

**BOUND BROOK
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

**Comprehensive Annual
Financial Report**

of the

**BOROUGH OF BOUND BROOK
SCHOOL DISTRICT**

Bound Brook, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

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

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INTRODUCTORY SECTION

BOUND BROOK BOARD OF EDUCATION
130 WEST MAPLE AVENUE
BOUND BROOK, NJ 08805

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

Danielle Mancuso
Business Administrator/ Board Secretary

October 16, 2017

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

Dear Honorable President and Board Members:

The Comprehensive Annual Financial Report of the Borough of Bound Brook School District (the "District") for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Borough of Bound Brook School District (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District continues to provide a full range of educational services appropriate to grade levels Preschool Handicapped through Grade 12. These include regular, pre-vocational and special education programs. The District completed the 2016-2017 school year with an average daily enrollment of 1,880 students, which is 44 students more than last year.

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

The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

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

3. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by a vote of the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

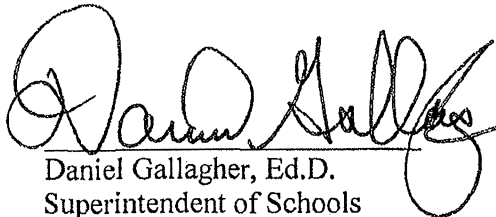
An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at fiscal year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent fiscal year. Those amounts to be re-appropriated are reported as restricted commitments and assignments of fund balance at June 30, 2017.

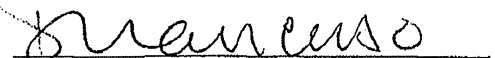
4. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to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

The Honorable President and Members
of the Board of Education
Borough of Bound Brook School District
Page 3
October 16, 2017

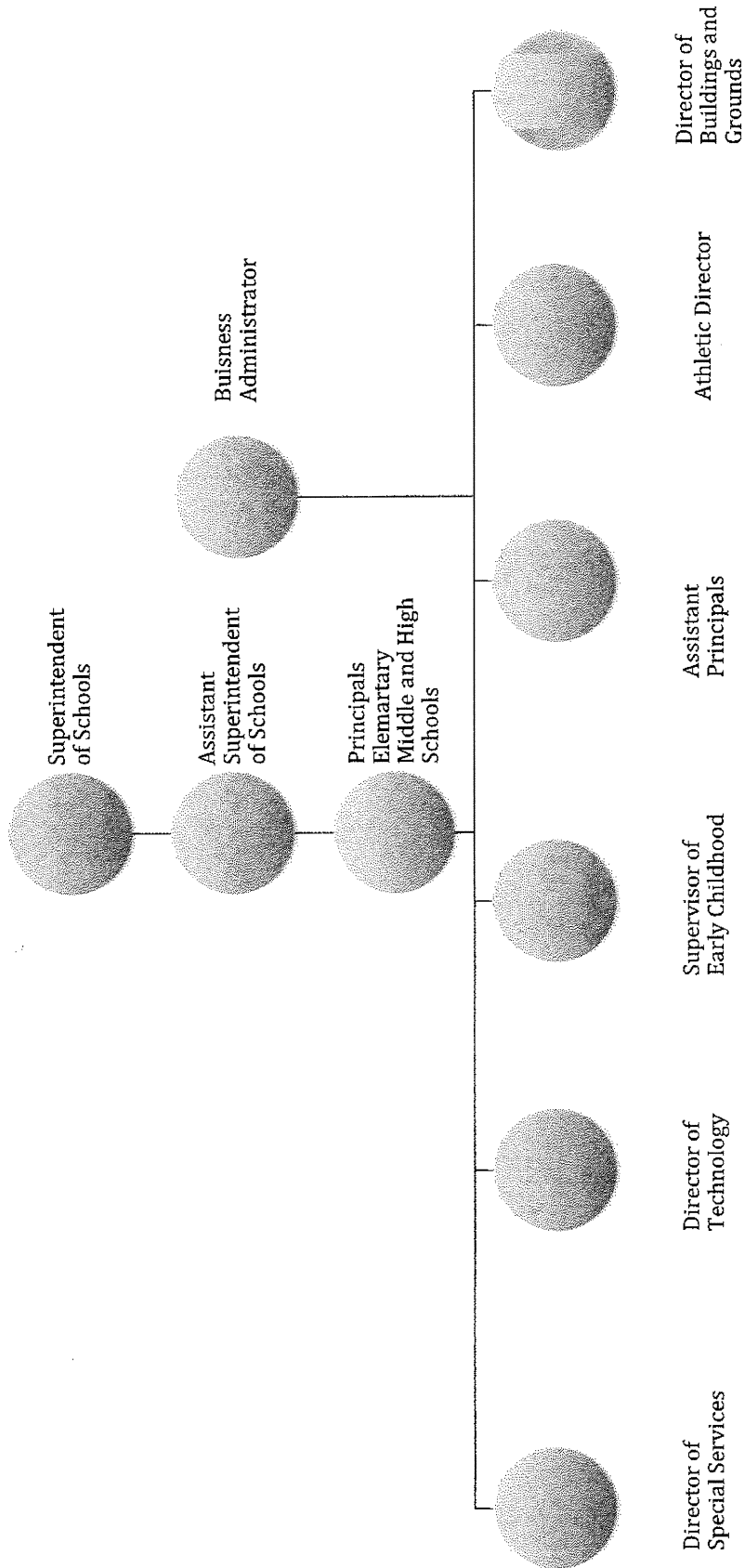
7. OTHER INFORMATION: **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.
8. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Bound Brook Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,


Daniel Gallagher, Ed.D.
Superintendent of Schools


Danielle Mancuso
Business Administrator/Board Secretary

Borough of Bound Brook Board of Education
 Organizational Chart
 Fiscal Year Ended June 30, 2017



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

ROSTER OF OFFICIALS

JUNE 30, 2017

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

Terrence Hoben, President	2019
Michele DeFazio, Vice President	2018
William Boehm	2017
Nicholas DeVecchio	2019
Gabriel Gleason	2017
Mario Meola	2017
Charity Morris	2018
Camilla Stevens	2018
Roger Zupko	2019
Nancy Santora, South Bound Brook Representative	2018

OTHER OFFICIALS

Dr. Daniel Gallagher, Superintendent

Danielle Mancuso, Business Administrator/Board Secretary

Thomas A. Venanzi, Treasurer

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

Architects

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

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

Audit Firm

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

Attorney

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

Official Depository

TD Bank, NA
452 Union Avenue
Bridgewater, NJ 08807

Clerk of the Works

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

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Bound Brook School District (the "District") in the County of Somerset, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Bound Brook School District, in the County of Somerset, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The Honorable President and Members
of the Board of Education
Borough of Bound Brook School District
Page 3

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

October 16, 2017
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)

This section of Borough of Bound Brook School District’s annual financial report presents its discussion and analysis of the District’s financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

Financial Highlights

- Overall revenue was \$37.98 million.
- Overall expenses were \$38.43 million.
- Enrollment in the District has increased significantly in the last three years and cost per pupil has increased.
- The District entered into a new capital lease purchase to move and upgrade the central administrative office to be able to free classroom space to accommodate the continued increase in enrollment.
- Community Middle School underwent a complete interior renovation using the referendum funds issued in 2014. This included a new gymnasium, cafeteria, and classrooms. Site work was also completed at Lafayette, Lamonte, and Lamonte Annex.

Overview of the Financial Statements

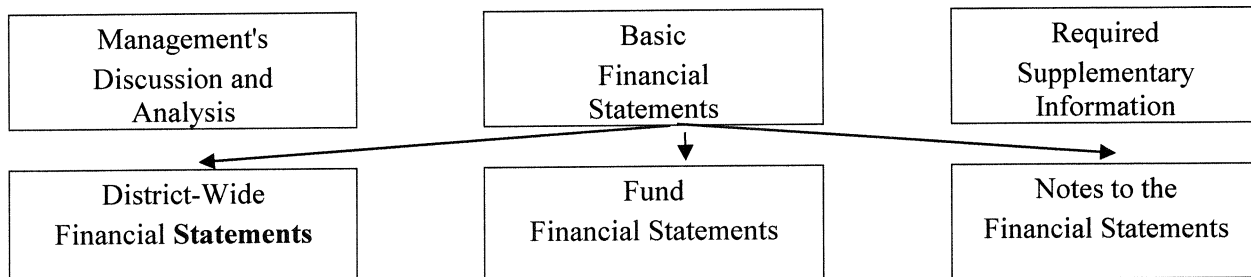
This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District’s operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

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

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



BOROUGH OF BOUND BROOK SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)

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

Major Features of the District-Wide and Fund Financial Statements

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)

District-wide Statements

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

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows, and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position at June 30, 2017 decreased \$447,295 from the previous year. The net position from governmental activities decreased \$698,763 and the net position from business-type activities increased \$251,468. The net investment in capital assets increased by \$203,489, due to capital asset additions of \$389,118, redemption of outstanding debt of \$995,000, offset by depreciation expense of \$680,629, and the new capital lease purchase of \$500,000. Restricted net position increased by \$565,958 due to an increase in the capital projects reserve of \$108,038, an increase in the maintenance reserve of \$366,042, an increase in the debt service fund of \$26,415, and an increase in excess surplus of \$65,463. Unrestricted net position decreased by \$1,216,742 primarily a result of increases in net pension liability and compensated absences.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	
Current and Other Assets	\$10,141,512	\$18,983,465	\$ 395,961	\$ 291,277	\$10,537,473	\$19,274,742	-45.33%
Capital Assets, Net	26,223,872	17,608,452	555,675	401,026	26,779,547	18,009,478	48.70%
Total Assets	<u>36,365,384</u>	<u>36,591,917</u>	<u>951,636</u>	<u>692,303</u>	<u>37,317,020</u>	<u>37,284,220</u>	0.09%
Deferred Outflows of Resources	<u>4,208,959</u>	<u>2,242,986</u>			<u>4,208,959</u>	<u>2,242,986</u>	87.65%
Other Liabilities	1,523,430	1,552,288	26,678	18,813	1,550,108	1,571,101	-1.34%
Long-Term Liabilities	<u>38,751,194</u>	<u>36,152,641</u>			<u>38,751,194</u>	<u>36,152,641</u>	7.19%
Total Liabilities	<u>40,274,624</u>	<u>37,704,929</u>	<u>26,678</u>	<u>18,813</u>	<u>40,301,302</u>	<u>37,723,742</u>	6.83%
Deferred Inflows of Resources		<u>131,492</u>				<u>131,492</u>	-100.00%
Net Position:							
Net Investment in Capital Assets	5,959,764	5,910,924	555,675	401,026	6,515,439	6,311,950	3.22%
Restricted	2,300,098	1,734,140			2,300,098	1,734,140	32.64%
Unrestricted / (Deficit)	<u>(7,960,143)</u>	<u>(6,646,582)</u>	<u>369,283</u>	<u>272,464</u>	<u>(7,590,860)</u>	<u>(6,374,118)</u>	-19.09%
Total Net Position	<u>\$ 299,719</u>	<u>\$ 998,482</u>	<u>\$ 924,958</u>	<u>\$ 673,490</u>	<u>\$ 1,224,677</u>	<u>\$ 1,671,972</u>	-26.75%

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,512,921	\$ 1,611,381	\$ 223,500	\$ 230,139	\$ 1,736,421	\$ 1,841,520	-5.71%
Operating Grants & Contributions	11,747,672	9,042,408	1,177,111	1,128,331	12,924,783	10,170,739	27.08%
General Revenue:							
Property Taxes	14,439,069	13,829,069			14,439,069	13,829,069	4.41%
Unrestricted Federal & State Aid	8,183,327	8,149,850			8,183,327	8,149,850	0.41%
Other	696,794	125,000	40	34	696,834	125,034	457.32%
Transfers	(174,211)	(630)	174,211	630			0.00%
Total Revenue	<u>36,405,572</u>	<u>32,757,078</u>	<u>1,574,862</u>	<u>1,359,134</u>	<u>37,980,434</u>	<u>34,116,212</u>	11.33%
Expenses:							
Instruction	21,287,722	19,209,267			21,287,722	19,209,267	10.82%
Pupil & Instruction Services	6,026,312	5,795,173			6,026,312	5,795,173	3.99%
Administrative & Business	5,240,793	3,953,962			5,240,793	3,953,962	32.55%
Maintenance & Operations	2,813,285	2,809,504			2,813,285	2,809,504	0.13%
Transportation	797,625	689,036			797,625	689,036	15.76%
Other	938,598	984,493	1,323,394	1,271,721	2,261,992	2,256,214	0.26%
Total Expenses	<u>37,104,335</u>	<u>33,441,435</u>	<u>1,323,394</u>	<u>1,271,721</u>	<u>38,427,729</u>	<u>34,713,156</u>	10.70%
Change in Net Position	<u>\$ (698,763)</u>	<u>\$ (684,357)</u>	<u>\$ 251,468</u>	<u>\$ 87,413</u>	<u>\$ (447,295)</u>	<u>\$ (596,944)</u>	-25.07%

Revenue Sources. The District's total revenue for the 2016-2017 school year was \$37,980,434, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$14,439,069 of the total, or 38.02 percent. (See Figure A-5). Approximately 55.58 percent came from state and federal aid and the remainder from miscellaneous sources and charges for services.

Figure A-5
Sources of School District Revenue - Fiscal Year 2017

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 8,191,247	21.57%
Property Taxes	14,439,069	38.02%
Federal and State Categorical Grants	12,916,863	34.01%
Charges for Services	1,736,421	4.57%
Other	696,834	1.83%
	<u>\$ 37,980,434</u>	<u>100.00%</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)

The total cost of all programs and services was \$38,427,729. The District’s expenses are predominantly related to instructing and caring for pupil services and transportation (73.16 percent). (See Figure A-6). The District’s administrative and maintenance and operations activities accounted for 20.96 percent of total costs. It is important to remember that depreciation and interest on long-term liabilities are included in expenses for the year.

Figure A-6
Sources of School District Expenses - Fiscal Year 2017

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 21,287,722	55.40%
Pupil and Instruction Services	6,026,312	15.68%
Administrative and Business	5,240,793	13.64%
Maintenance and Operations	2,813,285	7.32%
Transportation	797,625	2.08%
Other	<u>2,261,992</u>	<u>5.88%</u>
	<u>\$ 38,427,729</u>	<u>100.00%</u>

Governmental Activities

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

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)

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

Figure A-7
Net Cost of Governmental Activities

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2016/2017</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2015/2016</u>
Instruction	\$ 21,287,722	\$ 19,209,267	\$ 10,103,980	\$ 10,026,846
Pupil and Instruction Services	6,026,312	5,795,173	4,914,788	4,912,447
Administrative and Business	5,240,793	3,953,962	4,353,262	3,439,948
Maintenance and Operations	2,813,285	2,809,504	2,813,285	2,809,504
Transportation	797,625	689,036	719,829	614,407
Other	938,598	984,493	938,598	984,494
	<u>\$ 37,104,335</u>	<u>\$ 33,441,435</u>	<u>\$ 23,843,742</u>	<u>\$ 22,787,646</u>

- Fortunately, the health benefits costs slightly decreased from the previous year. This is due to the District's staff being younger than many districts.
- The following school year the District will most likely have another year of tax increase to cover contractual obligations. The District continues to reduce its level of using surplus to cover projected costs.
- The District continues to experience increased enrollment, which requires increased instructional costs. The District is attempting to bring some Special Education Students back into the District to reduce these extraordinary costs.
- The District entered into a new capital lease purchase to move and upgrade the central administrative office to be able to free classroom space to accommodate the continued increase in enrollment.
- The cost of all governmental activities this year was \$37.10 million, which is a 11% increase.
- The federal and state governments subsidized certain programs with grants and contributions of \$19.93 million.
- Approximately \$14.44 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from charges for services, miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's business-type activity increased by \$251,468 (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenue increased from the prior year by \$215,728, which was mostly related to an increase in non-operating revenue of \$48,786 from federal and state subsidies and a transfer of capital assets from the governmental activities of \$160,510. This increase was partially offset by an increase in expenses of \$51,673, especially in cost of sales and salaries and benefits and payroll taxes.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)

Financial Analysis of the District's Funds

With the decline in excess surplus, the District needed to reduce a large budgeted fund balance that it could no longer fund. The District took the necessary steps to reduce the budget over \$400,000 by outsourcing custodians and instructional aides. The change in block scheduling alleviated additional staffing needs at the high school and added to the budget reduction. The District's long-term plan is to reduce the budgeted fund balance further by generating a healthy surplus and starting tuition based programs as additional revenue sources.

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

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

General Fund Budgetary Highlights

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

- Changes were made within budgetary line items to improve cyber security, email protection, and additional storage for data districtwide. Improvements were made to the district firewall to enhance data protection and the installment of additional access points were purchased to improve districtwide wireless access for PARCC assessments and the 1:1 chromebook initiative. Time clocks were added in the main entryways of each building as a security measure to know all staff that is in the building
- Changes made within budgetary line items for additional staffing of instructional aides based on class sizes and student needs. The professional development program, Restorative Practices, was implemented to improve the climate and culture of staff districtwide. Boiler repair services were performed at Lafayette, Smalley, Lamonte, and Lamonte Annex.
- Changes in budgetary line accounts to more accurately reflect current requirements. Of these current requirements, there is a contractual obligation of an increase in salary for teachers and administrators.

Capital Asset and Long-Term Liabilities Administration

At year-end, the District had \$26,779,547 in capital assets as shown in Figure A-8. Capital Assets had a net increase of \$8,770,069 or 48.70% over the prior year. The District had \$9,472,205 of additions offset by \$702,136 of depreciation expense.

Figure A-8
Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	
Construction in Progress	\$ 8,737,147	2,286,433			\$ 8,737,147	2,286,433	282.13%
Buildings and Building Improvements	17,004,579	\$ 14,771,956	\$ 471,597	\$ 315,112	17,476,176	\$ 15,087,068	15.84%
Machinery and Equipment	482,146	550,063	84,078	85,914	566,224	635,977	-10.97%
Total Capital Assets (Net of Depreciation)	\$ 26,223,872	\$ 17,608,452	\$ 555,675	\$ 401,026	\$ 26,779,547	\$ 18,009,478	48.70%

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)

Long-term Liabilities

At year-end, the District had \$26,305,000 in general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District’s long-term liabilities is presented in Note 7 to the financial statements.)

Figure A-9
Outstanding Long-Term Liabilities

	Total School District		Percentage Change
	2016/2017	2015/2016	
General Obligation Bonds (Financed with Property Taxes)	\$ 26,305,000	\$ 27,300,000	-3.64%
Capital Lease Purchase	500,000		100.00%
Net Pension Liability	11,187,015	8,178,346	36.79%
Compensated Absences	759,179	674,295	12.59%
	<u>\$ 38,751,194</u>	<u>\$ 36,152,641</u>	<u>7.19%</u>

- The District continued to pay down its long-term liabilities, retiring \$995,000 of outstanding bonds.
- The District entered into a new capital lease purchase of \$500,000 to move and upgrade the central administrative office to be able to free classroom space to accommodate the continued increase in enrollment.
- Compensated absences payable increased by a net amount of \$84,884 from the prior year.
- The Net Pension Liability increased by \$3,008,669 from the prior year.

Factors Bearing on the District’s Future

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

- There are two primary revenue sources available to school districts: state aid and local taxes. The state aid revenue stream had been frozen or very limited for a number of years, which for the first time in several years will see an increase in the 2017/2018 school year. This means all inflationary pressures and related cost increases for salary, benefits, supplies, and materials have to be born by the local tax base.
- The school district enrollment has increased significantly over the past three years, with 80 new students to educate; this has placed an additional burden on the capped revenue source.
- The District is continuing its goal of eliminating the need of budgeted fund balance to cover projected costs. To that end, it would probably need at least another year of an increase to the tax levy to cover contract costs.
- As stated previously, the District is over \$11 million under adequacy.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Danielle Mancuso, Business Administrator/Board Secretary at the Board of Education Office at 130 West Maple Avenue, Bound Brook, NJ 08805.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 7,891,203	\$ 145,448	\$ 8,036,651
Receivable from Federal Government	236,102	58,694	294,796
Receivable from State Government	277,106	594	277,700
Receivable from Other Governments	185,763		185,763
Other Accounts Receivable		15,555	15,555
Internal Balances	(154,346)	154,346	
Interfund Accounts Receivable	12,804		12,804
Inventories		21,324	21,324
Restricted Assets:			
Maintenance Reserve Account - Cash and Cash Equivalents	725,220		725,220
Capital Reserve Account - Cash and Cash Equivalents	967,660		967,660
Capital Assets:			
Construction in Progress	8,737,147		8,737,147
Depreciable Buildings and Building Improvements and Machinery and Equipment	17,486,725	555,675	18,042,400
Total Assets	<u>36,365,384</u>	<u>951,636</u>	<u>37,317,020</u>
DEFERRED OUTFLOWS OF RESOURCES			
Changes in Assumptions - Pensions	2,317,353		2,317,353
Difference Between Expected & Actual Experience - Pensions	208,046		208,046
Net Difference Between Projected and Actual Earnings on Investments - Pensions	426,572		
Changes in Proportions - Pensions	873,988		873,988
District Contribution Subsequent to the Measurement Date - Pensions	383,000		383,000
Total Deferred Outflows of Resources	<u>4,208,959</u>		<u>3,782,387</u>
LIABILITIES			
Accounts Payable	878,237	14,416	892,653
Payable to Local Government	125,073		125,073
Accrued Interest Payable	388,535		388,535
Unearned Revenue	131,585	12,262	143,847
Noncurrent Liabilities:			
Due Within One Year	1,192,447		1,192,447
Due Beyond One Year	37,558,747		37,558,747
Total Liabilities	<u>40,274,624</u>	<u>26,678</u>	<u>40,301,302</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net Investment in Capital Assets	\$ 5,959,764	\$ 555,675	\$ 6,515,439
Restricted for:			
Capital Projects	1,116,882		1,116,882
Debt Service	67,664		67,664
Maintenance	725,220		725,220
Excess Surplus	390,332		390,332
Unrestricted/(Deficit)	(7,960,143)	369,283	(7,590,860)
Total Net Position	\$ 299,719	\$ 924,958	\$ 1,224,677

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 15,225,678	\$ 1,462,346	\$ 6,520,149		\$ (7,243,183)		\$ (7,243,183)
Special Education	3,945,318		2,613,047		(1,332,271)		(1,332,271)
Other Instruction	1,595,820				(1,595,820)		(1,595,820)
School-Sponsored Instruction	520,906		588,200		67,294		67,294
Support Services:							
Tuition	1,873,933				(1,873,933)		(1,873,933)
Student & Instruction Related Services	4,152,379		1,111,524		(3,040,855)		(3,040,855)
General Administrative Services	1,722,079		189,458		(1,532,621)		(1,532,621)
School Administrative Services	2,359,417		630,928		(1,728,489)		(1,728,489)
Central Services and Administrative							
Information Technology	1,159,296		67,145		(1,092,151)		(1,092,151)
Plant Operations and Maintenance	2,813,285				(2,813,285)		(2,813,285)
Pupil Transportation	797,625	50,575	27,221		(719,829)		(719,829)
Interest and Other Charges	862,331				(862,331)		(862,331)
Capital Outlay	9,836				(9,836)		(9,836)
Transfer to Charter School	66,431				(66,431)		(66,431)
Total Governmental Activities	37,104,335	1,512,921	11,747,672		(23,843,742)		(23,843,742)

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 1,323,394	\$ 223,500	\$ 1,177,111		\$ 77,217	\$	\$ 77,217
Total Business-Type Activities	1,323,394	223,500	1,177,111		77,217		77,217
Total Primary Government	\$ 38,427,729	\$ 1,736,421	\$ 12,924,783	\$ -0-	\$ (23,843,742)	\$ 77,217	(23,766,525)
General Revenue and Transfers							
Taxes:							
Property Taxes, Levied for General Purposes, Net					14,056,977		14,056,977
Taxes Levied for Debt Service					382,092		382,092
Federal and State Aid not Restricted:					8,183,327		8,183,327
Miscellaneous Income					696,794	40	696,834
Transfers					(174,211)	174,211	
Total General Revenue and Transfers					23,144,979	174,251	23,319,230
Change in Net Position					(698,763)	251,468	(447,295)
Net Position - Beginning					998,482	673,490	1,671,972
Net Position - Ending					\$ 299,719	\$ 924,958	\$ 1,224,677

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

FUND FINANCIAL STATEMENTS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,075,281	\$ 41,954	\$ 6,760,960	\$ 13,008	\$ 7,891,203
Receivables From Federal Government		236,102			236,102
Receivables From State Government	277,106				277,106
Receivables From Other Governments	185,763				185,763
Interfund Receivable	13,043			54,656	67,699
Restricted Cash and Cash Equivalents	1,692,880				1,692,880
Total Assets	\$ 3,244,073	\$ 278,056	\$ 6,760,960	\$ 67,664	\$ 10,350,753

LIABILITIES AND FUND BALANCES:

Liabilities:					
Accounts Payable	\$ 261,217	\$ 218,069	\$ 15,951	\$	\$ 495,237
Interfund Payable	154,346		54,895		209,241
Payable to Local Government	125,073				125,073
Unearned Revenue		131,585			131,585
Total Liabilities	540,636	349,654	70,846		961,136
Fund Balances:					
Restricted:					
Excess Surplus	350,000				350,000
Excess Surplus - For Subsequent Year's Expenditures	40,332				40,332
Maintenance Reserve	725,220				725,220
Capital Reserve Account	967,660				967,660
Capital Projects			6,690,114		6,690,114
Debt Service				67,664	67,664
Fund Balances:					
Assigned:					
Year-End Encumbrances	95,268				95,268
For Subsequent Year's Expenditures	524,957				524,957
Unassigned / (Deficit)		(71,598)			(71,598)
Total Fund Balances/(Deficit)	2,703,437	(71,598)	\$ 6,690,114	\$ 67,664	9,389,617
Total Liabilities and Fund Balances	\$ 3,244,073	\$ 278,056	\$ 6,760,960	\$ 67,664	\$ 10,350,753

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

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

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds.
The Cost of the Assets is \$34,063,867 and the Accumulated Depreciation is \$7,839,995.

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-Term Liabilities, Including Bonds Payable and Compensated Absences, Are Not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds

The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.

Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.

Changes in Assumptions - Pensions
Difference Between Expected & Actual Experience Changes in Assumptions - Pensions
Net Difference Between Projected and Actual Earnings on Investments - Pensions
Changes in Proportions - Pensions

Net Position of Governmental Activities

	\$ 26,223,872
	(388,535)
	(27,564,179)
	(11,187,015)
	2,317,353
	208,046
	873,988
	426,572
	\$ 299,719
	\$ 299,719

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 14,056,977			\$ 382,092	\$ 14,439,069
Tuition Charges	1,462,346				1,462,346
Transportation Fees	50,575				50,575
Miscellaneous	141,899	\$ 6,628	\$ 554,895		703,422
Total - Local Sources	15,711,797	6,628	554,895	382,092	16,655,412
State Sources	11,487,710	663,203		920,346	13,071,259
Federal Sources	95,193	1,796,228			1,891,421
Total Revenues	27,294,700	2,466,059	554,895	1,302,438	31,618,092
EXPENDITURES:					
Current:					
Regular Instruction	6,926,142	2,054,913			8,981,055
Special Education Instruction	1,871,567	440,066			2,311,633
Other Instruction	554,273				554,273
School-Sponsored	520,906				520,906
Support Services and Undistributed Costs:					
Tuition	1,873,933				1,873,933
Student and Other Instruction Related Services	2,322,676				2,322,676
General Administration Services	864,762				864,762
School Administration Services	1,289,527				1,289,527
Central Services & Administrative Information Technology	760,823				760,823
Plant Operations and Maintenance	2,072,498				2,072,498
Student Transportation	672,548				672,548
Unallocated Benefits	6,799,458				6,799,458

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Debt Service:					
Interest and Other Charges				\$ 876,863	\$ 876,863
Principal	9,836			995,000	995,000
Capital Outlay			\$ 9,412,358		9,422,194
Transfer of Funds to Charter School	66,431				66,431
Total Expenditures	<u>26,605,380</u>	<u>\$ 2,494,979</u>	<u>9,412,358</u>	<u>1,871,863</u>	<u>40,384,580</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>689,320</u>	<u>(28,920)</u>	<u>(8,857,463)</u>	<u>(569,425)</u>	<u>(8,766,488)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In/(Out)	<u>(554,646)</u>		<u>(54,895)</u>	<u>595,840</u>	<u>(13,701)</u>
Total Other Financing Sources/(Uses)	<u>(554,646)</u>		<u>(54,895)</u>	<u>595,840</u>	<u>(13,701)</u>
Net Change in Fund Balances	<u>134,674</u>	<u>(28,920)</u>	<u>(8,912,358)</u>	<u>26,415</u>	<u>(8,780,189)</u>
Fund Balance / (Deficit) - July 1	<u>2,568,763</u>	<u>(42,678)</u>	<u>15,602,472</u>	<u>41,249</u>	<u>18,169,806</u>
Fund Balance / (Deficit) - June 30	<u>\$ 2,703,437</u>	<u>\$ (71,598)</u>	<u>\$ 6,690,114</u>	<u>\$ 67,664</u>	<u>\$ 9,389,617</u>

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (8,780,189)

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

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

	Depreciation Expense	\$ (674,768)	
	Transfer of Assets to Proprietary Funds	(160,510)	
	Capital Outlays	9,450,698	8,615,420

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

(84,884)

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

995,000

Capital leases entered into by the district are an other financing source in the governmental funds, however, the acquisition increases long-term liabilities in the statement of net assets and is not reported in the statement of activities.

(500,000)

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

14,532

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Changes in Net Pension Liability	\$ (3,008,669)
Deferred Outflows:	
Changes in Assumptions	1,439,064
Difference Between Expected & Actual Experience Changes in Assumptions - Pensions	12,939
Changes in Proportions	39,960
Net Difference Between Projected and Actual Earnings on Investments - Pensions	558,064
Change in Net Position of Governmental Activities (Exhibit A-2)	\$ (698,763)

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-type Activities - Enterprise Funds Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 145,448
Intergovernmental Accounts Receivable:	
Federal	58,694
State	594
Accounts Receivable - Other	14,927
Student Accounts Receivable	628
Interfund Accounts Receivable:	
General Fund	154,346
Inventories	21,324
	395,961
Total Current Assets	
Non-Current Assets:	
Capital Assets	919,449
Less: Accumulated Depreciation	(363,774)
	555,675
Total Non-Current Assets	
	951,636
Total Assets	
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	5,652
Unearned Revenue - Donated Commodities	6,610
Accounts Payable - Vendors	14,416
	26,678
Total Current Liabilities	
NET POSITION:	
Investment in Capital Assets	555,675
Unrestricted	369,283
	924,958
Total Net Position	
	\$ 924,958

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Meals	\$ 137,934
Daily Sales - Non-Reimbursable Meals	67,030
Other Income	18,536
	223,500
Total Operating Revenue	223,500
Operating Expenses:	
Cost of Sales - Reimbursable Programs	674,923
Cost of Sales - Non-Reimbursable Programs	41,373
Salaries, Benefits & Payroll Taxes	415,735
Supplies, Insurance & Other Costs	120,767
Management Fee	43,228
Depreciation Expense	27,368
	1,323,394
Total Operating Expenses	1,323,394
Operating Loss	(1,099,894)
Non-Operating Revenue:	
Local Sources:	
Interest Income	40
State Sources:	
State School Breakfast Program	12,810
Federal Sources:	
National School Lunch Program	650,413
After School Snack Program	2,848
School Breakfast Program	418,202
Food Distribution Program	92,838
	1,177,151
Total Non-Operating Revenue	1,177,151
Net Income Before Transfers	77,257
Transfers:	
Transfer of Capital Assets	160,510
Transfer In - General Fund	13,701
	174,211
Total Transfers	174,211
Change in Net Position	251,468
Net Position - Beginning of Year	673,490
Net Position - End of Year	\$ 924,958

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 226,952
Payments to Employees/Vendors	(415,735)
Payments to Food Service Vendor	(782,861)
Net Cash Used for Operating Activities	(971,644)
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	40
Net Cash Provided by Investing Activities	40
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(21,507)
Net Cash Used for Capital and Related Financial Activities	(21,507)
Cash Flows from Noncapital Financing Activities:	
State Sources	12,678
Federal Sources	1,056,201
Net Cash Provided by Noncapital Financing Activities	1,068,879
Net Decrease in Cash and Cash Equivalents	75,768
Cash and Cash Equivalents, July 1	69,680
Cash and Cash Equivalents, June 30	\$ 145,448
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (1,099,894)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	27,368
Food Distribution Program	92,838
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable - Students	16,152
(Increase)/Decrease in Accounts Receivable	(15,157)
(Increase)/Decrease in Inventories	(816)
Increase in Unearned Revenue - Prepaid Sales	2,457
(Decrease) in Unearned Revenue - Donated Commodities	4,288
(Decrease) in Accounts Payable	1,120
Net Cash Used for Operating Activities	\$ (971,644)

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received \$97,126 and utilized \$92,838 of commodities from the Federal Food Distribution Program for the fiscal year ended June 30, 2017.

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
ASSETS:					
Cash and Cash Equivalents	\$ 243,073	\$ 242,181	\$ 7,850	\$ 373	\$ 493,477
Interfund Receivable - Payroll Agency Fund		8,974			8,974
Total Assets	<u>243,073</u>	<u>251,155</u>	<u>7,850</u>	<u>373</u>	<u>502,451</u>
LIABILITIES:					
Interfund Payable - General Fund	12,804				12,804
Interfund Payable - Unemployment Trust	8,974				8,974
Due to Student Groups	60,742				60,742
Due to Athletics	1,315				1,315
Payroll Deductions and Withholdings	159,238				159,238
Total Liabilities	<u>243,073</u>				<u>243,073</u>
NET POSITION:					
Held in Trust for:					
Unemployment Claims		251,155			251,155
Flexible Spending Claims			7,850		7,850
Restricted for Scholarships				373	373
Total Net Position	<u>\$ -0-</u>	<u>\$ 251,155</u>	<u>\$ 7,850</u>	<u>\$ 373</u>	<u>\$ 259,378</u>

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
Additions:				
Contributions:				
Plan Contributions	\$ 26,999	\$ 17,336		\$ 44,335
Total Contributions	26,999	17,336		44,335
Investment Earnings:				
Interest	302			302
Net Investment Earnings	302			302
Total Additions	27,301	17,336		44,637
Deductions:				
Unemployment Compensation Claims	48,952			48,952
Flexible Spending Claims		13,472		13,472
Scholarships Awarded			\$ 250	250
Total Deductions	48,952	13,472	250	62,674
Change in Net Position	(21,651)	3,864	(250)	(18,037)
Net Position - Beginning of the Year	272,806	3,986	623	277,415
Net Position - End of the Year	\$ 251,155	\$ 7,850	\$ 373	\$ 259,378

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate 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. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 27,306,011	\$ 2,496,638
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(1,659)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Statements	804,496	42,678
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(815,807)	(71,598)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 27,294,700	\$ 2,466,059

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 26,605,380	\$ 2,496,638
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(1,659)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 26,605,380	\$ 2,494,979

E. Cash and Cash Equivalents:

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

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

F. Interfund Transactions:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

F. Interfund Transactions: (Cont'd)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

K. Capital Assets:

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

K. Capital Assets: (Cont'd)

	<u>Estimated Useful Life</u>
Buildings	20 to 50 years
Building Improvements	10 to 20 years
Machinery and Equipment	10 to 15 years

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

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

N. Compensated Absences:

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

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,703,437 General Fund balance at June 30, 2017, \$95,268 is assigned for year-end encumbrances; \$967,660 is restricted in a capital reserve account; \$725,220 is restricted in a maintenance reserve account; \$40,332 is restricted for prior year excess surplus in accordance with N.J.S.A.18A:7F (S1701) and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2018; \$350,000 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the year ended June 30, 2019 and \$524,957 of assigned fund balance designated for subsequent year's expenditures, which is \$284,711 less than the actual assigned fund balance due to the final two state aid payments, which are not recognized on a GAAP basis until the fiscal year ended June 30, 2018. Additionally, there is \$-0- of unassigned fund balance which is \$531,096 less on a GAAP basis due to the final two state aid payments not being recognized on a GAAP basis.

Special Revenue Fund: The deficit fund balance of \$71,598 in Special Revenue Fund at June 30, 2017 is unassigned. This deficit is due to the last two June state aid payments, which are not recognized on a GAAP basis until the fiscal year ended June 30, 2018.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2017 is \$6,690,114 and is restricted.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2017 is \$67,664 and is restricted.

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

The District's fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$815,807 due to the last two State Aid payments which is not recognized on a GAAP basis. (\$531,096 in unassigned fund balance and \$284,711 in assigned fund balance designated for subsequent year's expenditures), as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Q. Deficit Fund Balances / Net Position

The District has a deficit in unrestricted net position of \$7,960,143 in governmental activities, which is primarily due to compensated absences payable, and net pension liability. The District has a deficit in fund balance of \$71,598 in the Special Revenue Fund as of June 30, 2017 as a result of the last two state aid payments that are not recognized on a GAAP basis. These deficits do not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2017 for the changes in assumptions in pensions, the difference between expected and actual pension experience, the net difference between projected and actual investment earnings on pension plan investments, changes in proportion in pension and the district contribution subsequent to the measurement date for pensions.

The District had no deferred inflow of resources at June 30, 2017.

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

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

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2017.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$95,268 of assigned resources for year-end encumbrances and \$524,957 for fund balance designated for subsequent year's expenditures in the General Fund on the budgetary basis at June 30, 2017.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

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

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

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

Deposits:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

Deposits: (Cont'd)

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) 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
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Investments: (Cont'd)

As of June 30, 2017, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents Capital & Maintenance Reserve Accounts	Total
Checking Accounts	\$ 8,530,128	\$ 1,692,880	\$ 10,223,008

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$10,223,008 and the bank balance was \$10,461,666.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 1,008,844
Deposits:	
Transferred by Board Resolution June 26, 2017	500,000
Withdrawals:	
Approved Withdrawals to Debt Service Fund - Budgeted	541,184
Ending Balance, June 30, 2017	\$ 967,660

The balance in the capital reserve account at June 30, 2017 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

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

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

The activity of the maintenance reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 359,178
Deposits:	
Transferred by Board Resolution June 26, 2017	366,042
Ending Balance, June 30, 2017	\$ 725,220

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental Activities:				
Construction in Progress	\$ 2,286,433	\$ 9,411,858	\$ (2,961,144)	\$ 8,737,147
Total Capital Assets Not Being Depreciated	2,286,433	9,411,858	(2,961,144)	8,737,147
Capital Assets Being Depreciated:				
Buildings and Building Improvements	20,381,581		2,749,731	23,131,312
Machinery and Equipment	2,125,885	38,840	30,683	2,195,408
Total Capital Assets Being Depreciated	22,507,466	38,840	2,780,414	25,326,720
Governmental Activities Capital Assets	24,793,899	9,450,698	(180,730)	34,063,867
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(5,609,625)	(517,108)		(6,126,733)
Machinery and Equipment	(1,575,822)	(157,660)	20,220	(1,713,262)
	(7,185,447)	(674,768)	20,220	(7,839,995)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 17,608,452	\$ 8,775,930	\$ (160,510)	\$ 26,223,872

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Business Type Activities:				
Capital Assets Being Depreciated:				
Buildings and Building Improvements	\$ 506,999	\$ 13,665	\$ 160,510	\$ 681,174
Machinery and Equipment	230,432	7,841		238,273
Business Type Activities Capital Assets	<u>737,431</u>	<u>21,506</u>	<u>160,510</u>	<u>919,447</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(191,887)	(17,691)		(209,578)
Machinery and Equipment	(144,518)	(9,676)		(154,194)
	<u>(336,405)</u>	<u>(27,367)</u>		<u>(363,772)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 401,026</u>	<u>\$ (5,861)</u>	<u>\$ 160,510</u>	<u>\$ 555,675</u>

The District expended \$9,411,858 towards construction projects in progress and transferred \$2,961,144 of completed capital projects to depreciable capital assets during the fiscal year, including a transfer of \$160,510 from governmental activities to business type activities. The District has \$6,690,114 in an active construction project as of June 30, 2017 of which \$5,692,169 was encumbered. The District also expended \$38,840 from its capital outlay budget. The Food Service Fund also expended \$21,507 for equipment and cafeteria building improvements.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 260,827
Special Education	65,077
Other Instruction	134,240
Student and Instruction Related Services	57,373
General Administration	3,654
School Administration	51,421
Central Services & Administrative Information Tehnology	6,510
Operations and Maintenance of Plant	67,796
Pupil Transportation	27,870
	<u>\$ 674,768</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in long-term liabilities reported in the District-wide financial statements:

	Beginning Balance	Accrued	Retired	Ending Balance
Serial Bonds Payable	\$ 27,300,000		\$ 995,000	\$ 26,305,000
Capital Leases		\$ 500,000		500,000
Net Pension Liability	8,178,346	3,008,669		11,187,015
Compensated Absences Payable	674,295	99,922	15,038	759,179
	<u>\$ 36,152,641</u>	<u>\$ 3,608,591</u>	<u>\$ 1,010,038</u>	<u>\$ 38,751,194</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

A. Bonds Payable

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

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

The District had bonds outstanding as of June 30, 2017 as follows:

<u>Purpose</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
School Refunding Bonds	7/15/2018	4.00%	\$ 595,000
School Bonds	1/15/2040	2.00% - 3.75%	25,710,000
			<u>\$ 26,305,000</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,050,000	\$ 843,962	\$ 1,893,962
2019	1,095,000	809,262	1,904,262
2020	830,000	779,462	1,609,462
2021	870,000	754,562	1,624,562
2022	900,000	728,463	1,628,463
2023-2027	5,020,000	3,214,511	8,234,511
2028-2032	5,580,000	2,427,387	8,007,387
2033-2037	6,720,000	1,465,028	8,185,028
2038-2040	4,240,000	311,702	4,551,702
	<u>\$ 26,305,000</u>	<u>\$ 11,334,339</u>	<u>\$ 37,639,339</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2017, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District's capital lease purchase related to financing of construction of improvements for the central administrative office upgrade. The capital lease purchase totals \$500,000 of which \$-0- has been liquidated as of June 30, 2017. The capital lease is for a term of five years. The schedule of the future minimum lease payments under the District's capital lease, and the present value of the net minimum lease payments at June 30, 2017.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

C. Capital Leases Payable: (Cont'd)

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2018	\$ 105,615
June 30, 2019	105,615
June 30, 2020	105,615
June 30, 2021	105,615
June 30, 2022	<u>105,615</u>
Total Minimum Lease Payments	528,075
Less: Amount Representing Interest	(28,075)
Present Value of Net Minimum Lease Payments	<u>\$ 500,000</u>

The current portion of the capital lease payable as June 30, 2017 in the governmental activities is \$101,186 and the long-term portion is \$398,814. The General Fund will be used to liquidate the capital lease payable in the governmental activities.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the liability is \$41,261 and the long-term liability balance of compensated absences is \$717,918.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the Food Service Fund.

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

E. Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2017 is \$-0- and the long-term portion is \$11,187,015. See Note 9 for further information on the PERS.

NOTE 8. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2017, the District transferred \$40,990 to the capital outlay accounts for equipment and did not require County Superintendent approval.

NOTE 9. PENSION PLANS

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$340,375 for 2016.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2017, the District's liability was \$11,187,015 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.037%, which was an increase of 0.001% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized actual pension expense in the amount of \$1,294,187. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Year of</u> <u>Deferral</u>	<u>Amortization</u> <u>Period</u> <u>in Years</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes in Assumptions	2014	6.44	\$ 140,623	
	2015	5.72	574,617	
	2016	5.57	1,602,113	
			<u>2,317,353</u>	
Difference Between Expected and Actual Experience	2015	5.72	159,426	
	2016	5.57	48,620	
			<u>208,046</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(210,725)	
	2015	5.00	134,821	
	2016	5.00	502,476	
			<u>426,572</u>	
Changes in Proportion	2014	6.44	96,529	
	2015	5.72	559,134	
	2016	5.57	218,325	
			<u>873,988</u>	
District Contribution Subsequent to the Measurement Date	2016	1.00	<u>383,000</u>	
			<u>\$ 4,208,959</u>	<u>\$ -0-</u>

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2017	\$ 664,610
2018	664,609
2019	769,972
2020	646,890
2021	205,890
	\$ 2,951,971

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) 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.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 13,708,381	\$ 11,187,015	\$ 9,105,408

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2017, the State of New Jersey contributed \$1,180,068 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$6,141,760.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the State's proportionate share of the net pension liability associated with the District was \$81,741,820. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.104%, which was an increase of 0.01% from its proportion measured as of June 30, 2015.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	81,741,820
Total	<u>\$ 81,741,820</u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$6,141,760 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,691,524,165	
	2015	8.3	4,488,602,746	
	2016	8.3	9,522,623,964	
			<u>15,702,750,875</u>	
Difference Between Expected and Actual Experience	2014	8.5		\$ 16,110,615
	2015	8.3	277,221,464	
	2016	8.3		118,421,979
			<u>277,221,464</u>	<u>134,532,594</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(870,618,286)	
	2015	5	577,926,182	
	2016	5	1,727,420,767	
			<u>1,434,728,663</u>	
		<u>\$ 17,414,701,002</u>	<u>\$ 134,532,594</u>	

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

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	<u>4,098,702,110</u>
	<u>\$ 17,280,168,408</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) 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 TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the State's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

	June 30, 2016		
	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 97,618,000	\$ 81,741,820	\$ 68,776,870

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$796 for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$1,465 for the year ended June 30, 2017.

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 of Public Laws 1990 required the TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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

<http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$983,265, \$990,610 and \$805,663 for 2017, 2016 and 2015 respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 11. RISK MANAGEMENT

Property and Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are obtained from Horizon Blue Cross / Blue Shield of New Jersey.

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

Selected, summarized financial information for the Group as of June 30, 2017 is as follows:

	New Jersey Schools Insurance Group (NJSIG)
Total Assets	\$ 328,998,652
Total Net Position	\$ 78,662,630
Total Revenue	\$ 131,811,793
Total Expenses	\$ 121,371,527
Change in Net Position	\$ 10,440,266
Member Dividends	\$ -0-

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

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

New Jersey Unemployment Compensation Insurance

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

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

Fiscal Year	District Contributions	Employee Contributions and Interest	Amount Reimbursed	Ending Balance
2017	\$ -0-	\$ 27,301	\$ 48,952	\$ 251,155
2016	-0-	24,767	74,845	272,806
2015	-0-	24,804	80,186	322,884

NOTE 12. ECONOMIC DEPENDENCY

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13. DEFERRED COMPENSATION

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

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

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

NOTE 14. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2017, there were encumbrances as detailed below in the governmental funds:

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 95,268	\$ 4,250	\$ 5,692,169	\$ 5,791,687

On the District's Governmental Funds Balance Sheet as of June 30, 2017, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$4,250 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund. The Capital Projects Fund has \$5,692,169 of encumbrances which are included in the \$6,690,114 of restricted fund balance.

Arbitrage

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 15. TAX CALENDAR

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

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

NOTE 16. INTERFUND RECEIVABLES AND PAYABLES AND PAYABLES AND TRANSFERS

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 13,043	\$ 154,346
Capital Projects Fund		54,895
Debt Service Fund	54,656	
Fiduciary Funds - Agency		21,778
Fiduciary Funds - Unemployment Fund	8,974	
Proprietary Funds - Food Service	154,346	
	<u>\$ 231,019</u>	<u>\$ 231,019</u>

The interfund between the General Fund and the Agency Fiduciary Fund is due to a remaining balance in the Agency Fiduciary Fund. The interfund between General Fund and Proprietary Funds- Food Service is for federal and state reimbursements received in the General Fund not transferred to the Proprietary Funds- Food Service at year end and also for the board contribution not yet turned over. The interfund between the Capital Projects Fund and the Debt Service Fund is for interest earnings in the Capital Projects Fund. The interfund receivable in the Unemployment Fund from the Agency Fiduciary Fund is for current year employee deductions not turned over at year end.

During the fiscal year, the District transferred \$541,184 from the Capital Reserve in General Fund to the Debt Service Fund, \$54,656 from the Capital Projects Fund to the Debt Service Fund for interest earnings, \$13,701 from the General Fund to the Proprietary Funds- Food Service for a board contribution, and \$239 from the Capital Projects Fund to General Fund for interest earnings on the lease purchase proceeds. In addition, there was a transfer of capital assets of \$160,510 from governmental activities to business type activities for prior year expenditures towards construction projects in progress that have been completed and are now being transferred to depreciable capital assets.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 17. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental Activities as of June 30, 2017 consisted of the following:

	Governmental Fund			District Contribution	Total	Business-Type Activities
	General Fund	Special Revenue Fund	Capital Projects Fund	Subsequent to Measurement Date	Governmental Activities	Proprietary Funds
Vendors	\$ 261,217	\$ 218,069	\$ 15,951		\$ 495,237	\$ 14,416
State of New Jersey				\$ 383,000	383,000	
	<u>\$ 261,217</u>	<u>\$ 218,069</u>	<u>\$ 15,951</u>	<u>\$ 383,000</u>	<u>\$ 878,237</u>	<u>\$ 14,416</u>

NOTE 18. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The Borough of Bound Brook recognized revenue in the amount of \$251,747 from two payment in lieu of taxes ("PILOT") agreements. The taxes which would have been paid on these properties for 2016 without the abatement would have been \$1,096,820 of which \$619,998 would have been for the district school tax.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,	
	2015	2016
	2015	2016
District's proportion of the net pension liability	0.031966110000%	0.036432408200%
District's proportionate share of the net pension liability	\$ 5,984,930	\$ 8,178,346
District's covered employee payroll	\$ 2,390,466	\$ 2,489,416
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	250.37%	328.52%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%
		40.14%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 263,524	\$ 314,090	\$ 340,375
Contributions in relation to the contractually required contribution	<u>(263,524)</u>	<u>(314,090)</u>	<u>(340,375)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 2,342,657	\$ 2,390,466	\$ 2,489,416
Contributions as a percentage of covered employee payroll	11.25%	13.14%	13.67%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0939304738%	0.0938715579%	0.1039094711%
State's proportionate share of the net pension liability attributable to the District	\$ 50,202,781	\$ 59,330,833	\$ 81,741,820
District's covered employee payroll	\$ 9,870,838	\$ 10,464,674	\$ 11,469,546
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	508.60%	566.96%	712.69%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 2,701,381	\$ 3,622,682	\$ 6,141,760
Contributions in relation to the contractually required contribution	<u>(507,504)</u>	<u>(831,939)</u>	<u>(1,180,068)</u>
Contribution deficiency/(excess)	<u>\$ 2,193,877</u>	<u>\$ 2,790,743</u>	<u>\$ 4,961,692</u>
District's covered employee payroll	\$ 9,870,838	\$ 10,464,674	\$ 11,469,546
Contributions as a percentage of covered employee payroll	5.14%	7.95%	10.29%

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Assumptions (Cont'd)

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 14,056,977		\$ 14,056,977	\$ 14,056,977	
Tuition from Other LEA's	1,346,650		1,346,650	1,462,346	\$ 115,696
Transportation Fees	10,000		10,000	50,575	40,575
Miscellaneous	120,478		120,478	141,899	21,421
Total - Local Sources	15,534,105		15,534,105	15,711,797	177,692
State Sources:					
Categorical Special Education Aid	903,401		903,401	903,401	
Equalization Aid	6,305,124		6,305,124	6,305,124	
Categorical Security Aid	141,353		141,353	141,353	
Adjustment Aid	51,096		51,096	51,096	
Under Adequacy Aid	282,395		282,395	282,395	
Categorical Transportation Aid	27,646		27,646	27,646	
School Choice Aid	434,316		434,316	434,316	
Extraordinary Aid	130,000		130,000	190,827	60,827
PARCC Readiness Aid	16,070		16,070	16,070	
Per Pupil Growth Aid	16,070		16,070	16,070	
Professional Learning Community Aid	17,440		17,440	17,440	
Host District Support Aid	7,647		7,647	7,647	
TPAF Pension Contribution (On-Behalf - Non Budgeted)				1,180,068	1,180,068
TPAF Pension NCGI Premium (On-Behalf - Non Budgeted)				41,262	41,262
TPAF Pension LTDI Premium (On-Behalf - Non Budgeted)				4,957	4,957
TPAF Post Retirement Contribution (On-Behalf - Non Budgeted)				983,265	983,265
TPAF Social Security (Reimbursed - Non Budgeted)				896,084	896,084
Total State Sources	8,332,558		8,332,558	11,499,021	3,166,463
Federal Sources:					
Medicaid Assistance Program	49,406		49,406	91,459	42,053
Medicaid Assistance Program - SEMI/ARRA				3,734	3,734
Total Federal Sources	49,406		49,406	95,193	45,787
TOTAL REVENUES	23,916,069		23,916,069	27,306,011	3,389,942

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 446,237	\$ 37,016	\$ 37,016	\$ 36,969	\$ 47
Kindergarten - Salaries of Teachers	2,441,275	63,258	509,495	508,487	1,008
Grades 1-5 - Salaries of Teachers	1,251,581	135,848	2,577,123	2,576,906	217
Grades 6-8 - Salaries of Teachers	2,261,801	(30,497)	1,221,084	1,218,246	2,838
Grades 9-12 - Salaries of Teachers		74,520	2,336,321	2,284,194	52,127
Purchased Professional - Educational Services		52,000	52,000	47,584	4,416
Regular Programs - Home Instruction:					
Salaries of Teachers	33,550		33,550	25,343	8,207
Purchased Professional - Educational Services	39,160		39,160	23,831	15,329
Other Salaries for Instruction	58,197	(58,197)			
Regular Programs - Undistributed Instruction:					
Textbooks	127,000	(120,000)	7,000	4,558	2,442
Purchased Professional Education Services	911,169	(868,196)	42,973	2,230	40,743
Other Objects	25,400		25,400	5,470	19,930
Other Purchased Services (400-500 series)	147,405	4,053	151,458	60,917	90,541
General Supplies	383,097	(131,901)	251,196	131,407	119,789
Total Regular Programs - Instruction	8,125,872	(842,096)	7,283,776	6,926,142	357,634
Learning and/or Language Disabilities:					
Salaries of Teachers	231,745	(38,578)	193,167	193,167	
Other Salaries for Instruction		87,581	87,581	82,251	5,330
General Supplies	1,000	1,877	2,877	2,877	
Purchased Professional-Educational Services		9,700	9,700	6,319	3,381
Total Learning and/or Language Disabilities	232,745	60,580	293,325	284,614	8,711

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Behavioral Disabilities:					
Salaries of Teachers	\$ 266,963	\$ (97,467)	\$ 169,496	\$ 168,895	\$ 601
Other Salaries for Instruction		35,328	35,328	34,977	351
General Supplies	400		400	12	388
Purchased Professional-Educational Services		7,800	7,800	2,745	5,055
Total Behavioral Disabilities	267,363	(54,339)	213,024	206,629	6,395
Resource Room/Resource Center:					
Salaries of Teachers	1,040,462	(53,332)	987,130	980,323	6,807
Other Salaries for Instruction		3,785	3,785	3,785	
General Supplies	4,900	(1,791)	3,109	1,284	1,825
Purchased Professional-Educational Services		19,173	19,173	19,173	
Total Resource Room/Resource Center	1,045,362	(32,165)	1,013,197	1,004,565	8,632
Autism:					
Salaries of Teachers	174,969	3,526	178,495	178,495	
Other Salaries for Instruction	2,644	60,206	62,850	61,135	1,715
Purchased Professional-Educational Services		6,800	6,800	3,982	2,818
General Supplies		3,600	3,600	3,594	6
Total Autism	177,613	74,132	251,745	247,206	4,539
Preschool Disabilities - Part-Time:					
Salaries of Teachers	84,482	4,798	89,280	89,280	
Other Salaries for Instruction	1,322	35,763	37,085	36,376	709
Purchased Professional - Educational Services		6,200	6,200	2,897	3,303
Total Preschool Disabilities - Part-Time	85,804	46,761	132,565	128,553	4,012
Total Special Education Instruction	1,808,887	94,969	1,903,856	1,871,567	32,289

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Basic Skills/Remedial - Instruction:					
General Supplies	\$ 1,200	\$	1,200	\$ 99	\$ 1,101
Purchased Professional-Education Services		6,200	6,200	3,165	3,035
Total Basic Skills/Remedial - Instruction	1,200	6,200	7,400	3,264	4,136
Bilingual Education - Instruction:					
Salaries of Teachers	382,435	48,400	430,835	430,835	980
Other Salaries for Instruction		23,019	23,019	22,039	250
Textbooks	250		250		2,153
General Supplies	2,250		2,250	97	6,996
Purchased Professional-Education Service		13,100	13,100	6,104	10,379
Total Bilingual Education - Instruction	384,935	84,519	469,454	459,075	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	106,139		106,139	75,602	30,537
Purchased Services (300-500 series)	8,400		8,400	5,478	2,922
Other Objects	1,875		1,875	480	1,395
Total School-Sponsored Cocurricular Activities - Instruction	116,414		116,414	81,560	34,854
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	390,733	(48,688)	342,045	305,477	36,568
Purchased Services (300-500 series)	103,766	(2,157)	101,609	79,441	22,168
Supplies and Materials	45,126	(751)	44,375	43,529	846
Other Objects	24,443	(10,955)	13,488	10,899	2,589
Total School-Sponsored Cocurricular Athletics - Instruction	564,068	(62,551)	501,517	439,346	62,171

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Before/After School Programs - Instruction:					
Salaries of Teachers		\$ 20,338	\$ 20,338	\$ 10,484	\$ 9,854
Total Before/After School Programs - Instruction		20,338	20,338	10,484	9,854
Summer School - Instruction:					
Salaries of Teachers	\$ 35,500	(6,265)	29,235	29,172	63
Total Summer School - Instruction	35,500	(6,265)	29,235	29,172	63
Alternative Education Program - Instruction:					
Salaries of Teachers	58,000		58,000	52,278	5,722
Total Alternative Education Program - Instruction	58,000		58,000	52,278	5,722
Total Instruction	11,094,876	(704,886)	10,389,990	9,872,888	517,102
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	135,642	(81,656)	53,986	42,939	11,047
Tuition to Other LEAs Within the State - Special	290,044	302,366	592,410	489,190	103,220
Tuition to County Vocational School District - Regular	41,250		41,250	41,250	
Tuition to County Vocational School District - Special	7,496		7,496	3,368	4,128
Tuition to CSSD & Regional Day Schools	50,760	(50,000)	760		760
Tuition to Private Schools for the Disabled - Within State	1,614,592	(242,010)	1,372,582	1,292,686	79,896
Tuition - State Facilities	4,500		4,500	4,500	
Total Undistributed Expenditures - Instruction	2,144,284	(71,300)	2,072,984	1,873,933	199,051

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Attendance & Social Work:					
Salaries	\$ 46,221		\$ 46,221	\$ 45,470	\$ 751
Total Attendance & Social Work	46,221		46,221	45,470	751
Health Services:					
Salaries	291,639	\$ 12,100	303,739	300,462	3,277
Purchased Professional and Technical Services	8,200	(1,290)	6,910	6,665	245
Other Purchased Services (400-500 series)	29,421	1,975	31,396	31,390	6
Supplies and Materials	9,444	(110)	9,334	7,654	1,680
Total Health Services	338,704	12,675	351,379	346,171	5,208
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	197,770	(19,085)	178,685	178,391	294
Purchased Professional - Educational Services	64,965	(36,020)	28,945	22,212	6,733
Supplies and Materials	3,800	1,020	4,820	4,624	196
Total Other Support Services - Speech, OT, PT and Related Services	266,535	(54,085)	212,450	205,227	7,223
Other Support Services - Extraordinary Services:					
Salaries		59,671	59,671	56,100	3,571
Purchased Professional - Educational Services		4,000	4,000	2,461	1,539
Total Other Support Services - Extraordinary Services		63,671	63,671	58,561	5,110

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Guidance:					
Salaries of Other Professional Staff	\$ 424,898	\$ 9,560	\$ 434,458	\$ 407,365	\$ 27,093
Salaries of Secretarial and Clerical Assistants	47,857		47,857	47,857	
Purchased Professional - Educational Services	600	(440)	160		160
Other Purchased Services (400-500)	6,800	(1,163)	5,637	5,525	112
Other Objects	1,250	(69)	1,181	1,176	5
Supplies and Materials	16,800	3,576	20,376	20,109	267
Total Other Support Services - Students - Guidance	498,205	11,464	509,669	482,032	27,637
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	614,806	(81,748)	533,058	515,845	17,213
Salaries of Secretarial and Clerical Assistants	50,357	3,788	54,145	54,145	
Purchased Professional - Educational Services	229,900	(3,600)	226,300	155,023	71,277
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	26,364	(18,530)	7,834	3,698	4,136
Supplies and Materials	9,347	(2,004)	7,343	6,391	952
Other Objects	1,300	127	1,427	1,259	168
Total Other Support Services - Students - Child Study Teams	932,074	(101,967)	830,107	736,361	93,746
Improvement of Instructional Services:					
Other Purchased Services (400-500)	12,200		12,200	12,183	17
Total Improvement of Instructional Services	12,200		12,200	12,183	17

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Educational Media Services/School Library:					
Salaries	\$ 236,090	\$ 300	\$ 236,390	\$ 231,374	\$ 5,016
Salaries of Technology Coordinators	77,548	300	77,848	77,848	
Purchased Professional and Technical Services	2,200	6,125	8,325	6,977	1,348
Other Purchased Services (400-500)	2,400		2,400	9	2,391
Supplies and Materials	32,050		32,050	24,674	7,376
Total Educational Media Services/School Library	350,288	6,725	357,013	340,882	16,131
Instructional Staff Training Services:					
Other Salaries	15,200		15,200	12,481	2,719
Purchased Professional - Educational Services	57,538	32,179	89,717	68,807	20,910
Supplies and Materials	5,000		5,000	819	4,181
Other Purchased Services (400-500 series)	17,000	1	17,001	13,682	3,319
Total Instructional Staff Training Services	94,738	32,180	126,918	95,789	31,129
Support Services - General Administration:					
Salaries	452,453	(9,444)	443,009	437,748	5,261
Legal Services	84,039	120,000	204,039	158,966	45,073
Audit Fees	32,000		32,000	25,200	6,800
Other Purchased Professional Services	67,500	(7,884)	59,616	23,602	36,014
Communications/Telephone	214,128	(31,116)	183,012	116,609	66,403

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration (Cont'd):					
BOE Other Purchased Services	\$ 1,500	\$	1,500	\$ 63	\$ 1,437
Miscellaneous Purchased Services (400-500 series)	84,249	16,000	100,249	75,346	24,903
General Supplies	7,200		7,200	3,435	3,765
BOE in-house Meeting/Training Supplies	2,500		2,500	450	2,050
Miscellaneous Expenditures	15,336	1	15,337	13,318	2,019
Board of Education Membership Dues and Fees	10,500		10,500	10,025	475
Total Support Services - General Administration	971,405	87,557	1,058,962	864,762	194,200
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	789,336	(62,213)	727,123	727,123	
Salaries of Other Professional Staff	187,119	70,182	257,301	257,301	
Salaries of Secretarial and Clerical Assistants	240,227	45,087	285,314	283,100	2,214
Purchased Professional & Technical Services		58,654	58,654	1,145	57,509
Other Purchased Services (400-500 series)	8,923	1	8,924	482	8,442
Supplies and Materials	16,200	995	17,195	13,551	3,644
Other Objects	9,120		9,120	6,825	2,295
Total Support Services - School Administration	1,250,925	112,706	1,363,631	1,289,527	74,104
Support Services - Central Services:					
Salaries	308,179	49,163	357,342	355,911	1,431
Purchased Professional Services	6,875		6,875		6,875
Purchased Technical Services	27,226		27,226	20,351	6,875
Miscellaneous Purchased Services (400-500 series)	30,371		30,371	20,102	10,269
Supplies and Materials	34,886		34,886	23,008	11,878
Miscellaneous Expenditures	4,100		4,100	1,280	2,820
Total Support Services - Central Services	411,637	49,163	460,800	420,652	40,148

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - Administration Information Technology:					
Salaries	\$ 119,664	\$ 31,216	\$ 150,880	\$ 94,967	\$ 55,913
Other Purchased Services (400-500 series)	129,055	138,809	267,864	226,778	41,086
Supplies and Materials	50,000	(4,809)	45,191	18,426	26,765
Other Objects	3,000		3,000		3,000
Total Support Services - Administration Information Technology	301,719	165,216	466,935	340,171	126,764
Required Maintenance of School Facilities:					
Salaries	259,116	(1,798)	257,318	223,940	33,378
Cleaning, Repair and Maintenance Services	307,400	(10,000)	297,400	196,683	100,717
General Supplies	85,586	10,000	95,586	21,285	74,301
Total Required Maintenance of School Facilities	652,102	(1,798)	650,304	441,908	208,396
Custodial Services:					
Salaries	839,023	3,995	843,018	796,445	46,573
Cleaning, Repair and Maintenance Services	42,095	(12,676)	29,419	24,813	4,606
Other Purchased Property Services	43,000	9,000	52,000	49,531	2,469
Insurance	155,437	9,027	164,464	164,464	
Miscellaneous Purchased Services	5,000	5,000	10,000	4,753	5,247
General Supplies	68,848	2,500	71,348	65,709	5,639
Energy (Electricity)	292,039	(38,000)	254,039	250,135	3,904
Energy (Natural Gas)	150,000	38,000	188,000	166,832	21,168
Energy (Oil)	5,000		5,000	2,287	2,713
Other Objects	10,085		10,085	3,620	6,465
Total Custodial Services	1,610,527	16,846	1,627,373	1,528,589	98,784
Care and Upkeep of Grounds					
Cleaning, Repair, and Maintenance Services		1,149	1,149		1,149
Total Care and Upkeep of Grounds		1,149	1,149		1,149

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Security:					
Salaries		\$ 20,864	\$ 20,864	\$ 20,628	\$ 236
Purchased Professional and Technical Services	\$ 80,222	1,530	81,752	81,373	379
Total Security	80,222	22,394	102,616	102,001	615
Student Transportation Services:					
Salaries of Non-Instructional Aides		15,794	15,794	15,791	3
Salaries for Transportation - (Between Home & School) - Special	131,576	(4,011)	127,565	127,565	
Salaries for Transportation - (Other Than Between Home & School)	55,000	(9,130)	45,870	44,139	1,731
Cleaning, Repair and Maintenance Services	24,500		24,500	16,092	8,408
Other than Between Home and School - Vendors	25,000		25,000	10,125	14,875
Special Education Students - Joint Agreements	403,000	31,856	434,856	426,434	8,422
Aid in Lieu of Payments - Charter School	8,840	1	8,841	6,187	2,654
Miscellaneous Purchased Services - Transportation	7,600	1,461	9,061	9,061	
General Supplies	31,000	(961)	30,039	16,267	13,772
Other Objects	2,300	(500)	1,800	887	913
Total Student Transportation Services	688,816	34,510	723,326	672,548	50,778
Unallocated Benefits:					
Social Security Contributions	217,572	42,179	259,751	259,751	
Other Retirement Contributions - PERS	277,481	63,223	340,704	340,375	329
Workmen's Compensation	127,057	1,210	128,267	128,266	1

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits (Cont'd):					
Health Benefits	\$ 2,770,628	\$ 103,382	\$ 2,874,010	\$ 2,839,922	\$ 34,088
Tuition Reimbursement	85,000	23,964	108,964	73,370	35,594
Other Employee Benefits	36,637	29,131	65,768	52,138	13,630
Total Unallocated Benefits	3,514,375	263,089	3,777,464	3,693,822	83,642
On-Behalf Contributions:					
TPAF Pension Contribution (On-Behalf - Non Budgeted)				1,180,068	(1,180,068)
TPAF Pension NCGI Premium (On-Behalf - Non Budgeted)				41,262	(41,262)
TPAF Pension LTDI Premium (On-Behalf - Non Budgeted)				4,957	(4,957)
TPAF Post Retirement Contribution (On-Behalf - Non Budgeted)				983,265	(983,265)
TPAF Social Security (Reimbursed - Non Budgeted)				896,084	(896,084)
Total On-Behalf Contributions				3,105,636	(3,105,636)
Total Personal Services - Employee Benefits	3,514,375	263,089	3,777,464	6,799,458	(3,021,994)
Total Undistributed Expenses	14,164,977	650,195	14,815,172	16,656,225	(1,841,053)
TOTAL CURRENT EXPENSE	25,259,853	(54,691)	25,205,162	26,529,113	(1,323,951)
CAPITAL OUTLAY					
Equipment:					
Instruction - Grades 9-12		30,000	30,000		30,000
Undistributed Expenditures - Non-Instructional Services		10,990	10,990		10,990
Total Equipment		40,990	40,990		40,990

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	<u>Original</u>	<u>Budget</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on SDA Funding	\$ 9,836		\$ 9,836	\$ 9,836	
Total Facilities Acquisition and Construction Services	9,836		9,836	9,836	
TOTAL CAPITAL OUTLAY	9,836	\$ 40,990	50,826	9,836	\$ 40,990
Transfer of Funds to Charter Schools	78,593		78,593	66,431	12,162
TOTAL EXPENDITURES	25,348,282	(13,701)	25,334,581	26,605,380	(1,270,799)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,432,213)	13,701	(1,418,512)	700,631	2,119,143
Other Financing Sources/(Uses):					
Capital Projects Fund - Interest Earned				239	239
Capital Reserve - Transfer to Debt Service Fund	(541,184)		(541,184)	(541,184)	
Transfer to Cover Deficit - Food Service Fund		(13,701)	(13,701)	(13,701)	
Total Other Financing Uses	(541,184)	(13,701)	(554,885)	(554,646)	239
Excess (Deficiency) of Revenues and Other Sources/ Over (Under) Expenditures and Other Financing (Uses)	(1,973,397)		(1,973,397)	145,985	2,118,904
Fund Balance, July 1	3,373,259		3,373,259	3,373,259	
Fund Balance, June 30	\$ 1,399,862	\$ -0-	\$ 1,399,862	\$ 3,519,244	\$ 2,118,904

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Recapitulation:</u>					
<u>Restricted:</u>					
Excess Surplus	\$ 350,000				
Excess Surplus - Designated for Subsequent Year's Expenditures	40,332				
Maintenance Reserve	725,220				
Capital Reserve	967,660				
<u>Assigned:</u>					
Year-End Encumbrances	95,268				
For Subsequent Year's Expenditures	809,668				
Unassigned	531,096				
				<u>3,519,244</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis			(815,807)		
Fund Balance per Governmental Funds (GAAP)	\$		<u>2,703,437</u>		

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 9,793	\$ 9,793	\$ 6,628	\$ (3,165)
State Sources	\$ 719,882	51,038	770,920	690,050	(80,870)
Federal Sources	1,661,067	221,279	1,882,346	1,799,960	(82,386)
Total Revenues	2,380,949	282,110	2,663,059	2,496,638	(166,421)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,097,423	(26,239)	1,071,184	1,012,930	58,254
Other Salaries for Instruction		175,743	175,743	151,491	24,252
Purchased Professional and Technical Services	126,663	(111,613)	15,050	15,050	
Other Purchased Professional Services	384,880	(11,216)	373,664	373,663	1
General Supplies	18,895	56,990	75,885	39,763	36,122
Total Instruction	1,627,861	83,665	1,711,526	1,592,897	118,629

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services:					
Salaries of Supervisors of Instruction	\$ 11,810	\$ (411)	\$ 11,399	\$ 10,988	\$ 411
Salaries of Other Professional Staff	139,323	14,473	153,796	150,919	2,877
Salaries of Secretaries and Clerical Assistants	46,288	8,639	54,927	54,092	835
Salaries of Community Parent Involvement Specialist	6,310		6,310	6,310	
Salaries of Master Teachers	53,871	(1)	53,870	53,870	
Other Salaries	16,299	1	16,300	16,299	1
Personal Services - Employee Benefits	383,344	186,818	570,162	566,059	4,103
Purchased Professional and Technical Services		66,545	66,545	36,997	29,548
Other Purchased Professional Services	78,226	(77,505)	721	700	21
Supplies and Materials	17,617	(6,217)	11,400	1,666	9,734
Other Objects		239	239		239
Total Support Services	753,088	192,581	945,669	897,900	47,769
Facilities Acquisition:					
Non-Instructional Equipment		5,864	5,864	5,841	23
Total Facilities Acquisition		5,864	5,864	5,841	23
Total Expenditures	\$ 2,380,949	\$ 282,110	\$ 2,663,059	\$ 2,496,638	\$ 166,421

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 27,306,011	\$ 2,496,638
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(1,659)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Statements	804,496	42,678
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(815,807)</u>	<u>(71,598)</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 27,294,700</u>	<u>\$ 2,466,059</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 26,605,380	\$ 2,496,638
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>(1,659)</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 26,605,380</u>	<u>\$ 2,494,979</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Title I	No Child Left Behind Title II, Part A	Title III	Title III, Immigrant	Preschool Education Aid	Preschool Expansion Aid
REVENUE:						
Local Sources						
State Sources	\$ 840,675	\$ 36,767	\$ 30,690	\$ 13,960	\$ 690,050	\$ 437,802
Federal Sources						
Total Revenue	840,675	36,767	30,690	13,960	690,050	437,802
EXPENDITURES:						
Instruction:						
Salaries of Teachers	537,970		11,034		328,187	123,172
Other Salaries for Instruction				7,289	79,133	45,477
Purchased Professional and Technical Services						
Other Purchased Professional Services	15,632	4,646	7,761		3,483	8,868
General Supplies	553,602	4,646	18,795	6,671	410,803	177,517
Total Instruction						
Support Services:						
Salaries of Program Directors	16,664		10,289		5,494	5,494
Salaries of Other Professional Staff	15,638				58,324	57,837
Salaries of Secretaries and Clerical Assistants					38,454	
Salaries of of Community Parent Involvement Specialist					3,155	3,155
Salaries of Master Teachers	16,299					53,870
Other Salaries	237,766					
Personal Services - Employee Benefits			1,606		169,944	139,929
Purchased Professional and Technical Services		32,121			3,876	
Other Purchased Professional Services	706					
Supplies and Materials	287,073	32,121	11,895		279,247	260,285
Total Support Services						
Facilities Acquisition:						
Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	\$ 840,675	\$ 36,767	\$ 30,690	\$ 13,960	\$ 690,050	\$ 437,802

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	IDEA Part B			
	Basic	Preschool	Local	Totals
	Carryover		Grants	
REVENUE:				
Local Sources			\$ 6,628	\$ 6,628
State Sources	\$ 425,223	\$ 14,843		690,050
Federal Sources				1,799,960
Total Revenue	425,223	14,843	6,628	2,496,638
EXPENDITURES:				
Instruction:				
Salaries of Teachers	8,615	3,952		1,012,930
Other Salaries for Instruction	23,068	3,813		151,491
Purchased Professional and Technical Services				15,050
Other Purchased Professional Services	373,663	463		373,663
General Supplies				39,763
Total Instruction	405,346	8,228		1,592,897
Support Services:				
Salaries of Supervisors of Instruction				10,988
Salaries of Other Professional Staff	3,952	3,853		150,919
Salaries of Secretaries and Clerical Assistants				54,092
Salaries of Community Parent Involvement Specialist				6,310
Salaries of Master Teachers				53,870
Other Salaries				16,299
Personal Services - Employee Benefits	15,925	889		566,059
Purchased Professional and Technical Services		1,000		36,997
Other Purchased Professional Services			700	700
Supplies and Materials		873	87	1,666
Total Support Services	19,877	6,615	787	897,900
Facilities Acquisition and Construction:				
Non-Instructional Equipment			5,841	5,841
Total Facilities Acquisition and Construction			5,841	5,841
Total Expenditures	\$ 425,223	\$ 14,843	\$ 6,628	\$ 2,496,638

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

District-Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 380,388	\$ 328,187	\$ 52,201
Other Salaries for Instruction	96,663	79,133	17,530
General Supplies	5,750	3,483	2,267
Total Instruction	<u>482,801</u>	<u>410,803</u>	<u>71,998</u>
Support Services:			
Salaries of Program Directors	5,905	5,494	411
Salaries of Other Professional Staff	59,878	58,324	1,554
Salaries of Secretaries and Clerical Assistants	39,289	38,454	835
Salaries of Master Teachers	3,155	3,155	
Personal Services - Employee Benefits	173,819	169,944	3,875
Purchased Professional and Technical Services	3,876	3,876	
Supplies and Materials	4,000		4,000
Total Support Services	<u>289,922</u>	<u>279,247</u>	<u>10,675</u>
Total Expenditures	<u>\$ 772,723</u>	<u>\$ 690,050</u>	<u>\$ 82,673</u>

CALCULATION OF BUDGET & CARRYOVER

Total revised 2016-2017 Preschool Education Aid Allocation	\$ 719,882
Add: Actual Preschool Education Aid Carryover (June 30, 2016)	97,880
Total Preschool Education Aid Funds Available for 2016-2017 Budget	<u>817,762</u>
Less: 2016-2017 Budgeted Preschool Education Aid (Including Prior year budget carryover)	<u>(772,723)</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2017	45,039
Add: June 30, 2017 Unexpended Preschool Education Aid	82,673
Less: 2016-2017 Commissioner-approved Transfer to the General Fund	
2016-2017 Carryover - Preschool Education Aid	<u>\$ 127,712</u>
2016-2017 Preschool Education Aid Carryover Budgeted for Preschool Education Aid Programs 2017-2018	<u>\$ 48,915</u>

CAPITAL PROJECTS FUND

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Revenue and Other Financing Sources:	
Capital Lease Purchase Proceeds	\$ 500,000
Interest Earnings on Lease Proceeds	239
Interest on Investments	54,656
	<hr/>
Total Revenue and Other Financing Sources	554,895
	<hr/>
Expenditures:	
Construction Services	9,411,858
Other Objects	500
	<hr/>
Total Expenditures	9,412,358
	<hr/>
Other Financing Uses:	
Operating Transfer Out - General Fund	239
Operating Transfer Out - Debt Service Fund	54,656
	<hr/>
Total Other Financing Uses	54,895
	<hr/>
Deficit of Revenue and Other Financing Sources under Expenditures and Other Financing Uses	(8,912,358)
	<hr/>
Fund Balance - Beginning of Year	15,602,472
	<hr/>
Fund Balance - End of Year	\$ 6,690,114
	<hr/> <hr/>
<u>Recapitulation:</u>	
Restricted for Year-End Encumbrances	\$ 5,692,169
Restricted Fund Balance	997,945
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 6,690,114
	<hr/> <hr/>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
BOND REFERENDUM - VARIOUS SCHOOL RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Costs</u>
Revenue and Other Financing Sources:				
Bond Proceeds	\$ 27,140,000		\$ 27,140,000	\$ 27,140,000
Total Revenue and Other Financing Sources	27,140,000		27,140,000	27,140,000
Expenditures:				
Instructional Equipment	55,408		55,408	144,000
Non-Instructional Equipment				312,000
Other Purchased Professional Services	1,670,210		1,670,210	4,079,960
Construction Services	7,723,060	\$ 9,061,580	16,784,640	18,865,540
Buildings Other Than Lease Purchase Agreements	2,088,850		2,088,850	3,738,500
Total Expenditures	11,537,528	9,061,580	20,599,108	27,140,000
Excess of Revenue and Other Financing Sources over Expenditures	<u>\$ 15,602,472</u>	<u>\$ (9,061,580)</u>	<u>\$ 6,540,892</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number(s)	N/A			
Grant Date(s)	N/A			
Bond Authorization Date	9/30/2014			
Bonds Authorized	\$ 27,140,000			
Bonds Issued	\$ 27,140,000			
Original Authorized Cost	\$ 27,140,000			
Revised Authorized Cost	\$ 27,140,000			
Percentage Completion	75.90%			
Original Target Completion Date	9/30/2018			
Revised Target Completion Date	9/30/2018			

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
CENTRAL ADMINISTRATIVE OFFICE UPGRADE
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Periods	Current Year	Totals	Authorized Costs
Revenue and Other Financing Sources:				
Capital Lease Proceeds		\$ 500,000	\$ 500,000	\$ 500,000
Total Revenue and Other Financing Sources		500,000	500,000	500,000
Expenditures:				
Construction Services		350,278	350,278	499,500
Other Objects		500	500	500
Total Expenditures		350,778	350,778	500,000
Excess of Revenue and Other Financing Sources over Expenditures	\$ -0-	\$ 149,222	\$ 149,222	\$ -0-
Additional Project Information:				
Project Number(s)	0490-X01-16-1000			
Grant Date(s)	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 500,000			
Revised Authorized Cost	\$ 500,000			
Change Order Percentage	0.00%			
Percentage Completion	70.16%			
Original Target Completion Date	12/31/17			
Revised Target Completion Date	12/31/17			

PROPRIETARY FUNDS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 145,448
Intergovernmental Accounts Receivable:	
Federal	58,694
State	594
Accounts Receivable - Other	14,927
Student Accounts Receivable	628
Interfund Accounts Receivable:	
General Fund	154,346
Inventories	21,324
	<hr/>
Total Current Assets	395,961
	<hr/>
Non-Current Assets:	
Capital Assets	919,449
Less: Accumulated Depreciation	(363,774)
	<hr/>
Total Non-Current Assets	555,675
	<hr/>
Total Assets	951,636
	<hr/>
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	5,652
Unearned Revenue - Donated Commodities	6,610
Accounts Payable - Vendors	14,416
	<hr/>
Total Current Liabilities	26,678
	<hr/>
NET POSITION:	
Investment in Capital Assets	555,675
Unrestricted	369,283
	<hr/>
Total Net Position	\$ 924,958
	<hr/> <hr/>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Meals	\$ 137,934
Daily Sales - Non-Reimbursable Meals	67,030
Other Income	18,536
	<hr/>
Total Operating Revenue	223,500
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	674,923
Cost of Sales - Non-Reimbursable Programs	41,373
Salaries, Benefits & Payroll Taxes	415,735
Supplies, Insurance & Other Costs	120,767
Management Fee	43,228
Depreciation Expense	27,368
	<hr/>
Total Operating Expenses	1,323,394
	<hr/>
Operating Loss	(1,099,894)
	<hr/>
Non-Operating Revenue:	
Local Sources:	
Interest Income	40
State Sources:	
State School Lunch Program	12,810
Federal Sources:	
National School Lunch Program	650,413
After School Snack Program	2,848
School Breakfast Program	418,202
Food Distribution Program	92,838
	<hr/>
Total Non-Operating Revenue	1,177,151
	<hr/>
Net Income Before Transfers	77,257
	<hr/>
Transfers:	
Transfer of Capital Assets	160,510
Transfer In - General Fund	13,701
	<hr/>
Total Transfers	174,211
	<hr/>
Change in Net Position	251,468
	<hr/>
Net Position - Beginning of Year	673,490
	<hr/>
Net Position - End of Year	\$ 924,958
	<hr/> <hr/>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 226,952
Payments to Employees	(415,735)
Payments to Food Service Vendor	(782,861)
	<hr/>
Net Cash Used for Operating Activities	(971,644)
	<hr/>
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	40
	<hr/>
Net Cash Provided by Investing Activities	40
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(21,507)
	<hr/>
Net Cash Used for Capital and Related Financing Activities	(21,507)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
State Sources	12,678
Federal Sources	1,056,201
	<hr/>
Net Cash Provided by Noncapital Financing Activities	1,068,879
	<hr/>
Net Increase in Cash and Cash Equivalents	75,768
Cash and Cash Equivalents, July 1	69,680
	<hr/>
Cash and Cash Equivalents, June 30	\$ 145,448
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (1,099,894)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	27,368
Food Distribution Program	92,838
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable - Students	16,152
(Increase)/Decrease in Accounts Receivable	(15,157)
(Increase)/Decrease in Inventories	(816)
Increase in Unearned Revenue - Prepaid Sales	2,457
(Decrease) in Unearned Revenue - Donated Commodities	4,288
(Decrease) in Accounts Payable	1,120
	<hr/>
Net Cash Used for Operating Activities	\$ (971,644)
	<hr/> <hr/>

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received \$97,126 and utilized \$92,838 of commodities from the Federal Food Distribution Program for the fiscal year ended June 30, 2017.

FIDUCIARY FUNDS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	Student Activities	Payroll Agency	Total Agency	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ASSETS:						
Cash and Cash Equivalents	\$ 62,057	\$ 181,016	\$ 243,073	\$ 242,181	\$ 7,850	\$ 373
Interfund Receivable - Payroll Agency Fund				8,974		
Total Assets	62,057	181,016	243,073	251,155	7,850	373
LIABILITIES:						
Interfund Payable - General Fund		12,804	12,804			
Interfund Payable - Unemployment Trust		8,974	8,974			
Due to Student Groups	60,742		60,742			
Due to Athletics	1,315		1,315			
Payroll Deductions and Withholdings		159,238	159,238			
Total Liabilities	62,057	181,016	243,073			
NET POSITION:						
Held in Trust for:						
Unemployment Claims				251,155		
Flexible Spending Claims					7,850	
Restricted for Scholarships						373
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 251,155	\$ 7,850	\$ 373

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
Additions:				
Contributions:				
Plan Contributions	\$ 26,999	\$ 17,336		\$ 44,335
Total Contributions	26,999	17,336		44,335
Investment Earnings:				
Interest	302			302
Net Investment Earnings	302			302
Total Additions	27,301	17,336		44,637
Deductions:				
Unemployment Compensation Claims	48,952			48,952
Flexible Spending Claims		13,472		13,472
Scholarships Awarded			\$ 250	250
Total Deductions	48,952	13,472	250	62,674
Change in Net Position	(21,651)	3,864	(250)	(18,037)
Net Position - Beginning of the Year	272,806	3,986	623	277,415
Net Position - End of the Year	\$ 251,155	\$ 7,850	\$ 373	\$ 259,378

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 53,588	\$ 165,853	\$ 157,384	\$ 62,057
Total Assets	<u>\$ 53,588</u>	<u>\$ 165,853</u>	<u>\$ 157,384</u>	<u>\$ 62,057</u>
LIABILITIES				
Due to Athletics	\$ 1,064	\$ 41,177	\$ 40,926	\$ 1,315
Due to Student Groups	52,524	124,676	116,458	60,742
Total Liabilities	<u>\$ 53,588</u>	<u>\$ 165,853</u>	<u>\$ 157,384</u>	<u>\$ 62,057</u>

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
High School	\$ 52,524	\$ 124,676	\$ 116,458	\$ 60,742
Athletic Fund	<u>1,064</u>	<u>41,177</u>	<u>40,926</u>	<u>1,315</u>
Total All Schools	<u>\$ 53,588</u>	<u>\$ 165,853</u>	<u>\$ 157,384</u>	<u>\$ 62,057</u>

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 173,509	\$ 17,726,744	\$ 17,719,237	\$ 181,016
Total Assets	<u>\$ 173,509</u>	<u>\$ 17,726,744</u>	<u>\$ 17,719,237</u>	<u>\$ 181,016</u>
<u>LIABILITIES:</u>				
Interfund Payable - General Fund	\$ 13,019		\$ 215	\$ 12,804
Interfund Payable - Unemployment Trust	8,974	\$ 26,998	26,998	8,974
Payroll Deductions and Withholdings	<u>151,516</u>	<u>17,699,746</u>	<u>17,692,024</u>	<u>159,238</u>
Total Liabilities	<u>\$ 173,509</u>	<u>\$ 17,726,744</u>	<u>\$ 17,719,237</u>	<u>\$ 181,016</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2016	Retired or Matured	Balance June 30, 2017
			Date	Outstanding June 30, 2017 Amount				
Refunding Bonds	9/22/2005	\$ 2,920,000	7/15/2017	\$ 290,000	4.000%	\$ 870,000	\$ 275,000	\$ 595,000
			7/15/2018	305,000	4.000%			
School Bonds	12/23/2014	27,140,000	1/15/2018	760,000	3.000%			
			1/15/2019	790,000	3.000%			
			1/15/2020	830,000	3.000%			
			1/15/2021	870,000	3.000%			
			1/15/2022	900,000	3.000%			
			1/15/2023	940,000	3.000%			
			1/15/2024	980,000	3.000%			
			1/15/2025	1,020,000	3.000%			
			1/15/2026	1,020,000	3.000%			
			1/15/2027	1,060,000	3.000%			
			1/15/2028	1,060,000	2.000%			
			1/15/2029	1,090,000	2.000%			
			1/15/2030	1,100,000	3.000%			
		1/15/2031	1,140,000	3.125%				
		1/15/2032	1,190,000	3.250%				
		1/15/2033	1,250,000	3.250%				
		1/15/2034	1,310,000	3.250%				
		1/15/2035	1,380,000	3.375%				

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2016	Retired or Matured	Balance June 30, 2017
			Date	Amount				
School Bonds	12/23/2014	\$ 27,140,000	1/15/2036	\$ 1,390,000	3.375%	\$ 26,430,000	\$ 720,000	\$ 25,710,000
			1/15/2037	1,390,000	3.500%			
			1/15/2038	1,400,000	3.500%			
			1/15/2039	1,420,000	3.625%			
			1/15/2040	1,420,000	3.750%			
					\$ 27,300,000	\$ 995,000	\$ 26,305,000	

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
LONG-TERM DEBT
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Purpose</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance July 1, 2016</u>	<u>Issued</u>	<u>Balance June 30, 2017</u>
Capital Improvement	\$ 500,000	2.35%	<u>\$ -0-</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 382,092		\$ 382,092	\$ 382,092	
State Sources:					
School Building Aid	920,346		920,346	920,346	
Total Revenues	<u>1,302,438</u>		<u>1,302,438</u>	<u>1,302,438</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	876,863		876,863	876,863	
Redemption of Principal	995,000		995,000	995,000	
Total Regular Debt Service	<u>1,871,863</u>		<u>1,871,863</u>	<u>1,871,863</u>	
Total Expenditures	<u>1,871,863</u>		<u>1,871,863</u>	<u>1,871,863</u>	
Deficit of Revenues Under Expenditures	<u>(569,425)</u>		<u>(569,425)</u>	<u>(569,425)</u>	
Other Financing Sources:					
Transfers In - General Fund	541,184		541,184	541,184	
Transfers In - Capital Projects Fund				54,656	\$ 54,656
Total Other Financing Sources	<u>541,184</u>		<u>541,184</u>	<u>595,840</u>	<u>54,656</u>
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	<u>(28,241)</u>		<u>(28,241)</u>	26,415	54,656
Fund Balance, July 1	41,249		41,249	41,249	
Fund Balance, June 30	<u>\$ 13,008</u>	<u>\$ -0-</u>	<u>\$ 13,008</u>	<u>\$ 67,664</u>	<u>\$ 54,656</u>
<u>Recapitulation:</u>					
Restricted Fund Balance				<u>\$ 67,664</u>	

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

ACCRUAL BASIS OF ACCOUNTING

UNAUDITED

	June 30,			
	2008	2009	2010	2011
Governmental Activities/(Deficit)				
Net Investment in Capital Assets	\$ 1,756,290	\$ 1,112,918	\$ 1,716,604	\$ 2,918,629
Restricted	2,547,711	2,395,714	1,810,688	1,259,473
Unrestricted	(1,664,862)	(771,262)	(862,834)	1,060,389
Total Governmental Activities Net Position	<u>\$ 2,639,139</u>	<u>\$ 2,737,370</u>	<u>\$ 2,664,458</u>	<u>\$ 5,238,491</u>
Business-type Activities				
Investment in Capital Assets	\$ 171,638	\$ 153,461	\$ 238,916	\$ 244,022
Unrestricted	76,288	101,301	94,183	110,735
Total Business-type Activities Net Position	<u>\$ 247,927</u>	<u>\$ 254,762</u>	<u>\$ 333,099</u>	<u>\$ 354,757</u>
District-wide/(Deficit)				
Net Investment in Capital Assets	\$ 1,927,929	\$ 1,266,379	\$ 1,955,520	\$ 3,162,651
Restricted	2,547,711	2,395,714	1,810,688	1,259,473
Unrestricted	(1,588,574)	(669,961)	(768,651)	1,171,124
Total District Net Position	<u>\$ 2,887,066</u>	<u>\$ 2,992,132</u>	<u>\$ 2,997,557</u>	<u>\$ 5,593,248</u>
				<u>\$ 6,939,416</u>
				<u>\$ 3,739,856</u>
				<u>\$ 2,853,224</u>
				<u>\$ 346,336</u>
				<u>\$ 247,997</u>
				<u>\$ 143,262</u>
				<u>\$ 391,259</u>
				<u>\$ 3,987,853</u>
				<u>\$ 2,853,224</u>
				<u>\$ 489,598</u>
				<u>\$ 7,330,675</u>

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

	June 30,				
	2013	2014	2015	2016	2017
Governmental Activities/(Deficit)					
Net Investment in Capital Assets	\$ 3,914,713	\$ 4,936,220	\$ 5,350,423	\$ 5,910,924	\$ 5,959,764
Restricted	4,846,267	3,638,379	2,187,690	1,734,140	2,300,098
Unrestricted	(41,070)	(6,077,733)	(5,855,274)	(6,646,582)	(7,960,143)
Total Governmental Activities Net Position	<u>\$ 8,719,910</u>	<u>\$ 2,496,866</u>	<u>\$ 1,682,839</u>	<u>\$ 998,482</u>	<u>\$ 299,719</u>
Business-type Activities					
Investment in Capital Assets	\$ 241,035	\$ 244,069	\$ 288,615	\$ 401,026	\$ 555,675
Unrestricted	161,939	242,439	297,462	272,464	369,283
Total Business-type Activities Net Position	<u>\$ 402,974</u>	<u>\$ 486,508</u>	<u>\$ 586,077</u>	<u>\$ 673,490</u>	<u>\$ 924,958</u>
District-wide/(Deficit)					
Net Investment in Capital Assets	\$ 4,155,748	\$ 5,180,289	\$ 5,639,038	\$ 6,311,950	\$ 6,515,439
Restricted	4,846,267	3,638,379	2,187,690	1,734,140	2,300,098
Unrestricted	120,869	(5,835,294)	(5,557,812)	(6,374,118)	(7,590,860)
Total District Net Position	<u>\$ 9,122,884</u>	<u>\$ 2,983,374</u>	<u>\$ 2,268,916</u>	<u>\$ 1,671,972</u>	<u>\$ 1,224,677</u>

Source: School District Financial Reports

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

	Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012
Expenses					
Governmental Activities					
Instruction					
Regular	\$ 8,958,668	\$ 8,781,177	\$ 9,471,006	\$ 9,101,265	\$ 9,925,886
Special Education	1,614,382	2,136,723	3,210,096	2,994,967	3,018,139
Other Instruction	966,231	963,039	1,117,507	1,069,180	1,199,461
School-Sponsored Instruction					
Support Services					
Tuition	1,616,083	1,709,374	2,019,496	1,178,899	1,498,550
Student & Instruction Related Services	3,210,903	3,384,761	2,730,076	2,393,733	2,401,926
General and Business Administrative Services	578,153	1,264,738	1,541,863	644,922	595,606
School Administrative Services	1,491,351	652,135	591,904	1,231,592	1,251,606
Central Services & Administrative					
Information Technology	637,272	565,175	678,253	662,570	678,599
Plant Operations and Maintenance	3,331,127	3,230,031	2,746,671	2,504,012	2,781,499
Pupil Transportation	598,333	589,008	691,361	403,748	478,755
Special Schools					
Charter Schools	29,770	63,454	43,870	34,949	31,910
Capital Outlay		18,672			
Interest on long-term debt	208,873	166,966	132,752	136,223	117,129
Total Governmental Activities Expenses	<u>23,241,146</u>	<u>23,525,253</u>	<u>24,974,855</u>	<u>22,356,060</u>	<u>23,979,066</u>
Business-type Activities					
Food Service	589,857	639,604	720,678	692,835	716,740
Total Business-type Activities Expense	<u>589,857</u>	<u>639,604</u>	<u>720,678</u>	<u>692,835</u>	<u>716,740</u>
Total District Expenses	<u>\$ 23,831,004</u>	<u>\$ 24,164,857</u>	<u>\$ 25,695,533</u>	<u>\$ 23,048,895</u>	<u>\$ 24,695,806</u>
Program Revenues					
Governmental Activities					
Charges for Services					
Tuition & Pupil Transportation	\$ 6,761	\$ 28,549	\$ 1,430,266	\$ 1,224,395	\$ 1,522,518
Operating Grants and Contributions	3,386,488	4,086,428	5,699,175	4,285,627	4,669,370
Capital Grants and Contributions			151,415	1,043,671	257,365
Total Governmental Activities Program Revenues	<u>3,393,249</u>	<u>4,114,977</u>	<u>7,280,856</u>	<u>6,553,693</u>	<u>6,449,253</u>
Business-type Activities:					
Charges for Services					
Food Service	221,508	216,200	200,931	198,194	202,479
Operating Grants and Contributions	370,112	416,890	464,616	484,746	550,763
Capital Grants and Contributions			101,187	171	
Total Business-type Activities Program Revenues	<u>591,620</u>	<u>633,090</u>	<u>766,734</u>	<u>683,111</u>	<u>753,242</u>
Total District Program Revenues	<u>\$ 3,984,869</u>	<u>\$ 4,748,067</u>	<u>\$ 8,047,590</u>	<u>\$ 7,236,804</u>	<u>\$ 7,202,495</u>

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

	Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012
Net (Expense)/Revenue					
Governmental Activities	\$ (19,847,898)	\$ (19,410,276)	\$ (17,693,999)	\$ (15,802,367)	\$ (17,529,813)
Business-type Activities	1,763	(6,514)	46,056	(9,724)	36,502
Total District-wide Net Expense	<u>\$ (19,846,135)</u>	<u>\$ (19,416,790)</u>	<u>\$ (17,647,943)</u>	<u>\$ (15,812,091)</u>	<u>\$ (17,493,311)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
Property Taxes Levied for General Purposes, Net	\$ 12,054,424	\$ 12,102,757	\$ 12,284,744	\$ 12,072,744	\$ 12,314,062
Taxes Levied for Debt Service	345,497	347,983	348,678	357,154	380,108
Federal and State aid not restricted	6,058,553	6,874,372	4,841,513	5,851,606	6,365,605
Tuition					
Investment Earnings	162,440	40,613	14,981	139	324
Miscellaneous Income	206,722	142,782	131,171	94,757	170,639
Insurance Reimbursement due to Losses from Hurricane Sandy					
Transfers					
Total Governmental Activities	<u>18,827,636</u>	<u>19,508,507</u>	<u>17,621,087</u>	<u>18,376,400</u>	<u>19,230,738</u>
Business-type Activities					
Investment Earnings	2,614				
Miscellaneous		13,350	32,281	31,382	
Transfers					
Total Business-type Activities	<u>2,614</u>	<u>13,350</u>	<u>32,281</u>	<u>31,382</u>	<u>-</u>
Total District-wide	<u>\$ 18,830,250</u>	<u>\$ 19,521,857</u>	<u>\$ 17,653,368</u>	<u>\$ 18,407,782</u>	<u>\$ 19,230,738</u>
Change in Net Position					
Governmental Activities	\$ (1,020,262)	\$ 98,231	\$ (72,912)	\$ 2,574,033	\$ 1,700,925
Business-type Activities	4,377	6,836	78,337	21,658	36,502
Total District	<u>\$ (1,015,885)</u>	<u>\$ 105,067</u>	<u>\$ 5,425</u>	<u>\$ 2,595,691</u>	<u>\$ 1,737,427</u>

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

	Fiscal Year Ended June 30,				
	2013	2014	2015	2016	2017
Expenses					
Governmental Activities					
Instruction					
Regular	\$ 9,662,684	\$ 10,622,657	\$ 11,846,786	\$ 13,025,688	\$ 15,225,678
Special Education	3,091,112	3,283,366	3,351,241	4,203,934	3,945,318
Other Instruction	1,171,293	854,765	1,065,461	1,427,274	1,595,820
School-Sponsored Instruction		479,070	540,909	552,371	520,906
Support Services					
Tuition	1,653,671	2,323,753	2,263,257	1,658,891	1,873,933
Student & Instruction Related Services	2,690,669	2,854,172	4,035,498	4,136,282	4,152,379
General and Business Administrative Services	667,296	754,316	950,061	1,115,262	1,722,079
School Administrative Services	1,325,535	1,274,212	1,539,137	1,900,486	2,359,417
Central Services & Administrative					
Information Technology	620,910	956,300	760,378	938,214	1,159,296
Plant Operations and Maintenance	2,743,694	3,107,572	3,004,402	2,809,504	2,813,285
Pupil Transportation	547,810	573,206	629,387	689,036	797,625
Special Schools					
Charter Schools	22,933	56,001	67,096	81,656	66,431
Capital Outlay			9,836	9,836	9,836
Interest on long-term debt	97,286	76,323	505,583	893,001	862,331
Total Governmental Activities Expenses	<u>24,294,893</u>	<u>27,215,713</u>	<u>30,569,032</u>	<u>33,441,435</u>	<u>37,104,335</u>
Business-type Activities					
Food Service	766,869	981,456	1,159,932	1,271,721	1,323,394
Total Business-type Activities Expense	<u>766,869</u>	<u>981,456</u>	<u>1,159,932</u>	<u>1,271,721</u>	<u>1,323,394</u>
Total District Expenses	<u>\$ 25,061,762</u>	<u>\$ 28,197,169</u>	<u>\$ 31,728,964</u>	<u>\$ 34,713,156</u>	<u>\$ 38,427,729</u>
Program Revenues					
Governmental Activities					
Charges for Services					
Tuition & Pupil Transportation	\$ 1,427,304	\$ 1,618,263	\$ 1,644,174	\$ 1,611,381	\$ 1,512,921
Operating Grants and Contributions	4,723,498	4,988,209	7,359,245	9,042,408	11,747,672
Capital Grants and Contributions					
Total Governmental Activities Program Revenues	<u>6,150,802</u>	<u>6,606,472</u>	<u>9,003,419</u>	<u>10,653,789</u>	<u>13,260,593</u>
Business-type Activities:					
Charges for Services					
Food Service	211,181	206,447	214,846	230,139	223,500
Operating Grants and Contributions	558,940	844,829	995,174	1,128,331	1,177,111
Capital Grants and Contributions					
Total Business-type Activities Program Revenues	<u>770,121</u>	<u>1,051,276</u>	<u>1,210,020</u>	<u>1,358,470</u>	<u>1,400,611</u>
Total District Program Revenues	<u>\$ 6,920,923</u>	<u>\$ 7,657,748</u>	<u>\$ 10,213,439</u>	<u>\$ 12,012,259</u>	<u>\$ 14,661,204</u>

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

	Fiscal Year Ended June 30,				
	2013	2014	2015	2016	2017
Net (Expense)/Revenue					
Governmental Activities	\$ (18,144,091)	\$ (20,609,241)	\$ (21,565,613)	\$ (22,787,646)	\$ (23,843,742)
Business-type Activities	3,252	69,820	50,088	86,749	77,217
Total District-wide Net Expense	<u>\$ (18,140,839)</u>	<u>\$ (20,539,421)</u>	<u>\$ (21,515,525)</u>	<u>\$ (22,700,897)</u>	<u>\$ (23,766,525)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
Property Taxes Levied for General Purposes, Net	\$ 12,571,243	\$ 12,571,243	\$ 12,833,220	\$ 13,446,977	\$ 14,056,977
Taxes Levied for Debt Service	376,744	379,939	382,092	382,092	382,092
Federal and State aid not restricted	6,823,930	7,258,883	7,349,935	8,149,850	8,183,327
Tuition					
Investment Earnings	132				
Miscellaneous Income	115,902	118,502	235,820	124,999	696,794
Insurance Reimbursement due to Losses from Hurricane Sandy	45,097				
Transfers	(8,463)	(13,714)	(49,481)	(630)	(174,211)
Total Governmental Activities	<u>19,924,585</u>	<u>20,314,853</u>	<u>20,751,586</u>	<u>22,103,288</u>	<u>23,144,979</u>
Business-type Activities					
Investment Earnings				34	40
Miscellaneous					
Transfers	8,463	13,714	49,481	630	174,211
Total Business-type Activities	<u>8,463</u>	<u>13,714</u>	<u>49,481</u>	<u>664</u>	<u>174,251</u>
Total District-wide	<u>\$ 19,933,048</u>	<u>\$ 20,328,567</u>	<u>\$ 20,801,067</u>	<u>\$ 22,103,952</u>	<u>\$ 23,319,230</u>
Change in Net Position					
Governmental Activities	\$ 1,780,494	\$ (294,388)	\$ (814,027)	\$ (684,358)	\$ (698,763)
Business-type Activities	11,715	83,534	99,569	87,413	251,468
Total District	<u>\$ 1,792,209</u>	<u>\$ (210,854)</u>	<u>\$ (714,458)</u>	<u>\$ (596,945)</u>	<u>\$ (447,295)</u>

Source: School District Financial Reports

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

	June 30,				
	2008	2009	2010	2011	2012
General Fund					
Reserved	\$ 2,680,601	\$ 2,403,319	\$ 1,574,502		
Unreserved / (Deficit)	247,229	(150,502)	(193,916)		
Restricted				\$ 1,259,471	\$ 2,853,224
Assigned				1,366,117	798,758
Total General Fund	\$ 2,927,830	\$ 2,252,817	\$ 1,380,586	\$ 2,625,588	\$ 3,651,982
All Other Governmental Funds					
Reserved			\$ 45,121		
Unreserved/(Deficit), Reported in:					
Special Revenue Fund	\$ (89,460)	\$ (29,940)	(38,574)		
Capital Projects Fund	37,417		207,500		
Debt Service Fund	(1,885)	22,335	22,139		
Restricted				\$ 2	
Committed				264,918	\$ 135,763
Unassigned / (Deficit)				(35,249)	(33,201)
Total All Other Governmental Funds/(Deficit)	\$ (53,929)	\$ (7,605)	\$ 236,186	\$ 229,671	\$ 102,562
Total Governmental Funds	\$ 2,873,901	\$ 2,245,212	\$ 1,616,772	\$ 2,855,259	\$ 3,754,544

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

	June 30,				
	2013	2014	2015	2016	2017
General Fund					
Reserved					
Unreserved / (Deficit)	\$ 4,846,267	\$ 3,638,378	\$ 2,179,449	\$ 1,692,891	\$ 2,083,212
Restricted					
Assigned	556,617	415,345	1,325,094	875,872	620,225
Total General Fund	<u>\$ 5,402,884</u>	<u>\$ 4,053,723</u>	<u>\$ 3,504,543</u>	<u>\$ 2,568,763</u>	<u>\$ 2,703,437</u>
All Other Governmental Funds					
Reserved					
Unreserved/(Deficit), Reported in:					
Special Revenue Fund					
Capital Projects Fund					
Debt Service Fund					
Restricted		\$ 1	\$ 23,439,965	\$ 15,643,721	\$ 6,757,778
Committed					
Unassigned / (Deficit)	\$ (30,421)	(41,423)	(39,193)	(42,678)	(71,598)
Total All Other Governmental Funds/(Deficit)	<u>\$ (30,421)</u>	<u>\$ (41,422)</u>	<u>\$ 23,400,772</u>	<u>\$ 15,601,043</u>	<u>\$ 6,686,180</u>
Total Governmental Funds	<u>\$ 5,372,463</u>	<u>\$ 4,012,301</u>	<u>\$ 26,905,315</u>	<u>\$ 18,169,806</u>	<u>\$ 9,389,617</u>

Source: School District Financial Reports

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

LAST TEN FISCAL YEARS

MODIFIED ACCRUAL BASIS OF ACCOUNTING

UNAUDITED

	Fiscal Year Ending June 30,				
	2008	2009	2010	2011	
				2012	
Revenues:					
Tax Levy	\$ 12,399,921	\$ 12,450,740	\$ 12,633,422	\$ 12,429,898	\$ 12,694,170
Tuition Charges	1,696,589	1,326,393	1,376,405	1,192,531	1,508,356
Interest Earnings	162,440	40,613	14,981	139	324
Transportation Fees	6,761	28,549	53,861	31,864	14,162
Miscellaneous	131,754	84,801	131,171	1,098,321	170,639
Other Sources	74,968	57,981	37,525		168,948
State Sources	8,577,021	8,764,081	7,653,140	8,516,188	9,363,345
Federal Sources	868,020	870,325	3,001,438	1,661,152	1,760,047
Total Revenue	23,917,474	23,623,483	24,901,943	24,930,093	25,679,991
Expenditures:					
Instruction					
Regular Instruction	6,859,374	6,562,247	7,122,471	6,917,885	7,534,483
Special Education Instruction	1,325,240	1,592,340	2,432,265	2,252,971	2,218,008
Other Instruction	655,306	709,730	790,606	699,269	807,810
School-Sponsored Support Services					
Tuition	1,616,083	1,709,374	2,019,496	1,178,899	1,498,550
Student & Other Instruction Related Services	2,588,084	2,728,543	1,896,259	1,661,981	1,712,488
School Administrative Services	1,005,631	574,639	527,667	553,276	502,522
General & Business Administrative Services	482,085	1,019,785	1,072,503	888,028	932,555
Central Services and Administrative Information Technology	423,735	421,694	458,074	460,025	492,200
Plant Operations and Maintenance	2,800,796	2,848,858	2,371,655	2,186,347	2,411,793
Pupil Transportation	520,124	503,541	610,852	319,762	368,176
Unallocated Benefits	4,558,499	4,259,998	5,135,998	4,891,356	5,149,196

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

	Fiscal Year Ending June 30,				
	2008	2009	2010	2011	2012
Expenditures:					
Charter School	\$ 29,770	\$ 63,454	\$ 43,870	\$ 34,949	\$ 31,910
Capital Outlay	569,391	724,408	510,510	1,119,113	578,889
Debt Service:					
Principal	345,000	360,000	380,000	400,000	420,000
Interest and Other Charges	187,874	173,562	158,157	140,995	122,126
Total Expenditures	<u>23,966,992</u>	<u>24,252,173</u>	<u>25,530,383</u>	<u>23,704,856</u>	<u>24,780,706</u>
Excess/(Deficit) of Revenues					
Over/(Under) Expenditures	<u>(49,519)</u>	<u>(628,690)</u>	<u>(628,440)</u>	<u>1,225,237</u>	<u>899,285</u>
Other Financing Sources/(Uses)					
Capital Leases (Non-budgeted)				13,250	
Bond Proceeds					42,352
Transfers in		37,417	491,479	56,660	(42,352)
Transfers out		(37,417)	(491,479)	(56,660)	(42,352)
Insurance Reimbursement due to Losses from Hurricane Sandy					
Total Other Financing Sources/(Uses)				<u>13,250</u>	
Net Change in Fund Balances	<u>\$ (49,519)</u>	<u>\$ (628,690)</u>	<u>\$ (628,440)</u>	<u>\$ 1,238,487</u>	<u>\$ 899,285</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>2.28%</u>	<u>2.27%</u>	<u>2.15%</u>	<u>2.40%</u>	<u>2.24%</u>

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

UNAUDITED
(Continued)

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Revenues:					
Tax Levy	\$ 12,947,987	\$ 12,951,182	\$ 13,215,312	\$ 13,829,069	\$ 14,439,069
Tuition Charges	1,392,846	1,578,544	1,603,297	1,560,159	1,462,346
Interest Earnings	132				
Transportation Fees	34,458	39,719	40,877	51,222	50,575
Miscellaneous	148,455	171,852	278,790	147,295	703,422
Other Sources					
State Sources	10,147,444	10,561,900	10,907,831	12,409,986	13,071,259
Federal Sources	1,367,431	1,631,842	1,564,502	1,989,233	1,891,421
Total Revenue	<u>26,038,753</u>	<u>26,935,039</u>	<u>27,610,609</u>	<u>29,986,964</u>	<u>31,618,092</u>
Expenditures:					
Instruction					
Regular Instruction	7,263,271	8,174,052	7,954,520	8,516,426	8,981,055
Special Education Instruction	2,323,453	2,593,085	2,360,167	2,857,226	2,311,633
Other Instruction	764,077	877,619	968,658	539,533	554,273
School-Sponsored				552,371	520,906
Support Services					
Tuition	1,653,671	2,323,753	2,263,257	1,658,891	1,873,933
Student & Other Instruction Related Services	1,904,266	2,100,703	2,615,307	2,589,664	2,322,676
School Administrative Services	593,598	646,825	981,259	1,140,120	1,289,527
General & Business Administrative Services	932,549	951,231	726,162	900,363	864,762
Central Services and Administrative					
Information Technology	463,224	706,343	541,686	668,299	760,823
Plant Operations and Maintenance	2,327,704	2,689,719	2,492,118	2,207,295	2,072,498
Pupil Transportation	443,737	508,445	545,229	580,826	672,548
Unallocated Benefits	5,132,037	5,157,841	5,709,500	6,520,465	6,799,458

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

LAST TEN FISCAL YEARS

MODIFIED ACCRUAL BASIS OF ACCOUNTING

UNAUDITED

(Continued)

	Fiscal Year Ending June 30,				
	2013	2014	2015	2016	2017
Expenditures:					
Charter School	\$ 22,933	\$ 81,777	\$ 67,096	\$ 81,656	\$ 66,431
Capital Outlay	95,528	954,093	4,038,194	7,966,549	9,422,194
Debt Service:					
Principal	435,000	460,000	485,000	980,000	995,000
Interest and Other Charges	102,420	56,001	59,961	962,160	876,863
Total Expenditures	24,457,468	28,281,487	31,808,114	38,721,844	40,384,580
Excess/(Deficit) of Revenues					
Over/(Under) Expenditures	1,581,285	(1,346,448)	(4,197,505)	(8,734,880)	(8,766,488)
Other Financing Sources/(Uses)					
Capital Leases (Non-budgeted)					
Bond Proceeds			27,140,000		(13,701)
Transfers in	135,763				
Transfers out	(144,226)	(13,714)	(49,481)	(630)	
Insurance Reimbursement due to Losses from Hurricane Sandy	45,097				
Total Other Financing Sources/(Uses)	36,634	(13,714)	27,090,519	(630)	(13,701)
Net Change in Fund Balances	\$ 1,617,919	\$ (1,360,162)	\$ 22,893,014	\$ (8,735,510)	\$ (8,780,189)
Debt Service as a Percentage of Noncapital Expenditures	2.21%	1.89%	1.96%	6.31%	6.05%

Source: School District Financial Reports

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u> <u>Revenue</u>	<u>Transportation</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$ 162,440	\$ 1,696,589	\$ 6,761	\$ 131,754	\$ 1,997,544
2009	40,613	1,326,393	28,549	84,801	1,480,356
2010	14,981	1,376,405	53,861	131,171	1,576,418
2011	8,483	1,192,531	31,864	86,413	1,319,291
2012	5,954	1,508,356	14,162	165,009	1,693,481
2013	8,883	1,392,846	34,458	107,151	1,543,338
2014	2,419	1,578,544	39,719	116,083	1,736,765
2015	44	1,603,297	40,877	227,539	1,871,757
2016	2,660	1,560,159	51,222	89,332	1,703,373
2017	2,843	1,462,346	50,575	139,056	1,654,820

Source: School District of the Borough of Bound Brook records

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

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2007	\$ 3,086,800	\$ 340,292,000	\$ 59,082,200	\$ 763,300	\$ 20,245,400	\$ 423,469,700	\$ 3,353,867	\$ 426,823,567	\$ 2.91	\$ 906,908,307
2008	5,338,400	340,622,200	58,997,500	763,300	18,315,400	424,036,800	3,488,832	427,525,632	2.860	951,441,066
2009 *	8,740,100	657,399,000	138,026,200	1,881,600	45,839,400	851,886,300	8,160,111	860,046,411	1.437	1,019,642,469
2010	8,862,900	655,580,700	136,924,900	1,881,600	45,839,400	849,089,500	7,937,422	857,026,922	1.445	936,106,441
2011	8,921,000	647,153,900	134,746,700	1,881,600	45,437,300	838,140,500	9,023,902	847,164,402	1.466	876,640,196
2012	9,176,600	645,090,400	133,356,800	1,881,600	41,904,400	831,409,800	7,787,477	839,197,277	1.510	817,400,787
2013	9,192,600	643,132,400	131,615,200	1,881,600	41,679,400	827,501,200	6,857,917	834,359,117	1.535	803,165,739
2014 *	7,310,100	518,149,900	109,205,740	1,779,600	38,429,700	674,875,040	6,135,212	681,010,252	1.937	707,372,316
2015	8,766,700	532,596,800	123,755,040	2,822,340	38,877,600	706,818,480	6,142,505	712,960,985	1.841	726,357,795
2016	8,434,300	541,941,300	127,818,640	1,529,000	43,093,500	722,816,740	6,616,694	729,433,434	1.914	739,845,280

* Revaluation Year

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

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

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

Source: Municipal Tax Assessor

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

LAST TEN YEARS

UNAUDITED

(Rate per \$100 of Assessed Value)

Year Ended December 31,	School District of the Borough of Bound Brook Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Municipality	County	
2007	\$ 2.828	\$ 0.084	\$ 2.912	\$ 1.424	\$ 0.720	\$ 5.056
2008	2.769	0.091	2.860	1.438	0.751	5.049
2009	* 1.392	0.045	1.437	0.743	0.393	2.573
2010	1.403	0.042	1.445	0.822	0.363	2.630
2011	1.422	0.044	1.466	0.819	0.367	2.652
2012	1.466	0.044	1.510	0.845	0.357	2.712
2013	1.490	0.045	1.535	0.881	0.363	2.779
2014	* 1.881	0.056	1.937	1.084	0.407	3.428
2015	1.790	0.051	1.841	1.069	0.401	3.311
2016	1.863	0.051	1.914	1.068	0.404	3.386

* Revaluation Year

Note:

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

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

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

Source: Municipal Tax Collector and School Business Administrator

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

	<u>2016</u>		<u>2007</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Bound Brook LLC	\$ 22,233,000	3.05%	\$ 10,000,000	2.34%
Middle Brook Center LLC	19,019,000	2.61%	9,029,000	2.12%
Bell Atlantic	6,616,694	0.91%	3,353,867	0.79%
Garfield Park Assoc., LLC	4,000,000	0.55%	2,000,000	0.47%
Tomur Realty	3,712,300	0.51%	2,051,000	0.48%
Bragg-Norton LLC	3,210,000	0.44%		
Somerset Savings & Loan Assoc.	3,012,500	0.41%	2,015,800	0.47%
Tomur Realty	2,874,600	0.39%		
Bound Brook Holdings	2,260,000	0.31%	2,172,800	0.51%
East High Street Properties Inc.	2,200,000	0.30%		
Bound Brook Investing			1,773,000	0.42%
Blair House			1,300,000	0.30%
La Maison Ville			1,055,000	0.25%
Total	<u>\$ 69,138,094</u>	<u>9.48%</u>	<u>\$ 34,750,467</u>	<u>8.15%</u>

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

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a	
		Amount	Percentage of Levy
2008	\$ 12,399,921	\$ 12,399,921	100.00%
2009	12,450,740	12,450,740	100.00%
2010	12,633,422	12,633,422	100.00%
2011	12,429,898	12,429,898	100.00%
2012	12,694,170	12,694,170	100.00%
2013	12,947,987	12,947,987	100.00%
2014	12,951,182	12,951,182	100.00%
2015	13,215,312	13,215,312	100.00%
2016	13,829,069	13,829,069	100.00%
2017	14,439,069	14,439,069	100.00%

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

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

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

Fiscal Year Ended June 30,	Governmental Activities										Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Obligations Under		Bond Anticipation Notes (BANs)	Business-Type Activities		Capital Leases	Total District	Percentage of Personal Income ^a			
			Lease-Purchase Agreement			Capital Leases							
2008	\$ 2,710,000	\$ 1,370,000	\$ 27,804	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 4,107,804	0.53%	\$ 54.87		
2009	2,515,000	1,205,000	6,455	-0-	-0-	-0-	-0-	-0-	3,726,455	0.51%	53.00		
2010	2,310,000	1,030,000	-0-	-0-	-0-	-0-	-0-	-0-	3,340,000	0.45%	46.73		
2011	2,095,000	845,000	3,267	-0-	-0-	-0-	-0-	-0-	2,943,267	0.38%	39.65		
2012	1,870,000	650,000	-0-	-0-	-0-	-0-	-0-	-0-	2,520,000	0.31%	32.24		
2013	1,640,000	445,000	-0-	-0-	-0-	-0-	-0-	-0-	2,085,000	0.25%	26.01		
2014	1,395,000	230,000	-0-	-0-	-0-	-0-	-0-	-0-	1,625,000	0.18%	19.41		
2015	28,280,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	28,280,000	3.12%	327.06		
2016	27,300,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	27,300,000	3.02%	315.72		
2017	26,305,000	-0-	500,000	-0-	-0-	-0-	-0-	-0-	26,805,000	2.97%	310.00		

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

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

Source: School District Financial Reports

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation ^a Taxable	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 2,710,000	\$ - 0 -	\$ 2,710,000	0.63%	\$ 262.37
2009	2,515,000	- 0 -	2,515,000	0.59%	241.06
2010	2,310,000	- 0 -	2,310,000	0.27%	221.75
2011	2,095,000	- 0 -	2,095,000	0.24%	200.00
2012	1,870,000	- 0 -	1,870,000	0.22%	177.86
2013	1,640,000	- 0 -	1,640,000	0.20%	155.75
2014	1,395,000	- 0 -	1,395,000	0.17%	132.52
2015	28,280,000	- 0 -	28,280,000	4.15%	2,694.10
2016	27,300,000	- 0 -	27,300,000	3.83%	2,611.19
2017	26,305,000	- 0 -	26,305,000	3.61%	2,516.02

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

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

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

Source: School District Financial Reports

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2016
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Borough of Bound Brook	\$ 20,986,157	100.00%	\$ 20,986,157
Somerset County General Obligation Debt	198,783,605	1.22%	<u>2,431,596</u>
Subtotal, Overlapping Debt			23,417,753
Bound Brook School District Direct Debt			<u>27,025,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 50,442,753</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2017

		Equalized valuation basis
	2014	\$ 727,863,503
	2015	740,511,765
	2016	730,046,066
		<u>\$ 2,198,421,334</u>
Average Equalized Valuation of Taxable Property		\$ 732,807,111
Debt Limit (4% of average equalization value) a		29,312,284
Net Direct School Debt		26,305,000
Legal Debt Margin		<u>\$ 3,007,284</u>

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt Limit	\$ 33,121,740	\$ 31,070,746	\$ 29,950,683	\$ 29,201,843	\$ 29,312,284
Total Net Debt Applicable to Limit	<u>2,085,000</u>	<u>1,625,000</u>	<u>28,280,000</u>	<u>27,300,000</u>	<u>26,305,000</u>
Legal Debt Margin	<u>\$ 31,036,740</u>	<u>\$ 29,445,746</u>	<u>\$ 1,670,683</u>	<u>\$ 1,901,843</u>	<u>\$ 3,007,284</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	6.29%	5.23%	94.42%	93.49%	89.74%

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

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

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

Year	Population ^a	Borough of Bound Brook Personal Income ^b	Somerset County Per Capita Personal Income ^c	Unemployment Rate ^d
2008	10,329	\$ 773,228,940	\$ 74,860	6.40%
2009	10,433	733,554,663	70,311	11.1%
2010	10,417	744,534,241	71,473	11.1%
2011	10,475	777,643,050	74,238	10.9%
2012	10,514	821,805,782	78,163	11.4%
2013	10,530	844,158,510	80,167	8.5%
2014	10,527	881,436,237	83,731	5.1%
2015	10,497	907,654,596	86,468	4.7%
2016	10,455	904,022,940 ***	86,468 *	4.3%
2017	10,455 **	904,022,940 ***	86,468 *	N/A

* - Latest Somerset County per capita personal income available (2015) was used for calculation purposes.

** - Latest population data available (2016) was used for calculation purposes.

*** - Latest Borough personal income available (2015) and latest population data available (2016) were used for calculation purposes.

N/A - Not Available

Source:

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

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

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

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

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

	2016		
Employer	Employees	Rank	Percentage of Total Employment

INFORMATION IS NOT AVAILABLE

	2007		
Employer	Employees	Rank	Percentage of Total Employment

INFORMATION IS NOT AVAILABLE

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

UNAUDITED

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	88.1	87.0	86.3	83.8	92.1	89.2	101.7	102.2	108.9	114.6
Special education	9.0	21.6	17.3	18.2	20.2	18.6	21.0	22.4	26.6	28.2
Other special education	15.0	13.0	10.5	13.5	14.0	12.0	10.6	7.5	10.1	9.6
Other instruction	21.4	7.4	10.5	10.9	9.6	10.6	13.4	15.6	16.5	16.2
Support Services:										
Student and instruction related services	24.5	26.0	27.5	25.5	25.0	29.8	30.0	42.0	40.4	33.3
General administrative services	2.0	2.0	2.0	2.0	2.0	2.3	2.5	2.5	4.0	4.0
School administrative services	13.5	11.9	12.0	10.0	10.0	15.4	9.9	12.2	14.2	14.7
Business administrative services	6.1	5.0	5.0	5.3	5.3	5.3	7.3	7.3	5.6	6.8
Plant operations and maintenance	31.5	16.0	16.0	15.0	17.8	19.8	18.8	18.5	22.0	22.0
Pupil transportation	3.0	3.5	3.5	4.0	4.0	4.3	3.7	4.2	3.4	3.4
Total	214.1	193.4	190.6	188.2	200	207.3	218.9	234.4	251.7	252.75

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

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle/High				
2008	1,508	\$ 22,864,727	15,162	-0.09%	119	1:13.9	1:11.7	1,519.6	1,431.0	3.09%	94.17%
2009	1,535	22,994,203	14,980	-1.20%	116	1:16.5	1:10.9	1,512.3	1,421.6	-0.48%	94.00%
2010	1,513	24,481,716	16,181	8.02%	114	1:17.5	1:10.7	1,492.9	1,413.9	-1.28%	94.71%
2011	1,532	22,044,748	14,390	-11.07%	113	1:15.9	1:11.8	1,492.9	1,417.6	0.00%	94.96%
2012	1,535	23,659,691	15,413	7.12%	122	1:13.6	1:11.7	1,524.0	1,453.1	2.08%	95.35%
2013	1,606	23,824,520	14,835	-3.76%	115	1:15.0	1:12.9	1,611.2	1,530.3	5.72%	94.98%
2014	1,710	26,811,393	15,679	5.69%	128	1:14.2	1:12.6	1,681.6	1,598.3	4.37%	95.05%
2015	1,800	27,224,959	15,125	-3.53%	134	1:13.3	1:13.6	1,802.8	1,716.1	7.21%	95.19%
2016	1,832	28,813,135	15,728	3.98%	142	1:12.2	1:13.7	1,835.9	1,754.3	1.84%	95.56%
2017	1,888	29,090,523	15,408	-2.03%	152	1:11.9	1:12.6	1,879.6	1,783.8	2.38%	94.90%

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment.
This Cost Per Pupil may be different from other Cost Per Pupil calculations.

Source: Borough of Bound Brook District Records

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>District Building</u>										
<u>Elementary</u>										
LaMonte Elementary (1913)										
Square Feet	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800
Capacity (students)	139	139	139	139	139	139	139	139	139	139
Enrollment	201	140	159	150	140	133	169	238	186	155
LaMonte Annex (2006)										
Square Feet	30,240	30,240	30,240	30,240	30,240	30,240	30,240	30,240	30,240	30,240
Capacity (students)	256	256	256	256	256	256	256	256	256	256
Enrollment	228	250	284	304	307	344	333	340	218	234
Lafayette Elementary (1962)										
Square Feet	39,640	39,640	39,640	39,640	39,640	39,640	39,640	39,640	39,640	39,640
Capacity (students)	226	226	226	226	226	226	266	266	266	266
Enrollment	275	279	320	323	361	353	378	327	264	293
Smalley Elementary School (1957)										
Square Feet	42,877	42,877	42,877	42,877	42,877	42,877	42,877	42,877	42,877	42,877
Capacity (students)	356	356	356	356	356	356	356	356	356	356
Enrollment	308	304	255	270	262	293	321	358	373	373
<u>Middle School</u>										
Community Middle School (2014) *										
Square Feet									44,937	44,937
Capacity (students)									335	335
Enrollment									227	240
<u>High School</u>										
Bound Brook High School (1907)										
Square Feet	118,025	118,025	118,025	118,025	118,025	118,025	118,025	118,025	119,595	119,595
Capacity (students)	869	869	869	869	869	869	869	869	869	869
Enrollment	496	493	495	485	465	483	510	537	564	593
<u>Board of Education Administrative Office</u>										
Square Feet										1,649
Number of Schools at June 30, 2017										
Elementary = 4										
Middle School = 1										
Senior High School = 1										

Source: District Facilities Office

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

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

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

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

Fiscal Year Ended June 30,	Bound Brook High School	Lafayette Elementary School	LaMonte Elementary School	Smalley Elementary School	LaMonte School Annex	Community Middle School	Administration Building	Total
2008	\$ 478,912	\$ 198,729	\$ 157,075	\$ 301,382	\$ 123,342			\$ 1,259,440
2009	470,628	232,675	138,989	328,415	87,580			1,258,287
2010	449,584	160,128	95,586	150,442	92,617			948,357
2011	421,404	131,206	133,411	142,114	69,332			897,467
2012	427,132	178,873	133,536	155,374	73,796			968,711
2013	395,335	86,384	127,866	112,644	87,019			809,248
2014	440,379	114,226	75,390	142,252	73,469			845,716
2015	297,520	83,389	95,994	100,054	52,520			629,477
2016	184,406	52,251	39,385	87,808	38,526	\$ 53,963		456,339
2017	136,508	57,740	63,970	52,618	50,855	73,623	\$ 6,594	441,908

* 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 BOUND BROOK SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2017
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
New Jersey Schools Insurance Group		
Package Policy:		
Blanket Real and Personal Property	\$ 75,803,497	\$ 5,000
Comprehensive General Liability	11,000,000	
Computer Equipment	1,873,737	1,000
Energy Systems	100,000,000	5,000
Crime Coverage:		
Faithful Performance	1,000,000	1,000
Money and Securities	50,000	1,000
Automobile	11,000,000	1,000
School Board Legal Liability	11,000,000	15,000
Workers Compensation	2,000,000	
Supplemental Indemnity (Chubb Insurance Company)	1,750/ week	
Flood: (Selective Insurance Company)		
330 W 2nd Street	500,000	1,000
High St & Lafayette	500,000	1,000
2nd St. & Vosseler	500,000	1,000
Catastrophe Umbrella (Firemans Fund)	50,000,000	
Environmental Liability (each incident/total aggregate)	1 mil/ 3 mil	25,000
Student Accident Insurance (Bollinger)	1,000,000	
New Jersey Schools Insurance Group		
Surety Bonds:		
Board Secretary/Business Administrator	350,000	
Treasurer of School Moneys	350,000	
Environmental (add'l mold)	1mil/1mil	10,000
Beazley		

Source: District's Records

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Bound Brook School District, in the County of Somerset (the "District") as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 16, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

October 16, 2017
Mount Arlington, New Jersey

NISIVOCCIA LLP



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



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Borough of Bound Brook School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2017. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

October 16, 2017
Mount Arlington, New Jersey

NISIVOCIA LLP



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

**BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumbrance	Balance at June 30, 2017		Amounts Provided to Subrecipients
					Budgetary Accounts Receivable	Budgetary Unearned Revenue				Budgetary Accounts Receivable	Budgetary Unearned Revenue	
Special Revenue Fund:												
No Child Left Behind Consolidated Grant:												
Title I	84-010A	NCLB184016	7/1/15-6/30/16	\$ 890,263	\$ (134,110)	\$	\$ 134,110					
Title I	84-010A	NCLB184017	7/1/16-6/30/17	851,815		700,947	\$ (840,675)			\$ (139,728)		
Title II, Part A	84-367A	NCLB184016	7/1/15-6/30/16	66,330	(9,198)	9,198						
Title II, Part A	84-367A	NCLB184017	7/1/16-6/30/17	66,167		31,818	(36,767)			(4,949)		
Title III	84-365A	NCLB184016	7/1/15-6/30/16	73,589	(2,820)	2,820						
Title III	84-365A	NCLB184017	7/1/16-6/30/17	54,195		23,190	(30,690)			(7,500)		
Title III - Immigrant	84-365A	NCLB184016	7/1/15-6/30/16	25,028	(1,805)	1,805						
Title III - Immigrant	84-365A	NCLB184017	7/1/16-6/30/17	25,307		9,244	(13,960)			(4,716)		
Preschool Expansion Aid	84-419B	N/A	7/1/15-6/30/16	443,925	(80,865)	80,460		\$ 405				
Preschool Expansion Aid	84-419B	N/A	7/1/16-6/30/17	444,675		371,363	(437,802)			(66,439)		
Special Education Cluster:												
I.D.E.A. Part B, Basic	84-027	IDEA184017	7/1/16-6/30/17	425,223		408,203	(425,223)			(17,020)		
I.D.E.A. Part B, Preschool	84-173	IDEA184017	7/1/16-6/30/17	14,963		14,843	(14,843)					
Total Special Education Cluster												
Total U.S. Department of Education												
U.S. Department of Health and Human Services:												
Medicaid Cluster:												
Medicaid Assistance Program	93-778	N/A	7/1/15-6/30/16	55,161	(260)	260						
Medicaid Assistance Program	93-778	N/A	7/1/16-6/30/17	53,174		53,174	(53,174)					
Medicaid Assistance Program	93-778	N/A	7/1/13-6/30/14	38,285		38,285	(38,285)					
ARRA - Medicaid Assistance Program	93-778	N/A	4/1/09 - 12/31/09	3,734		3,734	(3,734)					
Total U.S. Department of Health and Human Services/Medicaid Cluster												
U.S. Department of Agriculture Passed Through State Department of Agriculture:												
Child Nutrition Cluster:												
Food Distribution Program	10-555	N/A	7/1/15-6/30/16	69,877								
Food Distribution Program	10-555	N/A	7/1/16-6/30/17	97,126		97,126	(2,322)					
School Breakfast Program	10-553	N/A	7/1/15-6/30/16	405,154	(74,615)	74,615	(90,516)			\$ 6,610		
School Breakfast Program	10-553	N/A	7/1/16-6/30/17	418,202		390,386	(418,202)			(27,816)		
After School Snack Program	10-555	N/A	7/1/15-6/30/16	2,042	(460)	460						
After School Snack Program	10-555	N/A	7/1/16-6/30/17	2,848		2,719	(2,848)			(129)		
National School Lunch Program	10-555	N/A	7/1/15-6/30/16	636,210	(107,029)	107,029						
National School Lunch Program	10-555	N/A	7/1/16-6/30/17	630,413		619,664	(650,413)			(30,749)		
Total U.S. Department of Agriculture/Child Nutrition Cluster												
Total Federal Awards												
					\$ (411,162)	\$ 2,322	\$ 3,175,453	\$ (3,059,454)	\$ 405	\$ (299,046)	\$ 6,610	\$ -0-

N/A - Not Applicable/Available

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016			Adjustments	Cash Received	Budgetary Expenditures	Balance at June 30, 2017		MEMO	
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Budgetary Accounts Receivable				Budgetary Unearned Revenue	Budgetary Accounts Receivable	Cumulative Total Expenditures	
New Jersey Department of Education													
General Fund:													
Categorical Special Education Aid	16-495-034-5120-089	7/1/15 - 6/30/16	\$ 880,722	\$ (87,494)			\$ 87,494					\$	880,722
Equalization Aid	16-495-034-5120-078	7/1/15 - 6/30/16	6,288,222	(624,691)			624,691						6,288,222
Categorical Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	118,638	(11,787)			11,787						118,638
Categorical Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	23,408	(2,325)			2,325						23,408
School Choice Aid	16-495-034-5120-068	7/1/15 - 6/30/16	421,542	(41,877)			41,877						421,542
Under Adequacy Aid	16-495-034-5120-085	7/1/15 - 6/30/16	282,395	(28,054)			28,054						282,395
Additional Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	51,096	(5,076)			5,076						51,096
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	16,070	(1,596)			1,596						16,070
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15 - 6/30/16	16,070	(1,596)			1,596						16,070
Extraordinary Aid	16-495-034-5120-044	7/1/15 - 6/30/16	147,048	(147,048)			147,048						147,048
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15 - 6/30/16	869,117	(4,218)			4,218						869,117
Categorical Special Education Aid	17-495-034-5120-089	7/1/16 - 6/30/17	903,401				813,551	\$ (903,401)				\$ (89,850)	903,401
Equalization Aid	17-495-034-5120-078	7/1/16 - 6/30/17	6,305,124				5,678,031	(6,305,124)				(627,093)	6,305,124
Categorical Security Aid	17-495-034-5120-084	7/1/16 - 6/30/17	141,353				127,294	(141,353)				(14,059)	141,353
Categorical Transportation Aid	17-495-034-5120-014	7/1/16 - 6/30/17	27,646				24,896	(27,646)				(2,750)	27,646
School Choice Aid	17-495-034-5120-068	7/1/16 - 6/30/17	434,316				391,121	(434,316)				(43,195)	434,316
Under Adequacy Aid	17-495-034-5120-085	7/1/16 - 6/30/17	282,395				254,309	(282,395)				(28,086)	282,395
Additional Adjustment Aid	17-495-034-5120-085	7/1/16 - 6/30/17	51,096				46,014	(51,096)				(5,082)	51,096
PARCC Readiness Aid	17-495-034-5120-098	7/1/16 - 6/30/17	16,070				14,472	(16,070)				(1,598)	16,070
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16 - 6/30/17	16,070				14,472	(16,070)				(1,598)	16,070
Professional Learning Community Aid	17-495-034-5120-101	7/1/16 - 6/30/17	17,440				15,705	(17,440)				(1,735)	17,440
Host District Support Aid	17-495-034-5120-102	7/1/16 - 6/30/17	7,647				6,886	(7,647)				(761)	7,647
Extraordinary Aid	17-495-034-5120-044	7/1/16 - 6/30/17	190,827					(190,827)				(190,827)	190,827
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16 - 6/30/17	896,084				809,805	(86,279)				(86,279)	896,084
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16 - 6/30/17	983,265				983,265	(983,265)					983,265
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16 - 6/30/17	1,180,068				1,180,068	(1,180,068)					1,180,068
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16 - 6/30/17	41,262				41,262	(41,262)					41,262
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16 - 6/30/17	4,957				4,957	(4,957)					4,957
Total General Fund				(955,762)			11,361,870	(11,499,021)			(277,106)	(1,092,913)	20,613,349
Special Revenue Fund													
Preschool Education Aid	13-495-034-5120-025	7/1/12 - 6/30/16	579,882										579,882
Preschool Education Aid	16-495-034-5120-025	7/1/15 - 6/30/16	429,607				42,678						429,607
Preschool Education Aid	17-495-034-5120-025	7/1/16 - 6/30/17	719,882				648,284						719,882
Total Special Revenue Fund				(42,678)			690,962	(690,050)					1,601,659
Debt Service Fund:													
School Building Aid	17-495-034-5120-075	7/1/16 - 6/30/17	920,346				920,346	(920,346)					920,346
Total Debt Service Fund							920,346	(920,346)					920,346
Total New Jersey Department of Education				(998,440)			12,973,178	(13,109,417)			(277,106)	(1,164,511)	23,135,354

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Project Number	Grant or State	Grant Period	Award Amount	Balance at June 30, 2016			Adjustments	Cash Received	Budgetary Expenditures	Balance at June 30, 2017			MEMO	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Budgetary Unearned Revenue				GAAP Accounts Receivable	Budgetary Unearned Revenue	Budgetary Accounts Receivable	Cumulative Total Expenditures	
New Jersey Department of Agriculture:															
Enterprise Fund:															
State School Lunch Program	17-100-010-3350-023	\$ 12,810	7/1/16 - 6/30/17	\$ 12,810	\$ (2,132)	\$ 12,216	\$ (12,810)	\$ 12,216	\$ (12,810)	\$ (594)	\$ (594)	\$ (594)	\$ 12,810		
State School Lunch Program	16-100-010-3350-023	13,155	7/1/15 - 6/30/16	13,155	(2,132)	2,132		2,132					13,155		
Total New Jersey Department of Agriculture					(2,132)	14,348	(12,810)	14,348	(12,810)	(594)	(594)	(594)	25,965		
Total State Awards Subject to Single Audit Determination					(1,000,572)	97,880	-0-	12,987,526	(13,122,227)	(277,700)	(277,700)	(277,700)	127,712	(1,165,105)	23,161,319
Less: State Awards Not Subject to Single Audit Major Program Determination															
On-Behalf TPAF Pension System Contributions:															
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	(983,265)	7/1/16-6/30/17	(983,265)					983,265						
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	(1,180,068)	7/1/16-6/30/17	(1,180,068)					1,180,068						
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	(41,262)	7/1/16-6/30/17	(41,262)					41,262						
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	(4,957)	7/1/16-6/30/17	(4,957)					4,957						
Subtotal - On-Behalf TPAF Pension System Contribution									2,209,552						
Total State Awards Subject to Single Audit Major Program Determination									(10,912,675)						

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Borough of Bound Brook School District under programs of the federal and state governments for the fiscal year ended June 30, 2017. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$11,311) for the general fund and (\$30,579) for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and the special revenue funds.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 95,193	\$ 11,487,710	\$ 11,582,903
Special Revenue Fund	1,796,228	663,203	2,459,431
Debt Service Fund		920,346	920,346
Food Service Fund	1,164,301	12,810	1,177,111
Total Awards	<u>\$ 3,055,722</u>	<u>\$ 13,084,069</u>	<u>\$ 16,139,791</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2017.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results:

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

	<u>C.F.D.A. Number/ State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Child Nutrition Cluster:				
Food Distribution Program	10.555	7/1/15-6/30/16	\$ 69,877	\$ 2,322
Food Distribution Program	10.555	7/1/16-6/30/17	97,126	90,516
School Breakfast Program	10.555	7/1/16-6/30/17	418,202	418,202
After School Snack Program	10.555	7/1/16-6/30/17	2,848	2,848
National School Lunch Program	10.555	7/1/16-6/30/17	650,413	650,413
<u>State:</u>				
General Fund State Aid:				
Categorical Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	903,401	903,401
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	6,305,124	6,305,124
Categorical Security Aid	17-495-034-5120-084	7/1/16-6/30/17	141,353	141,353
School Choice Aid	17-495-034-5120-068	7/1/16-6/30/17	434,316	434,316
Under Adequacy Aid	17-495-034-5120-085	7/1/16-6/30/17	282,395	282,395
Additional Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	51,096	51,096
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	16,070	16,070
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	16,070	16,070
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	17,440	17,440
Host District Support Aid	17-495-034-5120-102	7/1/16-6/30/17	7,647	7,647
School Building Aid	17-495-034-5120-075	7/1/16-6/30/17	920,346	920,346

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Summary of Auditors' Results: (Cont'd)

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

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

The District had no prior year findings.