

**Comprehensive Annual  
Financial Report**

**of the**

**Borough of South Bound Brook Board of Education**

**County of Somerset**

**South Bound Brook, New Jersey**

**For the Fiscal Year Ended June 30, 2016**

**Prepared by**

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



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**INTRODUCTORY SECTION**

# **South Bound Brook Public Schools**

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

November 18, 2016

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

Dear Board Members:

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

The Comprehensive Annual Financial Report has four sections: Introductory, Financial, Statistical and Single Audit. The introductory section includes this transmittal letter, the district's organization chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The district is required to undergo an annual single audit in conformity with the provisions of the Uniform Guidance and the State of New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.



1. REPORTING ENTITY AND ITS SERVICES

The South Bound Brook School District is an independent reporting entity within the criteria adopted by the GASB as established by the NCGA Statement No. 3. All funds of the District are included in this report.

The South Bound Brook School District provides a full range of educational services appropriate to students in grades pre-k through 8. These services are provided for regular, as well as disadvantaged students. The South Bound Brook Board of Education and Bound Brook Board of Education have a sending/receiving agreement, with South Bound Brook sending its high school students in grades 9-12 to Bound Brook High School as tuition students. The budgeted cost for 2015-2016 was \$13,931 per regular education student. Some of the district's students, grades 9-12, attend the Somerset County Vocational-Technical School District either part time or full time. There are also some disadvantaged students who are placed out of the district in order for them to receive an appropriate education. The district completed the 2015-2016 school year (June 30, 2016) with a PK-8 enrollment of 453 students. The following details the changes in the student enrollment of the district over the last five years:

AVERAGE DAILY ENROLLMENT

<u>School Year</u>	<u>Prek-8 Enrollment</u>	<u>Students Sent Out of District</u>	<u>Total Resident Enrollment</u>	<u>Percent Change</u>
2011-12	437	155	592	(2.31%)
2012-13	446	158	604	2.03%
2013-14	459	149	608	0.65%
2014-15	455	132	582	(0.87%)
2015-16	453	143	596	(0.44%)

2. ECONOMIC CONDITION AND OUTLOOK

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

### 3. MAJOR INITIATIVES

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

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

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

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

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

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

#### 4. INTERNAL ACCOUNTING CONTROLS

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

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

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

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

#### 5. BUDGETARY CONTROLS

In addition to internal accounting controls, the district maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2016.

6. ACCOUNTING SYSTEM AND REPORTS

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

7. FINANCIAL INFORMATION AT FISCAL YEAR-END

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

You should review, in detail, the management's discussion and analysis for the fiscal year ended June 30, 2016 for Financial Summaries.

8. DEBT ADMINISTRATION

Series 2001 Bonds were refunded to the Series 2010 Bonds in the amount of \$2,865,000.00 on December 1, 2010. The remaining principal balance of the 2010 bonds at June 30, 2016 was \$1,815,000.00.

9. CASH MANAGEMENT

The investment policy of the district is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The district has adopted a cash management which requires it to deposit public funds in public depositories protected from loss under the provision of the Government Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect government units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

10. RISK MANAGEMENT

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

11. OTHER INFORMATION

A. **Independent Audit** - State statutes require an annual audit by an independent certified public accountant or registered municipal accountants. The accounting firm of Suplee, Clooney & Company, CPA's, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit is also designed to meet the requirements of the Uniform Guidance and State of New Jersey OMB Circular 15-08. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of the report. The auditor's report relating specifically to the single audit is included in the single audit section of this report.


12. ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the South Bound Brook School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the secretary/bookkeeper, administrative secretary and treasurer (consultant).

Respectfully submitted,

 11/18/16

Lorise A. Goeke, Ed. D.  
Superintendent

 11/18/16

Vincent Caravello  
Business Administrator

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

**ROSTER OF OFFICIALS  
JUNE 30, 2016**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Allison Lih-Thiessen – President	2017
Laura Kress – Vice-President	2016
Frank Ambrose	2017
Charles Brown	2016
Janet Esposito	2018
Nancy Santora	2018
Heidi Shallop	2018

**Other Officials**

Dr. Lorise Goeke, Superintendent of Schools

Vincent Caravello, Business Administrator/ Board Secretary

Joseph Marra, Treasurer of School Monies

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

**Architect**

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

**Audit Firm**

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

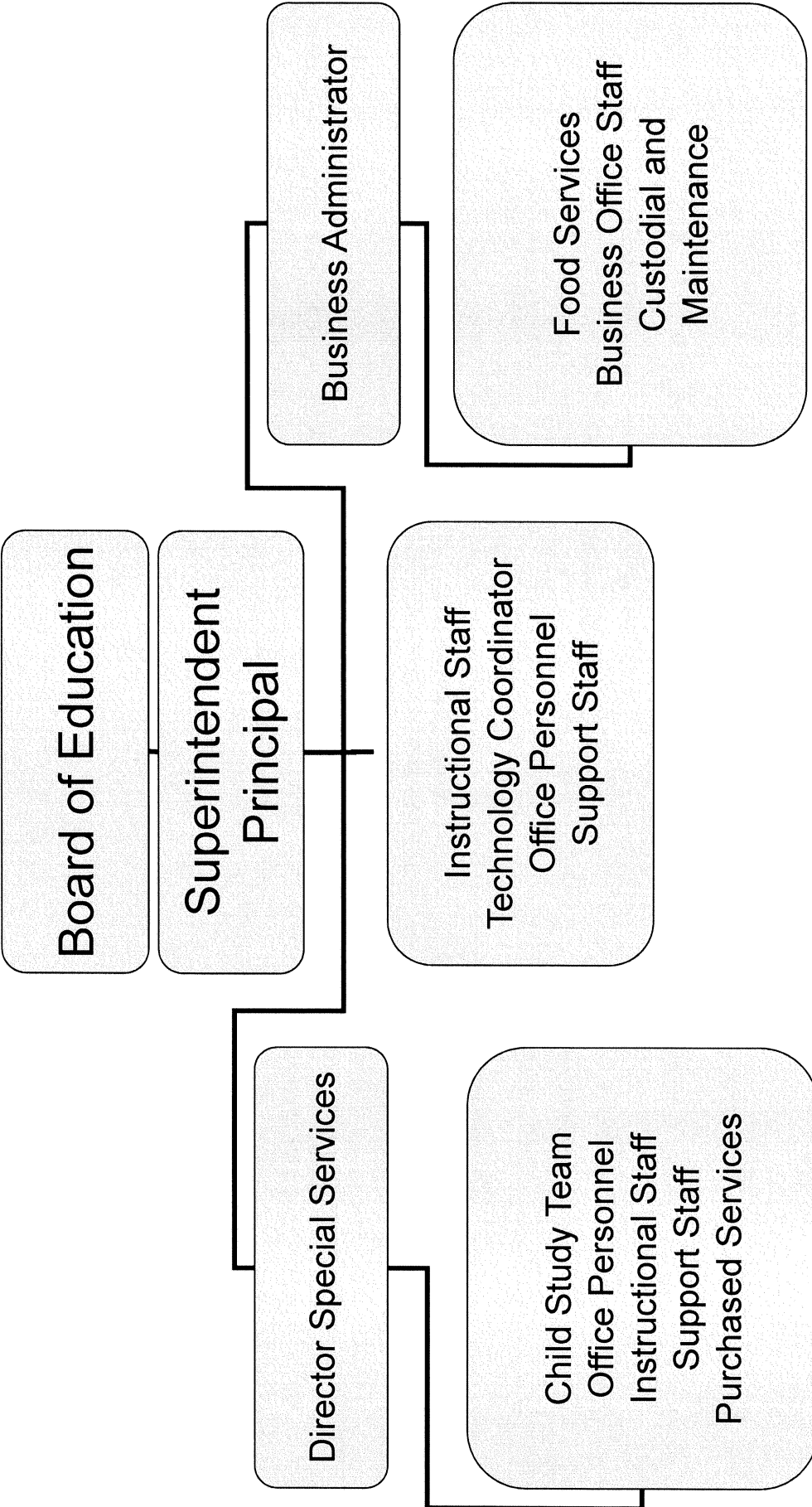
**Attorney**

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

**Official Depository**

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

# South Bound Brook Schools





**FINANCIAL SECTION**



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

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E-mail info@senco.com

## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of South Bound Brook School District, County of Somerset, New Jersey as of and for the year ended June 30, 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, and the provisions of State of New Jersey *OMB Circular 15-08* "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

# SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory 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 regulatory financial statements.

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

## **Opinion**

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

## **Other Matters**

### *Required Supplementary Information*

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

# SUPLEE, CLOONEY & COMPANY

## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of South Bound Brook School District's basic financial statements. The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2016 on our consideration of the Borough of South Bound Brook School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of South Bound Brook School District's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
PUBLIC SCHOOL ACCOUNTANT NO. 948

November 18, 2016

**REQUIRED SUPPLEMENTARY INFORMATION – Part I**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED**

This section of the South Bound Brook School District's Comprehensive Annual Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 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.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements-Management's Discussion and Analysis-for the State and Local Governments. Certain comparative information between the current fiscal year (2015-2016) and the prior fiscal year (2014-2015) is presented in the MD&A.

**Financial Highlights**

- Revenue from governmental activities accounted for \$11,992,235.69 or 98.22 percent of total school district revenue. The other 1.78 percent of revenue was generated by the business type activities.
- Governmental fund revenues exceeded expenditures by \$1,001,144.06.
- The District reduced its outstanding long term debt by 8.61%.

**Overview of the Financial Statements**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED**

- Fiduciary Funds Statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

**District-wide Financial Statements**

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

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

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

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED**

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on major funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (i.e. long-term debt) or to show that it is properly using certain restricted revenues (i.e. entitlement grants).

The District maintains three financial funds:

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

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

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 on the next page reflects the District's net position as a whole. Table 2 reflects the changes in net position from operating results.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED**

**Table 1  
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Total
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	Percentage Change
Current and Other Assets	\$3,919,341.78	\$3,669,154.73	\$98,936.19	\$70,998.48	\$4,018,277.97	\$2,982,086.17	34.75%
Capital Assets	8,405,038.81	7,958,661.23		454.74	8,405,038.81	8,001,646.56	5.04%
<b>Total Assets</b>	<b>12,324,380.59</b>	<b>11,627,815.96</b>	<b>98,936.19</b>	<b>71,453.22</b>	<b>12,423,316.78</b>	<b>10,983,732.73</b>	<b>13.11%</b>
Deferred Outflows Related to Pensions	184,258.00	73,488.00			184,258.00	73,488.00	
Long-Term Liabilities	2,966,038.04	3,245,641.30			2,966,038.04	2,200,363.90	34.80%
Short-Term Liabilities	622,715.84	614,027.01	10,955.72	7,819.32	633,671.56	387,682.94	63.45%
<b>Total Liabilities</b>	<b>3,588,753.88</b>	<b>3,859,668.31</b>	<b>10,955.72</b>	<b>7,819.32</b>	<b>3,599,709.60</b>	<b>2,588,046.84</b>	<b>39.09%</b>
Deferred Inflows Related to Pensions	218,291.00	141,186.00			218,291.00	141,186.00	
Net Position:							
Net investment in Capital Assets							
Assets	6,590,038.81	5,843,661.23		454.74	6,590,038.81	5,844,115.97	12.76%
Restricted	3,421,578.94	3,171,129.13			3,421,578.94	3,171,129.13	7.90%
Unrestricted (Deficit)	(1,310,024.04)	(1,314,340.71)	87,980.47	63,179.16	(1,222,043.57)	(1,251,161.55)	(2.33%)
<b>Total Net Position</b>	<b>\$8,701,593.71</b>	<b>\$7,700,449.65</b>	<b>\$87,980.47</b>	<b>\$63,633.90</b>	<b>\$8,789,574.18</b>	<b>\$7,764,083.55</b>	<b>13.21%</b>

The largest portion of the District's net position is its net investment in capital assets. Restricted net positions includes those items that are subject to external restrictions (e.g. for capital projects, maintenance, capital, emergency and tuition reserves, and excess fund balance in the general fund).

Construction projects were completed and net investment in capital assets increased. Unrestricted net position is at a large deficit due to the net pension liability.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED**

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

	Governmental Activities		Business-Type Activities		Total School District	
	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>
Revenue:						
Program Revenue:						
Charges for Services			\$78,486.13	\$75,472.95	\$78,486.13	\$75,472.95
Operating Grants and Contributions	\$2,053,169.25	\$1,741,247.07	138,402.67	144,730.55	2,191,571.92	1,885,977.62
General Revenue:						
Property Taxes	6,171,325.00	6,046,956.55			6,171,325.00	6,046,956.55
Federal and State Aid not restricted	3,391,966.00	3,435,921.00			3,391,966.00	3,435,921.00
Other	375,775.44	113,581.14	82.71		375,858.15	113,581.14
<b>Total Revenue</b>	<u>11,992,235.69</u>	<u>11,337,705.76</u>	<u>216,971.51</u>	<u>220,203.50</u>	<u>12,209,207.20</u>	<u>11,557,909.26</u>
Expenses:						
Instruction	7,521,635.70	7,387,470.25			7,521,635.70	7,387,470.25
Student & Instructional Support Services	1,302,960.12	1,351,227.04			1,302,960.12	1,351,227.04
Administrative and Business	919,868.85	801,683.48			919,868.85	801,683.48
Maintenance & Operations	903,797.90	859,374.20			903,797.90	859,374.20
Transportation	262,229.06	314,985.92			262,229.06	314,985.92
Other	73,300.00	82,175.00	192,624.94	221,380.93	265,924.94	303,555.93
<b>Total Expenses</b>	<u>10,983,791.63</u>	<u>10,796,915.89</u>	<u>192,624.94</u>	<u>221,380.93</u>	<u>11,176,416.57</u>	<u>11,018,296.82</u>
Disposal of Capital Assets	<u>(7,300.00)</u>	<u>(955.93)</u>		<u>(9,506.85)</u>	<u>(7,300.00)</u>	<u>(10,462.78)</u>
Increase/(Decrease) in Net Position	<u>\$1,001,144.06</u>	<u>\$539,833.94</u>	<u>\$24,346.57</u>	<u>(\$10,684.28)</u>	<u>\$1,025,490.63</u>	<u>\$529,149.66</u>

**Sources of Revenue**

The District's total revenue for the 2015-2016 school year was \$12,209,207.20 as reflected in Table 3 below. Property taxes and state formula aid accounted for 78.33 percent of the total revenue with the other 21.67 percent consisting of other state and federal aid and grants, charges for services, and miscellaneous sources.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED**

**Table 3  
Sources of Revenue**

<u>Sources of Revenue</u>	<u>FY 2016</u>		<u>FY 2015</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Property Taxes	\$6,171,325.00	50.55%	\$6,046,956.55	52.32%
State Formula Aid	3,391,966.00	27.78%	3,394,026.00	29.37%
Other State and Federal Aid	2,053,169.25	16.82%	1,561,122.98	13.51%
Federal and State Grants	297,400.02	2.44%	366,749.64	3.17%
Charges for Services	78,486.13	0.64%	75,472.95	0.65%
Other	216,860.80	1.77%	113,581.14	0.98%
	<u>\$12,209,207.20</u>	<u>100.00%</u>	<u>\$11,557,909.26</u>	<u>100.00%</u>

**Expenses for Fiscal Years 2016 and 2015**

The total expenditures for the 2015-2016 fiscal year for all programs and services were \$10,983,791.63. Table 4 below summarizes these program costs. The District's expenses are predominantly related to instructing, providing services and transporting students, grades kindergarten through eight, which accounts for 82.73 percent of the total District costs. Administrative and business expenses account for the costs of the office of the superintendent of schools, the business office, and the principal's office. Maintenance and operations account for the costs of keeping the school buildings and grounds safe, clean and in good operating condition, and includes all the utility costs related to the school facilities. Other costs include interest on long-term debt, unallocated depreciation expense and the costs of the business-type activities of the proprietary funds. It is important to note that depreciation expense on capital assets is included in expenses for the year under the new accounting reporting model; expenses therefore include \$340,857.30 for depreciation.

**Table 4  
Expenses for Fiscal Years 2016 and 2015**

<u>Expense Category</u>	<u>FY 2016</u>		<u>FY 2015</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$7,521,635.70	68.48%	\$7,387,470.25	67.05%
Student & Instruction Services	1,302,960.12	11.86%	1,351,227.04	12.26%
Administrative and Business	919,868.85	8.37%	801,683.48	7.28%
Maintenance & Operations	903,797.90	8.23%	859,374.20	7.80%
Transportation	262,229.06	2.39%	314,985.92	2.86%
Other	73,300.00	0.67%	303,555.73	2.75%
	<u>\$10,983,791.63</u>	<u>100.00%</u>	<u>\$11,018,296.62</u>	<u>100.00%</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED**

**Governmental Activities**

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

**Table 5  
Net Cost of Governmental Activities**

<u>Expense Category</u>	<u>FY 2016</u>		<u>FY 2015</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$5,905,098.14	66.12%	\$6,080,889.40	67.14%
Student & Instruction Services	1,012,599.50	11.34%	1,014,318.30	11.20%
Administrative and Business	788,462.78	8.83%	718,791.00	7.94%
Maintenance & Operations	903,797.90	10.12%	859,374.20	9.49%
Transportation	247,364.06	2.77%	300,120.92	3.31%
Other	73,300.00	0.82%	83,352.43	0.92%
	<u>\$8,930,622.38</u>	<u>100.00%</u>	<u>\$9,056,846.25</u>	<u>100.00%</u>

Instruction expenses include activities directly dealing with the teaching of students and the interaction between teacher and student, including extracurricular activities.

Students and instruction related include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration, and central services include expenses associated with administrative and financial management of the District.

Operation and maintenance of facilities involve keeping the school grounds, buildings and equipment in an effective operating condition.

Student transportation includes activities with the conveyance of special education students to and from school, school activities and athletic events, as provided by state law.

"Other" includes unallocated depreciation.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED**

**General Fund Budgeting Highlights**

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

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

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

**Capital Assets**

During the fiscal year 2015-2016 the District had capital projects completed, causing a net increase of 5.60%. Table 6 reflects the comparative balances of capital assets net of depreciation. The detail of the changes in capital assets is reflected in Note 3 to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>	
Land Site	\$524,414.00	\$524,414.00			\$524,414.00	\$524,414.00	
Improvements Building and Building	8,711.10	10,646.89			8,711.10	10,646.89	(18.18%)
Improvements Machinery and Equipment	7,311,331.89	7,149,122.05			7,311,331.89	7,149,122.05	2.27%
	560,581.82	274,478.29		\$454.74	560,581.82	274,933.03	103.90%
<b>Total Assets</b>	<b>\$8,405,038.81</b>	<b>\$7,958,661.23</b>	<b>\$0.00</b>	<b>\$454.74</b>	<b>\$8,405,038.81</b>	<b>\$7,959,115.97</b>	<b>5.60%</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED**

**Debt Administration**

At June 30, 2015 the District had \$2,966,038.04 of outstanding long-term debt, consisting of bonds payable from construction, compensated absences and net pension liability. The District will continue to pay down its debt, as the obligations are due. Table 7 reflects the comparison of outstanding debt for the past two fiscal years. More information of the District's long-term debt is presented in Note 4 to the financial statements.

**Table 7  
Outstanding Long-term Debt**

	Total School Debt		Total Percentage Change
	FY 2016	FY 2015	
Compensated Absences Payable	\$90,770.04	\$84,997.30	6.79%
Net Pension Liability Payable	1,060,268.00	1,045,644.00	1.40%
Bonds Payable	1,815,000.00	2,115,000.00	(14.18%)
	<u>\$2,966,038.04</u>	<u>\$3,245,641.30</u>	<u>(8.61%)</u>

**The District's Future**

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

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

**Contacting the District's Financial Management**

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

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2016.



## **DISTRICT-WIDE FINANCIAL STATEMENTS**

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

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

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$557,554.37	\$89,390.42	\$646,944.79
Receivables, net	711,638.23	8,410.82	720,049.05
Inventory		1,134.95	1,134.95
Restricted assets:			
Restricted cash and cash equivalents	2,650,149.18		2,650,149.18
Capital assets:			
Land and construction in progress	524,414.00		524,414.00
Other capital assets, net	7,880,624.81		7,880,624.81
Total assets	<u>12,324,380.59</u>	<u>98,936.19</u>	<u>12,423,316.78</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Related to pensions	<u>184,258.00</u>		<u>184,258.00</u>
Total Deferred Outflows of Resources	184,258.00		184,258.00
<b>LIABILITIES:</b>			
Accounts payable	429,454.51	10,617.48	440,071.99
Unearned revenue	187,465.50	338.24	187,803.74
Interest payable	5,795.83		5,795.83
Noncurrent liabilities:			
Due within one year	305,000.00		305,000.00
Due beyond one year:			
Net Pension Liability	1,060,268.00		1,060,268.00
Compensated absences payable	90,770.04		90,770.04
Bonds and capital leases payable	1,510,000.00		1,510,000.00
Total liabilities	<u>3,588,753.88</u>	<u>10,955.72</u>	<u>3,599,709.60</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Related to pensions	<u>218,291.00</u>		<u>218,291.00</u>
Total Deferred Inflows of Resources	218,291.00		218,291.00
<b>NET POSITION:</b>			
Net investment in capital assets	6,590,038.81		6,590,038.81
Restricted for:			
Capital projects fund	173,136.86		173,136.86
Debt service fund (deficit)	(5,795.83)		(5,795.83)
Other purposes	3,254,237.91		3,254,237.91
Unrestricted (deficit)	<u>(1,310,024.04)</u>	<u>87,980.47</u>	<u>(1,222,043.57)</u>
Total net position	<u>\$8,701,593.71</u>	<u>\$87,980.47</u>	<u>\$8,789,574.18</u>

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



**MAJOR FUND FINANCIAL STATEMENTS**

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

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

ASSETS AND OTHER DEBITS:	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
Assets:				
Cash and cash equivalents	\$261,412.75		\$296,141.62	\$557,554.37
Capital reserve account	2,172,529.18			2,172,529.18
Maintenance reserve account	477,620.00			477,620.00
Accounts receivable:				
Federal		\$84,421.16		84,421.16
State	70,388.00		538,975.00	609,363.00
Other	12,422.00			12,422.00
Interfund	313,490.21			313,490.21
Total assets	<u>3,307,862.14</u>	<u>84,421.16</u>	<u>835,116.62</u>	<u>4,227,399.92</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	133,477.23	22,877.28	228,000.00	384,354.51
Interfunds payable		58,893.36	249,164.78	308,058.14
Unearned revenue		2,650.52	184,814.98	187,465.50
Total liabilities	<u>133,477.23</u>	<u>84,421.16</u>	<u>661,979.76</u>	<u>879,878.15</u>
Fund balances:				
Restricted for:				
Capital reserve account	2,172,529.18			2,172,529.18
Maintenance reserve account	477,620.00			477,620.00
Excess surplus designated for subsequent years expenditures	248,868.00			248,868.00
Excess surplus - current year	274,989.73			274,989.73
Capital projects fund			173,136.86	173,136.86
Assigned for:				
ARRA/SEMI - Designated for subsequent years expenditures	378.00			378.00
Total fund balances	<u>3,174,384.91</u>		<u>173,136.86</u>	<u>3,347,521.77</u>
Total liabilities and fund balances	<u>\$3,307,862.14</u>	<u>\$84,421.16</u>	<u>\$835,116.62</u>	

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

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

Total Fund Balances (Brought Forward)		\$3,347,521.77
<p>Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of Assets	\$12,774,720.64	
Accumulated Depreciation	<u>(4,369,681.83)</u>	8,405,038.81
<p>Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
Net pension liability	(1,060,268.00)	
Serial bonds payable	(1,815,000.00)	
Compensated absences payable	<u>(90,770.04)</u>	(2,966,038.04)
<p>Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.</p>		
Pensions:		
Deferred Outflows		
Pension related	139,158.00	
Employers contributions related to pensions	<u>45,100.00</u>	184,258.00
Deferred Inflows:		
Pension related		(218,291.00)
<p>Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.</p>		
Accounts Payable - Pension Related	(45,100.00)	
Accrued Interest Payable	<u>(5,795.83)</u>	<u>(50,895.83)</u>
Net Position of Governmental Activities		<u><u>\$8,701,593.71</u></u>

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

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

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$5,797,275.00			\$374,050.00	\$6,171,325.00
Tuition from other LEA's within the state	39,330.90				39,330.90
Miscellaneous	36,833.80	\$590.00	\$1,620.72		39,044.52
Total revenues-local sources	5,873,439.70	590.00	1,620.72	374,050.00	6,249,700.42
State sources	4,223,024.27		297,400.02		4,520,424.29
Federal sources		274,268.98			274,268.98
Total revenues	10,096,463.97	274,858.98	299,020.74	374,050.00	11,044,393.69
<b>EXPENDITURES:</b>					
Current expense:					
Instruction:					
Regular	2,154,859.34	106,525.98			2,261,385.32
Special education	597,318.37	135,521.00			732,839.37
Other instruction	127,125.01				127,125.01
Support services:					
Tuition	2,063,717.27				2,063,717.27
Student and instruction related services	883,714.02	32,812.00			916,526.02
General administrative services	163,609.28				163,609.28
School administrative services	264,859.02				264,859.02
Central services	219,236.47				219,236.47
Plant operations and maintenance	673,823.58				673,823.58
Student transportation services	262,229.06				262,229.06
Employee benefits	1,845,957.73				1,845,957.73
Capital outlay	216,973.00		577,561.88		794,534.88
Capital outlay - debt assessment	32,491.00				32,491.00
Charter Schools	42,504.00				42,504.00
Special schools	24,264.46				24,264.46
Debt service:					
Principal				300,000.00	300,000.00
Interest				74,050.00	74,050.00
Total expenditures	9,572,681.61	274,858.98	577,561.88	374,050.00	10,799,152.47
Excess (deficiency) of revenues over (under) expenditures	523,782.36		(278,541.14)		245,241.22
Other financing sources (uses):					
Operating transfers in			394,918.00		394,918.00
Operating transfers out	(394,918.00)				(394,918.00)
Total financing sources (uses):	(394,918.00)		394,918.00		
Net change in fund balances	128,864.36		116,376.86		245,241.22
Fund balances, July 1, 2015	3,045,520.55		56,760.00		3,102,280.55
Fund balances, June 30, 2016	\$3,174,384.91	\$-0-	\$173,136.86	\$-0-	\$3,347,521.77

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total net change in fund balances - governmental funds (from B-2) \$245,241.22

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.

Depreciation expense	(\$340,857.30)	
Capital outlays	827,025.88	
Capital outlays not capitalized	<u>(32,491.00)</u>	453,677.58

In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed.

Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets and is not reported in the statements of activities. 300,000.00

In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (7,300.00)

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. 750.00

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District pension contributions	40,607.00	
Less: Pension expense	<u>(26,059.00)</u>	14,548.00

In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). (5,772.74)

Change in net position of governmental activities \$1,001,144.06



BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
PROPRIETARY FUND  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016

	<u>BUSINESS-TYPE  ACTIVITIES -  ENTERPRISE FUND</u> FOOD SERVICE (NON-MAJOR)
ASSETS:	
Current assets:	
Cash and cash equivalents	\$89,390.42
Accounts receivable:	
State	177.09
Federal	8,233.73
Inventories	1,134.95
	98,936.19
Total current assets	98,936.19
Noncurrent assets	
Furniture, machinery & equipment	69,388.39
Less: Accumulated depreciation	(69,388.39)
Total noncurrent assets	
TOTAL ASSETS	98,936.19
LIABILITIES:	
Current liabilities:	
Accounts Payable	10,617.48
Unearned revenue	338.24
	10,955.72
Total current liabilities	10,955.72
NET POSITION:	
Net investment in capital assets	
Unrestricted	87,980.47
	87,980.47
TOTAL NET POSITION	\$87,980.47

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

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

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE (NON-MAJOR)</u>
OPERATING REVENUES:	
Local sources:	
Daily sales-reimbursable programs:	
School lunch program	\$34,208.99
Daily sales non-reimbursable programs	44,277.14
	78,486.13
Total operating revenue	78,486.13
OPERATING EXPENSES:	
Salaries	55,105.65
Employee benefits and taxes	22,136.95
Management fee	13,065.00
Supplies, materials and repairs	18,010.46
Depreciation	454.74
Cost of sales - reimbursable programs	69,597.28
Cost of sales - non-reimbursable programs	14,254.86
	192,624.94
Total operating expenses	192,624.94
Operating (loss)	(114,138.81)
Nonoperating revenues:	
State sources:	
State school lunch program	2,589.62
Federal sources:	
National school lunch program	104,652.70
National school breakfast program	12,900.53
National food distribution commodities	18,259.82
Interest earned	82.71
	138,485.38
Total nonoperating revenues	138,485.38
Net change in fund balances	24,346.57
Net position - July 1	63,633.90
Net position - June 30	\$87,980.47

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

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

	<u>BUSINESS-TYPE</u> <u>ACTIVITIES -</u> <u>ENTERPRISE FUND</u> <u>FOOD</u> <u>SERVICE</u> <u>(NON-MAJOR)</u>
Cash flows from operating activities:	
Receipts from customers	\$78,486.13
Payments to employees	(55,105.65)
Payments for employee benefits	(22,136.95)
Payments to suppliers	(109,894.23)
	<hr/>
Net cash (used) by operating activities	(108,650.70)
	<hr/>
Cash flows from noncapital financing activities:	
State sources	2,615.44
Federal sources	136,962.77
	<hr/>
Net cash (used) by noncapital financing activities	139,578.21
	<hr/>
Cash flows from investing activities:	
Interest	82.71
	<hr/>
Net cash provided (used) by investing activities	82.71
	<hr/>
Net increase in cash and cash equivalents	31,010.22
Cash and cash equivalents, July 1	58,380.20
	<hr/>
Cash and cash equivalents, June 30	89,390.42
	<hr/> <hr/>
Operating income(loss)	(114,138.81)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:	
Depreciation	454.74
Change in assets and liabilities:	
(Increase) Decrease in inventory	1,896.97
Increase (Decrease) in unearned revenue	(2,053.27)
Increase (Decrease) in accounts payable	5,189.67
	<hr/>
Net cash (used) by operating activities	(\$108,650.70)
	<hr/> <hr/>

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

**OTHER FUNDS**

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

	<u>TRUST</u>	<u>AGENCY</u>	
	<u>STATE UNEMPLOYMENT INSURANCE</u>	<u>STUDENT ACTIVITIES</u>	<u>PAYROLL</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$187.54	\$28,575.37	\$46,329.15
Total assets	187.54	28,575.37	46,329.15
<b>LIABILITIES:</b>			
Liabilities:			
Payroll deductions & withholdings			40,897.08
Interfunds payable			5,432.07
Due to student groups		28,575.37	
Total liabilities		28,575.37	46,329.15
<b>NET POSITION:</b>			
Held in trust for state unemployment	187.54		
Total net position	\$187.54	\$-0-	\$-0-

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

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

	<u>STATE UNEMPLOYMENT INSURANCE</u>
Net position - July 1	<u>\$187.54</u>
Net position - June 30	<u><u>\$187.54</u></u>

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

The primary criterion for including activities within the District's reporting entity, are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled "*Determining Whether Certain Organizations are Component Units*" (GASB 39) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include elementary and middle schools located in the Borough of South 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.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Basis of Presentation**

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

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

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

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



**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Governmental Fund Types**

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

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

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

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

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Proprietary Fund**

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

**Fiduciary Fund Types**

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

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

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Basis of Accounting – Measurement Focus**

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

District-Wide, Proprietary, and Fiduciary Fund Financial Statements: The District-Wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. Ad Val Orem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transactions can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the April 2013 school Board election to the date of the November general election thereby eliminating the vote on the annual base budget. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. All budget amendments and transfers must be approved by School Board resolution. The over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

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

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Encumbrance Accounting**

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

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

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

**Interfunds**

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

**Inventories and Prepaid Expenses**

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

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

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Capital Assets**

The District has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the district-wide financial statements. The District generally defines capital assets as assets with an initial cost of \$2,000.00 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their acquisition value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In fiscal year 2016, the District implemented GASB 72. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, Measurement of Elements of Financial Statements, and other relevant literature.

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

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

**Compensated Absences**

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Compensated Absences (Continued)**

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 and contracts.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments.

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

**Fund Equity**

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

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

**Unearned Revenue**

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Accrued Liabilities and Long-Term Obligations**

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

**Net Position**

GASB 63 provides guidance for reporting net position in the statement of financial position and related disclosures. Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**Fund Balance**

Under GASB 54, in the fund financial statements, governmental funds report the following classifications of fund balance:

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

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



**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Fund Balance (Continued)**

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

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

Unassigned -is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

**Revenues – Exchange and Non-Exchange Transactions**

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Revenues – Exchange and Non-Exchange Transactions (Continued)**

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

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

**Operating Revenues and Expenses**

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

**Allocation of Indirect Expenses**

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Extraordinary and Special Items**

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

**Management Estimates**

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

**Accounting and Financial Reporting for Pensions**

In the district-wide financial statements 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 District's proportionate share of the New Jersey Public Employees Retirement System ("PERS") and the Teachers' Pension and Annuity Fund ("TPAF") and the additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they were reported by PERS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements the year end net pension liability is not required to be reflected. Pension related revenues and expenditures are reflected based on amounts that are normally expected to be liquidated with available financial resources for required pension contributions. Expenditures for PERS are recognized based upon billings made by the State of New Jersey due April 1<sup>st</sup> of each fiscal year. TPAF contributions are paid on the District's behalf by the State of New Jersey. The governmental fund financial statements reflect both a revenue and expense for this pension contribution.

**Deferred Outflows/Inflows of Resources**

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Deferred Outflows/Inflows of Resources (Continued)**

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

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

**Deposits**

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

The Borough of South Bound Brook School District had the following cash and cash equivalents at June 30, 2016:

	<b><u>Cash in</u></b> <b><u>Bank</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Reconciled</u></b> <b><u>Balance</u></b>
Governmental Funds	\$2,629,907.91	\$809,258.70	\$231,463.06	\$3,207,703.55
Proprietary Fund	89,762.42		372.00	89,390.42
Fiduciary Fund	116,687.69		41,595.63	75,092.06
	<u>\$2,836,358.02</u>	<u>\$809,258.70</u>	<u>\$273,430.69</u>	<u>\$3,372,186.03</u>

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Deposits (Continued)**

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2016, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$2,586,358.02 was covered under the provisions of NJ GUDPA.

**Investments**

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

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Investments (continued)**

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and;
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2016, the District had no investments outstanding. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the District is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 3: CHANGE IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land and Improvements	\$524,414.00			\$524,414.00
Total capital assets that are not depreciated	<u>524,414.00</u>			<u>524,414.00</u>
Capital assets being depreciated:				
Site Improvements	42,529.65			42,529.65
Building and building improvements	10,796,970.92	\$438,120.91		11,235,091.83
Machinery and equipment	623,571.19	356,413.97	\$7,300.00	972,685.16
Total capital assets being depreciated	<u>11,463,071.76</u>	<u>794,534.88</u>	<u>7,300.00</u>	<u>12,250,306.64</u>
Total gross assets	11,987,485.76	794,534.88	7,300.00	12,774,720.64
Less: accumulated depreciation for:				
Site Improvements	(31,882.76)	(1,935.79)		(33,818.55)
Building and building improvements	(3,647,848.87)	(275,911.07)		(3,923,759.94)
Machinery and equipment	<u>(349,092.90)</u>	<u>(63,010.44)</u>		<u>(412,103.34)</u>
	<u>(4,028,824.53)</u>	<u>(340,857.30)</u>		<u>(4,369,681.83)</u>
Governmental activities capital assets, net	<u>\$7,958,661.23</u>	<u>\$453,677.58</u>	<u>\$7,300.00</u>	<u>\$8,405,038.81</u>
Business type activities:				
Machinery and equipment	\$69,388.39			\$69,388.39
Less: accumulated depreciation	<u>(68,933.65)</u>	<u>(454.74)</u>		<u>(69,388.39)</u>
Business type activities capital assets, net	<u>\$454.74</u>	<u>(\$454.74)</u>	<u>-0-</u>	<u>-0-</u>

Depreciation Expense was charged to governmental expenses as follows:

Instruction:	
Regular	\$73,692.84
Support Services:	
Student and instruction related services	20,732.68
General Administration	1,784.58
School administration	93.85
Central services	14,883.51
Plant operations and maintenance	<u>229,669.84</u>
	<u>\$340,857.30</u>

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 4: LONG-TERM LIABILITIES**

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

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

At June 30, 2016, the District had no bonds or notes authorized but not issued.

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2016:

	<b><u>Bonds Payable</u></b>	<b><u>Compensated Absences Payable</u></b>	<b><u>Net Pension Liability</u></b>	<b><u>Total</u></b>
Balance, July 1, 2015	\$2,115,000.00	\$84,997.30	\$1,045,644.00	\$3,245,641.30
Additions/Issued		5,772.74	14,624.00	20,396.74
Reductions	<u>300,000.00</u>	<u>                    </u>	<u>                    </u>	<u>300,000.00</u>
Balance, June 30, 2016	<u>\$1,815,000.00</u>	<u>\$90,770.04</u>	<u>\$1,060,268.00</u>	<u>\$2,966,038.04</u>
Amounts Due Within One Year	<u>\$305,000.00</u>			<u>\$305,000.00</u>



**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Bonds Payable**

The annual requirements to amortize all debt outstanding as of June 30, 2016, with interest payments on issued debt, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$305,000.00	\$64,975.00	\$369,975.00
2018	300,000.00	54,400.00	354,400.00
2019	310,000.00	42,200.00	352,200.00
2020	305,000.00	29,900.00	334,900.00
2021	300,000.00	17,800.00	317,800.00
2022	295,000.00	5,900.00	300,900.00
	<u>\$1,815,000.00</u>	<u>\$215,175.00</u>	<u>\$2,030,175.00</u>

Under New Jersey Statutes the District may incur debt in an amount not to exceed 3% of the averaged equalized valuation basis of real property. For the fiscal year ended December 31, 2015, the District borrowing capacity under N.J.S. 18A:24-19 would be as follows:

<u>Year</u>	<u>Equalized Valuation</u> <u>of Real Property</u>
2015	\$315,077,407.00
2014	300,301,929.00
2013	303,373,333.00
	<u>\$918,752,669.00</u>
Average equalized valuation of property	\$306,250,889.67
School borrowing margin (3% of average equalized valuation of property)	9,187,526.69
Net bonded school debt as of December 31, 2015	<u>1,815,000.00</u>
School borrowing power available	<u>\$7,372,526.69</u>

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 5: PENSION PLANS**

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

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

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

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Significant Legislation**

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

**Pension Plan Design Changes**

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

**Funding Changes**

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

**COLA Suspension**

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

**Vesting and Benefit Provisions** - The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Contribution Requirements** - The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

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

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

**PERS Contribution Requirements**

<b><u>Three-Year Trend Information for PERS</u></b>			
<b><u>Year</u></b>	<b><u>Annual Pension</u></b>	<b><u>Percentage of</u></b>	<b><u>Net Pension</u></b>
<b><u>Funding</u></b>	<b><u>Cost (APC)</u></b>	<b><u>APC Contributed</u></b>	<b><u>Obligation</u></b>
6/30/2016	\$40,607.00	100%	\$40,607.00
6/30/2015	\$46,041.00	100%	\$46,041.00
6/30/2014	\$45,762.00	100%	\$45,762.00

During the fiscal years ended June 30, 2016, 2015 and 2014, the State of New Jersey contributed \$260,225.00, \$169,239.00 and \$132,859.00, respectively to the TPAF pension system on behalf of the District.

Also, in accordance with N.J.S.A. 18A:66-66, during the years ended June 30 2016, 2015 and 2014, the State of New Jersey reimbursed the District \$246,113.27, \$244,524.43 and \$245,060.44, respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

**Public Employees Retirement System (PERS)**

At June 30, 2016, the District reported a liability of \$1,060,268.00 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 0.0047232171 percent, which was a decrease of 0.0008616695 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2016, the District recognized pension expense of \$26,339.00. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$25,294.00
Changes of assumptions		113,864.00
Net difference between projected and actual earnings on pension plan investments	\$17,047.00	
Changes in proportion and differences between District contributions and proportionate share of contributions	201,244.00	
District contributions subsequent to the measurement date	_____	<u>45,100.00</u>
	<u>\$218,291.00</u>	<u>\$184,258.00</u>

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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

The \$184,258.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2016	(\$20,934.00)
2017	(\$20,934.00)
2018	(\$20,934.00)
2019	(\$5,355.00)
2020	(\$10,976.00)

**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 rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.04 Percent
Salary Increases	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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

**Mortality Rates**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for males and 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.

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on 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 method 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's target asset allocation as of June 30, 2015 are summarized in the following table:

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
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 Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Global Debt ex US	3.50%	(0.40)%
REIT	4.25%	5.12%
	100.00%	

**Discount Rate**

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of 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.



**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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

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

The following presents the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2015		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>3.90%</u>	<u>4.90%</u>	<u>5.90%</u>
District's proportionate share of the pension liability	1,317,783.00	1,060,268.00	844,369.00

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

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

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2016 was as follows:

Net Pension Liability:	
Districts proportionate share	-0-
State's proportionate share associated with the District	\$19,785,245
	\$19,785,245

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 June 30, 2014. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the proportion of the TPAF net pension liability associated with the District was .0313036520% which was a decrease of .0001018475 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized on-behalf pension expense and revenue of \$1,208,067.00 for contributions provided by the State.

**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. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. 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%

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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

**Mortality Rates**

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement. The actuarial assumptions used in the July 1, 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 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 method 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 class. The 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 South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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

**Actuarial Assumptions (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
High Yield Bonds	2.00%	4.57%
US Equities Markets	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%
Farmlands	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.50%
Hedge Funds - Multi Strategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
	<u>100.00%</u>	

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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

**Actuarial Assumptions (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Teachers Public and Annuity Fund (TPAF). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 7: OTHER POST-RETIREMENT BENEFITS**

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

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

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on state disability retirement. P.L. 2007, Chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees eligible for 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 benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2016, 2015 and 2014 were \$309,855.00, \$268,666.00 and \$217,839 respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

**NOTE 8: LITIGATION**

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

**NOTE 9: CONTINGENCIES**

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2015-2016 fiscal year were subject to the Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$750,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 10: RISK MANAGEMENT**

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

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016				\$187.54
2014-2015			\$9,575.36	187.54
2013-2014	\$20,570.47	\$12,424.21	36,578.68	9,762.90

**NOTE 11: INTERFUND RECEIVABLES AND PAYABLES**

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made. The following interfund balances remained on the balance sheet at June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$313,490.21	
Special Revenue Fund		\$58,893.36
Capital Projects Fund		249,164.78
Fiduciary Fund		5,432.07
	<u>\$313,490.21</u>	<u>\$313,490.21</u>



**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 12: FUND BALANCE APPROPRIATED**

**General Fund (Exhibit B-1)**– Of the \$3,302,800.28 General Fund fund balance at June 30, 2016, \$29,103.46 has been assigned for year-end encumbrances; \$378.00 has been designated for ARRA/SEMI; \$2,127,552.40 is restricted in the capital reserve account; \$477,620.00 is restricted in the maintenance reserve account; \$574,817.91 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7, of which \$248,868.00 has been appropriated and included as anticipated revenue for the year ending June 30, 2016.

**NOTE 13: CALCULATION OF EXCESS SURPLUS**

In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2004,c.73 (S1701), the Restricted Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. Based on this calculation, the South Bound Brook School District has \$325,949.91 excess fund balance resulting from the year ended June 30, 2016.

General Fund Expenditures Fiscal Year Ended June 30, 2016	\$9,572,681.61
Add:	
Transfer from Capital Reserve to Capital Projects Fund	394,918.00
Less:	
On-behalf TPAF Pension and Social Security Reimbursement	816,193.27
Adjusted General Fund Expenditures	9,151,406.34
Excess Surplus Percentage	2.00%
2% of Adjusted 2015-16 General Fund Expenditures	183,028.13
Greater of line above of \$250,000.00	250,000.00
Add: Allowable Adjustments	
Maximum Unreserved/Undesignated Fund Balance	250,000.00
Actual Unreserved/Undesignated Fund Balance	575,739.27
Excess Surplus	\$325,739.27

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 14: CAPITAL RESERVE ACCOUNT**

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

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve as per N.J.S.A. 18A:7G-31(c), 18A:7G-13 and N.J.A.C. 6A23A-14.1, by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. N.J.S.A. 18A:7F-41(a), 18A:7F-41(b) and N.J.A.C.6A:23A-14.3 permit a district board of education to transfer by board resolution (prior to June 30) any unanticipated revenue or unexpended line-item appropriation amounts to the capital reserve for withdrawal in subsequent school years. Pursuant to N.J.A.C. 6:23A-5.1(d) 7, the balance in the account cannot at any time exceed the local costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the year ending June 30, 2016 is as follows:

Beginning balance, July 1, 2015	\$2,127,552.40
Add: Board resolution/ Adopted budget	439,894.78
Less: Withdrawals - Adopted Budget	<u>(394,918.00)</u>
Ending balance, June 30, 2016	<u><u>\$2,172,529.18</u></u>

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

**NOTE 15: DEFERRED COMPENSATION**

The District offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the District does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2016.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 16: MAINTENANCE RESERVE**

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

The activity of the maintenance reserve for the year ending June 30, 2016 is as follows:

Balance June 30, 2015 and 2016	<u>\$477,620.00</u>
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**NOTE 17: DEFICIT FUND BALANCES**

The District has a deficit fund balance of \$50,749.54 in the General Fund as of June 30, 2016 as reported in the fund statements (modified accrual basis). P.L. 2003,C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset and liability) should be symmetry, ie, if one government recognized an asset, the other government recognized liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last two state aid payments, the General Fund balance deficit does not alone indicate that the District is facing financial difficulties. \$29,103.46 is not shown as assigned for year end encumbrances because it has been taken out of the deficit fund balance.

**Borough of South Bound Brook School District**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 18: INVENTORY**

Inventory in the Food Service Fund at June 30, 2016 consisted of the following:

Food and Supplies	<u>\$1,134.95</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Act of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

**NOTE 19: SUBSEQUENT EVENTS**

The Board of Education has evaluated subsequent events occurring after the financial statement date through November 18, 2016 which is the date the financial statements were available to be issued. No items were noted for disclosure or adjustment.

**REQUIRED SUPPLEMENTARY INFORMATION – Part II**

**BUDGETARY COMPARISON SCHEDULES**

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$5,797,275.00		\$5,797,275.00	\$5,797,275.00	
Tuition from other LEAs within the state	40,000.00		40,000.00	39,330.90	(\$669.10)
Miscellaneous	10,200.00		10,200.00	36,833.80	26,633.80
<b>Total revenues-local sources</b>	<b>5,847,475.00</b>		<b>5,847,475.00</b>	<b>5,873,439.70</b>	<b>25,964.70</b>
State sources:					
Equalization aid	2,948,720.00		2,948,720.00	2,948,720.00	
Categorical special education aid	335,311.00		335,311.00	335,311.00	
Extraordinary aid	75,000.00		75,000.00	70,388.00	(4,612.00)
Categorical security aid	30,468.00		30,468.00	30,468.00	
Categorical transportation aid	14,865.00		14,865.00	14,865.00	
Other state aids	11,160.00		11,160.00	11,160.00	
On-behalf TPAF post retirement medical pension (non-budgeted)				309,855.00	309,855.00
On-behalf TPAF non-contributory insurance (non-budgeted)				12,348.00	(12,348.00)
On-behalf TPAF pension (non-budgeted)				247,877.00	(247,877.00)
Reimbursed TPAF social security cont. (non-budgeted)				246,113.27	246,113.27
<b>Total - state sources</b>	<b>3,415,524.00</b>		<b>3,415,524.00</b>	<b>4,227,105.27</b>	<b>291,131.27</b>
<b>Total revenues</b>	<b>9,262,999.00</b>		<b>9,262,999.00</b>	<b>10,100,544.97</b>	<b>317,095.97</b>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENSE:</b>					
Regular programs - instruction:					
Salaries of teachers:					
Preschool	82,555.00		82,555.00	82,555.00	
Kindergarten	161,285.00	\$20,860.00	182,145.00	182,145.00	
Grades 1-5	1,051,907.00	14,392.00	1,066,299.00	1,050,561.93	15,737.07
Grades 6-8	716,285.00	(35,561.13)	680,723.87	688,276.20	12,447.67
Regular programs - home instruction:					
Salaries of teachers	3,300.00	309.13	3,609.13	3,609.13	
Regular programs - undistributed instruction:					
Other purchased services	54,150.00		54,150.00	52,366.13	1,783.87
General supplies	105,549.00	5,000.00	110,549.00	94,409.74	16,139.26
Textbooks	25,000.00		25,000.00	12,881.19	12,118.81
Other objects	21,035.00	(5,000.00)	16,035.00	8,055.02	7,979.98
<b>Total regular programs</b>	<b>\$2,221,066.00</b>		<b>\$2,221,066.00</b>	<b>\$2,154,859.34</b>	<b>\$66,206.66</b>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Special education:					
Learning and/or language disabilities:					
Salaries of teachers	\$85,055.00		\$85,055.00	\$85,055.00	
Other salaries for instruction	14,872.00	(\$1,170.85)	13,701.15	13,701.15	
General supplies	100.00		100.00	93.54	\$6.46
Textbooks	100.00		100.00	100.00	
Total learning and/or language disabilities	100,127.00	(1,170.85)	98,956.15	98,849.69	106.46
Auditorily impaired:					
Purchased professional-educational services	13,500.00	(13,117.00)	383.00	383.00	
Purchased technical services	220.00	(220.00)			
Total auditory impairments	13,720.00	(13,337.00)	383.00	383.00	
Multiple disabilities:					
Salaries of teachers	54,595.00		54,595.00	54,595.00	
Other salaries for instruction	85,374.00	(1,514.70)	83,859.30	80,003.70	3,855.60
Purchased professional-educational services	10,200.00		10,200.00	10,200.00	
Other purchased services (400-500 series)	150.00		150.00		150.00
General supplies	100.00		100.00	100.00	
Total multiple disabilities	150,419.00	(1,514.70)	148,904.30	144,898.70	4,005.60
Resource room/resource center:					
Salaries of teachers	224,503.00	(9,432.05)	215,070.95	215,070.95	
Other purchased services (400-500 series)	450.00		450.00	450.00	
General supplies	3,000.00		3,000.00	2,477.23	522.77
Textbooks	300.00		300.00	300.00	
Total resource room/center	228,253.00	(9,432.05)	218,820.95	217,548.18	1,272.77
Preschool disabilities - part time:					
Salaries of teachers	85,905.00		85,905.00	85,905.00	
Other salaries for instruction	33,528.00	12,205.80	45,733.80	45,733.80	
Purchased professional-educational services	4,000.00		4,000.00	4,000.00	
Other purchased services	150.00	(88.20)	61.80	61.80	
General supplies	100.00		100.00	100.00	
Total preschool disabilities - part time	123,683.00	12,117.60	135,800.60	135,638.80	161.80
Total special education	616,202.00	(\$13,337.00)	602,865.00	597,318.37	\$5,546.63
Basic skills/remedial:					
Salaries of teachers	26,673.00		26,673.00	26,673.00	
Total basic skills/remedial	\$26,673.00		\$26,673.00	\$26,673.00	



BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Bilingual education:					
Salaries of teachers	\$60,995.00		\$60,995.00	\$60,995.00	\$150.00
Purchased services (400-500 series)	150.00		150.00	100.00	100.00
General supplies	100.00		100.00	100.00	
Textbook					
Total bilingual education	61,345.00		61,345.00	60,995.00	350.00
School sponsored cocurricular activities:					
Salaries	39,717.00		39,717.00	32,205.01	7,511.99
Purchased services	5,000.00		5,000.00		5,000.00
Supplies and Materials	1,470.00		1,470.00	1,470.00	
Total school sponsored cocurricular activities	46,187.00		46,187.00	33,675.01	12,511.99
School sponsored athletics:					
Salaries	7,763.00		7,763.00	5,782.00	1,981.00
Total school sponsored athletics	7,763.00		7,763.00	5,782.00	1,981.00
Total other instructional programs	141,968.00		141,968.00	127,125.01	14,842.99
Total - instruction	2,879,236.00	(\$13,337.00)	2,965,899.00	2,879,302.72	86,596.28
Undistributed expenditures:					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,527,425.00	(32,441.00)	1,494,984.00	1,494,984.00	
Tuition to Other LEAs Within the State-Special	235,108.00	(12,629.00)	222,479.00	176,992.49	45,486.51
Tuition to county vocational school district - regular	63,505.00		63,505.00	48,760.00	14,745.00
Tuition to private schools for handicapped within the state	632,596.00	22,926.00	655,522.00	342,980.78	312,541.22
Total undistributed expenditures - instruction	2,458,634.00	(22,144.00)	2,436,490.00	2,063,717.27	372,772.73
Attendance & Social Work:					
Salaries	28,121.00		28,121.00	28,121.00	
Other purchased services (400-500 series)	5,720.00		5,720.00	5,720.00	
Total attendance & social work	33,841.00		33,841.00	33,841.00	
Health services:					
Salaries	122,191.00		122,191.00	120,323.41	1,867.59
Purchased professional technical services	4,100.00	1,660.00	5,760.00	5,760.00	
Other purchased services	220.00	(220.00)			
Supplies and Materials	3,569.00	(1,023.47)	2,545.53	2,545.53	
Other objects	350.00	(115.50)	234.50	234.50	
Total health services	\$130,430.00	\$301.03	\$130,731.03	\$128,863.44	\$1,867.59

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Other support services - students-related services:					
Salaries	\$61,590.00		\$61,590.00	\$61,590.00	
Purchased professional educational services	85,000.00		85,000.00	62,699.50	\$22,300.50
Supplies and Materials	550.00		550.00		550.00
<b>Total other support services - students-related services</b>	<b>147,140.00</b>		<b>147,140.00</b>	<b>124,289.50</b>	<b>22,850.50</b>
Related services - extraordinary services:					
Purchased professional - Educational Services	120,000.00	\$13,500.00	133,500.00	75,011.45	58,488.55
Supplies and Materials		220.00	220.00		220.00
<b>Total related services - extraordinary services:</b>	<b>120,000.00</b>	<b>13,720.00</b>	<b>133,720.00</b>	<b>75,011.45</b>	<b>58,708.55</b>
Other support services - students-regular					
Salaries of other professional staff	54,595.00	258.75	54,853.75	54,717.26	136.49
Supplies and materials	300.00	(151.22)	148.78	148.78	
<b>Total other support services - students-regular</b>	<b>54,895.00</b>	<b>107.53</b>	<b>55,002.53</b>	<b>54,866.04</b>	<b>136.49</b>
Other support services - students - special services:					
Salaries of other professional staff	122,078.00		122,078.00	118,164.91	\$3,913.09
Salaries of secretarial and clerical assistants	47,117.00		47,117.00	47,117.00	
S/S Supp Spec		177.11	177.11	177.11	
Purchased services - special	10,500.00	151.52	10,651.52	10,462.78	188.74
Other purchased services	750.00	(185.37)	564.63	554.63	10.00
Supplies and materials	3,600.00		3,600.00	1,759.04	1,840.96
Other objects	2,000.00	(551.82)	1,448.18	500.00	948.18
<b>Total other support services - students - special services</b>	<b>186,045.00</b>	<b>(408.56)</b>	<b>185,636.44</b>	<b>178,735.47</b>	<b>6,900.97</b>
Improvement of instructional services:					
Salaries of Supervisor/Instructor	71,400.00		71,400.00	71,400.00	
Salaries of other professional staff	41,903.00		41,903.00	41,903.00	
Other Salaries	12,790.00		12,790.00	5,316.00	7,474.00
<b>Total improvement of instructional services</b>	<b>126,093.00</b>		<b>126,093.00</b>	<b>118,619.00</b>	<b>7,474.00</b>
Educational media services / school library					
Salaries	130,868.00		130,868.00	130,868.00	
Supplies and materials	7,000.00		7,000.00	3,274.28	3,725.72
<b>Total Educational media services / school library</b>	<b>\$137,868.00</b>		<b>\$137,868.00</b>	<b>\$134,142.28</b>	<b>\$3,725.72</b>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Instructional staff training services:					
Purchased professional educational services	\$38,598.00		\$38,598.00	\$33,313.99	\$5,284.01
Other Purchased Services	12,000.00		12,000.00	2,031.85	9,968.15
Total Instructional staff training services	50,598.00		50,598.00	35,345.84	15,252.16
Support services general administration:					
Salaries	67,500.00		67,500.00	67,500.00	
Legal services	18,000.00	\$8,000.00	26,000.00	25,433.05	566.95
Audit Fees	17,000.00	(1,100.00)	15,900.00	15,900.00	
Other purchased professional services	14,395.00	(2,100.00)	12,295.00	12,295.00	
Purchased technical services	9,200.00	(270.00)	8,930.00	8,930.00	
Other purchased services	5,000.00	(674.04)	4,325.96	4,325.96	
Supplies and materials	4,500.00	(37.10)	4,462.90	4,462.90	
Miscellaneous Expenditures	19,000.00	890.47	19,890.47	19,753.97	136.50
BOE membership dues and fees	6,050.00	(1,041.60)	5,008.40	5,008.40	
Total support services general administration	160,645.00	3,667.73	164,312.73	163,609.28	703.45
Support services school administration:					
Salaries of principals/assistant principals	175,500.00	47,518.27	223,018.27	215,397.14	7,621.13
Salaries of other professional staff	51,186.00	(51,186.00)			
Salaries of secretarial and clerical assistants	43,671.00	\$0.12	43,671.12	43,671.12	
Other purchased services (400-500 series)	500.00	499.88	999.88	59.05	440.83
Supplies and materials	6,000.00	(0.12)	5,999.88	5,366.51	633.49
Other objects	380.00		380.00	365.20	14.80
Total support services school administration	277,237.00	(3,667.73)	273,569.27	264,859.02	8,710.25
Central Services:					
Salaries	214,774.00		214,774.00	211,174.09	3,599.91
Purchased professional services	7,200.00		7,200.00	7,127.15	72.85
Miscellaneous purchased services	1,000.00		1,000.00	674.58	325.42
Supplies and materials	1,100.00		1,100.00	260.65	839.35
Total central services	224,074.00		224,074.00	219,236.47	4,837.53
Required maintenance for school facilities:					
Cleaning, repair and maint. services	77,000.00	7,843.72	84,843.72	77,608.75	7,234.97
General supplies	12,000.00		12,000.00	8,741.55	3,258.45
Total required maintenance for school facilities	\$89,000.00	\$7,843.72	\$96,843.72	\$86,350.30	\$10,493.42

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Other operations & maintenance of plant					
Salaries	\$23,200.00	\$1,977.98	\$25,177.98	\$24,880.93	\$297.05
Purchased professional and technical services	12,000.00	(1,000.00)	11,000.00	10,200.41	799.59
Cleaning, repair and maint. services	317,825.00		317,825.00	316,513.96	1,311.04
Rental of land & building other than lease purchase	6,100.00	(4,969.58)	1,130.42	1,130.12	0.30
Other purchased property services	8,500.00	(99.98)	8,400.02	6,500.00	1,900.02
Insurance	37,000.00	(3,752.14)	33,247.86	33,247.86	
Energy (Electricity)	195,000.00		195,000.00	195,000.00	
Other objects	700.00		700.00		700.00
<b>Total other operations &amp; maintenance of plant</b>	<b>600,325.00</b>	<b>(7,843.72)</b>	<b>592,481.28</b>	<b>587,473.28</b>	<b>5,008.00</b>
Student transportation services:					
Contracted services (between home and school) - joint agreements	68,000.00		68,000.00	65,729.06	2,270.94
Contracted services (special education students) - vendors	345,000.00		345,000.00	196,500.00	148,500.00
<b>Total student transportation services</b>	<b>413,000.00</b>		<b>413,000.00</b>	<b>262,229.06</b>	<b>150,770.94</b>
Unallocated benefits:					
Social security contributions	77,000.00		77,000.00	55,163.94	21,836.06
Other retirement contributions - regular	65,000.00		65,000.00	40,628.06	24,371.94
Unemployment Compensation	36,000.00		36,000.00	17,796.64	18,203.36
Workmen's compensation	36,000.00		36,000.00	36,000.00	
Health benefits	39,000.00		39,000.00	31,783.44	7,216.56
Other employee benefits	16,500.00	24,820.00	41,320.00	39,329.80	1,990.20
<b>Total unallocated benefits</b>	<b>269,500.00</b>	<b>24,820.00</b>	<b>294,320.00</b>	<b>220,701.88</b>	<b>73,618.12</b>
Allocated benefits:					
Regular programs - health benefits	560,982.00		560,982.00	458,361.52	102,620.48
Regular programs - tuition reimbursement	20,000.00		20,000.00	12,203.06	7,796.94
Special programs - health benefits	213,864.00	(24,820.00)	189,044.00	189,044.00	
Improvement of instruction services - health benefits	11,380.00		11,380.00	11,380.00	
Library services - health benefits	33,074.00		33,074.00	33,074.00	
General administration - health benefits	41,000.00		41,000.00	41,000.00	
School administration - health benefits	17,000.00		17,000.00	17,000.00	
Central services - health benefits	47,000.00		47,000.00	47,000.00	
<b>Total allocated benefits</b>	<b>\$944,300.00</b>	<b>(\$24,820.00)</b>	<b>\$919,480.00</b>	<b>\$809,062.58</b>	<b>\$110,417.42</b>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2016

	BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
On-behalf TPAF post retirement medical pension (non-budgeted)				\$309,855.00	(\$309,855.00)
On-behalf TPAF non-contributory insurance (non-budgeted)				12,348.00	(12,348.00)
On-behalf TPAF pension (non-budgeted)				247,877.00	(247,877.00)
Reimbursed TPAF social security contributions (non-budgeted)				246,113.27	(246,113.27)
Total on-behalf contributions				816,193.27	(816,193.27)
Total undistributed expenditures	\$6,423,625.00	(\$8,424.00)	\$6,415,201.00	6,377,146.43	38,054.57
TOTAL EXPENDITURES - CURRENT EXPENSE	\$9,402,861.00	(\$21,761.00)	\$9,381,100.00	\$9,256,449.15	\$124,650.85
CAPITAL OUTLAY:					
Equipment:					
Undistributed Expenditures - Instruction		49,984.02	49,984.02	49,984.02	
Total Equipment		49,984.02	49,984.02	49,984.02	
Facilities Acquisition and Construction Services					
Legal Services	30,000.00	(30,000.00)			
Other purchased prof. and tech. service	32,000.00		32,000.00	16,734.78	15,265.22
Instructional equipment	47,133.00	(47,133.00)			
Infrastructure	190,000.00	(39,745.80)	150,254.20	150,254.20	
Assessment for debt service on SDA funding	32,491.00		32,491.00	32,491.00	
Total Facilities Acquisition and Const. Serv.	299,624.00	(84,878.80)	214,745.20	199,479.98	15,265.22
TOTAL CAPITAL OUTLAY	299,624.00	(34,894.78)	264,729.22	249,464.00	15,265.22
CHARTER SCHOOLS:					
Transfer of funds to charter schools	20,743.00	21,761.00	42,504.00	42,504.00	
SPECIAL SCHOOLS:					
Summer school-instruction:					
Salaries of teachers	11,434.00		11,434.00	11,434.00	
Other salaries for instruction	5,520.00		5,520.00	5,520.00	
Purchased professional and technical services	9,692.00		9,692.00	7,310.46	2,381.54
Total summer school-instruction	26,646.00		26,646.00	24,264.46	2,381.54
Total special schools	26,646.00		26,646.00	24,264.46	2,381.54
Total expenditures	9,749,874.00	(34,894.78)	9,714,979.22	9,572,681.61	142,297.61
Excess (deficiency) of revenues over (under) expenditures	(\$486,875.00)	\$34,894.78	(\$451,980.22)	\$527,863.36	\$459,393.58

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2016

	BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Other financing sources (uses):					
Operating transfer in - capital reserve	\$240,000.00		\$240,000.00		(\$240,000.00)
Operating transfer out - capital projects fund	(609,188.00)	(\$34,894.78)	(644,082.78)	(\$394,918.00)	249,164.78
Total other financing sources (uses)	(369,188.00)	(34,894.78)	(404,082.78)	(394,918.00)	9,164.78
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(856,063.00)		(856,063.00)	132,945.36	468,558.36
Fund balances, July 1	3,371,292.55		3,371,292.55	3,371,292.55	
Fund balances, June 30	<u>\$2,515,229.55</u>		<u>\$2,515,229.55</u>	<u>\$3,504,237.91</u>	<u>\$468,558.36</u>
Recapitulation:					
Capital reserve				\$2,172,529.18	
Maintenance reserve				477,620.00	
Committed - designated for subsequent year's expenditures				29,103.46	
Excess surplus - prior year				248,868.00	
Excess surplus - current year				325,739.27	
Designated fund balance - ARRA / SEMI				378.00	
Unassigned fund balance				250,000.00	
				<u>\$3,504,237.91</u>	
Reconciliation to government fund statements					
Last state aid payment not recognized on GAAP basis				(329,853.00)	
Fund balance per governmental funds (GAAP)				<u>\$3,174,384.91</u>	

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR FISCAL YEARS ENDED JUNE 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
<b>REVENUES:</b>					
Federal sources	\$196,948.00	\$82,193.60	\$279,141.60	\$274,853.02	(\$4,288.58)
Other sources	<u>2,622.00</u>		<u>2,622.00</u>	<u>2,500.00</u>	<u>(122.00)</u>
Total revenues	<u>199,570.00</u>	<u>82,193.60</u>	<u>281,763.60</u>	<u>277,353.02</u>	<u>(4,410.58)</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers	70,060.00	19,537.00	89,597.00	87,959.50	1,637.50
Purchased professional & technical services		3,110.00	3,110.00	3,110.00	
Tuition	97,794.00	33,727.38	131,521.38	131,521.00	0.38
General supplies	<u>13,271.00</u>	<u>9,325.22</u>	<u>22,596.22</u>	<u>21,950.52</u>	<u>645.70</u>
Total instruction	<u>181,125.00</u>	<u>65,699.60</u>	<u>246,824.60</u>	<u>244,541.02</u>	<u>2,283.58</u>
Support services:					
Purchased professional & technical services	7,825.00	4,028.00	11,853.00	10,894.04	958.96
Personal services - employee benefits	10,450.00	12,386.00	22,836.00	21,787.96	1,048.04
Other objects	<u>170.00</u>	<u>80.00</u>	<u>250.00</u>	<u>130.00</u>	<u>120.00</u>
Total support services	<u>18,445.00</u>	<u>16,494.00</u>	<u>34,939.00</u>	<u>32,812.00</u>	<u>2,127.00</u>
Total expenditures	<u>\$199,570.00</u>	<u>\$82,193.60</u>	<u>\$281,763.60</u>	<u>\$277,353.02</u>	<u>\$4,410.58</u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
BUDGET TO GAAP RECONCILIATION  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$10,100,544.97	\$277,353.02
Difference - budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and related revenue is recognized.		(2,494.04)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	325,772.00	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(329,853.00)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	10,096,463.97	274,858.98
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules	\$9,572,681.61	\$277,353.02
Difference - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial purposes		(2,494.04)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfers (outflows) to general fund.		
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$9,572,681.61	\$274,858.98



**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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

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

Measurement Date Ending June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportion of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0060734228%	\$ 1,160,752	\$ 375,757.00	308.91%	48.72%
2014	0.0055848866%	1,045,644	340,333.00	307.24%	52.08%
2015	0.0047232171%	1,060,268	350,749.00	302.29%	47.92%

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

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

Fiscal Year Ending June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 45,762	\$ 45,762	\$ -0-	\$ 340,333.00	13.45%
2015	46,041	46,041	-0-	350,749.00	13.13%
2016	40,607	40,607	-0-	357,861.00	11.35%

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

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

<u>Measurement Date Ending June 30,</u>	<u>District's Proportion of the Net Pension Liability (Asset)</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>District's Covered-Employee Payroll</u>	<u>District's Proportion of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a percentage of the total Pension Liability</u>
2013	0.0333448840%	\$ -0-	\$ 3,441,564.00	-0-	33.76%
2014	0.0314054995%	-0-	3,289,205.00	-0-	33.64%
2015	0.0313036520%	-0-	3,383,672.00	-0-	28.71%

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

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

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

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

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms

None

Change in assumptions

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

**OTHER SUPPLEMENTARY INFORMATION**

## **SPECIAL REVENUE FUND DETAIL STATEMENTS**

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



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

	TITLE I	TITLE IIA	TITLE III	IDEA BASIC	IDEA BASIC - PRESCHOOL	SAFETY GRANT	TOTAL 2016
<b>REVENUES:</b>							
Federal sources	\$113,318.42	\$9,346.04	\$15,119.56	\$131,521.00	\$5,548.00	\$2,500.00	\$274,853.02
Other sources							2,500.00
Total revenues	<u>113,318.42</u>	<u>9,346.04</u>	<u>15,119.56</u>	<u>131,521.00</u>	<u>5,548.00</u>	<u>2,500.00</u>	<u>277,353.02</u>
<b>EXPENDITURES:</b>							
Instruction:							
Salaries of teachers	87,097.00		862.50				87,959.50
Purchased professional & technical services			3,110.00				3,110.00
Tuition				131,521.00			131,521.00
General supplies	4,369.44		11,081.08		4,000.00	2,500.00	21,950.52
Total instruction	<u>91,466.44</u>		<u>15,053.58</u>	<u>131,521.00</u>	<u>4,000.00</u>	<u>2,500.00</u>	<u>244,541.02</u>
Support services:							
Purchased professional & technical services		9,346.04			1,548.00		10,894.04
Personal services - employee benefits	21,721.98		65.98				21,787.96
Other objects	130.00						130.00
Total support services	<u>21,851.98</u>	<u>9,346.04</u>	<u>65.98</u>		<u>1,548.00</u>		<u>32,812.00</u>
Total expenditures	<u>\$113,318.42</u>	<u>\$9,346.04</u>	<u>\$15,119.56</u>	<u>\$131,521.00</u>	<u>\$5,548.00</u>	<u>\$2,500.00</u>	<u>\$277,353.02</u>

**CAPITAL PROJECTS FUND DETAIL STATEMENTS**

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY STATEMENT OF PROJECT EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>ISSUE / PROJECT TITLE</u>	<u>ORIGINAL DATE</u>	<u>APPROPRIATION</u>	<u>PRIOR YEARS</u>	<u>EXPENDITURES TO DATE CURRENT YEAR</u>	<u>(MEMO ONLY) UNEXPENDED BALANCE JUNE 30, 2016</u>
Various Improvements of Robert Morris Elementary School	11/28/14	\$544,116.00	\$110,000.00	\$369,970.59	\$64,145.41
Installation of Backup Generator	11/28/14	499,777.00		266,000.00	233,777.00
		<u>\$1,043,893.00</u>	<u>\$110,000.00</u>	<u>\$635,970.59</u>	<u>\$297,922.41</u>

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

## REVENUES AND OTHER FINANCING SOURCES:

Transfer from capital reserve	\$394,918.00
State sources - SDA grant	258,041.00
	652,959.00

Total revenues and other financing sources

652,959.00

## EXPENDITURES AND OTHER FINANCING USES:

Purchased professional services	70,254.52
Construction services	565,716.07
	635,970.59

Total expenditures and other financing uses

635,970.59

Excess of revenues over expenditures

16,988.41

Fund balance - July 1

280,934.00

Fund balance - June 30

\$297,922.41
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Reconciliation to GAAP Basis:

Fund Balance June 30 - Budgetary Basis (Exhibit F-2)	\$297,922.41
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Add: Encumbrances - current year	60,029.43
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Less: Unrealized revenue SDA grant	(184,814.98)
	\$173,136.86

Fund Balance June 30 - GAAP Basis (Exhibit B-2)

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS  
BUDGETARY BASIS - VARIOUS IMPROVEMENTS OF ROBERT MORRIS ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>PRIOR PERIODS</u>	<u>CURRENT YEAR</u>	<u>TOTALS</u>	<u>REVISED AUTHORIZED COST</u>
<b>REVENUES AND OTHER FINANCING SOURCES:</b>				
State sources - SCC grant	\$280,934.00		\$280,934.00	\$280,934.00
Transfer from capital reserve	110,000.00	\$153,182.00	263,182.00	263,182.00
	<u>280,934.00</u>	<u>153,182.00</u>	<u>544,116.00</u>	<u>544,116.00</u>
<b>Total revenues and other financing sources</b>				
<b>EXPENDITURES AND OTHER FINANCING USES:</b>				
Purchased professional and technical services	95,000.00	32,254.52	127,254.52	140,000.00
Construction services	15,000.00	337,716.07	352,716.07	404,116.00
	<u>110,000.00</u>	<u>369,970.59</u>	<u>479,970.59</u>	<u>544,116.00</u>
<b>Total expenditures and other financing uses</b>				
Excess (deficiency) of revenues over (under) expenditures	<u>\$170,934.00</u>	<u>(\$216,788.59)</u>	<u>\$64,145.41</u>	
<b>ADDITIONAL PROJECT INFORMATION:</b>				
Project number	4850-060-14-1001			
Grant date	11/28/14			
Bond authorization date	N/A			
Bonds authorized	N/A			
Bonds issued	N/A			
Original authorized cost	\$544,116.00			
Additional authorized cost				
Revised authorized cost	\$544,116.00			
Percentage increase over original authorized cost	N/A			
Percentage completion	80.00%			
Original target completion date	9/30/15			
Completion date				

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS  
BUDGETARY BASIS - INSTALLATION OF BACKUP GENERATOR  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>PRIOR PERIODS</u>	<u>CURRENT YEAR</u>	<u>TOTALS</u>	<u>REVISED AUTHORIZED COST</u>
<b>REVENUES AND OTHER FINANCING SOURCES:</b>				
State sources - SCC grant		\$258,041.00	\$258,041.00	\$258,041.00
Transfer from capital reserve		241,736.00	241,736.00	241,736.00
Total revenues and other financing sources		499,777.00	499,777.00	499,777.00
<b>EXPENDITURES AND OTHER FINANCING USES:</b>				
Purchased professional and technical services		38,000.00	38,000.00	80,000.00
Construction services		228,000.00	228,000.00	419,777.00
Total expenditures and other financing uses		266,000.00	266,000.00	499,777.00
Excess (deficiency) of revenues over (under) expenditures		<u>\$233,777.00</u>	<u>\$233,777.00</u>	
<b>ADDITIONAL PROJECT INFORMATION:</b>				
Project number	4850-060-14-1002			
Grant date	11/28/14			
Bond authorization date	N/A			
Bonds authorized	N/A			
Bonds issued	N/A			
Original authorized cost	\$499,777.00			
Additional authorized cost				
Revised authorized cost	\$499,777.00			
Percentage increase over original authorized cost	N/A			
Percentage completion	50.00%			
Original target completion date	9/30/15			
Completion date				

**PROPRIETARY FUND DETAIL STATEMENTS**

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

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

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS**

## FIDUCIARY FUND DETAIL STATEMENTS

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

<b>Unemployment Compensation Insurance Trust Fund:</b>	This trust fund is used to account for board contributions which are utilized to pay unemployment compensation claims as they arise.
<b>Student Activity Fund:</b>	This agency fund is used to account for student funds held at the schools.
<b>Payroll Agency Fund:</b>	This agency fund is used to account for the payroll transactions of the school district.



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

	STATE UNEMPLOYMENT INSURANCE	TOTAL TRUST FUND	AGENCY		TOTAL AGENCY FUND
			STUDENT ACTIVITIES	PAYROLL	
<b>ASSETS:</b>					
Cash and cash equivalents	\$187.54	\$187.54	\$28,575.37	\$46,329.15	\$74,904.52
Total assets	187.54	187.54	28,575.37	46,329.15	74,904.52
<b>LIABILITIES:</b>					
Liabilities:					
Payroll deductions & withholdings				40,897.08	40,897.08
Interfunds payable				5,432.07	5,432.07
Due to student groups			28,575.37		28,575.37
Total liabilities			28,575.37	46,329.15	74,904.52
<b>NET POSITION:</b>					
Held in trust for state unemployment	187.54	187.54			
Total net position	\$187.54	\$187.54			

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

	<u>STATE UNEMPLOYMENT INSURANCE</u>	<u>TOTAL</u>
DEDUCTIONS:		
State unemployment insurance claims	<u>\$ -0-</u>	<u>\$ -0-</u>
Total deductions		
Change in net position		
Net position - July 1	<u>187.54</u>	<u>187.54</u>
Net position - June 30	<u><u>\$187.54</u></u>	<u><u>\$187.54</u></u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
FIDUCIARY FUND  
STUDENT ACTIVITY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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	<u>\$22,717.08</u>	<u>\$45,466.35</u>	<u>\$39,608.06</u>	<u>\$28,575.37</u>
Total assets	<u>22,717.08</u>	<u>45,466.35</u>	<u>39,608.06</u>	<u>28,575.37</u>
LIABILITIES:				
Due student groups:				
Robert Morris School	<u>22,717.08</u>	<u>45,466.35</u>	<u>39,608.06</u>	<u>28,575.37</u>
Total liabilities	<u>\$22,717.08</u>	<u>\$45,466.35</u>	<u>\$39,608.06</u>	<u>\$28,575.37</u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
FIDUCIARY FUND  
PAYROLL AGENCY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>BALANCE</u> <u>JULY 1, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
<b>ASSETS:</b>				
Cash and cash equivalents	<u>\$34,372.91</u>	<u>\$2,500,995.82</u>	<u>\$2,489,039.58</u>	<u>\$46,329.15</u>
Total assets	<u><u>34,372.91</u></u>	<u><u>2,500,995.82</u></u>	<u><u>2,489,039.58</u></u>	<u><u>46,329.15</u></u>
<b>LIABILITIES:</b>				
Deductions payable	29,201.92	2,500,734.74	2,489,039.58	40,897.08
Interfunds payable	<u>5,170.99</u>	<u>261.08</u>	<u></u>	<u>5,432.07</u>
Total liabilities	<u><u>\$34,372.91</u></u>	<u><u>\$2,500,995.82</u></u>	<u><u>\$2,489,039.58</u></u>	<u><u>\$46,329.15</u></u>

## **LONG-TERM DEBT SCHEDULES**

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
JUNE 30, 2016

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2015</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2016</u>
School Refunding Bonds	12/01/10	\$2,865,000.00	12/01/16	305,000.00	3.00%			
			12/01/17	300,000.00	4.00%			
			12/01/18	310,000.00	4.00%			
			12/01/19	305,000.00	4.00%			
			12/01/20	300,000.00	4.00%			
			12/01/21	295,000.00	4.00%			
						\$2,115,000.00	\$300,000.00	\$1,815,000.00
						<u>\$2,115,000.00</u>	<u>\$300,000.00</u>	<u>\$1,815,000.00</u>



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



BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends:	
These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	J-1 to J-4
Revenue Capacity:	
These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-5 to J-9
Debt Capacity:	
These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	J-10 to J-13
Demographic and Economic Information:	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	J-14 to J-15
Operating Information:	
These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	J-16 to J-20

Sources

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

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental activities</b>										
Net investment in capital assets	\$6,590,038.81	\$5,843,661.23	\$5,584,150.62	\$5,070,810.77	\$5,119,307.60	\$5,152,889.34	\$5,201,117.25	\$4,535,756.04	\$4,447,355.19	\$4,439,914.39
Restricted	3,421,578.94	3,171,129.13	2,896,931.99	2,664,676.02	2,142,168.54	1,546,317.67	878,425.13	1,032,031.95	923,304.79	582,234.80
Unrestricted (Deficit)	(1,310,024.04)	(1,314,340.71)	(159,714.90)	(93,491.06)	(116,860.93)	(71,962.30)	(65,218.97)	(91,734.71)	(53,643.52)	236,195.89
Total governmental activities net position	<u>8,701,593.71</u>	<u>7,700,449.65</u>	<u>8,321,367.71</u>	<u>7,641,995.73</u>	<u>7,144,615.21</u>	<u>6,627,244.71</u>	<u>6,014,323.41</u>	<u>5,476,053.28</u>	<u>5,317,016.46</u>	<u>5,258,345.08</u>
<b>Business-type activities</b>										
Net investment in capital assets	87,980.47	454.74	12,495.94	17,480.89	22,465.82	27,321.86	20,726.58	25,174.02	30,786.37	36,398.70
Unrestricted	<u>87,980.47</u>	<u>63,179.16</u>	<u>61,822.24</u>	<u>43,833.75</u>	<u>40,825.44</u>	<u>38,183.55</u>	<u>37,286.74</u>	<u>26,247.82</u>	<u>27,327.81</u>	<u>27,700.45</u>
Total business-type activities net position	<u>87,980.47</u>	<u>63,633.90</u>	<u>74,318.18</u>	<u>61,314.64</u>	<u>63,291.26</u>	<u>65,505.41</u>	<u>58,013.32</u>	<u>51,421.54</u>	<u>58,114.18</u>	<u>64,099.15</u>
<b>District-wide</b>										
Net investment in capital assets	6,590,038.81	5,844,115.97	5,596,646.56	5,088,291.66	5,141,773.42	5,180,211.20	5,221,843.83	4,560,930.06	4,478,141.56	4,476,313.09
Restricted	3,421,578.94	3,171,129.13	2,896,931.99	2,664,676.02	2,142,168.54	1,546,317.67	878,425.13	1,032,031.95	923,304.79	582,234.80
Unrestricted	(1,222,043.57)	(1,251,161.55)	(97,892.66)	(49,657.31)	(76,035.49)	(33,778.75)	(27,932.23)	(65,487.19)	(26,315.71)	263,896.34
Total district net position	<u>\$8,789,574.18</u>	<u>\$7,764,083.55</u>	<u>\$8,395,685.89</u>	<u>\$7,703,310.37</u>	<u>\$7,207,906.47</u>	<u>\$6,692,750.12</u>	<u>\$6,072,336.73</u>	<u>\$5,527,474.82</u>	<u>\$5,375,130.64</u>	<u>\$5,322,444.23</u>

Source: CAFR Schedule A-1

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>EXPENSES</b>										
Governmental activities										
Instruction:										
Regular	\$5,428,109.53	\$5,334,014.50	\$4,450,408.86	\$4,428,294.37	\$4,382,810.29	\$3,628,938.34	\$4,281,292.76	\$4,099,161.14	\$4,313,669.45	\$3,981,241.67
Special education	1,770,978.12	1,793,798.61	1,552,269.23	1,517,687.67	1,423,538.70	1,317,871.51	1,550,918.02	1,397,205.23	1,586,145.96	1,433,522.98
Other instruction	247,180.10	201,401.25	178,939.03	139,432.10	149,479.91	115,483.79	106,922.33	296,030.47	208,562.28	290,036.44
Support Services:										
Student & instruction related services	1,302,960.12	1,351,227.04	1,241,487.38	1,538,533.97	1,463,925.07	1,826,685.64	1,521,178.93	1,363,082.62	1,384,121.83	1,134,624.25
General administrative services	207,219.82	193,863.55	200,848.10	227,912.75	202,165.50	231,435.34	338,656.48	368,126.14	366,827.48	416,219.06
School administrative services	428,945.00	325,957.01	206,570.43	229,379.84	150,988.28	124,982.18	135,927.48	214,300.62	244,433.00	244,433.00
Central services	283,704.03	281,862.92	318,257.40	276,480.97	284,776.69	228,251.29	263,092.38	229,210.87	241,888.83	212,141.97
Plant operations and maintenance	903,797.90	859,374.20	797,220.05	737,783.20	683,570.35	820,468.17	784,147.51	746,858.34	700,482.68	866,324.12
Student transportation services	262,229.06	314,985.92	116,686.92	269,501.42	356,364.65	276,502.14	338,022.64	429,809.50	319,987.50	351,053.27
Special & Charter schools	75,367.95	58,255.89	116,686.92	98,632.50	89,610.54	111,790.62	70,374.08	22,632.54	17,404.95	12,418.00
Interest on long-term debt	73,300.00	82,175.00	89,625.00	94,408.33	100,954.17	183,251.38	151,775.28	168,136.67	176,170.00	183,803.33
Total governmental activities expenses	10,893,791.63	10,796,915.89	9,467,578.93	9,558,047.12	9,288,184.15	8,865,660.40	9,542,307.89	9,332,554.14	9,596,519.68	9,125,818.09
Business-type activities:										
Food Service	192,624.94	221,380.93	196,421.01	191,971.03	191,104.37	165,626.51	147,724.33	146,268.88	149,658.47	156,917.61
Total business-type activities expense	192,624.94	221,380.93	196,421.01	191,971.03	191,104.37	165,626.51	147,724.33	146,268.88	149,658.47	156,917.61
Total district expenses	11,176,416.57	11,018,296.82	9,663,999.94	9,750,018.15	9,479,288.52	9,031,286.91	9,690,032.22	9,478,823.02	9,746,178.15	9,282,735.70
<b>PROGRAM REVENUES</b>										
Governmental activities:										
Operating grants and contributions	2,053,169.25	1,741,247.07	867,802.46	1,038,844.83	837,688.37	778,259.90	966,094.06	833,953.34	1,318,604.75	1,223,950.19
Total governmental activities program revenues	2,053,169.25	1,741,247.07	867,802.46	1,038,844.83	837,688.37	778,259.90	966,094.06	833,953.34	1,318,604.75	1,223,950.19
Business-type activities:										
Charges for services										
Food Service	78,486.13	75,472.95	76,479.37	75,367.96	75,642.01	72,296.07	70,360.04	63,740.78	71,215.77	69,446.50
Operating grants and contributions	138,402.67	144,730.55	132,945.18	114,595.54	113,222.41	100,731.81	83,845.35	75,835.46	71,926.73	69,554.45
Total business-type activities program revenues	216,888.80	220,203.50	209,424.55	189,963.50	188,864.42	173,027.88	154,205.39	139,576.24	143,142.50	138,999.95
Total district program revenues	2,270,058.05	1,961,450.57	1,077,227.01	1,228,808.33	1,026,552.79	951,287.78	1,120,299.45	973,529.58	1,461,747.25	1,362,950.14
<b>NET (EXPENSE)/REVENUE</b>										
Governmental activities	(8,930,622.38)	(9,055,668.82)	(8,599,776.47)	(8,519,202.29)	(8,450,485.78)	(8,087,400.50)	(8,576,213.83)	(8,498,600.80)	(8,277,914.93)	(7,901,887.90)
Business-type activities	24,263.86	(1,177.43)	13,003.54	(2,239.95)	6,481.06	7,401.37	6,481.06	(6,692.64)	(6,515.97)	(17,917.66)
Total district-wide net expense	(\$8,906,358.52)	(\$9,056,846.25)	(\$6,586,772.93)	(\$8,521,209.82)	(\$8,457,225.73)	(\$8,079,999.13)	(\$8,569,732.77)	(\$8,505,293.44)	(\$8,284,430.30)	(\$7,919,785.56)

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>										
Governmental activities:										
Property taxes levied for general purposes	\$5,797,275.00	\$5,683,604.00	\$5,481,965.00	\$5,380,122.00	\$5,300,611.00	\$5,248,130.00	\$5,166,471.00	\$5,045,171.00	\$5,067,874.00	\$4,788,682.00
Taxes levied for debt service	374,050.00	363,352.55	375,100.00	289,700.00	338,855.00	376,385.00	375,420.00	373,820.00	356,072.00	348,963.00
Unrestricted grants and contributions	3,391,966.00	3,379,161.00	3,375,534.00	3,355,805.00	3,272,799.00	3,052,944.00	3,558,910.00	3,258,148.10	2,874,590.00	2,816,403.00
Capital Grants	297,400.02	56,760.00								
Miscellaneous income	78,375.42	113,581.14	46,549.45	10,955.81	57,591.28	22,852.80	13,682.96	15,273.44	38,050.31	61,597.56
Retirement of capital assets	(7,300.00)	(955.93)						(34,774.92)		
Total governmental activities	9,831,766.44	9,595,502.76	9,279,148.45	9,016,582.81	8,967,856.28	8,700,321.80	9,114,483.96	8,657,637.62	8,336,586.31	8,015,645.56
Business-type activities:										
Miscellaneous income	82.71	(9,506.85)		30.91	25.80	90.72	110.72		531.00	
Retirement of capital assets		(9,506.85)								
Total business-type activities										
Total district-wide	9,831,766.44	9,585,995.91	9,279,148.45	9,016,582.81	8,967,856.28	8,700,321.80	9,114,483.96	8,657,637.62	8,336,586.31	8,015,645.56
<b>CHANGE IN NET POSITION</b>										
Governmental activities	1,001,144.06	539,833.94	679,371.98	497,380.52	517,370.50	612,921.30	538,270.13	159,036.82	58,671.38	113,777.66
Business-type activities	24,263.86	(10,684.28)	13,003.54	(2,007.53)	(2,239.95)	7,401.37	6,481.06	(6,692.64)	(6,515.97)	(17,917.66)
Total district	\$1,025,407.92	\$529,149.66	\$692,375.52	\$495,372.99	\$515,130.55	\$620,322.67	\$544,751.19	\$152,344.18	\$52,155.41	\$95,860.00

Source: CAFR Schedule A-2

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Restricted	\$3,253,859.91	\$3,120,914.96	\$2,783,793.87	\$2,413,508.40	\$2,046,631.59	\$1,545,708.55	\$930,291.41	\$1,175,270.09	\$943,283.79	\$827,508.38
Assigned	378.00	377.59	1,004.50	26,022.14	15,001.48	67,591.70	(51,734.00)	(89,856.00)	119,208.80	144,364.80
Unassigned (Deficit)	(79,853.00)	(75,772.00)	35,506.00	208,585.00	53,246.61	(36,889.00)				
Reserved										
Unreserved (Deficit)										
Total general fund	<u>3,174,384.91</u>	<u>3,045,520.55</u>	<u>2,820,304.37</u>	<u>2,648,115.54</u>	<u>2,114,879.68</u>	<u>1,576,411.25</u>	<u>878,557.41</u>	<u>1,085,414.09</u>	<u>1,062,492.59</u>	<u>971,873.18</u>
All Other Governmental Funds										
Restricted	173,136.86	56,760.00	9,547.45	9,547.45	9,547.45	9,547.45	34,904.98	35,898.90	(7,927.80)	(3,877.80)
Reserved										
Unreserved, reported in:										
Special revenue fund (Deficit)										
Capital projects fund										
Debt service fund (Deficit)										
Total all other governmental funds	<u>\$173,136.86</u>	<u>\$56,760.00</u>	<u>\$9,547.45</u>	<u>\$9,547.45</u>	<u>\$9,547.45</u>	<u>\$9,547.45</u>	<u>\$34,904.98</u>	<u>\$35,898.90</u>	<u>(\$7,927.80)</u>	<u>15,747.71</u>
										<u>\$11,869.91</u>

Source: CAFR Schedule B-1

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

UNAUDITED

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues</b>										
Tax levy	\$6,171,325.00	\$6,046,957.00	\$5,857,065.00	\$5,649,822.00	\$5,637,466.00	\$5,624,525.00	\$5,541,891.00	\$5,418,991.00	\$5,423,946.00	\$5,137,645.00
Interest earnings - capital reserve fund					289.04	999.74	1,119.17	2,543.55	4,204.00	7,808.00
Tuition from other LEA's within the state	39,330.90	88,495.53	46,549.45	17,161.62	62,600.26	29,088.87	20,732.03	18,703.15	71,551.61	70,901.80
Miscellaneous	39,044.52	25,085.16	3,986,157.44	4,063,067.57	3,725,451.54	3,511,826.14	3,599,007.98	3,830,170.53	3,915,242.24	3,752,164.62
State sources	4,520,424.29	4,133,215.43	257,179.02	325,376.45	379,747.81	312,161.95	917,827.84	255,957.65	240,246.92	271,076.33
Federal sources	274,268.98	309,989.64	10,146,950.91	10,055,427.64	9,805,554.66	9,478,581.70	10,080,578.02	9,528,365.88	9,653,190.77	9,239,595.75
Total revenue	11,044,393.69	10,603,742.76	10,146,950.91	10,055,427.64	9,805,554.66	9,478,581.70	10,080,578.02	9,528,365.88	9,653,190.77	9,239,595.75
<b>Expenditures</b>										
Instruction										
Regular	2,261,385.32	2,221,726.64	2,193,867.22	2,213,600.62	2,131,993.77	1,941,459.55	2,092,789.56	2,089,166.75	2,141,561.40	2,011,247.48
Special education	732,839.37	713,530.82	730,862.93	675,705.13	655,492.70	647,596.01	698,673.80	584,728.20	566,922.55	480,132.97
Other	127,125.01	114,868.07	118,979.96	114,868.19	86,438.70	76,233.49	80,444.51	219,341.75	152,438.76	218,623.20
Support Services:										
Tuition	2,063,717.27	2,295,356.27	2,073,393.46	1,987,142.59	2,035,964.33	1,816,165.77	2,154,975.28	1,979,206.44	2,225,975.31	2,064,847.82
Student & instruction related services	916,526.02	942,735.48	898,560.50	1,076,005.20	1,074,996.87	1,153,692.13	1,164,957.06	1,021,711.18	978,833.22	851,905.91
General administrative services	163,609.28	149,176.33	142,015.78	199,062.39	161,573.25	185,583.78	323,621.17	297,956.08	277,832.80	300,526.93
School administrative services	264,859.02	215,051.71	169,031.41	153,951.23	111,640.89	103,199.72	116,995.12	157,825.69	199,782.07	182,146.93
Central services	219,236.47	215,687.46	214,335.64	196,462.93	189,906.17	179,479.70	176,105.89	178,843.35	172,063.23	159,822.12
Plant operations and maintenance	673,823.58	644,257.78	595,100.01	553,430.13	356,364.65	601,986.89	600,865.89	555,091.77	517,939.40	523,016.56
Student transportation services	262,229.06	314,985.92	315,264.53	269,501.42	495,524.00	276,502.14	338,022.64	429,809.50	319,987.50	264,616.37
Employee benefits	1,845,957.73	1,758,828.77	1,458,939.59	1,648,086.29	1,504,575.22	1,286,056.34	1,391,015.10	1,404,982.61	1,608,529.06	1,630,648.60
Capital outlay	827,025.88	321,356.28	575,872.05	90,223.19	43,673.00	52,433.59	707,646.06	150,402.75	37,523.00	72,458.35
Special schools	24,264.46	27,902.00	21,142.00	19,262.47	18,548.67	11,337.28	9,577.54	16,731.61	13,166.06	12,418.00
Charter schools	42,504.00	22,950.50	92,297.00	75,190.00	63,539.00	97,964.00	57,319.00			
Debt service:										
Principal	300,000.00	290,000.00	285,000.00	175,000.00	235,000.00	225,000.00	215,000.00	205,000.00	195,000.00	185,000.00
Interest and other charges	74,050.00	82,900.00	90,100.00	94,700.00	101,855.00	151,385.00	160,420.00	168,820.00	176,820.00	184,420.00
Total expenditures	10,799,152.47	10,337,314.03	9,974,762.08	9,522,191.76	9,267,086.22	8,806,085.39	10,288,428.62	9,453,617.68	9,584,369.36	9,141,831.24
Excess (Deficiency) of revenues over (under) expenditures	245,241.22	272,428.73	172,188.83	533,235.86	538,468.43	672,496.31	(207,850.60)	66,748.20	70,821.41	97,764.51
<b>Other Financing sources (uses)</b>										
Capital leases (non-budgeted)										
Transfers in	394,918.00	110,000.00			34,904.98	34,904.98	872,830.36	150,402.75	0.29	37,298.35
Transfers out	(394,918.00)	(110,000.00)			(34,904.98)	(34,904.98)	(872,830.36)	(150,402.75)		
Total other financing sources (uses)										
Net change in fund balances	\$245,241.22	\$272,428.73	\$172,188.83	\$533,235.86	\$538,468.43	\$672,496.31	(\$207,850.60)	\$66,748.20	\$70,821.70	\$135,062.86
Debt service as a percentage of noncapital expenditures	3.75%	3.73%	3.99%	2.86%	3.65%	4.30%	3.92%	4.02%	3.89%	4.07%

Source: CAFR Schedule B-2



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

<u>Fiscal Year</u> <u>Ended June 30.</u>	<u>Tuition</u>	<u>Canceled</u> <u>Accounts Payable</u>	<u>Interest on</u> <u>Investments</u>	<u>Miscellaneous</u>	<u>Total</u>
2016	\$14,732.40		\$1,813.89	\$2,993.52	\$19,539.81
2015		\$5,822.64	2,238.11	11,647.27	19,708.02
2014		35,089.36	2,046.36	8,413.73	45,549.45
2013		5,442.29	2,679.76	2,833.76	10,955.81
2012		38,140.13	3,122.86	16,039.25	57,302.24
2011			6,351.30	5,954.31	12,305.61
2010			7,100.26	5,463.53	12,563.79
2009			4,755.67	7,974.22	12,729.89
2008			31,956.46	1,889.56	33,846.02
2007			50,033.91	3,755.65	53,789.56

Source: District Records

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

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax Exempt Property	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2016	\$1,832,600.00	\$271,935,276.00		\$24,801,500.00	\$387,500.00	\$20,532,100.00	\$319,488,976.00		\$1,036,026.00	\$320,525,002.00	\$306,250,890.00	\$1.96
2015	1,707,600.00	272,815,976.00		24,801,500.00	387,500.00	20,532,100.00	320,244,676.00		1,029,761.00	321,274,437.00	301,319,139.00	1.92
2014	1,782,600.00	275,197,176.00		25,225,500.00	387,500.00	20,532,100.00	323,124,876.00		1,017,210.00	324,142,086.00	304,431,157.00	1.87
2013	2,005,200.00	279,004,176.00		24,472,800.00	387,500.00	21,591,500.00	327,461,176.00		1,057,824.00	328,519,000.00	305,063,068.00	1.78
2012	2,005,200.00	287,316,176.00		24,690,400.00	387,500.00	23,144,600.00	337,543,876.00		969,486.00	338,513,362.00	327,483,937.00	1.67
2011	2,236,200.00	285,911,776.00		25,571,000.00	387,500.00	23,144,600.00	337,251,076.00		1,069,810.00	338,320,886.00	342,414,939.00	1.66
2010	1,905,700.00	287,184,276.00		26,184,276.00	387,500.00	23,144,600.00	338,806,352.00		1,493,387.00	340,299,739.00	351,527,291.00	1.66
2009	3,305,000.00	287,361,700.00		27,839,800.00	681,000.00	23,396,100.00	342,583,600.00		1,093,985.00	343,677,585.00	372,215,705.00	1.60
2008	2,598,300.00	143,115,654.00		11,506,700.00	201,300.00	8,245,382.00	165,667,336.00		430,840.00	166,098,176.00	362,823,109.00	3.26
2007	3,064,800.00	141,631,867.00		11,418,800.00	201,300.00	8,034,100.00	164,350,867.00		337,738.00	164,688,605.00	339,015,650.00	3.21

Source: District records Tax list summary & Municipal Tax Assessor  
 Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.  
 Reassessment occurs when ordered by the County Board of Taxation  
 (a): Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies  
 (b): Tax rates are per \$100

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

Fiscal Year Ended Dec 31,	Borough of South Bound Brook Board of Education			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	Total Direct School Tax Rate	Borough of South Bound Brook	Somerset County	
2015	1.88	0.08	1.96	0.94	0.37	3.28
2014	1.82	0.10	1.92	0.92	0.37	3.21
2013	1.75	0.12	1.87	0.90	0.37	3.13
2012	1.70	0.08	1.78	0.86	0.34	2.99
2011	1.57	0.10	1.67	0.84	0.36	2.87
2010	1.55	0.11	1.66	0.80	0.36	2.82
2009*	1.55	0.11	1.66	0.80	0.34	2.80
2008	1.48	0.11	1.60	0.74	0.36	2.70
2007	3.05	0.21	3.26	1.54	0.75	5.55
2006	2.99	0.22	3.21	1.52	0.70	5.43

\* revaluation

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

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

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

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

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

<u>Taxpayer</u>	2016			2007		
	<u>Taxable Assessed Value</u>	<u>Rank [Optional]</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank [Optional]</u>	<u>% of Total District Net Assessed Value</u>
Finchley Gardens	\$8,999,000.00	1	2.80%	\$2,900,000.00	2	1.75%
Towne Oaks	7,566,000.00	2	2.35%	3,450,000.00	1	2.09%
41 Canal Street Association (Bldg)	1,939,300.00	3	0.60%	1,188,200.00	4	0.72%
Durling Realty, LLC	1,600,000.00	4	0.50%			
Zehra Associates	1,275,000.00	5	0.40%			0.00%
J&M Associates	1,275,000.00	6	0.40%	625,000.00	6	0.38%
Chafos, J & G	1,106,100.00	7	0.34%	572,000.00	7	0.35%
Ukrainian Orthodox Federal Credit Union	1,050,000.00	8	0.33%	500,100.00	8	0.30%
Verizon	1,029,761.00	9	0.32%			0.00%
Queens Bridge, LLC	1,000,000.00	10	0.31%			
Town & Country Developers				2,275,000.00	3	1.38%
Canal Road Realty				661,600.00	5	0.40%
Granity Realty				450,000.00	9	0.27%
Homeowner				418,200.00	10	0.25%
<b>Total</b>	<b>\$26,840,161.00</b>		<b>8.35%</b>	<b>\$13,040,100.00</b>		<b>7.89%</b>

Source: Municipal Tax Assessor

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

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy (a)</u>		<u>Collections in</u> <u>Subsequent Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2016	\$6,171,325.00	\$6,171,325.00	100.00%	\$0.00
2015	6,046,957.00	6,046,957.00	100.00%	0.00
2014	5,857,065.00	5,857,065.00	100.00%	0.00
2013	5,649,822.00	5,649,822.00	100.00%	0.00
2012	5,637,466.00	5,637,466.00	100.00%	0.00
2011	5,624,525.00	5,624,525.00	100.00%	0.00
2010	5,541,891.00	5,541,891.00	100.00%	0.00
2009	5,418,991.00	5,418,991.00	100.00%	0.00
2008	5,423,946.00	5,423,946.00	100.00%	0.00
2007	5,137,645.00	5,137,645.00	100.00%	0.00

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

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

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

Fiscal Year Ended June 30,	Governmental Activities			Bond		Business-Type Activities		Total District	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Anticipation Notes	Capital Leases					
2015	\$1,815,000.00							\$1,815,000.00	4.28%	\$395.68
2015	2,115,000.00							2,115,000.00	3.67%	461.09
2014	2,405,000.00							2,405,000.00	3.23%	524.31
2013	2,690,000.00							2,690,000.00	2.89%	583.64
2012	2,865,000.00							2,865,000.00	2.68%	621.07
2011	3,100,000.00		\$6,918.23					3,106,918.23	2.34%	676.45
2010	3,297,000.00		14,828.90					3,311,828.90	2.11%	724.06
2009	3,512,000.00		22,333.54					3,534,333.54	1.96%	660.01
2008	3,717,000.00		29,452.94					3,746,452.94	1.95%	706.21
2007	3,912,000.00		36,206.89					3,948,206.89	1.82%	784.00

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

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

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

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

Fiscal Year Ended <u>June 30,</u>	General Bonded Debt Outstanding		Net General Bonded Debt <u>Outstanding</u>	Percentage of Actual Taxable Value (a) of <u>Property</u>	<u>Per Capita (b)</u>
	General Obligation <u>Bonds</u>	<u>Deductions</u>			
2015	\$1,815,000.00		\$1,815,000.00	0.56626%	\$395.68
2015	2,115,000.00		2,115,000.00	0.65832%	461.09
2014	2,405,000.00		2,405,000.00	0.74196%	524.31
2013	2,690,000.00		2,690,000.00	0.81883%	583.64
2012	2,865,000.00		2,865,000.00	0.84635%	621.07
2011	3,100,000.00		3,100,000.00	0.91629%	674.94
2010	3,297,000.00		3,297,000.00	0.96885%	720.81
2009	3,512,000.00		3,512,000.00	1.02189%	655.84
2008	3,717,000.00		3,717,000.00	2.23783%	700.66
2007	3,912,000.00		3,912,000.00	2.37539%	776.81

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

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

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 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			
South Bound Brook Borough	\$4,204,385.64	100.00%	\$4,204,385.64
Other debt			
Somerset County	185,189,101.44	0.57%	1,063,472.56
Middlesex County Utilities Authority	40,951,301.00	0.74%	<u>303,039.63</u>
Subtotal, overlapping debt			\$5,570,897.82
South Bound Brook Borough School District Direct Debt			<u>1,815,000.00</u>
Total direct and overlapping debt			<u><u>\$7,385,897.82</u></u>

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

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

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



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

Legal Debt Margin Calculation for Calendar Year 2014:

Equalized Valuation Basis

Calendar Year	
2015	\$315,077,407.00
2014	300,301,929.00
2013	303,373,333.00
	<u>\$918,752,669.00</u>
Average Equalized Valuation of Taxable Property	\$306,250,889.67
Debt Limit (3% (a) of average equalization value)	9,187,526.69
Total Net Debt Applicable to Limit	<u>(1,815,000.00)</u>
Legal Debt Margin	<u>\$7,372,526.69</u>

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt Limit	\$9,187,526.69	\$9,077,688.44	\$9,338,810.42	\$9,714,292.61	\$10,177,689.85	\$10,631,397.23	\$10,847,035.42	\$10,729,033.11	\$9,948,446.77	\$8,857,250.03
Total Net Debt Applicable To Limit	1,815,000.00	2,115,000.00	2,405,000.00	2,690,000.00	2,865,000.00	3,100,000.00	3,297,000.00	3,512,000.00	3,717,000.00	3,912,000.00
Legal Debt Margin	<u>\$7,372,526.69</u>	<u>\$6,962,688.44</u>	<u>\$6,933,810.42</u>	<u>\$7,024,292.61</u>	<u>\$7,312,689.85</u>	<u>\$7,531,397.23</u>	<u>\$7,550,035.42</u>	<u>\$7,217,033.11</u>	<u>\$6,231,446.77</u>	<u>\$4,945,250.03</u>

Total Net Debt Applicable to the Limit as a % of Debt Limit	19.76%	23.30%	25.75%	27.69%	28.15%	29.16%	30.40%	32.73%	37.36%	44.17%
---	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation (a) Limit set by N.J.S.A. 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

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

<u>Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Unemployment Rate (d)</u>
2015	4,622	*	*	6.50%
2014	4,623	\$387,088,413.00	\$83,731.00	7.60%
2013	4,627	359,448,495.00	77,685.00	9.00%
2012	4,615	350,107,745.00	75,863.00	12.80%
2011	4,583	334,870,644.00	73,068.00	12.30%
2010	4,572	320,570,352.00	70,116.00	12.50%
2009	5,355	368,964,855.00	68,901.00	7.20%
2008	5,305	387,933,430.00	73,126.00	5.50%
2007	5,036	361,544,512.00	71,792.00	6.10%
2006	4,751	303,465,374.00	68,298.00	5.80%

Source:

- (a) Population information provided by the NJ Dept. of Labor and Workforce Development.
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (c) Per capita personal income by municipality was computed using Census Bureau midyear population estimates.  
 Estimates for 2006-2015 reflect county population.
- (d) Unemployment data provided by the NJ Dept. of Labor and Workforce Development.

\* Not Available

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

Employer	2016			2007		
	# of Employees	Rank (Optional)	Percentage of Total Employment	# of Employees	Rank (Optional)	Percentage of Total Employment
	0		0.00%			0.00%

NOT AVAILABLE

Source: Municipal Records

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

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction:										
Regular	30	29	28	28	28	30	32	34	34	37
Special education	7	7	7	7	6	14	9	9	8	9
Support Services:										
Student & instruction related services	20	20	19	22	21	14	11	10	11	10
School administrative services	4	3	2	2	2	2	4	4	5	5
Plant operations and maintenance	0	0	0	0	0	0	0	0	0	0
Central services	3	3	3	3	3	3	4	4	4	4
Administration information technology	1	1	1	1	1	1	1	1	1	1
Food Service	4	4	4	3	3	3	3	3	3	4
<b>Total</b>	<b>69</b>	<b>67</b>	<b>64</b>	<b>66</b>	<b>64</b>	<b>65</b>	<b>64</b>	<b>65</b>	<b>66</b>	<b>70</b>

Source: District Personnel Records

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
OPERATING STATISTICS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	% Change	Teaching Staff (b)	Teacher/Pupil Elementary/Middle School	Average Daily Enrollment (c)	Average Daily Attendance (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2016	596	\$9,323,217.61	\$15,642.98	5.40%	42	1/14	453	433	-0.44%	95.58%
2015	582	9,637,057.75	16,558.52	9.16%	40	1/14	455	435	-0.87%	95.60%
2014	608	9,023,790.03	14,841.76	-1.13%	40	1/15	459	438	2.00%	95.42%
2013	604	9,162,268.59	15,169.32	9.73%	42	1/14	450	429	-2.81%	95.33%
2012	592	8,886,558.22	15,011.08	1.10%	42	1/14	463	443	4.04%	95.68%
2011	606	8,377,257.40	13,823.86	-6.89%	44	1/15	445	421	3.73%	94.61%
2010	620	9,205,362.56	14,847.36	2.19%	41	1/15	429	405	0.23%	94.41%
2009	615	8,935,394.93	14,529.10	-3.25%	43	1/14	428	406	-1.61%	94.86%
2008	611	9,175,026.36	15,016.41	6.84%	45	1/12	435	414	-7.64%	95.17%
2007	619	8,699,952.59	14,054.85	#DIV/0!	46	1/13	471	448		95.12%

Sources: District records

Note: Enrollment based on annual October district count.

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

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

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
UNAUDITED

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>District Building</u>										
Elementary School/Middle School:										
Robert Morris School (2001)	83,416	83,416	83,416	83,416	83,416	83,416	83,416	83,416	83,416	83,416
Square Feet	594	594	594	594	594	594	594	594	594	594
Capacity (students)	461	450	459	450	465	454	429	427	435	469
Enrollment										

Elementary/Middle School = 1

Source: District records

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

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

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

School Facilities * Project #(s)	Robert Morris <u>School</u>
2016	\$96,843.72
2015	104,833.89
2014	95,763.45
2013	88,206.83
2012	60,067.58
2011	78,028.71
2010	38,463.00
2009	67,781.51
2008	42,851.80
2007	58,586.46
	<hr/>
Total School Facilities	<u><u>\$731,426.95</u></u>

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

Source: District records

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

	<u>Coverage Amount</u>	<u>Deductible</u>
New Jersey School Boards Association Insurance Group		
Property Coverage:		
Blanket Real & Personal Property	\$400,000,000.00	\$5,000.00
Blanket Extra Expense	50,000,000.00	5,000.00
Blanket Valuable Papers & Records	10,000,000.00	5,000.00
Sublimits:		
Flood	75,000,000.00	500,000.00
Earthquake	50,000,000.00	10,000.00
Electronic Data Processing:		
Blanket Hardware and Software	500,000.00	1,000.00
Boiler & Machinery Coverage:		
Property Damage	400,000,000.00	
Crime Coverage:		
Money & Securities Limit	50,000.00	1,000.00
Employee Dishonesty	250,000.00	1,000.00
Public Official Bond Limit - Board Treasurer	200,000.00	1,000.00
Public Official Bond Limit - Board Secretary	100,000.00	1,000.00
General Liability Coverage:		
Bodily Injury & Property Damage	31,000,000.00	
Sexual Abuse Claims	31,000,000.00	
Personal Injury & Advertising Injury	31,000,000.00	
Employee Benefit Liability	31,000,000.00	
Automobile Coverage:		
Bodily Injury & Property Damage	31,000,000.00	

Source: District Records



**SINGLE AUDIT SECTION**



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Borough of South Bound Brook School District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 18, 2016.

***Internal Control Over Financial Reporting***

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

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

## SUPLEE, CLOONEY & COMPANY

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

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

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. However we noted immaterial instances of noncompliance that we have reported to the Board of Education of the Borough of South Bound Brook School District in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated November 18, 2016.

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

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

  
CERTIFIED PUBLIC ACCOUNTANTS

  
PUBLIC SCHOOL ACCOUNTANT NO. 948

November 18, 2016



**SUPLEE, CLOONEY & COMPANY**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO MAJOR  
STATE FINANCIAL ASSISTANCE PROGRAMS AND  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
NEW JERSEY OMB CIRCULAR 15-08**

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

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

We have audited the Borough of South Bound Brook School District's compliance with the types of compliance requirements described in the New Jersey *OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Borough of South Bound Brook School District's major state programs for the year ended June 30, 2016. The District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Borough of South Bound Brook School District's major 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; and New Jersey OMB Circular 15-08. Those standards and New Jersey 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 state program occurred. An audit includes examining, on a test basis, evidence about the Borough of South Bound Brook School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Borough of South Bound Brook School District's compliance.

# SUPLEE, CLOONEY & COMPANY

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

In our opinion, the Borough of South Bound Brook School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

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

Management of the Borough of South Bound Brook School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Borough of South Bound Brook School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey OMB Circular 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 the Borough of South Bound Brook School District's internal control over compliance.

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

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

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 and State of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
PUBLIC SCHOOL ACCOUNTANT NO. 948

November 18, 2016



BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
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	CARRYOVER AMOUNT	CASH RECEIPTS	BUDGETARY EXPENDITURES	ADJUSTMENT	REPAYMENT OF PRIOR YEARS BALANCES	BALANCE AT JUNE 30, 2016			MEMO CUMULATIVE TOTAL EXPENDITURES
										(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	DUE TO GRANTOR	
State Department of Education													
General Funds:													
State Aid Cluster:													
Equalization Aid	16-495-034-5120-078	7/1/15 - 6/30/16	\$2,948,720.00			\$2,657,559.00	(\$2,948,720.00)	\$291,161.00				\$291,161.00	\$2,948,720.00
Special Education Aid	16-495-034-5120-011	7/1/15 - 6/30/16	335,311.00			302,194.00	(335,311.00)	33,117.00				33,117.00	335,311.00
Categorical Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	30,488.00			27,466.00	(30,488.00)	3,002.00				3,002.00	30,488.00
PARCC Readiness	16-495-034-5120-098	7/1/15 - 6/30/16	5,580.00			5,019.00	(5,580.00)	561.00				561.00	5,580.00
Per Pupil Growth	16-495-034-5120-097	7/1/15 - 6/30/16	5,580.00			5,019.00	(5,580.00)	561.00				561.00	5,580.00
Total State Aid Cluster						2,997,257.00	(3,325,659.00)	328,402.00				328,402.00	3,325,659.00
Categorical Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	14,865.00			13,414.00	(14,865.00)	1,451.00				1,451.00	14,865.00
Extraordinary Aid	15-100-034-5120-473	7/1/14 - 6/30/15	54,923.00	(\$54,923.00)		54,923.00							54,923.00
On Behalf TPAF Pension Post Retirement Medical	16-100-034-5120-473	7/1/15 - 6/30/16	70,388.00				(70,388.00)						70,388.00
On Behalf TPAF Pension Post Retirement Medical	16-495-034-5094-001	7/1/15 - 6/30/16	309,855.00			309,855.00	(309,855.00)						309,855.00
On Behalf TPAF Non-Contributory Insurance	16-495-034-5094-004	7/1/15 - 6/30/16	12,348.00			12,348.00	(12,348.00)						12,348.00
On Behalf TPAF Pension Contribution	16-495-034-5094-002	7/1/15 - 6/30/16	247,877.00			247,877.00	(247,877.00)						247,877.00
Reimbursed TPAF social security contributions	16-495-034-5094-003	7/1/15 - 6/30/16	246,113.27			241,051.41	(246,113.27)						246,113.27
Total General Funds				(54,923.00)		3,876,725.41	(4,227,105.27)	329,853.00		(75,449.86)		405,202.86	3,711,948.27
New Jersey Schools Development Authority													
Capital Projects Fund:													
Robert Morris School - Emergency Generator	4850-060-14-1002	various	259,041.00				(130,582.38)					130,582.38	130,582.38
Robert Morris School - Various Improvements	4850-060-14-1001	various	280,934.00				(166,817.64)					223,577.64	223,577.64
Total Capital Projects Fund				(66,760.00)			(297,400.02)					364,160.02	364,160.02
State Department of Agriculture													
Child Nutrition Cluster:													
State School Lunch Program	15-100-010-3350-023	7/1/14 - 6/30/15	2,717.33	(202.91)		202.91	(2,589.62)					177.09	2,717.33
State School Lunch Program	16-100-010-3350-023	7/1/15 - 6/30/16	2,589.62			2,412.53	(2,589.62)					177.09	2,589.62
Total Child Nutrition Cluster						2,615.44	(2,589.62)					177.09	5,306.95
Total Enterprise Fund				(202.91)		2,615.44	(2,589.62)					177.09	5,306.95
Total State Financial Assistance				(\$11,885.91)		\$3,879,340.85	(\$4,527,094.91)	\$329,853.00		(\$429,786.97)		\$796,639.97	\$4,071,415.24
Less: On-Behalf amounts not utilized for determination of Major Programs:													
On-Behalf TPAF Pension Post Retirement Medical	16-495-034-5094-001	7/1/15 - 6/30/16	309,855.00			309,855.00	(309,855.00)						
On-Behalf TPAF Non-Contributory Insurance	16-495-034-5094-004	7/1/15 - 6/30/16	12,348.00			12,348.00	(12,348.00)						
On Behalf TPAF Pension Contribution	16-495-034-5094-002	7/1/15 - 6/30/16	247,877.00			247,877.00	(247,877.00)						
Total State Financial Assistance Subject to Single Audit Testing						\$3,309,260.85	(\$3,987,014.91)						

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

**Borough of South Bound Brook School District**  
**Notes to the Schedules of Expenditures of Federal Awards**  
**and State Financial Assistance**  
**Year Ended June 30, 2016**

**NOTE 1: GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Education, Borough of South Bound Brook School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from the federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2: BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 of the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

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



**Borough of South Bound Brook School District**  
**Notes to the Schedules of Expenditures of Federal Awards**  
**and State Financial Assistance**  
**Year Ended June 30, 2016**

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$4,081.00) for the general fund, (\$584.04) for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$4,231,186.27	\$4,231,186.27
Special Revenue Fund	\$274,853.02		274,853.02
Capital Projects Fund		297,400.02	297,400.02
Food Service Fund	135,813.05	2,589.62	138,402.67
	<u>\$410,666.07</u>	<u>\$4,531,175.91</u>	<u>\$4,941,841.98</u>
GAAP Adjustment	<u>(584.04)</u>	<u>(4,081.00)</u>	<u>(4,665.04)</u>
Total Awards & Financial Assistance	<u><u>\$410,082.03</u></u>	<u><u>\$4,527,094.91</u></u>	<u><u>\$4,937,176.94</u></u>

**NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5: OTHER**

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF pension contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2016. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2016.

**Borough of South Bound Brook School District**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2016**

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

**Financial Statements**

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

**Federal Program(s) -** Not Applicable

**State Program(s)**

- |     |   |            |
|-----|---|------------|
| (1) | Internal Control Over Major State Programs:   |            |
|     | (a) Material weakness identified?   | No         |
|     | (a) Significant deficiencies identified that are not considered to be material weaknesses?                | No         |
| (2) | Type of Auditor’s Report issued on compliance for major state program(s)?                                 | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08? | No         |
| (4) | Identification of Major State Program(s):   |            |

<u>Program</u>	<u>Grant Number</u>
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003
State Aid Public Cluster:	
Special Education	
Categorical Aid	16-495-034-5120-011
Equalization Aid	16-495-034-5120-078
Categorical Security Aid	16-495-034-5120-084
PARCC Readiness Aid	16-495-034-5120-098
Per Pupil Growth Aid	16-495-034-5120-097

**Borough of South Bound Brook School District**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2016**

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

- (5) Program Threshold Determination:
  - Type A State Program Threshold > \$750,000.00
  - Type B State Program Threshold <= \$750,000.00
  
- (6) Auditee qualified as a low-risk auditee under N.J. OMB Circular 15-08? Yes

**Internal Control Findings**

None Reported

**Compliance Findings**

None Reported

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

State Programs – None Reported

**Borough of South Bound Brook School District**

**Schedule of Prior Year Audit Findings**

Not Applicable

