,670
Other Salaries for Instruction	24,044	1,000	25,044	18,779	6,265
Other Purchased Services (400-500 series)	25,000		25,000	21,400	3,600
Total Alternative Education Program - Instruction	<u>107,044</u>	<u>1,000</u>	<u>108,044</u>	<u>91,509</u>	<u>16,535</u>
Total Instruction	<u>9,814,960</u>	<u>473,698</u>	<u>10,288,658</u>	<u>9,988,349</u>	<u>300,309</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	108,240	(42,980)	65,260	41,910	23,350
Tuition to Other LEAs Within the State - Special	1,181,687	(803,494)	378,193	243,691	134,502
Tuition to County Vocational School District - Regular	31,110	8,980	40,090	40,090	
Tuition to CSSD & Regional Day Schools	48,542	(3,808)	44,734	44,734	
Tuition to Private Schools for the Disabled - Within State	1,185,198	181,042	1,366,240	1,270,767	95,473
Tuition - State Facilities	17,699		17,699	17,699	
Total Undistributed Expenditures - Instruction	<u>2,572,476</u>	<u>(660,260)</u>	<u>1,912,216</u>	<u>1,658,891</u>	<u>253,325</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Attendance & Social Work:					
Salaries	\$ 43,398	\$ 3,000	\$ 46,398	\$ 43,783	\$ 2,615
Other Purchased Services (400-500 series)	300		300		300
Supplies and Materials	100		100		100
Other Objects	100		100		100
Total Attendance & Social Work	<u>43,898</u>	<u>3,000</u>	<u>46,898</u>	<u>43,783</u>	<u>3,115</u>
Health Services:					
Salaries	286,465	7,485	293,950	290,600	3,350
Purchased Professional and Technical Services	8,700	(250)	8,450	6,430	2,020
Other Purchased Services (400-500 series)	27,347	250	27,597	27,597	
Supplies and Materials	10,293	100	10,393	7,640	2,753
Total Health Services	<u>332,805</u>	<u>7,585</u>	<u>340,390</u>	<u>332,267</u>	<u>8,123</u>
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	191,500	5,515	197,015	191,500	5,515
Purchased Professional - Educational Services	50,214	(5,000)	45,214	30,531	14,683
Supplies and Materials	4,000		4,000	957	3,043
Total Other Support Services - Speech, OT, PT and Related Services	<u>245,714</u>	<u>515</u>	<u>246,229</u>	<u>222,988</u>	<u>23,241</u>
Other Support Services - Extraordinary Services:					
Salaries	122,655	30,000	152,655	137,125	15,530
Total Other Support Services - Extraordinary Services	<u>122,655</u>	<u>30,000</u>	<u>152,655</u>	<u>137,125</u>	<u>15,530</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Guidance:					
Salaries of Other Professional Staff	\$ 493,789	\$ (28,693)	\$ 465,096	\$ 441,118	\$ 23,978
Salaries of Secretarial and Clerical Assistants	63,384	(12,100)	51,284	46,389	4,895
Purchased Professional - Educational Services	750	4,850	5,600	5,570	30
Other Purchased Services (400-500)	15,213		15,213	8,248	6,965
Supplies and Materials	10,485	(600)	9,885	7,029	2,856
Total Other Support Services - Students - Guidance	583,621	(36,543)	547,078	508,354	38,724
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	367,078	236,000	603,078	589,040	14,038
Salaries of Secretarial and Clerical Assistants	52,400	(1,000)	51,400	47,472	3,928
Purchased Professional - Educational Services	324,159	(156,835)	167,324	114,900	52,424
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	30,339	(6,130)	24,209	18,942	5,267
Supplies and Materials	5,623	6,130	11,753	11,620	133
Other Objects	1,275		1,275	1,020	255
Total Other Support Services - Students - Child Study Teams	780,874	78,165	859,039	782,994	76,045
Improvement of Instructional Services:					
Salaries of Other Professional Staff	223,234	(120,640)	102,594	102,284	310
Salaries of Secretarial and Clerical Assistants	61,412	(36,000)	25,412	25,412	
Other Salaries	62,055	(62,055)			
Other Purchased Services (400-500)	12,450		12,450	12,183	267
Supplies and Materials	500		500	33	467
Other Objects	3,500		3,500	2,674	826
Total Improvement of Instructional Services	363,151	(218,695)	144,456	142,586	1,870

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Educational Media Services/School Library:					
Salaries	\$ 316,832	\$ 36,500	\$ 353,332	\$ 328,555	\$ 24,777
Purchased Professional and Technical Services	1,280		1,280		1,280
Other Purchased Services (400-500)	2,300		2,300	130	2,170
Supplies and Materials	26,600	(1,300)	25,300	14,765	10,535
Total Educational Media Services/School Library	<u>347,012</u>	<u>35,200</u>	<u>382,212</u>	<u>343,450</u>	<u>38,762</u>
Instructional Staff Training Services:					
Other Salaries	3,200	9,884	13,084	13,084	
Purchased Professional - Educational Services	39,505	21,377	60,882	58,344	2,538
Other Purchased Services (400-500 series)	17,745	(12,960)	4,785	4,689	96
Total Instructional Staff Training Services	<u>60,450</u>	<u>18,301</u>	<u>78,751</u>	<u>76,117</u>	<u>2,634</u>
Support Services - General Administration:					
Salaries	323,128	88,439	411,567	411,567	
Legal Services	74,429	39,200	113,629	99,590	14,039
Audit Fees	32,000	(5,760)	26,240	26,240	
Other Purchased Professional Services	68,658	(42,720)	25,938	25,938	
Communications/Telephone	253,853	9,670	263,523	247,050	16,473

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration (Cont'd):					
BOE Other Purchased Services	\$ 1,500	\$ (1,500)			
Miscellaneous Purchased Services (400-500 series)	57,248	5,407	\$ 62,655	\$ 61,766	\$ 889
General Supplies	7,200	390	7,590	7,590	
BOE in-house Meeting/Training Supplies	2,592	(1,419)	1,173	1,173	
Miscellaneous Expenditures	14,850	(5,426)	9,424	9,424	
Board of Education Membership Dues and Fees	11,600	(1,575)	10,025	10,025	
Total Support Services - General Administration	<u>847,058</u>	<u>84,706</u>	<u>931,764</u>	<u>900,363</u>	<u>31,401</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	622,800	45,000	667,800	667,708	92
Salaries of Other Professional Staff	153,183	35,043	188,226	188,226	
Salaries of Secretarial and Clerical Assistants	255,066	20,500	275,566	265,487	10,079
Other Purchased Services (400-500 series)	13,305	(201)	13,104	3,949	9,155
Supplies and Materials	15,170	(87)	15,083	9,010	6,073
Other Objects	8,250		8,250	5,740	2,510
Total Support Services - School Administration	<u>1,067,774</u>	<u>100,255</u>	<u>1,168,029</u>	<u>1,140,120</u>	<u>27,909</u>
Support Services - Central Services:					
Salaries	339,979	(18,000)	321,979	301,767	20,212
Purchased Professional Services	6,875	12,015	18,890	18,890	
Purchased Technical Services	92,024	(12,515)	79,509	77,344	2,165
Miscellaneous Purchased Services (400-500 series)	40,490	(5,210)	35,280	31,985	3,295
Supplies and Materials	22,900	985	23,885	11,194	12,691
Miscellaneous Expenditures	4,060	(985)	3,075	1,945	1,130
Total Support Services - Central Services	<u>506,328</u>	<u>(23,710)</u>	<u>482,618</u>	<u>443,125</u>	<u>39,493</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - Administration Information Technology:					
Salaries	\$ 159,941	\$ 68,055	\$ 227,996	\$ 225,174	\$ 2,822
Total Support Services - Administration Information Technology	<u>159,941</u>	<u>68,055</u>	<u>227,996</u>	<u>225,174</u>	<u>2,822</u>
Required Maintenance of School Facilities:					
Salaries	282,296	(4,000)	278,296	230,276	48,020
Cleaning, Repair and Maintenance Services	265,564	5,975	271,539	188,563	82,976
General Supplies	121,090	(44,281)	76,809	37,500	39,309
Total Required Maintenance of School Facilities	<u>668,950</u>	<u>(42,306)</u>	<u>626,644</u>	<u>456,339</u>	<u>170,305</u>
Custodial Services:					
Salaries	870,036	(26,122)	843,914	823,704	20,210
Cleaning, Repair and Maintenance Services	73,259	3,200	76,459	57,572	18,887
Other Purchased Property Services	41,000	3,000	44,000	40,475	3,525
Insurance	152,771	10,050	162,821	162,805	16
Miscellaneous Purchased Services	8,000		8,000	4,939	3,061
General Supplies	81,488	46,500	127,988	117,429	10,559
Energy (Electricity)	300,000	(29,550)	270,450	268,768	1,682
Energy (Natural Gas)	190,000		190,000	168,152	21,848
Energy (Oil)	4,000		4,000	1,867	2,133
Other Objects	10,584		10,584	3,687	6,897
Total Custodial Services	<u>1,731,138</u>	<u>7,078</u>	<u>1,738,216</u>	<u>1,649,398</u>	<u>88,818</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Security:					
Salaries	\$ 5,000	\$ 19,700	\$ 24,700	\$ 23,932	\$ 768
Purchased Professional and Technical Services	58,835	18,800	77,635	77,626	9
Total Security	<u>63,835</u>	<u>38,500</u>	<u>102,335</u>	<u>101,558</u>	<u>777</u>
Student Transportation Services:					
Salaries of Non-Instructional Aides	17,959		17,959	11,221	6,738
Salaries for Transportation - (Between Home & School) - Special	146,832	(503)	146,329	138,826	7,503
Salaries for Transportation - (Other Than Between Home & School)	55,000	503	55,503	46,115	9,388
Cleaning, Repair and Maintenance Services	25,091		25,091	11,814	13,277
Contracted Services:					
Other than Between Home and School - Vendors	46,000		46,000	5,135	40,865
Special Education Students - Joint Agreements	336,565		336,565	336,273	292
Aid in Lieu of Payments - Charter School	7,072		7,072	6,787	285
Miscellaneous Purchased Services - Transportation	12,414		12,414	8,786	3,628
General Supplies	31,139		31,139	15,107	16,032
Other Objects	2,700		2,700	762	1,938
Total Student Transportation Services	<u>680,772</u>		<u>680,772</u>	<u>580,826</u>	<u>99,946</u>
Unallocated Benefits:					
Social Security Contributions	299,000		299,000	293,822	5,178
Other Retirement Contributions - PERS	336,676	(4,300)	332,376	314,090	18,286
Workmen's Compensation	151,628	(28,000)	123,628	121,796	1,832

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits (Cont'd):					
Health Benefits	\$ 3,056,437	\$ 6,895	\$ 3,063,332	\$ 3,010,154	\$ 53,178
Tuition Reimbursement	94,960		94,960	57,337	37,623
Other Employee Benefits	38,000		38,000	31,600	6,400
Total Unallocated Benefits	<u>3,976,701</u>	<u>(25,405)</u>	<u>3,951,296</u>	<u>3,828,799</u>	<u>122,497</u>
On-Behalf Contributions:					
TPAF Pension Contributions (Non-Budgeted)				831,939	(831,939)
TPAF Post Retirement Medical Benefits (Non-Budgeted)				990,610	(990,610)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				869,117	(869,117)
Total On-Behalf Contributions				<u>2,691,666</u>	<u>(2,691,666)</u>
Total Personal Services - Employee Benefits	<u>3,976,701</u>	<u>(25,405)</u>	<u>3,951,296</u>	<u>6,520,465</u>	<u>(2,569,169)</u>
Total Undistributed Expenses	<u>15,155,153</u>	<u>(535,559)</u>	<u>14,619,594</u>	<u>16,265,923</u>	<u>(1,646,329)</u>
TOTAL CURRENT EXPENSE	<u>24,970,113</u>	<u>(61,861)</u>	<u>24,908,252</u>	<u>26,254,272</u>	<u>(1,346,020)</u>
CAPITAL OUTLAY					
Equipment:					
Instruction - Grades 9-12	15,262		15,262	15,262	
Undistributed Expenditures - Required Maintenance for Schools		55,394	55,394	55,264	130
School Buses - Regular	50,468		50,468	50,468	
Undistributed Expenditures - Non-Instructional Services		6,467	6,467	6,467	
Total Equipment	<u>65,730</u>	<u>61,861</u>	<u>127,591</u>	<u>127,461</u>	<u>130</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on SDA Funding	\$ 9,836		\$ 9,836	\$ 9,836	
Total Facilities Acquisition and Construction Services	9,836		9,836	9,836	
TOTAL CAPITAL OUTLAY	75,566	\$ 61,861	137,427	137,297	\$ 130
Transfer of Funds to Charter Schools	90,000		90,000	81,656	8,344
TOTAL EXPENDITURES	25,135,679		25,135,679	26,473,225	(1,337,546)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,819,820)		(1,819,820)	(330,837)	1,488,983
Other Financing Uses:					
Capital Reserve - Transfer to Debt Service Fund	(603,757)		(603,757)	(603,757)	
Transfer to Cover Deficit - Food Service Fund	(1,000)		(1,000)	(630)	(370)
Total Other Financing Uses	(604,757)		(604,757)	(604,387)	(370)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	(2,424,577)		(2,424,577)	(935,224)	1,489,353
Fund Balance, July 1	4,308,483		4,308,483	4,308,483	
Fund Balance, June 30	\$ 1,883,906	\$ -0-	\$ 1,883,906	\$ 3,373,259	\$ 1,489,353

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<u>Recapitulation:</u>					
Restricted:					
Excess Surplus				\$ 40,332	
Excess Surplus - Designated for Subsequent Year's Expenditures				284,537	
Maintenance Reserve				359,178	
Capital Reserve				1,008,844	
Assigned:					
Year-End Encumbrances				148,665	
For Subsequent Year's Expenditures				999,011	
Unassigned					
				532,692	
				3,373,259	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(804,496)	
Fund Balance per Governmental Funds (GAAP)				\$ 2,568,763	

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 26,238	\$ 26,238	\$ 19,310	\$ (6,928)
State Sources	\$ 429,607	93,305	522,912	500,932	(21,980)
Federal Sources	1,613,163	371,835	1,984,998	1,909,684	(75,314)
Total Revenues	<u>2,042,770</u>	<u>491,378</u>	<u>2,534,148</u>	<u>2,429,926</u>	<u>(104,222)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	939,906	91,173	1,031,079	1,026,179	4,900
Other Salaries for Instruction	146,021	(14,096)	131,925	131,925	
Purchased Professional - Education Services		19,170	19,170	2,820	16,350
Other Purchased Services	13,655	392,399	406,054	406,054	
General Supplies	15,882	162,131	178,013	145,193	32,820
Total Instruction	<u>1,115,464</u>	<u>650,777</u>	<u>1,766,241</u>	<u>1,712,171</u>	<u>54,070</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services:					
Salaries of Program Directors	\$ 9,272	\$ 1,149	\$ 10,421	\$ 10,376	\$ 45
Salaries of Other Professional Staff	400,469	(240,150)	160,319	159,815	504
Salaries of Secretaries and Clerical Assistants	45,796	(112)	45,684	45,572	112
Salaries of Community Parent Involvement Specialist	5,850	17,046	22,896	21,816	1,080
Salaries of Master Teachers	20,000	210	20,210	20,210	
Personal Services - Employee Benefits	444,642	(27,016)	417,626	414,511	3,115
Purchased Professional and Technical Services	1,277	26,516	27,793	9,878	17,915
Other Purchased Professional Services		35,151	35,151	15,907	19,244
Supplies and Materials		24,025	24,025	16,131	7,894
Other Objects		1,277	1,277	1,039	238
Total Support Services	<u>927,306</u>	<u>(161,904)</u>	<u>765,402</u>	<u>715,255</u>	<u>50,147</u>
Facilities Acquisition:					
Instructional Equipment		2,505	2,505	2,500	5
Total Facilities Acquisition		<u>2,505</u>	<u>2,505</u>	<u>2,500</u>	<u>5</u>
Total Expenditures	<u>\$ 2,042,770</u>	<u>\$ 491,378</u>	<u>\$ 2,534,148</u>	<u>\$ 2,429,926</u>	<u>\$ 104,222</u>

Exhibit C-3

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 26,142,388	\$ 2,429,926
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		47,281
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Statements	803,940	39,193
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(804,496)	(42,678)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 26,141,832	\$ 2,473,722
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 26,473,225	\$ 2,429,926
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		47,281
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 26,473,225	\$ 2,477,207

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

The General Fund and Special Revenue Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	No Child Left Behind					Preschool Education Aid
	Title I	Title I Carryover	Title II, Part A	Title III	Title III, Immigrant	
REVENUE:						
Local Sources						
State Sources						
Federal Sources	\$ 874,913	\$ 5	\$ 62,116	\$ 59,474	\$ 7,010	\$ 500,932
Total Revenue	<u>874,913</u>	<u>5</u>	<u>62,116</u>	<u>59,474</u>	<u>7,010</u>	<u>500,932</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers	548,800		36,879	26,690		203,077
Other Salaries for Instruction						59,606
Purchased Professional - Educational Services				2,820		
Other Purchased Services						
General Supplies	46,593	5		23,185		52,610
Total Instruction	<u>595,393</u>	<u>5</u>	<u>36,879</u>	<u>52,695</u>		<u>315,293</u>
Support Services:						
Salaries of Program Directors						5,188
Salaries of Other Professional Staff	16,360			4,401		57,537
Salaries of Secretaries and Clerical Assistants						22,786
Salaries of of Community Parent Involvement Specialist	15,728					3,044
Salaries of Master Teachers						10,105
Personal Services - Employee Benefits	233,007		17,330			86,979
Purchased Professional and Technical Services	7,500			2,378		
Other Purchased Professional Services			7,907		3,900	
Supplies and Materials	6,925				3,110	
Other Objects						
Total Support Services	<u>279,520</u>		<u>25,237</u>	<u>6,779</u>	<u>7,010</u>	<u>185,639</u>
Facilities Acquisition:						
Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	<u>\$ 874,913</u>	<u>\$ 5</u>	<u>\$ 62,116</u>	<u>\$ 59,474</u>	<u>\$ 7,010</u>	<u>\$ 500,932</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Preschool Expansion Aid	Race to The Top	IDEA Part B			Local Grants	Totals
			Basic	Basic Carryover	Preschool		
REVENUE:							
Local Sources						\$ 19,310	\$ 19,310
State Sources							500,932
Federal Sources	\$ 443,693	\$ 3,886	\$ 443,580	\$ 835	\$ 14,172		1,909,684
Total Revenue	443,693	3,886	443,580	835	14,172	19,310	2,429,926
EXPENDITURES:							
Instruction:							
Salaries of Teachers	196,996		6,234		2,628	4,875	1,026,179
Other Salaries for Instruction	59,438		2,344		10,537		131,925
Purchased Professional - Educational Services							2,820
Other Purchased Services			405,354			700	406,054
General Supplies	15,830		6,135	835			145,193
Total Instruction	272,264		420,067	835	13,165	5,575	1,712,171
Support Services:							
Salaries of Program Directors	5,188						10,376
Salaries of Other Professional Staff	56,675	3,610	21,232				159,815
Salaries of Secretaries and Clerical Assistants	22,786						45,572
Salaries of of Community Parent Involvement Specialist	3,044						21,816
Salaries of Master Teachers	10,105						20,210
Personal Services - Employee Benefits	73,631	276	2,281		1,007		414,511
Purchased Professional and Technical Services							9,878
Other Purchased Professional Services						4,100	15,907
Supplies and Materials						6,096	16,131
Other Objects						1,039	1,039
Total Support Services	171,429	3,886	23,513		1,007	11,235	715,255
Facilities Acquisition:							
Non-Instructional Equipment						2,500	2,500
Total Facilities Acquisition						2,500	2,500
Total Expenditures	\$ 443,693	\$ 3,886	\$ 443,580	\$ 835	\$ 14,172	\$ 19,310	\$ 2,429,926

Exhibit E-2

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

District-Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 203,077	\$ 203,077	
Other Salaries for Instruction	59,606	59,606	
General Supplies	52,610	52,610	
Total Instruction	<u>315,293</u>	<u>315,293</u>	
Support Services:			
Salaries of Program Directors	5,188	5,188	
Salaries of Other Professional Staff	57,537	57,537	
Salaries of Secretaries and Clerical Assistants	22,786	22,786	
Salaries of Master Teachers	10,105	10,105	
Salaries of Community Parent Involvement Specialist	3,044	3,044	
Personal Services - Employee Benefits	86,979	86,979	
Purchased Professional and Technical Services			
Total Support Services	<u>185,639</u>	<u>185,639</u>	
Total Expenditures	<u>\$ 500,932</u>	<u>\$ 500,932</u>	<u>\$ -0-</u>

CALCULATION OF BUDGET & CARRYOVER

Total revised 2015-2016 Preschool Education Aid Allocation	\$ 429,607
Add: Actual Preschool Education Aid Carryover (June 30, 2015)	169,205
Total Preschool Education Aid Funds Available for 2015-2016 Budget	<u>598,812</u>
Less: 2015-2016 Budgeted Preschool Education Aid (Including Prior year budget carryover)	<u>(500,932)</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2016	97,880
Add: June 30, 2016 Unexpended Preschool Education Aid	
Less: 2015-2016 Commissioner-approved Transfer to the General Fund	
2015-2016 Carryover - Preschool Education Aid	<u>\$ 97,880</u>
2015-2016 Preschool Education Aid Carryover Budgeted for Preschool Education Aid Programs 2016- 2017	<u>\$ -0-</u>

CAPITAL PROJECTS FUND

Exhibit F-1

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Revenue and Other Financing Sources:	
Interest on Investments	\$ 33,008
	<u>33,008</u>
Total Revenue and Other Financing Sources	<u>33,008</u>
Expenditures:	
Instructional Equipment Purchases	55,408
Other Purchased Professional Services	1,238,928
Construction Services	4,646,066
Buildings Other Than Lease Purchase Agreements	1,888,850
	<u>7,829,252</u>
Total Expenditures	<u>7,829,252</u>
Other Financing Uses:	
Operating Transfer Out - Debt Service Fund	33,008
	<u>33,008</u>
Total Other Financing Uses	<u>33,008</u>
Excess of Revenue and Other Financing Sources over Expenditures and Other Financing Uses	(7,829,252)
Fund Balance - Beginning of Year	<u>23,431,724</u>
Fund Balance - End of Year	<u>\$ 15,602,472</u>
<u>Recapitulation:</u>	
Restricted for Year-End Encumbrances	\$ 8,023,929
Restricted Fund Balance	<u>7,578,543</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 15,602,472</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
BOND REFERENDUM - VARIOUS SCHOOL RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Costs</u>
Revenue and Other Financing Sources:				
Bond Proceeds	\$ 27,140,000		\$ 27,140,000	\$ 27,140,000
Total Revenue and Other Financing Sources	<u>27,140,000</u>		<u>27,140,000</u>	<u>27,140,000</u>
Expenditures:				
Instructional Equipment		\$ 55,408	55,408	144,000
Non-Instructional Equipment				312,000
Other Purchased Professional Services	431,282	1,238,928	1,670,210	4,079,960
Construction Services	3,076,994	4,646,066	7,723,060	18,865,540
Buildings Other Than Lease Purchase Agreements	200,000	1,888,850	2,088,850	3,738,500
Total Expenditures	<u>3,708,276</u>	<u>7,829,252</u>	<u>11,537,528</u>	<u>27,140,000</u>
Excess of Revenue and Other Financing Sources over Expenditures	<u>\$ 23,431,724</u>	<u>\$ (7,829,252)</u>	<u>\$ 15,602,472</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number(s)	N/A			
Grant Date(s)	N/A			
Bond Authorization Date	9/30/2014			
Bonds Authorized	\$ 27,140,000			
Bonds Issued	\$ 27,140,000			
Original Authorized Cost	\$ 27,140,000			
Revised Authorized Cost	\$ 27,140,000			
Percentage Completion	42.51%			
Original Target Completion Date	9/30/2017			
Revised Target Completion Date	9/30/2017			

PROPRIETARY FUNDS

Exhibit G-1

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 69,680
Intergovernmental Accounts Receivable:	
Federal	182,104
State	2,132
Accounts Receivable- Other	73
Student Accounts Receivable	16,780
Inventories	20,508

Total Current Assets	<u>291,277</u>
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Non-Current Assets:

Capital Assets	737,431
Less: Accumulated Depreciation	<u>(336,405)</u>

Total Non-Current Assets	<u>401,026</u>
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Total Assets	<u>692,303</u>
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LIABILITIES:

Current Liabilities:

Prepaid Sales	3,195
Unearned Revenue	2,322
Accounts Payable - Vendors	<u>13,296</u>

Total Current Liabilities	<u>18,813</u>
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NET POSITION:

Net Investment in Capital Assets	401,026
Unrestricted	<u>272,464</u>

Total Net Position	<u>\$ 673,490</u>
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Exhibit G-2

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Meals	\$ 132,373
Daily Sales - Non-Reimbursable Meals	74,400
Other Income	23,366
	<hr/>
Total Operating Revenue	230,139
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	547,500
Cost of Sales - Non-Reimbursable Programs	139,296
Salaries, Benefits & Payroll Taxes	384,029
Supplies, Insurance & Other Costs	136,088
Management Fee	43,228
Depreciation Expense	21,580
	<hr/>
Total Operating Expenses	1,271,721
	<hr/>
Operating Loss	(1,041,582)
Non-Operating Revenue:	
Local Sources:	
Interest Income	34
State Sources:	
State School Lunch Program	13,155
Federal Sources:	
National School Lunch Program	636,210
After School Snack Program	2,042
School Breakfast Program	405,154
Food Distribution Program	71,770
	<hr/>
Total Non-Operating Revenue	1,128,365
	<hr/>
Net Income Before Transfers	86,783
Transfers:	
Transfer - General Fund	630
	<hr/>
Total Transfers	630
	<hr/>
Change in Net Position	87,413
Net Position - Beginning of Year	586,077
	<hr/>
Net Position - End of Year	\$ 673,490
	<hr/> <hr/>

Exhibit G-3

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 217,901
Payments to Employees	(384,029)
Payments to Food Service Vendor	(852,824)
	<hr/>
Net Cash Used for Operating Activities	(1,018,952)
	<hr/>
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	34
	<hr/>
Net Cash Provided by Investing Activities	34
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(133,991)
	<hr/>
Net Cash Used for Capital and Related Financing Activities	(133,991)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
State Sources	11,801
Federal Sources	929,816
	<hr/>
Net Cash Provided by Noncapital Financing Activities	942,247
	<hr/>
Net Increase in Cash and Cash Equivalents	(210,662)
Cash and Cash Equivalents, July 1	280,342
	<hr/>
Cash and Cash Equivalents, June 30	\$ 69,680
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (1,041,582)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	21,580
Food Distribution Program	71,770
Changes in Assets and Liabilities:	
Decrease in Other Accounts Receivable	1,347
(Increase) in Student Account Receivable Sales	(16,780)
(Increase) in Inventory	(2,094)
Increase in Prepaid Sales	3,195
(Decrease) in Unearned Revenue	(1,893)
(Decrease) in Accounts Payable	(54,495)
	<hr/>
Net Cash Used for Operating Activities	\$ (1,018,952)
	<hr/> <hr/>

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received \$73,663 and utilized \$71,770 of commodities from the Federal Food Distribution Program for the fiscal year ended June 30, 2016.

FIDUCIARY FUNDS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Student Activities</u>	<u>Payroll Agency</u>	<u>Total Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:						
Cash and Cash Equivalents	\$ 53,588	\$ 173,509	\$ 227,097	\$ 263,832	\$ 3,986	\$ 623
Interfund Receivable - Payroll Agency Fund				8,974		
Total Assets	<u>53,588</u>	<u>173,509</u>	<u>227,097</u>	<u>272,806</u>	<u>3,986</u>	<u>623</u>
LIABILITIES:						
Interfund Payable - General Fund		13,019	13,019			
Interfund Payable - Unemployment Trust		8,974	8,974			
Due to Student Groups	52,524		52,524			
Due to Athletics	1,064		1,064			
Payroll Deductions and Withholdings		151,516	151,516			
Total Liabilities	<u>53,588</u>	<u>173,509</u>	<u>227,097</u>			
NET POSITION:						
Held in Trust for:						
Unemployment Claims				272,806		
Flexible Spending Claims					3,986	
Restricted for Scholarships						623
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 272,806</u>	<u>\$ 3,986</u>	<u>\$ 623</u>

Exhibit H-2

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
Additions:				
Contributions:				
Plan Contributions	\$ 24,510	\$ 9,420		\$ 33,930
Total Contributions	24,510	9,420		33,930
Investment Earnings:				
Interest	257			257
Net Investment Earnings	257			257
Total Additions	24,767	9,420		34,187
Deductions:				
Unemployment Compensation Claims	74,845			74,845
Flexible Spending Claims		8,482		8,482
Scholarships Awarded			\$ 250	250
Total Deductions	74,845	8,482	250	83,577
Change in Net Position	(50,078)	938	(250)	(49,390)
Net Position - Beginning of the Year	322,884	3,048	873	326,805
Net Position - End of the Year	\$ 272,806	\$ 3,986	\$ 623	\$ 277,415

Exhibit H-3

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 42,387	\$ 162,057	\$ 150,856	\$ 53,588
Total Assets	<u>\$ 42,387</u>	<u>\$ 162,057</u>	<u>\$ 150,856</u>	<u>\$ 53,588</u>
LIABILITIES				
Due to Athletics	\$ 3,032	\$ 51,218	\$ 53,186	\$ 1,064
Due to Student Groups	<u>39,355</u>	<u>110,839</u>	<u>97,670</u>	<u>52,524</u>
Total Liabilities	<u>\$ 42,387</u>	<u>\$ 162,057</u>	<u>\$ 150,856</u>	<u>\$ 53,588</u>

Exhibit H-4

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
High School	\$ 39,355	\$ 110,839	\$ 97,670	\$ 52,524
Athletic Fund	<u>3,032</u>	<u>51,218</u>	<u>53,186</u>	<u>1,064</u>
Total All Schools	<u>\$ 42,387</u>	<u>\$ 162,057</u>	<u>\$ 150,856</u>	<u>\$ 53,588</u>

Exhibit H-5

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 165,728	\$ 17,935,932	\$ 17,928,151	\$ 173,509
Total Assets	<u>\$ 165,728</u>	<u>\$ 17,935,932</u>	<u>\$ 17,928,151</u>	<u>\$ 173,509</u>
<u>LIABILITIES:</u>				
Interfund Payable - General Fund	\$ 19,010	\$ 878	\$ 6,869	\$ 13,019
Interfund Payable - Unemployment Trust	11,070	24,510	26,606	8,974
Payroll Deductions and Withholdings	<u>135,648</u>	<u>17,910,544</u>	<u>17,894,676</u>	<u>151,516</u>
Total Liabilities	<u>\$ 165,728</u>	<u>\$ 17,935,932</u>	<u>\$ 17,928,151</u>	<u>\$ 173,509</u>

LONG-TERM DEBT

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
LONG TERM DEBT
STATEMENT OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2015	Retired or Matured	Balance June 30, 2016
			Outstanding June 30, 2016					
			Date	Amount				
Refunding Bonds	9/22/2005	\$ 2,920,000	7/15/2016	\$ 275,000	4.000%	\$ 1,140,000	\$ 270,000	\$ 870,000
			7/15/2017	290,000	4.000%			
			7/15/2018	305,000	4.000%			
School Bonds	12/23/2014	27,140,000	1/15/2017	720,000	3.000%			
			1/15/2018	760,000	3.000%			
			1/15/2019	790,000	3.000%			
			1/15/2020	830,000	3.000%			
			1/15/2021	870,000	3.000%			
			1/15/2022	900,000	3.000%			
			1/15/2023	940,000	3.000%			
			1/15/2024	980,000	3.000%			
			1/15/2025	1,020,000	3.000%			
			1/15/2026	1,020,000	3.000%			
			1/15/2027	1,060,000	3.000%			
			1/15/2028	1,060,000	2.000%			
			1/15/2029	1,090,000	2.000%			
			1/15/2030	1,100,000	3.000%			
			1/15/2031	1,140,000	3.125%			
1/15/2032	1,190,000	3.250%						
1/15/2033	1,250,000	3.250%						
1/15/2034	1,310,000	3.250%						
1/15/2035	1,380,000	3.375%						

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
LONG TERM DEBT
STATEMENT OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2015	Retired or Matured	Balance June 30, 2016
			Date	Amount				
School Bonds	12/23/2014	\$ 27,140,000	1/15/2036	\$ 1,390,000	3.375%			
			1/15/2037	1,390,000	3.500%			
			1/15/2038	1,400,000	3.500%			
			1/15/2039	1,420,000	3.625%			
			1/15/2040	1,420,000	3.750%			
						\$ 27,140,000	\$ 710,000	\$ 26,430,000
						<u>\$ 28,280,000</u>	<u>\$ 980,000</u>	<u>\$ 27,300,000</u>

Exhibit I-2

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
LONG-TERM DEBT
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 382,092		\$ 382,092	\$ 382,092	
State Sources:					
School Building Aid	956,311		956,311	956,311	
Total Revenues	<u>1,338,403</u>		<u>1,338,403</u>	<u>1,338,403</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	962,160		962,160	962,160	
Redemption of Principal	980,000		980,000	980,000	
Total Regular Debt Service	<u>1,942,160</u>		<u>1,942,160</u>	<u>1,942,160</u>	
Total Expenditures	<u>1,942,160</u>		<u>1,942,160</u>	<u>1,942,160</u>	
Deficit of Revenues Under Expenditures	(603,757)		(603,757)	(603,757)	
Other Financing Sources:					
Operating Transfers In - General Fund	603,757		603,757	603,757	
Operating Transfers In - Capital Projects Fund				33,008	\$ 33,008
Total Other Financing Sources	<u>603,757</u>		<u>603,757</u>	<u>636,765</u>	<u>33,008</u>
Excess of Revenues and Other Financing Sources Over Expenditures				33,008	33,008
Fund Balance, July 1	<u>8,241</u>		<u>8,241</u>	<u>8,241</u>	
Fund Balance, June 30	<u>\$ 8,241</u>	<u>\$ -0-</u>	<u>\$ 8,241</u>	<u>\$ 41,249</u>	<u>\$ 33,008</u>
<u>Recapitulation:</u>					
Restricted Fund Balance				<u>\$ 41,249</u>	

STATISTICAL SECTION

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	June 30,				
	2007	2008	2009	2010	2011
Governmental Activities/(Deficit)					
Net Investment in Capital Assets	\$ (333,536)	\$ 1,756,290	\$ 1,112,918	\$ 1,716,604	\$ 2,918,629
Restricted	2,606,906	2,547,711	2,395,714	1,810,688	1,259,473
Unrestricted	(250,558)	(1,664,862)	(771,262)	(862,834)	1,060,389
Total Governmental Activities Net Position	<u>\$ 2,022,812</u>	<u>\$ 2,639,139</u>	<u>\$ 2,737,370</u>	<u>\$ 2,664,458</u>	<u>\$ 5,238,491</u>
Business-type Activities					
Investment in Capital Assets	\$ 180,793	\$ 171,638	\$ 153,461	\$ 238,916	\$ 244,022
Unrestricted	62,758	76,288	101,301	94,183	110,735
Total Business-type Activities Net Position	<u>\$ 243,550</u>	<u>\$ 247,927</u>	<u>\$ 254,762</u>	<u>\$ 333,099</u>	<u>\$ 354,757</u>
District-wide/(Deficit)					
Net Investment in Capital Assets	\$ (152,744)	\$ 1,927,929	\$ 1,266,379	\$ 1,955,520	\$ 3,162,651
Restricted	2,606,906	2,547,711	2,395,714	1,810,688	1,259,473
Unrestricted	(187,800)	(1,588,574)	(669,961)	(768,651)	1,171,124
Total District Net Position	<u>\$ 2,266,362</u>	<u>\$ 2,887,066</u>	<u>\$ 2,992,132</u>	<u>\$ 2,997,557</u>	<u>\$ 5,593,248</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	June 30,				
	2012	2013	2014	2015	2016
Governmental Activities/(Deficit)					
Net Investment in Capital Assets	\$ 3,739,856	\$ 3,914,713	\$ 4,936,220	\$ 5,350,423	\$ 5,910,924
Restricted	2,853,224	4,846,267	3,638,379	2,187,690	1,734,139
Unrestricted	346,336	(41,070)	(6,077,733)	(5,855,274)	(6,646,582)
Total Governmental Activities Net Position	<u>\$ 6,939,416</u>	<u>\$ 8,719,910</u>	<u>\$ 2,496,866</u>	<u>\$ 1,682,839</u>	<u>\$ 998,481</u>
Business-type Activities					
Investment in Capital Assets	\$ 247,997	\$ 241,035	\$ 244,069	\$ 288,615	\$ 401,026
Unrestricted	143,262	161,939	242,439	297,462	272,464
Total Business-type Activities Net Position	<u>\$ 391,259</u>	<u>\$ 402,974</u>	<u>\$ 486,508</u>	<u>\$ 586,077</u>	<u>\$ 673,490</u>
District-wide/(Deficit)					
Net Investment in Capital Assets	\$ 3,987,853	\$ 4,155,748	\$ 5,180,289	\$ 5,639,038	\$ 6,311,950
Restricted	2,853,224	4,846,267	3,638,379	2,187,690	1,734,139
Unrestricted	489,598	120,869	(5,835,294)	(5,557,812)	(6,374,118)
Total District Net Position	<u>\$ 7,330,675</u>	<u>\$ 9,122,884</u>	<u>\$ 2,983,374</u>	<u>\$ 2,268,916</u>	<u>\$ 1,671,971</u>

Source: School District Financial Reports

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Expenses					
Governmental Activities					
Instruction					
Regular	\$ 8,729,503	\$ 8,958,668	\$ 8,781,177	\$ 9,471,006	\$ 9,101,265
Special Education	2,198,403	1,614,382	2,136,723	3,210,096	2,994,967
Other Instruction	1,108,426	966,231	963,039	1,117,507	1,069,180
School-Sponsored Instruction					
Support Services					
Tuition	1,562,380	1,616,083	1,709,374	2,019,496	1,178,899
Student & Instruction Related Services	2,690,014	3,210,903	3,384,761	2,730,076	2,393,733
General and Business Administrative Services	1,166,831	578,153	1,264,738	1,541,863	644,922
School Administrative Services	1,403,920	1,491,351	652,135	591,904	1,231,592
Central Services & Administrative					
Information Technology		637,272	565,175	678,253	662,570
Plant Operations and Maintenance	2,963,093	3,331,127	3,230,031	2,746,671	2,504,012
Pupil Transportation	676,893	598,333	589,008	691,361	403,748
Special Schools					
Charter Schools	22,876	29,770	63,454	43,870	34,949
Capital Outlay			18,672		
Interest on long-term debt	198,925	208,873	166,966	132,752	136,223
Total Governmental Activities Expenses	<u>22,721,265</u>	<u>23,241,146</u>	<u>23,525,253</u>	<u>24,974,855</u>	<u>22,356,060</u>
Business-type Activities					
Food Service	520,391	589,857	639,604	720,678	692,835
Total Business-type Activities Expense	<u>520,391</u>	<u>589,857</u>	<u>639,604</u>	<u>720,678</u>	<u>692,835</u>
Total District Expenses	<u>\$ 23,241,656</u>	<u>\$ 23,831,004</u>	<u>\$ 24,164,857</u>	<u>\$ 25,695,533</u>	<u>\$ 23,048,895</u>
Program Revenues					
Governmental Activities					
Charges for Services					
Tuition & Pupil Transportation	\$ 25,120	\$ 6,761	\$ 28,549	\$ 1,430,266	\$ 1,224,395
Operating Grants and Contributions	6,358,381	3,386,488	4,086,428	5,699,175	4,285,627
Capital Grants and Contributions				151,415	1,043,671
Total Governmental Activities Program Revenues	<u>6,383,501</u>	<u>3,393,249</u>	<u>4,114,977</u>	<u>7,280,856</u>	<u>6,553,693</u>
Business-type Activities:					
Charges for Services					
Food Service	206,861	221,508	216,200	200,931	198,194
Operating Grants and Contributions	312,128	370,112	416,890	464,616	484,746
Capital Grants and Contributions				101,187	171
Total Business-type Activities Program Revenues	<u>518,989</u>	<u>591,620</u>	<u>633,090</u>	<u>766,734</u>	<u>683,111</u>
Total District Program Revenues	<u>\$ 6,902,490</u>	<u>\$ 3,984,869</u>	<u>\$ 4,748,067</u>	<u>\$ 8,047,590</u>	<u>\$ 7,236,804</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Net (Expense)/Revenue					
Governmental Activities	\$ (16,337,764)	\$ (19,847,898)	\$ (19,410,276)	\$ (17,693,999)	\$ (15,802,367)
Business-type Activities	(1,402)	1,763	(6,514)	46,056	(9,724)
Total District-wide Net Expense	<u>\$ (16,339,166)</u>	<u>\$ (19,846,135)</u>	<u>\$ (19,416,790)</u>	<u>\$ (17,647,943)</u>	<u>\$ (15,812,091)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
Property Taxes Levied for General Purposes, Net	\$ 12,385,567	\$ 12,054,424	\$ 12,102,757	\$ 12,284,744	\$ 12,072,744
Taxes Levied for Debt Service	299,659	345,497	347,983	348,678	357,154
Federal and State aid not restricted	2,894,411	6,058,553	6,874,372	4,841,513	5,851,606
Tuition	1,576,467				
Investment Earnings	211,961	162,440	40,613	14,981	139
Miscellaneous Income	9,612	206,722	142,782	131,171	94,757
Prior Year Adjustment - Capital Assets	41,800				
Refunding Bond Proceeds	(75,000)				
Insurance Reimbursement due to Losses from Hurricane Sandy					
Transfers					
Total Governmental Activities	<u>17,344,477</u>	<u>18,827,636</u>	<u>19,508,507</u>	<u>17,621,087</u>	<u>18,376,400</u>
Business-type Activities					
Investment Earnings		2,614			
Miscellaneous			13,350	32,281	31,382
Prior Year Adjustment - Capital Assets	172,783				
Transfers					
Total Business-type Activities	<u>172,783</u>	<u>2,614</u>	<u>13,350</u>	<u>32,281</u>	<u>31,382</u>
Total District-wide	<u>\$ 17,517,260</u>	<u>\$ 18,830,250</u>	<u>\$ 19,521,857</u>	<u>\$ 17,653,368</u>	<u>\$ 18,407,782</u>
Change in Net Position					
Governmental Activities	\$ 1,006,714	\$ (1,020,262)	\$ 98,231	\$ (72,912)	\$ 2,574,033
Business-type Activities	171,381	4,377	6,836	78,337	21,658
Total District	<u>\$ 1,178,094</u>	<u>\$ (1,015,885)</u>	<u>\$ 105,067</u>	<u>\$ 5,425</u>	<u>\$ 2,595,691</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Expenses					
Governmental Activities					
Instruction					
Regular	\$ 9,925,886	\$ 9,662,684	\$ 10,622,657	\$ 11,846,786	\$ 13,025,688
Special Education	3,018,139	3,091,112	3,283,366	3,351,241	4,203,934
Other Instruction	1,199,461	1,171,293	854,765	1,065,461	1,427,274
School-Sponsored Instruction			479,070	540,909	552,371
Support Services					
Tuition	1,498,550	1,653,671	2,323,753	2,263,257	1,658,891
Student & Instruction Related Services	2,401,926	2,690,669	2,854,172	4,035,498	4,136,282
General and Business Administrative Services	595,606	667,296	754,316	950,061	1,115,262
School Administrative Services	1,251,606	1,325,535	1,274,212	1,539,137	1,900,486
Central Services & Administrative					
Information Technology	678,599	620,910	956,300	760,378	938,214
Plant Operations and Maintenance	2,781,499	2,743,694	3,107,572	3,004,402	2,809,504
Pupil Transportation	478,755	547,810	573,206	629,387	689,036
Special Schools					
Charter Schools	31,910	22,933	56,001	67,096	81,656
Capital Outlay				9,836	9,836
Interest on long-term debt	117,129	97,286	76,323	505,583	893,001
Total Governmental Activities Expenses	<u>23,979,066</u>	<u>24,294,893</u>	<u>27,215,713</u>	<u>30,569,032</u>	<u>33,441,435</u>
Business-type Activities					
Food Service	716,740	766,869	981,456	1,159,932	1,271,721
Total Business-type Activities Expense	<u>716,740</u>	<u>766,869</u>	<u>981,456</u>	<u>1,159,932</u>	<u>1,271,721</u>
Total District Expenses	<u>\$ 24,695,806</u>	<u>\$ 25,061,762</u>	<u>\$ 28,197,169</u>	<u>\$ 31,728,964</u>	<u>\$ 34,713,156</u>
Program Revenues					
Governmental Activities					
Charges for Services					
Tuition & Pupil Transportation	\$ 1,522,518	\$ 1,427,304	\$ 1,618,263	\$ 1,644,174	\$ 1,611,381
Operating Grants and Contributions	4,669,370	4,723,498	4,988,209	7,359,245	9,042,408
Capital Grants and Contributions	257,365				
Total Governmental Activities Program Revenues	<u>6,449,253</u>	<u>6,150,802</u>	<u>6,606,472</u>	<u>9,003,419</u>	<u>10,653,789</u>
Business-type Activities:					
Charges for Services					
Food Service	202,479	211,181	206,447	214,846	230,139
Operating Grants and Contributions	550,763	558,940	844,829	995,174	1,128,331
Capital Grants and Contributions					
Total Business-type Activities Program Revenues	<u>753,242</u>	<u>770,121</u>	<u>1,051,276</u>	<u>1,210,020</u>	<u>1,358,470</u>
Total District Program Revenues	<u>\$ 7,202,495</u>	<u>\$ 6,920,923</u>	<u>\$ 7,657,748</u>	<u>\$ 10,213,439</u>	<u>\$ 12,012,259</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Net (Expense)/Revenue					
Governmental Activities	\$ (17,529,813)	\$ (18,144,091)	\$ (20,609,241)	\$ (21,565,613)	\$ (22,787,646)
Business-type Activities	36,502	3,252	69,820	50,088	86,749
Total District-wide Net Expense	<u>\$ (17,493,311)</u>	<u>\$ (18,140,839)</u>	<u>\$ (20,539,421)</u>	<u>\$ (21,515,525)</u>	<u>\$ (22,700,897)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
Property Taxes Levied for General Purposes, Net	\$ 12,314,062	\$ 12,571,243	\$ 12,571,243	\$ 12,833,220	\$ 13,446,977
Taxes Levied for Debt Service	380,108	376,744	379,939	382,092	382,092
Federal and State aid not restricted	6,365,605	6,823,930	7,258,883	7,349,935	8,149,850
Tuition					
Investment Earnings	324	132			
Miscellaneous Income	170,639	115,902	118,502	235,820	124,999
Prior Year Adjustment - Capital Assets					
Refunding Bond Proceeds					
Insurance Reimbursement due to Losses from Hurricane Sandy		45,097			
Transfers		(8,463)	(13,714)	(49,481)	(630)
Total Governmental Activities	<u>19,230,738</u>	<u>19,924,585</u>	<u>20,314,853</u>	<u>20,751,586</u>	<u>22,103,288</u>
Business-type Activities					
Investment Earnings					34
Miscellaneous					
Prior Year Adjustment - Capital Assets					
Transfers		8,463	13,714	49,481	630
Total Business-type Activities	<u>-</u>	<u>8,463</u>	<u>13,714</u>	<u>49,481</u>	<u>664</u>
Total District-wide	<u>\$ 19,230,738</u>	<u>\$ 19,933,048</u>	<u>\$ 20,328,567</u>	<u>\$ 20,801,067</u>	<u>\$ 22,103,952</u>
Change in Net Position					
Governmental Activities	\$ 1,700,925	\$ 1,780,494	\$ (294,388)	\$ (814,027)	\$ (684,357)
Business-type Activities	36,502	11,715	83,534	99,569	87,413
Total District	<u>\$ 1,737,427</u>	<u>\$ 1,792,209</u>	<u>\$ (210,854)</u>	<u>\$ (714,458)</u>	<u>\$ (596,944)</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	June 30,				
	2007	2008	2009	2010	2011
General Fund					
Reserved	\$2,629,534	\$ 2,680,601	\$ 2,403,319	\$ 1,574,502	
Unreserved / (Deficit)	258,550	247,229	(150,502)	(193,916)	
Restricted					\$ 1,259,471
Assigned					1,366,117
Total General Fund	<u>\$2,888,085</u>	<u>\$ 2,927,830</u>	<u>\$ 2,252,817</u>	<u>\$ 1,380,586</u>	<u>\$ 2,625,588</u>
All Other Governmental Funds					
Reserved				\$ 45,121	
Unreserved/(Deficit), Reported in:					
Special Revenue Fund		\$ (89,460)	\$ (29,940)	(38,574)	
Capital Projects Fund	\$ 37,417	37,417		207,500	
Debt Service Fund	(2,082)	(1,885)	22,335	22,139	
Restricted					\$ 2
Committed					264,918
Unassigned / (Deficit)					(35,249)
Total All Other Governmental Funds/(Deficit)	<u>\$ 35,335</u>	<u>\$ (53,929)</u>	<u>\$ (7,605)</u>	<u>\$ 236,186</u>	<u>\$ 229,671</u>
Total Governmental Funds	<u>\$2,923,419</u>	<u>\$ 2,873,901</u>	<u>\$ 2,245,212</u>	<u>\$ 1,616,772</u>	<u>\$ 2,855,259</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	June 30,				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund					
Reserved					
Unreserved / (Deficit)					
Restricted	\$2,853,224	\$4,846,267	\$3,638,378	\$ 2,179,449	\$ 1,692,891
Assigned	<u>798,758</u>	<u>556,617</u>	<u>415,345</u>	<u>1,325,094</u>	<u>875,872</u>
Total General Fund	<u>\$3,651,982</u>	<u>\$5,402,884</u>	<u>\$4,053,723</u>	<u>\$ 3,504,543</u>	<u>\$ 2,568,763</u>
All Other Governmental Funds					
Reserved					
Unreserved/(Deficit), Reported in:					
Special Revenue Fund					
Capital Projects Fund					
Debt Service Fund					
Restricted			\$ 1	\$23,439,965	\$15,643,721
Committed	\$ 135,763				
Unassigned / (Deficit)	<u>(33,201)</u>	<u>\$ (30,421)</u>	<u>(41,423)</u>	<u>(39,193)</u>	<u>(42,678)</u>
Total All Other Governmental Funds/(Deficit)	<u>\$ 102,562</u>	<u>\$ (30,421)</u>	<u>\$ (41,422)</u>	<u>\$23,400,772</u>	<u>\$15,601,043</u>
Total Governmental Funds	<u>\$3,754,544</u>	<u>\$5,372,463</u>	<u>\$4,012,301</u>	<u>\$26,905,315</u>	<u>\$18,169,806</u>

Source: School District Financial Reports

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ending June 30,				
	2007	2008	2009	2010	2011
Revenues:					
Tax Levy	\$ 12,706,817	\$ 12,399,921	\$ 12,450,740	\$ 12,633,422	\$ 12,429,898
Tuition Charges	1,576,467	1,696,589	1,326,393	1,376,405	1,192,531
Interest Earnings	211,961	162,440	40,613	14,981	139
Transportation Fees	25,120	6,761	28,549	53,861	31,864
Miscellaneous	144,307	131,754	84,801	131,171	1,098,321
Other Sources		74,968	57,981	37,525	
State Sources	8,100,018	8,577,021	8,764,081	7,653,140	8,516,188
Federal Sources	996,488	868,020	870,325	3,001,438	1,661,152
Total Revenue	23,761,178	23,917,474	23,623,483	24,901,943	24,930,093
Expenditures:					
Instruction					
Regular Instruction	6,339,932	6,859,374	6,562,247	7,122,471	6,917,885
Special Education Instruction	1,460,876	1,325,240	1,592,340	2,432,265	2,252,971
Other Instruction	766,246	655,306	709,730	790,606	699,269
School-Sponsored					
Support Services					
Tuition	1,562,380	1,616,083	1,709,374	2,019,496	1,178,899
Student & Other Instruction Related Services	2,054,278	2,588,084	2,728,543	1,896,259	1,661,981
School Administrative Services	1,000,681	1,005,631	574,639	527,667	553,276
General & Business Administrative Services	924,588	482,085	1,019,785	1,072,503	888,028
Central Services and Administrative					
Information Technology		423,735	421,694	458,074	460,025
Plant Operations and Maintenance	2,698,679	2,800,796	2,848,858	2,371,655	2,186,347
Pupil Transportation	624,305	520,124	503,541	610,852	319,762
Unallocated Benefits	4,837,734	4,558,499	4,259,998	5,135,998	4,891,356

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	Fiscal Year Ending June 30,				
	2007	2008	2009	2010	2011
Expenditures:					
Charter School	\$ 22,876	\$ 29,770	\$ 63,454	\$ 43,870	\$ 34,949
Capital Outlay	344,687	569,391	724,408	510,510	1,119,113
Debt Service:					
Principal	335,000	345,000	360,000	380,000	400,000
Interest and Other Charges	203,652	187,874	173,562	158,157	140,995
Total Expenditures	<u>23,177,921</u>	<u>23,969,000</u>	<u>24,254,182</u>	<u>25,532,393</u>	<u>23,706,867</u>
Excess/(Deficit) of Revenues					
Over/(Under) Expenditures	<u>583,257</u>	<u>(51,527)</u>	<u>(630,699)</u>	<u>(630,450)</u>	<u>1,223,226</u>
Other Financing Sources/(Uses)					
Capital Leases (Non-budgeted)					13,250
Bond Proceeds					
Transfers in			37,417	491,479	56,660
Transfers out			(37,417)	(491,479)	(56,660)
Insurance Reimbursement due to Losses from Hurricane Sandy					
Total Other Financing Sources/(Uses)					<u>13,250</u>
Net Change in Fund Balances	<u>\$ 583,257</u>	<u>\$ (51,527)</u>	<u>\$ (630,699)</u>	<u>\$ (630,450)</u>	<u>\$ 1,236,476</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>2.36%</u>	<u>2.28%</u>	<u>2.27%</u>	<u>2.15%</u>	<u>2.40%</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Revenues:					
Tax Levy	\$ 12,694,170	\$ 12,947,987	\$ 12,951,182	\$ 13,215,312	\$ 13,829,069
Tuition Charges	1,508,356	1,392,846	1,578,544	1,603,297	1,560,159
Interest Earnings	324	132			
Transportation Fees	14,162	34,458	39,719	40,877	51,222
Miscellaneous	170,639	148,455	171,852	278,790	147,295
Other Sources	168,948				
State Sources	9,363,345	10,147,444	10,561,900	10,907,831	12,409,986
Federal Sources	1,760,047	1,367,431	1,631,842	1,564,502	1,989,233
Total Revenue	25,679,991	26,038,753	26,935,039	27,610,609	29,986,965
Expenditures:					
Instruction					
Regular Instruction	7,534,483	7,263,271	8,174,052	7,954,520	8,516,426
Special Education Instruction	2,218,008	2,323,453	2,593,085	2,360,167	2,857,226
Other Instruction	807,810	764,077	877,619	968,658	539,533
School-Sponsored					552,371
Support Services					
Tuition	1,498,550	1,653,671	2,323,753	2,263,257	1,658,891
Student & Other Instruction Related Services	1,712,488	1,904,266	2,100,703	2,615,307	2,589,664
School Administrative Services	502,522	593,598	646,825	981,259	1,140,120
General & Business Administrative Services	932,555	932,549	951,231	726,162	900,363
Central Services and Administrative					
Information Technology	492,200	463,224	706,343	541,686	668,299
Plant Operations and Maintenance	2,411,793	2,327,704	2,689,719	2,492,118	2,207,295
Pupil Transportation	368,176	443,737	508,445	545,229	580,826
Unallocated Benefits	5,149,196	5,132,037	5,157,841	5,709,500	6,520,465

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Expenditures:					
Charter School	\$ 31,910	\$ 22,933	\$ 81,777	\$ 67,096	\$ 81,656
Capital Outlay	578,889	95,528	954,093	4,038,194	7,966,549
Debt Service:					
Principal	420,000	435,000	460,000	485,000	980,000
Interest and Other Charges	122,126	102,420	56,001	59,961	962,160
Total Expenditures	<u>24,782,718</u>	<u>24,459,481</u>	<u>28,283,501</u>	<u>31,810,129</u>	<u>38,721,844</u>
Excess/(Deficit) of Revenues					
Over/(Under) Expenditures	<u>897,273</u>	<u>1,579,272</u>	<u>(1,348,462)</u>	<u>(4,199,520)</u>	<u>(8,734,879)</u>
Other Financing Sources/(Uses)					
Capital Leases (Non-budgeted)					
Bond Proceeds				27,140,000	
Transfers in	42,352	135,763			
Transfers out	(42,352)	(144,226)	(13,714)	(49,481)	(630)
Insurance Reimbursement due to Losses from Hurricane Sandy		45,097			
Total Other Financing Sources/(Uses)		<u>36,634</u>	<u>(13,714)</u>	<u>27,090,519</u>	<u>(630)</u>
Net Change in Fund Balances	<u>\$ 897,273</u>	<u>\$ 1,615,906</u>	<u>\$ (1,362,176)</u>	<u>\$ 22,890,999</u>	<u>\$ (8,735,509)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>2.24%</u>	<u>2.21%</u>	<u>1.89%</u>	<u>1.96%</u>	<u>6.31%</u>

Source: School District Financial Reports

Exhibit J-5

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u> <u>Revenue</u>	<u>Transportation</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	\$ 211,961	\$ 1,576,467	\$ 25,120	\$ 13,905	\$ 1,827,453
2008	162,440	1,696,589	6,761	131,754	1,997,544
2009	40,613	1,326,393	28,549	84,801	1,480,356
2010	14,981	1,376,405	53,861	131,171	1,576,418
2011	8,483	1,192,531	31,864	86,413	1,319,291
2012	5,954	1,508,356	14,162	165,009	1,693,481
2013	8,883	1,392,846	34,458	107,151	1,543,338
2014	2,419	1,578,544	39,719	116,083	1,736,765
2015	44	1,603,297	40,877	227,539	1,871,757
2016	2,660	1,560,159	51,222	89,332	1,703,373

Source: School District of the Borough of Bound Brook records

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

<u>Year Ended</u> <u>December 31,</u>	<u>Vacant</u> <u>Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u> <u>Assessed</u> <u>Value</u>	<u>Public</u> <u>Utilities</u> ^a	<u>Net Valuation</u> <u>Taxable</u>	<u>Total Direct</u> <u>School Tax</u> <u>Rate</u> ^b	<u>Estimated Actual</u> <u>(County</u> <u>Equalized Value)</u>
2006	\$ 2,324,100	\$ 341,068,600	\$ 60,394,500	\$ 763,300	\$ 20,417,200	\$ 424,967,700	\$ 4,335,940	\$ 429,303,640	\$ 2.830	\$ 767,017,333
2007	3,086,800	340,292,000	59,082,200	763,300	20,245,400	423,469,700	3,353,867	426,823,567	2.912	906,908,307
2008	5,338,400	340,622,200	58,997,500	763,300	18,315,400	424,036,800	3,488,832	427,525,632	2.860	951,441,066
2009 *	8,740,100	657,399,000	138,026,200	1,881,600	45,839,400	851,886,300	8,160,111	860,046,411	1.437	1,019,642,469
2010	8,862,900	655,580,700	136,924,900	1,881,600	45,839,400	849,089,500	7,937,422	857,026,922	1.445	936,106,441
2011	8,921,000	647,153,900	134,746,700	1,881,600	45,437,300	838,140,500	9,023,902	847,164,402	1.466	876,640,196
2012	9,176,600	645,090,400	133,356,800	1,881,600	41,904,400	831,409,800	7,787,477	839,197,277	1.510	817,400,787
2013	9,192,600	643,132,400	131,615,200	1,881,600	41,679,400	827,501,200	6,857,917	834,359,117	1.535	803,165,739
2014 *	7,310,100	518,149,900	109,205,740	1,779,600	38,429,700	674,875,040	6,135,212	681,010,252	1.937	707,372,316
2015	8,766,700	532,596,800	123,755,040	2,822,340	38,877,600	706,818,480	6,142,505	712,960,985	1.841	726,357,795

* Revaluation Year

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

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

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

Source: Municipal Tax Assessor

Exhibit J-7

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	School District of the Borough of Bound Brook Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Municipality	County	
2005	\$ 2.587	\$ 0.080	\$ 2.667	\$ 1.293	\$ 0.540	\$ 4.500
2006	2.771	0.059	2.830	1.355	0.642	4.827
2007	2.828	0.084	2.912	1.424	0.720	5.056
2008	2.769	0.091	2.860	1.438	0.751	5.049
2009	* 1.392	0.045	1.437	0.743	0.393	2.573
2010	1.403	0.042	1.445	0.822	0.363	2.630
2011	1.422	0.044	1.466	0.819	0.367	2.652
2012	1.466	0.044	1.510	0.845	0.357	2.712
2013	1.490	0.045	1.535	0.881	0.363	2.779
2014	* 1.881	0.056	1.937	1.084	0.407	3.428
2015	1.790	0.051	1.841	1.069	0.401	3.311

* Revaluation Year

Note:

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

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.

Source: Municipal Tax Collector and School Business Administrator

Exhibit J-8

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

	<u>2015</u>		<u>2006</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Bound Brook LLC	\$ 19,533,000	2.74%	\$ 10,000,000	2.33%
Middle Brook Center LLC	19,019,000	2.67%	9,029,000	2.10%
Bell Atlantic	6,142,505	0.86%	6,401,631	1.49%
Garfield Park Assoc., LLC	4,000,000	0.56%	2,000,000	0.47%
Tomur Realty	3,612,300	0.51%	3,039,600	0.71%
Somerset Savings and Loan	3,012,500	0.42%	2,015,800	0.47%
Brook Industrial Park LLC	2,822,340	0.40%		
Tomur Realty	2,774,600	0.39%		
Bragg-Norton LLC	2,710,000	0.38%		
Bound Brook Holdings	2,260,000	0.32%		
Bound Brook - 28, LLC			2,172,800	0.51%
Bound Brook Investment Co.			1,773,300	0.41%
Blair House			1,300,000	0.30%
La Maison Ville			1,055,000	0.25%
Total	<u>\$ 65,886,245</u>	<u>9.24%</u>	<u>\$ 38,787,131</u>	<u>9.04%</u>

Note- Revaluation of property was effective in 2009 and 2014.

Exhibit J-9

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the</u> <u>Fiscal Year of the Levy^a</u>	
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>
2007	\$ 12,706,817	\$ 12,706,817	100.00%
2008	12,399,921	12,399,921	100.00%
2009	12,450,740	12,450,740	100.00%
2010	12,633,422	12,633,422	100.00%
2011	12,429,898	12,429,898	100.00%
2012	12,694,170	12,694,170	100.00%
2013	12,947,987	12,947,987	100.00%
2014	12,951,182	12,951,182	100.00%
2015	13,215,312	13,215,312	100.00%
2016	13,829,069	13,829,069	100.00%

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Obligations Under Lease-Purchase Agreement	Bond Anticipation Notes (BANs)				
2007	\$ 2,900,000	\$ 1,525,000	\$ 51,931	\$ -0-	\$ -0-	\$ 4,476,931	0.61%	\$ 62
2008	2,710,000	1,370,000	27,804	-0-	-0-	4,107,804	0.53%	55
2009	2,515,000	1,205,000	6,455	-0-	-0-	3,726,455	0.51%	53
2010	2,310,000	1,030,000	-0-	-0-	-0-	3,340,000	0.45%	47
2011	2,095,000	845,000	3,267	-0-	-0-	2,943,267	0.38%	40
2012	1,870,000	650,000	-0-	-0-	-0-	2,520,000	0.31%	32
2013	1,640,000	445,000	-0-	-0-	-0-	2,085,000	0.25%	26
2014	1,395,000	230,000	-0-	-0-	-0-	1,625,000	0.18%	19
2015	28,280,000	-0-	-0-	-0-	-0-	28,280,000	3.22%	337.75
2016	27,300,000	-0-	-0-	-0-	-0-	27,300,000	3.11%	326.04

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

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

Source: School District Financial Reports

Exhibit J-11

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation ^a Taxable	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	\$ 2,900,000	\$ - 0 -	\$ 2,900,000	0.68%	\$ 287
2008	2,710,000	- 0 -	2,710,000	0.63%	262
2009	2,515,000	- 0 -	2,515,000	0.59%	241
2010	2,310,000	- 0 -	2,310,000	0.27%	222
2011	2,095,000	- 0 -	2,095,000	0.24%	200
2012	1,870,000	- 0 -	1,870,000	0.22%	178
2013	1,640,000	- 0 -	1,640,000	0.20%	156
2014	1,395,000	- 0 -	1,395,000	0.17%	133
2015	28,280,000	- 0 -	28,280,000	4.15%	2,694
2016	27,300,000	- 0 -	27,300,000	3.83%	2,601

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

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

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

Source: School District Financial Reports

Exhibit J-12

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Borough of Bound Brook	\$ 24,756,594	100.00%	\$ 24,756,594
Somerset County General Obligation Debt	167,277,357	1.22%	<u>2,046,199</u>
Subtotal, Overlapping Debt			26,802,793
Bound Brook School District Direct Debt			<u>27,300,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 54,102,793</u></u>

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

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2016

		Equalized valuation basis	
		2013	721,762,931
		2014	727,863,503
		2015	740,511,765
			<u>\$ 2,190,138,199</u>
Average Equalized Valuation of Taxable Property			\$ 730,046,066
Debt Limit (4% of average equalization value) a			29,201,843
Net Direct School Debt			27,300,000
Legal Debt Margin			<u>\$ 1,901,843</u>

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	\$ 30,909,308	\$ 34,639,398	\$ 34,238,985	\$ 34,988,727	\$ 37,425,653
Total Net Debt Applicable to Limit	<u>4,425,000</u>	<u>4,080,000</u>	<u>3,720,000</u>	<u>3,340,000</u>	<u>2,940,000</u>
Legal Debt Margin	<u>\$ 26,484,308</u>	<u>\$ 30,559,398</u>	<u>\$ 30,518,985</u>	<u>\$ 31,648,727</u>	<u>\$ 34,485,653</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	14.32%	11.78%	10.86%	9.55%	7.86%

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt Limit	\$ 34,857,678	\$ 33,121,740	\$ 31,070,746	\$ 29,950,683	\$ 29,201,843
Total Net Debt Applicable to Limit	<u>2,520,000</u>	<u>2,085,000</u>	<u>1,625,000</u>	<u>28,280,000</u>	<u>27,300,000</u>
Legal Debt Margin	<u>\$ 32,337,678</u>	<u>\$ 31,036,740</u>	<u>\$ 29,445,746</u>	<u>\$ 1,670,683</u>	<u>\$ 1,901,843</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	7.23%	6.29%	5.23%	94.42%	93.49%

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

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

Exhibit J-14

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Year</u>	<u>Population^a</u>	<u>Borough of Bound Brook Personal Income^b</u>	<u>Somerset County Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2007	10,119	\$ 729,711,447	\$ 72,113	4.80%
2008	10,329	773,228,940	74,860	6.40%
2009	10,433	733,554,663	70,311	11.1%
2010	10,417	744,534,241	71,473	11.1%
2011	10,475	777,643,050	74,238	10.9%
2012	10,514	821,805,782	78,163	11.4%
2013	10,530	844,158,510	80,167	8.5%
2014	10,527	881,436,237	83,731	5.1%
2015	10,497	878,924,307	83,731 *	4.7%
2016	10,497 **	878,924,307 ***	83,731 *	N/A

* - Latest Somerset County per capita personal income available (2014) was used for calculation purposes.

** - Latest population data available (2015) was used for calculation purposes.

*** - Latest Borough personal income available (2014) and latest population data available (2015) were used for calculation purposes.

N/A - Not Available

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

Exhibit J-15

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
PRINCIPAL EMPLOYERS, COUNTY OF SOMERSET
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2015		
Employer	Employees	Rank	Percentage of Total Employment

INFORMATION IS NOT AVAILABLE

	2006		
Employer	Employees	Rank	Percentage of Total Employment

INFORMATION IS NOT AVAILABLE

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	94.0	88.1	87.0	86.3	83.8	92.1	89.2	101.7	102.2	108.9
Special education	19.0	9.0	21.6	17.3	18.2	20.2	18.6	21.0	22.4	26.6
Other special education	21.0	15.0	13.0	10.5	13.5	14.0	12.0	10.6	7.5	10.1
Other instruction	13.0	21.4	7.4	10.5	10.9	9.6	10.6	13.4	15.6	16.5
Support Services:										
Student and instruction related services	24.5	24.5	26.0	27.5	25.5	25.0	29.8	30.0	42.0	40.4
General administrative services	2.0	2.0	2.0	2.0	2.0	2.0	2.3	2.5	2.5	4.0
School administrative services	12.5	13.5	11.9	12.0	10.0	10.0	15.4	9.9	12.2	14.2
Business administrative services	5.2	6.1	5.0	5.0	5.3	5.3	5.3	7.3	7.3	5.6
Plant operations and maintenance	15.0	31.5	16.0	16.0	15.0	17.8	19.8	18.8	18.5	22.0
Pupil transportation	4.0	3.0	3.5	3.5	4.0	4.0	4.3	3.7	4.2	3.4
Total	<u>210.2</u>	<u>214.1</u>	<u>193.4</u>	<u>190.6</u>	<u>188.2</u>	<u>200</u>	<u>207.3</u>	<u>218.9</u>	<u>234.4</u>	<u>251.7</u>

Source: School District of the Borough of Bound Brook Personnel Records

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle/High				
2007	1,469	\$ 22,292,574	\$ 15,175	3.12%	126	1:13.2	1:10.6	1,474.0	1,380.0	-1.60%	93.62%
2008	1,508	22,864,727	15,162	-0.09%	119	1:13.9	1:11.7	1,519.6	1,431.0	3.09%	94.17%
2009	1,535	22,994,203	14,980	-1.20%	116	1:16.5	1:10.9	1,512.3	1,421.6	-0.48%	94.00%
2010	1,513	24,481,716	16,181	8.02%	114	1:17.5	1:10.7	1,492.9	1,413.9	-1.28%	94.71%
2011	1,532	22,044,748	14,390	-11.07%	113	1:15.9	1:11.8	1,492.9	1,417.6	0.00%	94.96%
2012	1,535	23,659,691	15,413	7.12%	122	1:13.6	1:11.7	1,524.0	1,453.1	2.08%	95.35%
2013	1,606	23,824,520	14,835	-3.76%	115	1:15.0	1:12.9	1,611.2	1,530.3	5.72%	94.98%
2014	1,710	26,811,393	15,679	5.69%	128	1:14.2	1:12.6	1,681.6	1,598.3	4.37%	95.05%
2015	1,800	27,224,959	15,125	-3.53%	134	1:13.3	1:13.6	1,802.8	1,716.1	7.21%	95.19%
2016	1,832	28,813,135	15,728	3.98%	142	1:12.2	1:13.7	1,835.9	1,754.3	1.84%	95.56%

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).
- d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment.
This Cost Per Pupil may be different from other Cost Per Pupil calculations.

Source: Borough of Bound Brook District Records

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>										
<u>Elementary</u>										
LaMonte Elementary (1913)										
Square Feet	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800
Capacity (students)	139	139	139	139	139	139	139	139	139	139
Enrollment	199	201	140	159	150	140	133	169	238	186
LaMonte Annex (2006)										
Square Feet	30,240	30,240	30,240	30,240	30,240	30,240	30,240	30,240	30,240	30,240
Capacity (students)	256	256	256	256	256	256	256	256	256	256
Enrollment	214	228	250	284	304	307	344	333	340	218
Lafayette Elementary (1962)										
Square Feet	39,640	39,640	39,640	39,640	39,640	39,640	39,640	39,640	39,640	39,640
Capacity (students)	226	226	226	226	226	226	226	266	266	266
Enrollment	259	275	279	320	323	361	353	378	327	264
Smalley Elementary School (1957)										
Square Feet	42,877	42,877	42,877	42,877	42,877	42,877	42,877	42,877	42,877	42,877
Capacity (students)	356	356	356	356	356	356	356	356	356	356
Enrollment	328	308	304	255	270	262	293	321	358	373
<u>Middle School</u>										
Community Middle School (2014) *										
Square Feet										44,937
Capacity (students)										335
Enrollment										227
<u>High School</u>										
Bound Brook High School (1907)										
Square Feet	118,025	118,025	118,025	118,025	118,025	118,025	118,025	118,025	118,025	119,595
Capacity (students)	869	869	869	869	869	869	869	869	869	869
Enrollment	469	496	493	495	485	465	483	510	537	564
Number of Schools at June 30, 2016										
Elementary = 4										
Middle School = 1										
Senior High School = 1										

Source: District Facilities Office

* - The Community Municipal School was acquired as part of the referendum approved by the voters in 2014 and became operational in 2016.

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October district count.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-xxx

Fiscal Year Ended June 30,	Bound Brook High School	Lafayette School	LaMonte School	Smalley Middle School	LaMonte School Annex	Community Middle School	Total
2007	\$ 605,090	\$ 158,391	\$ 151,551	\$ 172,206	\$ 132,215		\$ 1,219,453
2008	478,912	198,729	157,075	301,382	123,342		1,259,440
2009	470,628	232,675	138,989	328,415	87,580		1,258,287
2010	449,584	160,128	95,586	150,442	92,617		948,357
2011	421,404	131,206	133,411	142,114	69,332		897,467
2012	427,132	178,873	133,536	155,374	73,796		968,711
2013	395,335	86,384	127,866	112,644	87,019		809,248
2014	440,379	114,226	75,390	142,252	73,469		845,716
2015	297,520	83,389	95,994	100,054	52,520		629,477
2016	184,406	52,251	39,385	87,808	38,526	\$ 53,963	456,339

* 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

Exhibit J-20

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
New Jersey Schools Insurance Group		
Package Policy:		
Blanket Real and Personal Property	\$ 67,327,854	\$ 5,000
Comprehensive General Liability	11,000,000	
Computer Equipment	1,873,737	1,000
Energy Systems	100,000,000	5,000
Crime Coverage:		
Faithful Performance	1,000,000	1,000
Money and Securities	50,000	1,000
Automobile	11,000,000	1,000
School Board Legal Liability	11,000,000	15,000
Workers Compensation	2,000,000	
Supplemental Indemnity (Chubb Insurance Company)	1,750/ week	
Flood: (Selective Insurance Company)		
330 W 2nd Street	500,000	1,000
High St & Lafayette	500,000	1,000
2nd St. & Vosseler	500,000	1,000
Catastrophe Umbrella (Firemans Fund)	50,000,000	
Environmental Liability (each incident/total aggregate)	1 mil/ 3 mil	25,000
Student Accident Insurance (Bollinger)	1,000,000	
New Jersey Schools Insurance Group		
Surety Bonds:		
Board Secretary/Business Administrator	225,000	
Treasurer of School Moneys	225,000	
Environmental (add'l mold)	1mil/1mil	10,000
AIG		

Source: District's Records

SINGLE AUDIT SECTION



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Report on Internal Control Over Financial Reporting and
 on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Bound Brook School District, in the County of Somerset (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal 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 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.

Our consideration of the 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.

The Honorable President and Members
of the Board of Education
Borough of Bound Brook School District
Page 2

Compliance and Other Matters

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

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 result 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.

November 4, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP



Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant



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Report on Compliance For Each Major Federal and State Program;
Report on Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Borough of Bound Brook School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2016. The District's major federal and state programs are identified in the summary of auditors' 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 federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the 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 federal and state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the 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 federal and state programs for the fiscal year ended June 30, 2016.

The Honorable President and Members
of the Board of Education
Borough of Bound Brook School District
Page 2

Report on Internal Control Over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and 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 federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, 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 District's internal control over compliance.

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

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 the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

November 4, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP



Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

**BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015		Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumbrance	Balance at June 30, 2016		Amounts Provided to Subrecipients	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue				Budgetary Accounts Receivable	Budgetary Unearned Revenue		
U.S. Department of Education Passed-through State Department of Education:													
Special Revenue Fund:													
No Child Left Behind Consolidated Grant:													
Title I	84.010A	NCLB184015	7/1/14-6/30/15	953,121	\$(151,380)		\$ 151,385	\$ (5)					
Title I	84.010A	NCLB184016	7/1/15-6/30/16	890,263			740,803	(874,913)			\$(134,110)		
Title I, SIA	84.010A												
Title II, Part A	84.367A	NCLB184015	7/1/14-6/30/15	80,268	(35,119)		35,119						
Title II, Part A	84.367A	NCLB184016	7/1/15-6/30/16	66,330			52,918	(62,116)			(9,198)		
Title II, Part D	84.318A	NCLB184013	9/1/12-8/31/13										
Title III	84.365A	NCLB184015	7/1/14-6/30/15	74,049	(17,619)		17,510		\$ 109				
Title III	84.365A	NCLB184016	7/1/15-6/30/16	73,589			56,654	(59,474)			(2,820)		
Title III - Immigrant	84.365A	NCLB184015	7/1/14-6/30/15	14,761			1		(1)				
Title III - Immigrant	84.365A	NCLB184016	7/1/15-6/30/16	25,028			5,205	(7,010)			(1,805)		
State Fiscal Stabilization Fund (SFSF) -													
Race-To-The-Top Incentive Grant, Recovery Act	84.395	ARRA184013	9/1/12-6/30/15	60,588			3,886	(3,886)					
Special Education Cluster:													
I.D.E.A. Part B, Basic	84.027	IDEA184015	7/1/14-6/30/15	424,364	(71,178)		72,013	(835)					
I.D.E.A. Part B, Basic	84.027	IDEA184016	7/1/15-6/30/16	443,561			443,562	(443,580)	18				
I.D.E.A. Part B, Preschool	84.173	IDEA184015	7/1/14-6/30/15	13,711	(445)		445						
I.D.E.A. Part B, Preschool	84.173	IDEA184016	7/1/15-6/30/16	14,420			14,172	(14,172)					
Total Special Education Cluster					(71,623)		530,192	(458,587)					
Total U.S. Department of Education					(275,741)		1,593,672	(1,465,991)	126		(147,933)		
U.S. Department of Health and Human Services:													
Preschool Expansion Grant	84.419B	N/A	7/1/15-6/30/16	443,925			362,828	(443,693)			(80,865)		
Medicaid Assistance Program	93.778	N/A	7/1/15-6/30/16	55,161			54,901	(55,161)			(260)		
Medicaid Assistance Program	93.778	N/A	7/1/14-6/30/15	68,730	(14,465)		14,465						
Total U.S. Department of Health and Human Services					(14,465)		432,194	(498,854)			(81,125)		
U.S. Department of Agriculture Passed Through State Department of Agriculture:													
Child Nutrition Cluster:													
Food Distribution Program	10.555	N/A	7/1/14-6/30/15	61,320		\$ 4,215		(4,215)					
Food Distribution Program	10.555	N/A	7/1/15-6/30/16	69,877			69,877	(67,555)			\$ 2,322		
School Breakfast Program	10.553	N/A	7/1/14-6/30/15	358,300	(30,732)		30,732						
School Breakfast Program	10.553	N/A	7/1/15-6/30/16	405,154			330,539	(405,154)			(74,615)		
Healthy Hunger-Free Kids Act	10.555	N/A	10/1/12-6/30/13										
After School Snack Program	10.555	N/A	7/1/15-6/30/16	2,042			1,582	(2,042)			(460)		
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	565,706	(37,782)		37,782						
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	636,210			529,181	(636,210)			(107,029)		
Total U.S. Department of Agriculture					(68,514)	4,215	999,693	(1,115,176)			(182,104)	2,322	
Total Federal Awards					\$(358,720)	\$ 4,215	\$3,025,559	\$(3,080,021)	\$ 126		\$(411,162)	\$ 2,322	\$ -0-

N/A - Not Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015		Cash Received	Budgetary Expenditures	Balance at June 30, 2016		MEMO	
				Budgetary Accounts Receivable	Budgetary Unearned Revenue			GAAP Accounts Receivable	Budgetary Unearned Revenue	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education											
General Fund:											
Categorical Special Education Aid	15-495-034-5120-089	7/1/14 - 6/30/15	\$ 880,722	\$ (87,433)		\$ 87,433					\$ 880,722
Equalization Aid	15-495-034-5120-078	7/1/14 - 6/30/15	6,288,222	(624,259)		624,259					6,288,222
Categorical Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	118,638	(11,778)		11,778					118,638
School Choice Aid	15-495-034-5120-068	7/1/14 - 6/30/15	472,638	(46,921)		46,921					472,638
Categorical Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	23,408	(2,324)		2,324					23,408
Under Adequacy Aid	15-495-034-5120-096	7/1/14 - 6/30/15	282,395	(28,035)		28,035					282,395
PARCC Readiness Aid	15-495-034-5120-098	7/1/14 - 6/30/15	16,070	(1,595)		1,595					16,070
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14 - 6/30/15	16,070	(1,595)		1,595					16,070
Extraordinary Aid	15-100-034-5120-473	7/1/14 - 6/30/15	132,544	(132,544)		132,544					132,544
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14 - 6/30/15	801,950	(79,793)		79,793					801,950
Categorical Special Education Aid	16-495-034-5120-089	7/1/15 - 6/30/16	880,722			793,228	\$ (880,722)			\$ (87,494)	880,722
Equalization Aid	16-495-034-5120-078	7/1/15 - 6/30/16	6,288,222			5,663,531	(6,288,222)			(624,691)	6,288,222
Categorical Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	118,638			106,851	(118,638)			(11,787)	118,638
Categorical Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	23,408			21,083	(23,408)			(2,325)	23,408
School Choice Aid	16-495-034-5120-068	7/1/15 - 6/30/16	421,542			379,665	(421,542)			(41,877)	421,542
Under Adequacy Aid	16-495-034-5120-085	7/1/15 - 6/30/16	282,395			254,341	(282,395)			(28,054)	282,395
Additional Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	51,096			46,020	(51,096)			(5,076)	51,096
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	16,070			14,474	(16,070)			(1,596)	16,070
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15 - 6/30/16	16,070			14,474	(16,070)			(1,596)	16,070
Extraordinary Aid	16-495-034-5120-044	7/1/15 - 6/30/16	147,048				(147,048)	\$ (147,048)		(147,048)	147,048
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15 - 6/30/16	869,117			864,899	(869,117)	(4,218)		(4,218)	869,117
Total General Fund				<u>(1,016,277)</u>		<u>9,174,843</u>	<u>(9,114,328)</u>	<u>(151,266)</u>		<u>(955,762)</u>	<u>18,146,985</u>
Special Revenue Fund											
Preschool Education Aid	13-495-034-5120-025	7/1/12 - 6/30/16	579,882		\$ 97,880				\$ 97,880		482,002
Preschool Education Aid	15-495-034-5120-025	7/1/14 - 6/30/16	456,990	(39,193)	71,325	39,193	(71,325)				456,990
Preschool Education Aid	16-495-034-5120-025	7/1/15 - 6/30/16	429,607			386,929	(429,607)			(42,678)	429,607
Total Special Revenue Fund				<u>(39,193)</u>	<u>169,205</u>	<u>426,122</u>	<u>(500,932)</u>			<u>97,880</u>	<u>1,368,599</u>
Debt Service Fund:											
School Building Aid	16-495-034-5120-017	7/1/15 - 6/30/16	956,311			956,311	(956,311)				956,311
Total Debt Service Fund						<u>956,311</u>	<u>(956,311)</u>				<u>956,311</u>
Total New Jersey Department of Education				<u>(1,055,470)</u>	<u>\$ 169,205</u>	<u>10,557,276</u>	<u>(10,571,571)</u>	<u>(151,266)</u>	<u>97,880</u>	<u>(998,440)</u>	<u>20,471,895</u>
New Jersey Department of Agriculture:											
Enterprise Fund:											
State School Lunch Program	16-100-010-3350-023	7/1/15 - 6/30/16	13,155			11,023	(13,155)	(2,132)		(2,132)	13,155
State School Lunch Program	15-100-010-3350-023	7/1/14 - 6/30/15	11,705	(778)		778					11,705
Total New Jersey Department of Agriculture				<u>(778)</u>		<u>11,801</u>	<u>(13,155)</u>	<u>(2,132)</u>		<u>(2,132)</u>	<u>24,860</u>
Total State Awards				<u>\$ (1,056,248)</u>	<u>\$ 169,205</u>	<u>\$ 10,569,077</u>	<u>\$ (10,584,726)</u>	<u>\$ (153,398)</u>	<u>\$ 97,880</u>	<u>\$ (1,000,572)</u>	<u>\$ 20,496,755</u>

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Borough of Bound Brook School District under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$556) for the general fund and \$43,796 for the special revenue fund (of which (\$2,986) is for local grants). See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and the special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension and Post Retirement Contributions revenue of \$831,939 and \$990,610, respectively.

Revenue from federal and state awards are reported in the Board's basic financial statements on a GAAP basis as presented below:

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 55,161	\$ 10,936,321	\$ 10,991,482
Special Revenue Fund	1,934,072	517,354	2,451,426
Debt Service Fund		956,311	956,311
Food Service Fund	1,115,176	13,155	1,128,331
Total Awards	<u>\$ 3,104,409</u>	<u>\$ 12,423,141</u>	<u>\$ 15,527,550</u>

NOTE 5. 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 6. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2016.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal or state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's federal and state programs tested as major programs for the current fiscal year were the following:

	<u>C.F.D.A. Number/ State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
No Child Left Behind Consolidated Grant:				
Title I	84.010A	7/1/14-6/30/15	\$ 953,121	\$ 5
Title I	84.010A	7/1/15-6/30/16	890,263	874,913
<u>State:</u>				
General Fund State Aid:				
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	6,288,222	6,288,222
Categorical Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	880,722	880,722
Categorical Security Aid	16-495-034-5120-084	7/1/15-6/30/16	118,638	118,638
Additional Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	51,096	51,096
School Choice Aid	16-495-034-5120-068	7/1/15-6/30/16	421,542	421,542
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	16,070	16,070
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	16,070	16,070
Under Adequacy Aid	16-495-034-5120-096	7/1/15-6/30/16	282,395	282,395
Reimbursement TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	869,117	869,117

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Summary of Auditors' Results: (Cont'd)

- The threshold used for distinguishing between Type A and Type B federal and state programs was \$750,000.
- The single audit threshold identified in the Uniform Guidance and New Jersey's OMB Circular 15-08 was \$750,000.
- The District was determined to be a "low-risk" auditee for both state and federal programs.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in 2 CFR 200.516(a) of the Uniform Guidance.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

The District had no prior year audit findings.