

SOMERVILLE BOROUGH SCHOOL DISTRICT

**Somerville Board of Education
Somerville, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

**Comprehensive Annual
Financial Report**

of the

Somerville Borough School District

Somerville, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

Somerville Board of Education

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INTRODUCTORY SECTION

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Business Administrator/Board Secretary
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January 18, 2019

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

Dear Board Members:

The comprehensive annual financial report of the Somerville Borough School District (the "District") for the fiscal year ended June 30, 2018, 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 Board of Education (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, a roster of officials and a list of consultants and advisors. 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 economic 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* ("Uniform Guidance") 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' reports 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 Somerville Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Somerville Borough Board of Education and all its schools constitute the District's reporting entity.

1) REPORTING ENTITY AND ITS SERVICES (Cont'd):

The District provides a full range of educational services appropriate to grade levels K through 12 for the students residing in Somerville Borough, and 9 through 12 for students residing in Branchburg Township. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2017-2018 fiscal year with an enrollment of 2,347 students, which is an decrease of 6 students from the previous year's enrollment.

2) ECONOMIC CONDITION AND OUTLOOK:

Because of the location and ambiance of the area, along with a notably good school system, Somerville is looked upon as a desirable place to live in New Jersey. Somerville will continue to show some growth as a residential area as a result of redevelopment. The overall picture is that the Somerville area will continue to prosper.

3) MAJOR INITIATIVES:

District-Wide

Somerville has been nationally recognized for enhancing student performance through a personalized student assessment program (Digital Data Wall). The district received a national District of Distinction (1-of-49 school districts in the nation) for this focus on individualized student growth, while Newsweek Magazine ranked Somerville High School in the top 6% of high schools nationwide. The district reached 100% of the state's performance report targets in academic achievement and graduation/post-secondary enrollment since the inception of the 2013 Digital Data Wall program.

The district offers free professional development to educators, administrators, and board members statewide through an annual Student Achievement and Data Summit. The district maintains a 3DPD (Three Dimensional Professional Development), an online "best practice" video repository, where staff can share ideas and highlight exemplary work. This has been augmented by ASCD Activate.

At-risk students are identified for student mentorship through the district-wide Mosaic program. The program pairs at-risk students with local mentors in the community. Mentors are assigned to children based on a student interest survey.

In an effort to continue to support all learners, I&RS teams use the shared Digital Data Wall and other data sources to identify specific areas in need of support. Using a customized, student centered approach, classroom teachers are provided with specific intervention and classroom strategies that are based on an individual student needs profile.

The district partnered with Family ID, a web-based document application, to post school forms requiring parent/guardian signatures online. This gives families the ability to digitally complete and sign important school documents including registration and field trip forms while giving the district the opportunity to provide an efficient, cost effective, and eco-friendly solution to generating, collecting, and reporting important student data.

3) MAJOR INITIATIVES: (Cont'd)

Somerville High School

The partnership with Raritan Valley Community College (RVCC) continues with the Somerville Academy of Liberal Arts. Students enrolled in this Academy have the opportunity to receive an Associate's Degree in Liberal Arts and a High School Diploma upon completion of their high school experience. The district has also partnered with RVCC to implement the Workforce Skill Development and Employability Program. This program provides opportunities for non-college bound students with four career tracks including retail, hospitality, public service (law enforcement), and childcare. The program provides for certification in CPR, ServeSafe Food Handlers, and ServeSafe Essentials. In September 2018, the district launched its STEM Academy in partnership with RVCC. Enrolled students earn college credits and will be eligible for industry certifications. Additionally, the district partnered with LaRue Public Relations agency, which specializes in promoting fashion-related brands. The LaRue PR Academy provides invaluable internship opportunities for a group of seniors during the afterschool hours. As a culminating activity, the student interns will be able to participate in the New York Fashion Week alongside the LaRue PR employees.

The district also utilizes Robert Wood Johnson University Hospital Somerset for the Somerville Medical Sciences Academy. Students enrolled in the Somerville Medical Sciences Academy learn firsthand about the many health careers available and gain valuable knowledge, skills, and experiences in a hospital setting that cannot be duplicated in a traditional high school classroom. The goal of the program is to challenge students academically while stimulating interest in health related professions and to motivate students with an aptitude for math and science to pursue post-secondary education.

The Young Science Achievers Program provides scientists from AT&T to work with our at-risk students in the area(s) of Science, Technology, Engineering and Math (STEM). Somerville High School enhanced its guidance services by adding a College and Career Counselor who assists eighth grade students in Somerville and Branchburg with development of Individualized Student Learning Plans (ISLPs) through Naviance. The Somerville High School Guidance department is working to establish stronger relationships with college admissions offices and local businesses to assist our non-college bound students with getting jobs after high school.

Somerville High School teachers engage in data driven Professional Learning Communities that continue to focus on student achievement. Data is gathered, discussed, and reflected upon to identify targeted areas of focus to ensure college and career readiness. Administrators and teachers collaborate through the facilitation of Professional Learning Communities as well as through shared Google Docs. New course offerings at Somerville High School include Mobile App Development, Marine Biology, Exploring Spanish Culture through Communication, Human Conscience, and AP Physics I and 2. Infinite opportunities will be afforded to all high school students (and high performing middle school students) through online offerings without any limit to the number of credits per child.

3) MAJOR INITIATIVES: (Cont'd)

Somerville Middle School

Somerville Middle School's philosophy is based on the belief that students learn best in a supportive and nurturing environment, which models values and provides meaningful academic experiences. The dedicated faculty and staff provide an outstanding academic program, exceptional opportunities in the arts, and a vast array of co-curricular activities.

Somerville Middle School continues to incorporate current 21st century learning resources to expand the learning opportunities that are provided throughout the course of the school day. Somerville Middle School is a "1- to-1 device" learning environment. Each student is assigned a Chromebook that is utilized throughout the school day. In addition, each classroom is equipped with a Smartboard, which is also used to enhance the classroom learning experience.

The school's focus on developing the talents of the whole child. This includes maximizing their academic potential while cultivating individual talents in the arts and technology. Our curriculum is current and responsive to the competitive demands of society. It provides for a wide and diversified array of exploratory classes in foreign language, technology, STEAM, music, and art. The exploratory cycles allow students to experience an integrated learning experiences through various areas of interest. Each student is given the opportunity to participate in instrumental and vocal music.

Van Derveer Elementary School

Van Derveer Elementary School has demonstrated tremendous growth on the school performance report and reading levels school wide. In an effort to maintain this growth, Van Derveer Elementary School teachers will continue to use various intervention services to assist in the differentiation of instruction for all students.

Qualifying at-risk students have the opportunity to attend a before school Title I program that utilizes American Reading Company materials and devices to access MyOn software. MyOn assesses student interest and reading levels and provides students with a recommended reading list that matches their assessed criteria. The program also has options for teacher controls, Spanish translation, and highlights/reads text as needed.

The district hosted its seventh annual Kindergarten Summit. All surrounding preschool providers (including Somerville preschool educators) visit district Kindergarten classrooms for a day of articulating, highlighting best practices, and sharing Kindergarten expectations. The Kindergarten Summit received a "Best Practice" award and was recognized as an A+ Ideas Programs and Practices from the New Jersey School Boards Association.

At-risk reading students participate in a morning reading program utilizing the 100 Book Challenge model. The program is extremely well attended. Students benefit from rich text and small group instruction. In addition, a morning math program has been added for students identified as needing supports in basic math skills.

The school-wide enrichment model for grades 2-5 focuses on student interest survey results while providing higher-order thinking opportunities and include hands-on experiences for all identified students. Gifted and talented students in grades 2-5 meet before school.

3) MAJOR INITIATIVES: (Cont'd)

Technology Programs

The students of Somerville Public Schools engage daily in connected learning experiences. With technology, they have opportunities to explore, communicate, and design. Somerville students learn how to become responsible technology users, contributors, and creators. The rigorous curricula and transformative practices give them the opportunities necessary to communicate, create, and thrive as connected citizens.

Van Derveer Elementary School students enjoy connected learning experiences through shared use of a variety of devices. Teachers and students utilize MacBooks, iPads and chromebooks to connect wirelessly with the district's network and interact with 21st Century curricula such as Go Math, MyOn, and other developmentally appropriate applications. Students in grades 3-5 participate in a 1:1 Chromebook initiative, while students in K-2 participate in a 2:1 MacBook/iPad initiative. Each classroom is also currently equipped with an interactive display. The STEM/Coding program for Kindergarten through Grade 5 students in VDV has fostered an interest in computer science for our youngest learners. For students in grades 4 and 5, an afterschool robotics program has been implemented.

Somerville Middle School students are also seated in 21st Century classrooms, with interactive displays and Wi-Fi, and participate in a 1:1 Chromebook initiative. Every student in Somerville Middle School has access to a personalized Chromebook to use in every classroom throughout the school day. Google Apps for Education accounts provide students with the opportunity to collaborate with their teachers and classmates. In addition, educational applications and programs provide them with the curricula support they need to achieve successful academic growth.

A 1:1 Chrome book initiative is also implemented at Somerville High School. Students use Chromebooks and their Google Apps for Education accounts to engage in collaborative 21st Century learning activities. Somerville High School has interactive displays available for students to use in all classrooms. Students have the option to participate in the video productions studio and create newscasts for their peers. High School students also explore their creativity through 3D printing facilities, a music production computer lab, and an engineering lab.

4) 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 federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts, and grants.

5) BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by 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 year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2018.

6) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the 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.

7) 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.

8) RISK MANAGEMENT:

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

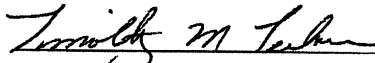
9) OTHER INFORMATION:

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 of Education at its last organization meeting. 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* ("Uniform Guidance") 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 are included in the single audit section of this report.

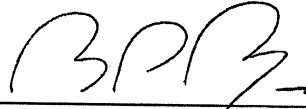
The Honorable President and Members of
the Board of Education
Somerville Borough School District
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10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Somerville School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,

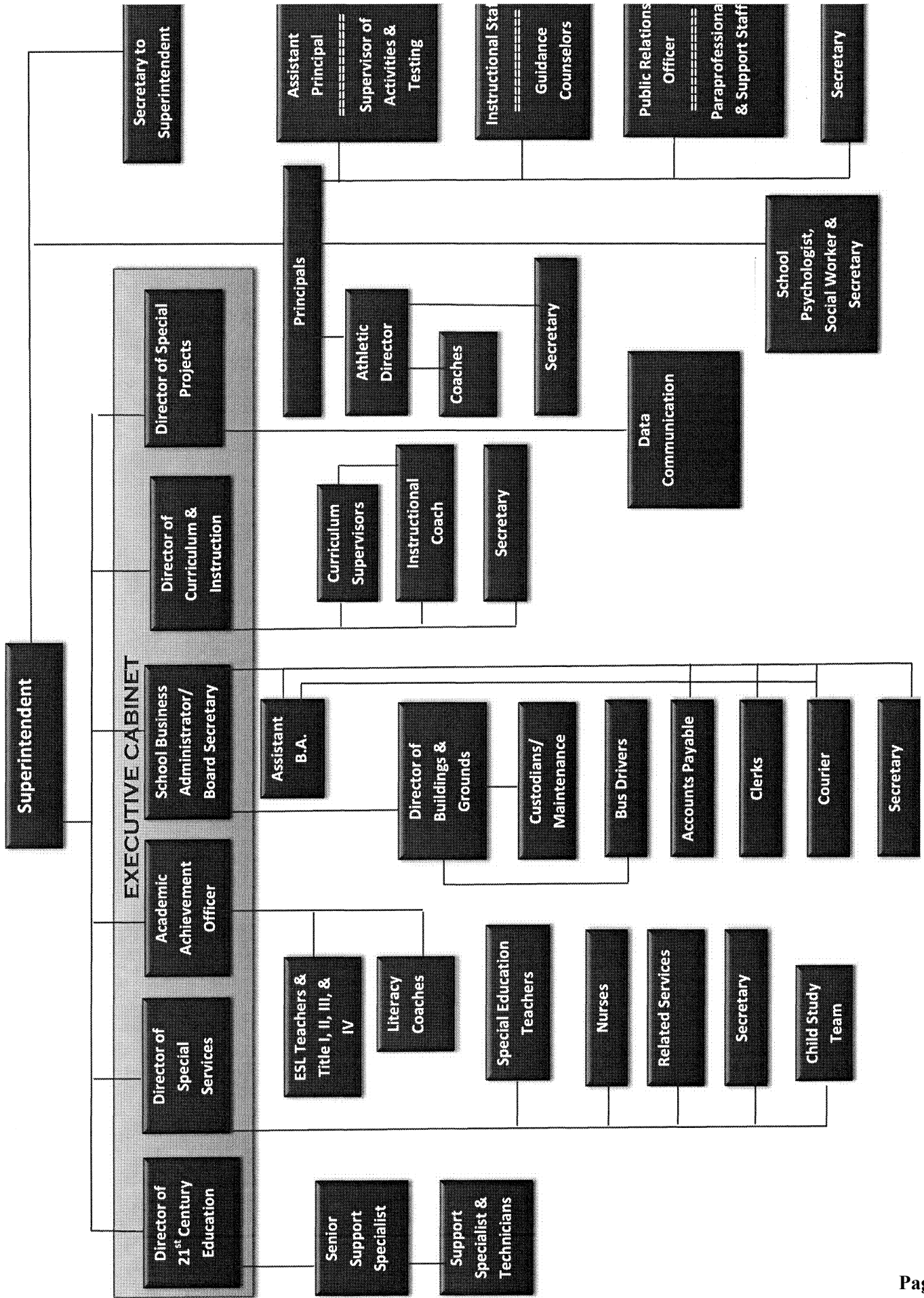


Dr. Timothy Teehan
Superintendent



Bryan P. Boyce
Business Administrator/Board Secretary

SOMERVILLE PUBLIC SCHOOLS — ORGANIZATIONAL CHART



**SOMERVILLE BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Linda Olson, President	2019
Lucien Sergile, Jr., Vice President	2019
Kenneth Cornell	2018
Daniel Puntillo, Jr.	2018
John Prudente	2018
Erin Sweitzer	2019
Derek J. Jess	2020
Denise Van Horn	2020
Candace Matthews	2020
Kristen Fabriczi *	2019

Other Officers

Timothy J. Teehan, Superintendent of Schools

Bryan P. Boyce, School Business Administrator/Board Secretary

* Branchburg Board of Education Member

SOMERVILLE BOROUGH SCHOOL DISTRICT
Consultants and Advisors

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State of NJ Cash Management
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Trenton, NJ 08625

FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Somerville Borough 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 Somerville Borough School District (the "District") in the County of Somerset, as of and for the fiscal year ended June 30, 2018, 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 Somerville Borough School District, in the County of Somerset, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 18 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the pension and postemployment schedules in Exhibits L-1 through L-5 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*; 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 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 January 18, 2019 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.

January 18, 2019
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

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

This discussion and analysis of the Somerville Borough School District's financial performance provides an overall review of its financial activities for the fiscal year ended June 30, 2018. The intent of this is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The fund financial statements present all funds of the District. The General Fund is by far the most significant fund.

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.

Reporting the School District as a Whole

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*.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Statement of Net Position and the Statement of Activities

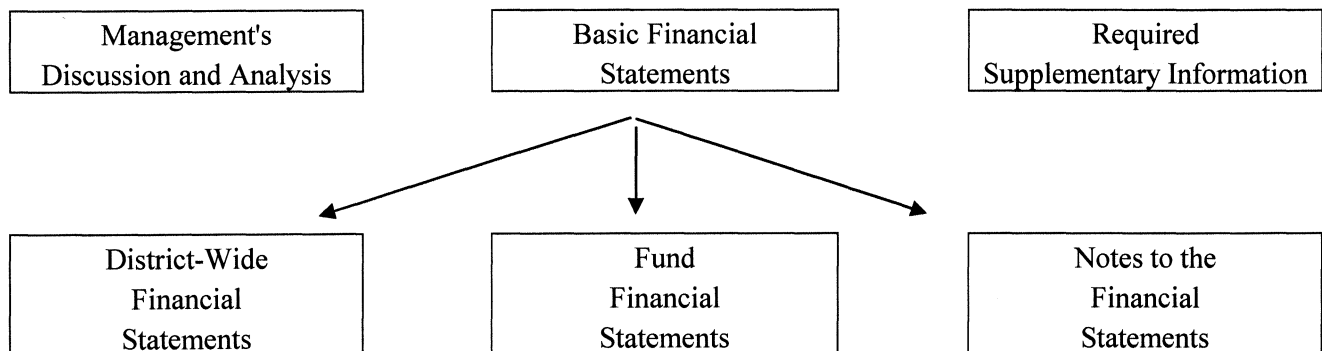
The two statements report the School District's net position and changes in the net position. This change is important because it tells the reader that, for the School District as a whole, whether its financial position improved or diminished. The causes of this change may be the result of many factors. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct types of activities:

- Governmental Activities – All programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The School Food Service Fund is reported as a business-type activity.

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 certain 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 Somerville Borough School District's Financial Report**



**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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.

Figure A-2

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 monies.
Required Financial Statements	Statement of Net Position Statement of activities	Balance sheet Statement of revenue, expenditures, and changes in fund balances	Statement of Net Position Statement of revenue, expenses, and changes in net position Statement of cash flows	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 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

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The District's governmental funds include the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

Governmental Funds

The District's activities are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Fund

Services for which the District charges a fee for are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's enterprise fund (one type of proprietary fund) is the same as its business-type activities, but provide more detail and additional information, such as cash flows.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activity 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 to the financial statements provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net position as of June 30, 2018. The District's combined net position was \$27,373,785 on June 30, 2018, \$1,288,242 or 4.94% more than it was the year before. Net Investment in capital assets decreased due to the acquisitions of district assets combined with the continued pay down of the school debt offset by depreciation expense. The increase in restricted net position is attributable to the increase in the capital reserve. The increase in unrestricted net position was primarily attributable to the increase in compensated absences offset by changes in the net pension liability and pension related deferred inflows and outflows.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Current and Other Assets	\$ 10,992,484	\$ 8,915,151	\$ 306,267	\$ 274,217	\$ 11,298,751	\$ 9,189,368	
Capital Assets, Net	47,802,372	49,482,075	122,182	100,354	47,924,554	49,582,429	
Total Assets	58,794,856	58,397,226	428,449	374,571	59,223,305	58,771,797	0.77%
Deferred Outflow of Resources	5,244,135	6,431,613			5,244,135	6,431,613	-18.46%
Other Liabilities	3,418,281	3,283,524	12,670	56,035	3,430,951	3,339,559	
Long-Term Liabilities	31,011,089	35,778,308			31,011,089	35,778,308	
Total Liabilities	34,429,370	39,061,832	12,670	56,035	34,442,040	39,117,867	-11.95%
Deferred Inflow of Resources	2,651,615				2,651,615		100.00%
Net Position							
Net Investment in Capital Assets	32,963,384	33,327,721	122,182	100,354	33,085,566	33,428,075	
Restricted	6,643,576	5,437,484			6,643,576	5,437,484	
Unrestricted/(Deficit)	(12,648,954)	(12,998,198)	293,597	218,182	(12,355,357)	(12,780,016)	
Total Net Position	\$ 26,958,006	\$ 25,767,007	\$ 415,779	\$ 318,536	\$ 27,373,785	\$ 26,085,543	4.94%

Changes in Net Position

The Changes in Net Position shows the cost of program services and the revenues of the District on a comparative schedule (Figure A-4).

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Revenue:							
Program Revenue:							
Charges for Services	\$ 10,197,918	\$ 10,499,776	\$ 435,333	\$ 387,991	\$ 10,633,251	\$ 10,887,767	
Operating Grants & Contributions	17,930,182	16,021,400	372,701	339,968	18,302,883	16,361,368	
Capital Grants & Contributions	643,570	151,172			643,570	151,172	
General Revenue:							
Property Taxes	23,802,508	23,067,924			23,802,508	23,067,924	
Unrestricted Federal and State Aid	5,155,537	4,840,817			5,155,537	4,840,817	
Other	360,304	536,243			360,304	536,243	
Total Revenue	58,090,019	55,117,332	808,034	727,959	58,898,053	55,845,291	5.47%
Expenses:							
Instruction	35,570,844	33,964,538			35,570,844	33,964,538	
Pupil and Instruction Services	8,838,812	8,770,361			8,838,812	8,770,361	
Administrative and Business	5,722,783	5,788,032			5,722,783	5,788,032	
Maintenance and Operations	3,210,892	3,166,642			3,210,892	3,166,642	
Transportation	857,415	888,193			857,415	888,193	
Other	2,698,274	2,690,011	710,791	725,406	3,409,065	3,415,417	
Total Expenses	56,899,020	55,267,777	710,791	725,406	57,609,811	55,993,183	2.89%
Increase/(Decrease) in Net Position	\$ 1,190,999	\$ (150,445)	\$ 97,243	\$ 2,553	\$ 1,288,242	\$ (147,892)	971.07%

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District remains strong. However; maintaining financial and programmatic stability in annual budgets has become increasingly difficult due to state aid not keeping pace with the District's enrollment.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented/continued during the year were:

- Shared services with other area school districts and the Somerset County Educational Services Commission to provide coordinated transportation routes to out-of-district special education schools and athletic events, maintenance of school buses, speech services, child study team evaluations and non-public grant administration
- Participating in consortiums made up of several hundred school districts for the bulk purchase of heat and electricity
- Purchasing Agreement for Commodity Resale System with the County of Somerset to complete various public works projects
- In-District Special Education Programs
- Parental Contracts for student transportation
- Waiver of benefits option for employees
- Purchase of fuel for District vehicles through the Somerset County Purchasing Cooperative Agreement
- Aggressive pursuit of federal, state and local grants
- Completing maintenance projects with expertise of in-house maintenance staff
- Securing grant funding through the New Jersey Schools Development Authority for multiple capital projects
- Cooperative Pricing System Agreements with Educational Services Commissions of Hunterdon and Middlesex for school, office, technology, custodial and athletic supplies
- Shared Service Agreement with the Borough of Somerville for snow removal, fiber wide area network connection and call manager/phone support services
- Workers Compensation Insurance through New Jersey Schools Insurance Group

Additional areas of shared services will be explored to minimize financial impact to the taxpayer.

It is crucial that the District examine its expenses carefully. Figure A-5 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 burden placed on the District's taxpayers by each of these functions.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017/2018</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2016/2017</u>
Instruction	\$ 35,570,844	\$ 33,964,538	\$ 11,156,085	\$ 10,709,788
Pupil and Instruction Services	8,838,812	8,770,361	6,416,786	6,658,627
Administrative and Business	5,722,783	5,788,032	4,516,145	4,692,580
Maintenance and Operations	3,210,892	3,166,642	2,540,546	3,015,470
Transportation	857,415	888,193	799,514	828,953
Other	2,698,274	2,690,011	2,698,274	2,690,011
	<u>\$ 56,899,020</u>	<u>\$ 55,267,777</u>	<u>\$ 28,127,350</u>	<u>\$ 28,595,429</u>

Business-Type Activities

Net position of the District's business-type activity increased by \$97,243 (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenue exceeded expenses by \$97,243 accounting for the increase in the unrestricted net position of the business-type activities primarily as a result of an increases in student participation.

The District's financial position increased despite continuous changes in budgeting laws and the volatility of state aid both of which tend to change often and significantly without sufficient notice to plan for their impact on financial and programmatic plans. Despite these challenges, the District continues to adopt budgets under the state mandated CAP and under the District Adequacy Budget. Additionally, the District continues to spend less than average on a budgetary per pupil basis compared to districts of like size and configuration as reflected in the *Taxpayer's Guide to Education Spending*.

The current economy has had a direct impact upon the District's revenue sources. Although the Borough of Somerville has several development/redevelopment projects in the execution phase, ratables in the Borough have decreased 6.65% since 2011 which has a direct negative impact on school property taxes. The District will remain sensitive to the taxpayer's ability to pay property taxes as they build annual budgets.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

General Fund Budgetary Highlights

The District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

Over the course of the year, the District revised the annual operating budget monthly. Revisions in the budget were made to prevent over-expenditures in specific line item accounts. Several of these revisions bear notation:

- Salary accounts were adjusted to reflect: changes in staff assignments; retirements, resignations and resulting new hires; program adjustments necessitated by student population changes.
- Funds were transferred from capital outlay and the capital reserve to the capital projects fund and the debt service fund representing the local share of capital projects that received 44% of state funding pursuant to the *Educational Facilities Construction and Financing Act*.
- Tuition for special education students is budgeted based on the existing and known incoming students at the time the budget is submitted. Students move into and out of the District during the summer as well as the school year which necessitates transferring funds to the appropriate account to pay these special education costs.

Based on a community-wide needs assessment, the Board of Education developed a five-year strategic plan (#Vision2020) that focuses efforts around three strategic themes: building cultural competence, preparing for college and career, and growing professional development opportunities. Annual goals are established each year at the Board of Education Summer Workshop and approved by Board resolution. Any funds necessary to carry out the goals are included in the general fund appropriations.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Capital Asset and Long-Term Liabilities

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Percentage Change</u>
	<u>2017/2018</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2016/2017</u>	
Land	\$ 20,079	\$ 20,079			\$ 20,079	\$ 20,079	
Construction in Progress	7,480,882	7,036,269			7,480,882	7,036,269	
Site Improvements	412,800	412,800			412,800	412,800	
Buildings and Building Improvements	37,454,921	39,334,169			37,454,921	39,334,169	
Machinery and Equipment	2,433,690	2,678,758	\$ 122,182	\$ 100,354	2,555,872	2,779,112	
Total Capital Assets (Net of Depreciation)	<u>\$47,802,372</u>	<u>\$49,482,075</u>	<u>\$ 122,182</u>	<u>\$ 100,354</u>	<u>\$47,924,554</u>	<u>\$49,582,429</u>	-3.34%

During the 2017/2018 school year the District continued work on the District's facilities related to various projects in the District.

Long-term Liabilities

At year-end, the District had \$15,320,000 in general obligation bonds as shown in Figure A-7.

**Figure A-7
Long-Term Liabilities**

	<u>Total School District</u>		<u>Percentage Change</u>
	<u>2017/2018</u>	<u>2016/2017</u>	
General Obligation Bonds (Financed with Property Taxes)	\$ 15,320,000	\$ 16,970,000	
Net Pension Liability	13,210,062	16,250,612	
Unamortized Bond Premiums	1,235,742	1,369,711	
Compensated Absences Payable	1,245,285	1,187,985	
	<u>\$ 31,011,089</u>	<u>\$ 35,778,308</u>	-13.32%

The District's long-term liabilities decreased 13.32% or \$4,767,219 primarily due to the decrease in net pension liability and the paydown of general obligation bonds.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Factor's Bearing on the District's Future

Everyone associated with the Somerville Borough Board of Education is grateful for the community support of the schools. However, due to the instability of the state's financial position that has resulted in the district receiving only 58% of state aid as calculated under SFRA, changes in budgeting laws without sufficient notice to plan for the long term impact of those changes and unfunded state mandates has necessitated an ever-increasing reliance on local property taxes to fund school district operations.

Future finances will be challenged even further with the continued effect of legislation that impacts the financial operation of the School District. S1701, adopted by the State of New Jersey on June 17, 2004, forced the District to cut its allowable unassigned general fund balance in half (from 6% to 3%), which was reduced to 2% at the end of the 2004/2005 school year. This leaves the District with very little protection in the event of costly emergencies. The 2% property tax CAP that was signed into law is without any vehicle to align existing contracts with local bargaining units to the new CAP. In addition, current budget laws do not provide relief to the 2% levy CAP for capital projects. As a result, the District has adopted a strategy to fund facility improvements on an ongoing annual basis to achieve a goal of keeping the buildings safe, systems functioning and operating efficiently, and appearances of the facilities presentable so that students are not distracted from learning. The District engaged a professional demographer to perform an enrollment projection in January 2019. The purpose of the projection was to determine if the District's current facilities are adequate to accommodate future enrollment attributed to several planned redevelopment projects. The report concluded that enrollment will not increase over the next five years. The District will continue to closely monitor enrollment as the redevelopment projects are completed. Perhaps the most significant factor bearing on the district's future is the decline in Branchburg student enrollment in Somerville High School. The percentage of Branchburg students enrolled in Somerville High School has dropped from 66% in 2013-2014 to under 59% in 2017-2018. That trend is anticipated to continue for the foreseeable future and will cause tuition revenue from Branchburg to decrease commensurately.

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 the School Business Administrator at the Somerville Borough Board of Education, 51 West Cliff Street, Somerville, NJ 08876.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,152,067	\$ 279,888	\$ 1,431,955
Receivables from Federal Government	466,355	20,508	486,863
Receivables from State Government	326,476	474	326,950
Receivables from Other Governments	3,184,450		3,184,450
Other Receivables	1,244		1,244
Inventory		5,397	5,397
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	3,836,821		3,836,821
Maintenance Reserve Account - Cash and Cash Equivalents	204,305		204,305
Tuition Reserve Account - Cash and Cash Equivalents	1,960,766		1,960,766
Capital Assets, Net			
Site (Land) and Construction in Progress	7,500,961		7,500,961
Depreciable Buildings and Buildings Improvements & Machinery and Equipment	40,301,411	122,182	40,423,593
Total Assets	<u>58,934,856</u>	<u>428,449</u>	<u>59,363,305</u>
 DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows Related to Pensions	4,763,123		4,763,123
Deferred Amount on the Refunding	481,012		481,012
Total Deferred Outflows of Resources	<u>5,244,135</u>		<u>5,244,135</u>
 LIABILITIES			
Current Liabilities:			
Accounts Payable	2,938,239		2,938,239
Accrued Interest Payable	158,137		158,137
Payable to State Government	59,236		59,236
Other Liabilities	2,778		2,778
Unearned Revenue	399,891	12,670	412,561
Noncurrent Liabilities:			
Due Within One Year	1,571,795		1,571,795
Due Beyond one Year	29,439,294		29,439,294
Total Liabilities	<u>34,569,370</u>	<u>12,670</u>	<u>34,582,040</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	2,651,615		2,651,615
Total Deferred Inflows of Resources	<u>2,651,615</u>		<u>2,651,615</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	\$ 32,963,384	\$ 122,182	\$ 33,085,566
Restricted for:			
Capital Projects	3,836,821		3,836,821
Maintenance Reserve	204,305		204,305
Tuition Reserve	1,960,766		1,960,766
Debt Service	3,267		3,267
Excess Surplus	638,417		638,417
Unrestricted/(Deficit)	<u>(12,648,954)</u>	<u>293,597</u>	<u>(12,355,357)</u>
Total Net Position	<u>\$ 26,958,006</u>	<u>\$ 415,779</u>	<u>\$ 27,373,785</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues			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
Governmental Activities:							
Regular Instruction	\$ 24,327,428	\$ 10,197,918	\$ 9,043,255		\$ (5,086,255)		\$ (5,086,255)
Special Education Instruction	8,798,253		4,454,953		(4,343,300)		(4,343,300)
Other Special Instruction	597,321		195,111		(402,210)		(402,210)
Other Instruction	1,847,842		523,522		(1,324,320)		(1,324,320)
Support services:							
Tuition	1,236,416				(1,236,416)		(1,236,416)
Student & Instruction Related Services	7,602,396		2,422,026		(5,180,370)		(5,180,370)
General Administrative Services	814,187				(814,187)		(814,187)
School Administrative Services	3,657,553		1,206,638		(2,450,915)		(2,450,915)
Central Services	712,161				(712,161)		(712,161)
Administration Information Technology	538,882				(538,882)		(538,882)
Plant Operations and Maintenance	3,210,892		26,776	\$ 643,570	(2,540,546)		(2,540,546)
Pupil Transportation	857,415		57,901		(799,514)		(799,514)
Unallocated Depreciation	2,095,432				(2,095,432)		(2,095,432)
Interest on Long-Term Debt	509,003				(509,003)		(509,003)
Capital Outlay	93,839				(93,839)		(93,839)
Total Governmental Activities	56,899,020	10,197,918	17,930,182	643,570	(28,127,350)		(28,127,350)
Business-Type Activities:							
Food Service	710,791	435,333	372,701			\$ 97,243	\$ 97,243
Total Business-Type Activities	710,791	435,333	372,701			97,243	97,243
Total Primary Government	\$ 57,609,811	\$ 10,633,251	\$ 18,302,883	\$ 643,570	(28,127,350)	97,243	(28,030,107)

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 22,185,150		\$ 22,185,150
Property Taxes Levied for Debt Service	1,617,358		1,617,358
Federal and State Aid not Restricted	5,155,537		5,155,537
Interest and Miscellaneous Income	360,304		360,304
Total General Revenues	29,318,349		29,318,349
Change in Net Position	1,190,999	\$ 97,243	1,288,242
Net Position - Beginning	25,767,007	318,536	26,085,543
Net Position - Ending	\$ 26,958,006	\$ 415,779	\$ 27,373,785

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

FUND FINANCIAL STATEMENTS

SOMERVILLE BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents			\$ 1,148,800	\$ 3,267	\$ 1,152,067
Interfund Receivable	\$ 19,907				19,907
Receivables from Federal Government	1,144	\$ 465,211			466,355
Receivables from State Government	319,094	7,382			326,476
Receivables from Other Governments	3,179,071	5,379			3,184,450
Other Receivables	1,244				1,244
Restricted Cash and Cash Equivalents	6,001,892				6,001,892
Total Assets	\$ 9,522,352	\$ 477,972	\$ 1,148,800	\$ 3,267	\$ 11,152,391
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 1,950,314	\$ 82,910	\$ 336,533		\$ 2,369,757
Interfund Payable		19,707	200		19,907
Other Liabilities	2,778				2,778
Payable to State Government		59,236			59,236
Unearned Revenue		399,891			399,891
Total Liabilities	1,953,092	561,744	336,733		2,851,569
Fund Balances:					
Restricted:					
Capital Reserve Account	3,836,821				3,836,821
Maintenance Reserve Account	204,305				204,305
Tuition Reserve Account	1,960,766				1,960,766
Excess Surplus	32,756				32,756
Excess Surplus - Subsequent Year's Expenditures	605,661				605,661
Debt Service Fund				\$ 3,267	3,267
Committed:					
Capital Projects Fund			812,067		812,067
Assigned:					
Year-End Encumbrances	305,477				305,477
Subsequent Year's Expenditures	300,000				300,000
Unassigned:					
General Fund	323,474				323,474
Special Revenue Fund/(Deficit)		(83,772)			(83,772)
Total Fund Balances/ (Deficit)	7,569,260	(83,772)	812,067	3,267	8,300,822
Total Liabilities and Fund Balances	\$ 9,522,352	\$ 477,972	\$ 1,148,800	\$ 3,267	\$ 11,152,391

SOMERVILLE BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

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

Total Fund Balances From Above	\$ 8,300,822
Capital assets used in governmental activities are not financial resources and therefore not reported in the Funds.	47,802,372
Long-Term Liabilities, including bonds payable and compensated absences payable, are not due and payable in the current the current period and therefore are not reported as liabilities in the funds.	(16,565,285)
The deferred amount on the refunding is not reported as an expenditure in the governmental funds in the year of the expenditure.	481,012
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(158,137)
Bond premiums are not reported as expenditures in the governmental funds in the year of the expenditure.	(1,235,742)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(13,210,062)
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.	
Deferred Outflows	4,194,641
Deferred Inflows	<u>(2,651,615)</u>
Net Position of Governmental Activities	<u><u>\$ 26,958,006</u></u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 22,185,150			\$ 1,617,358	\$ 23,802,508
Tuition Charges- Other LEA's Within the State	10,118,812				10,118,812
Tuition Charges-Individuals	79,106				79,106
Transportation Fees From Other LEA's	54,000				54,000
Other Local Governments-Unrestricted	11,400				11,400
Rents and Royalties	73,375				73,375
Interest on Maintenance Reserve	2,296				2,296
Interest on Capital Reserve	21,397				21,397
Miscellaneous	153,149	\$ 51,804	\$ 6,432	38,255	249,640
Total - Local Sources	32,698,685	51,804	6,432	1,655,613	34,412,534
State Sources	11,597,930	1,196,696	643,570	207,696	13,645,892
Federal Sources	48,916	1,253,131			1,302,047
Total Revenues	44,345,531	2,501,631	650,002	1,863,309	49,360,473
EXPENDITURES					
Current:					
Regular Instruction	12,124,732	1,796,673			13,921,405
Special Education Instruction	4,218,499	716,427			4,934,926
Other Special Instruction	319,800				319,800
School Sponsored Instruction	1,103,199				1,103,199
Support Services and Undistributed Costs:					
Tuition	1,236,416				1,236,416
Student & Instruction Related Services	4,068,119				4,068,119
General Administrative Services	684,397				684,397
School Administrative Services	1,950,443				1,950,443
Central Services	570,901				570,901

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES					
Support Services and Undistributed Costs (Cont'd):					
Administration Information Technology	\$ 452,221				\$ 452,221
Plant Operations and Maintenance	2,867,952				2,867,952
Pupil Transportation	737,830	\$ 18,866			756,696
Unallocated Benefits	11,539,751				11,539,751
Debt Service:					
Principal				\$ 1,650,000	1,650,000
Interest and Other Charges				603,645	603,645
Capital Outlay	276,673		\$ 444,613		748,062
Total Expenditures	<u>42,150,933</u>	<u>2,558,742</u>	<u>444,613</u>	<u>2,253,645</u>	<u>47,407,933</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>2,194,598</u>	<u>(57,111)</u>	<u>205,389</u>	<u>(390,336)</u>	<u>1,952,540</u>
OTHER FINANCING SOURCES/(USES)					
Transfers In	77,608	24,000	422,145	374,825	898,578
Transfers Out	(820,970)		(77,608)		(898,578)
Total Other Financing Sources/(Uses)	<u>(743,362)</u>	<u>24,000</u>	<u>344,537</u>	<u>374,825</u>	<u></u>
Net Change in Fund Balances	1,451,236	(33,111)	549,926	(15,511)	1,952,540
Fund Balance/(Deficit) - July 1	6,118,024	(50,661)	262,141	18,778	6,348,282
Fund Balance/(Deficit) - June 30	<u>\$ 7,569,260</u>	<u>\$ (83,772)</u>	<u>\$ 812,067</u>	<u>\$ 3,267</u>	<u>\$ 8,300,822</u>

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

SOMERVILLE BOROUGH 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, 2018

Total net change in fund balances - governmental funds (from Exhibit B-2)	\$ 1,952,540
Amounts reported for governmental activities in the statement of activities (Exhibit 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 in the period.	\$ (2,333,929)
Depreciation Expense	654,226
Capital Outlays	(1,679,703)

Repayment of bond principal 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. 1,650,000

In the statement of activities, interest on long-term debt is accrued, regardless of when due. 20,305
In the governmental funds, interest is reported when due.

The governmental funds report the effect of the deferred amount on refunding when debt is first issued, whereas deferred and amortized in the statement of activities (-) (59,634)

The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (+) 133,970

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 a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). (57,300)

SOMERVILLE BOROUGH 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, 2018

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	\$ 3,040,550
Change in Deferred Outflows	(1,158,114)
Change in Deferred Inflows	<u>(2,651,615)</u>
	<u>\$ (769,179)</u>
Change in net position of governmental activities (Exhibit A-2)	<u>\$ 1,190,999</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 279,888
Accounts Receivable:	
Federal Government	20,508
State Government	474
Inventories	5,397
Total Current Assets	<u>306,267</u>
Non-Current Assets:	
Capital Assets:	
Machinery and Equipment	330,970
Less: Accumulated Depreciation	<u>(208,788)</u>
Total Non-Current Assets	<u>122,182</u>
Total Assets	<u>428,449</u>
LIABILITIES:	
Unearned Revenue - Donated Commodities	572
Unearned Revenue - Prepaid Sales	<u>12,098</u>
Total Liabilities	<u>12,670</u>
NET POSITION:	
Investment in Capital Assets	122,182
Unrestricted	<u>293,597</u>
Total Net Position	<u>\$ 415,779</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Daily Sales - Reimbursable Programs	\$ 313,440
Daily Sales - Non-Reimbursable Programs	121,893
	435,333
Total Operating Revenue	435,333
Operating Expenses:	
Cost of Sales - Reimbursable Programs	266,713
Cost of Sales - Non Reimbursable Programs	103,722
Management Fee	13,707
Salaries, Benefits & Payroll Taxes	273,018
Other	35,820
Depreciation Expense	17,811
	710,791
Total Operating Expenses	710,791
Operating (Loss)	(275,458)
Non-Operating Revenue:	
Federal Sources:	
School Breakfast Program	29,952
National School Lunch Program	289,070
Food Distribution Program	45,652
State Sources:	
School Lunch Program	8,027
	372,701
Total Non-Operating Revenue	372,701
Change in Net Position	97,243
Net Position - Beginning of Year	318,536
Net Position - End of Year	\$ 415,779

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds <u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 437,873
Payments to Employees	(273,018)
Payments to Suppliers	(420,046)
Net Cash Used for Operating Activities	<u>(255,191)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Equipment	<u>(39,639)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(39,639)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal and State Reimbursements	<u>329,086</u>
Net Cash Provided by Noncapital Financing Activities	<u>329,086</u>
Net Increase in Cash and Cash Equivalents	34,256
Cash and Cash Equivalents, July 1	<u>245,632</u>
Cash and Cash Equivalents, June 30	<u>\$ 279,888</u>
Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:	
Operating (Loss)	\$ (275,458)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	17,811
Federal Food Distribution Program	45,652
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	169
Increase/(Decrease) in Accounts Payable	(44,077)
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(270)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	<u>982</u>
Net Cash Used for Operating Activities	<u>\$ (255,191)</u>

Non-Cash Investing, Capital and Financing Activities:

The District received USDA donated commodities valued at \$45,382 and used \$45,652 of those commodities during the fiscal year.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	Unemployment Compensation Trust	Agency
ASSETS:		
Cash and Cash Equivalents	\$ 307,898	\$ 349,531
Interfund Receivable	79,157	
Total Assets	<u>387,055</u>	<u>349,531</u>
LIABILITIES:		
Payroll Deductions and Withholdings		5,748
Interfund Payable		79,157
Due to Student Groups		264,626
Total Liabilities		<u>349,531</u>
NET POSITION:		
Held in Trust for Unemployment Claims	<u>387,055</u>	
Total Net Position	<u>\$ 387,055</u>	<u>\$ -0-</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employee State Unemployment Insurance Deductions	\$ 38,427
District Contributions	<u>50,000</u>
Total Contributions	<u>88,427</u>
Investment Earnings:	
Interest	<u>1,727</u>
Net Investment Earnings	<u>1,727</u>
Total Additions	<u>90,154</u>
Deductions:	
State of New Jersey Unemployment Agency Payments	<u>40,366</u>
Total Deductions	<u>40,366</u>
Change in Net Position	49,788
Net Position - Beginning of the Year	<u>337,267</u>
Net Position - End of the Year	<u><u>\$ 387,055</u></u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Somerville Borough 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 District 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 non-exchange 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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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 revenue identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

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 the 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 expense by Board Resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures 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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

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 include the Student Activity Fund, Payroll Agency Fund and the Unemployment Compensation Insurance 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. Non-exchange 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 long-term debt and acquisitions under capital leases are reported as other financing sources.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

C. Measurement Focus and Basis of Accounting: (Cont'd)

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.

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, 2018 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. Budget amendments/transfers must be made by resolution. All budgeting 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 Special Revenue Fund, General Fund and Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of state aid. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District's Special Revenue and General Funds cannot recognize these payments on the GAAP financial statements. The Capital Projects Fund recognized the full amount of the SDA grants in the year awarded on a budgetary basis. On a GAAP basis SDA grant revenue is recognized based on when reimbursements are submitted on grant expenditures.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"	\$ 44,384,646	\$ 2,521,977
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances:		
State		(7,932)
Local		(27)
Prior Year Encumbrances:		
State		20,724
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	531,810	50,661
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(570,925)	(83,772)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 44,345,531	\$ 2,501,631
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 42,150,933	\$ 2,545,977
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, not in the Year the Supplies are Received for Financial Reporting Purposes.		12,765
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 42,150,933	\$ 2,558,742

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

	Capital Projects Fund	
	Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per F-1)		\$ 972,960
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recognized on the GAAP Basis until Expended and Submitted for Reimbursement.	643,570	(160,893)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per B-2)	\$ 643,570	\$ 812,067

E. Cash, Cash Equivalents, and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to 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 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 funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, 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. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Continued)

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

K. Capital Assets: (Cont'd)

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:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	20 to 50 years
Site Improvements	10 to 20 years
Machinery, Equipment and Vehicles	5 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 governmental fund financial statements.

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government 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. 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 does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2018.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by (GASB). 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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 \$7,569,260 General Fund fund balance at June 30, 2018, \$305,477 is assigned for year-end encumbrances; \$204,305 is restricted in the maintenance reserve account; \$3,836,821 is restricted in the capital reserve account; \$994,249 is restricted in the tuition reserve account for fiscal year ending June 30, 2019, \$966,517 is restricted in the tuition reserve account for fiscal year ending June 30, 2020; a total of \$630,417 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701); prior year excess surplus in the amount of \$605,661 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2019; current year excess surplus in the amount of \$32,756 will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2020; \$300,000 is assigned and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2019; and \$323,474 is unassigned which is \$570,925, less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments which are not recognized until the fiscal year ending June 30, 2019.

Special Revenue Fund: The deficit fund balance of \$83,772 in Special Revenue Fund at June 30, 2018 is unassigned. This deficit is due to the last two June state aid payments, which are not recognized until the fiscal year ended June 30, 2019.

Capital Projects Fund: Of the \$812,067 fund balance in the Capital Projects Fund at June 30, 2018, \$812,067 is committed which excludes \$160,892 of SDA grants receivable not recognized on a GAAP Basis.

Debt Service Fund: The District has \$3,267 of restricted fund balance in the Debt Service Fund at June 30, 2018.

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 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 at June 30, 2018 as outlined above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$570,925 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 two 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 last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two 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 final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Q. Deficit Net Position/ Fund Balance:

The District has a deficit in unrestricted net position of \$12,648,954 in governmental activities, which is primarily a result of accrued interest payable, compensated absences payable, pension refunding bonds, net pension liability and the related deferred inflows and outflows. The District has a deficit in fund balance of \$83,772 in the Special Revenue Fund as of June 30, 2018 as a result of the last two state aid payments that are not recognized on a GAAP basis. These deficits do not mean that the District is facing financial difficulties and is a permitted practice by 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 has deferred outflows of resources at June 30, 2018 on the deferred amount on refunding of debt related to the District refunding bonds, and for pensions. The District has deferred inflows of resources at June 30, 2018 for pensions.

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 has been restricted, committed or assigned.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 tuition reserve, a maintenance reserve, and the debt service fund. 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 committed resources in the capital projects fund at June 30, 2018.

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 assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2018.

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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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.

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, money market accounts, 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.

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 Investment Section of this note.

Custodial Credit Risk – The District's policy with respect to custodial risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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.

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, and

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 of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools; or
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L.; 1977,c.281 (C.52:18A-90.4); or

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments (Cont'd)

- (8) Agreements for the repurchase of fully collateralized securities; if
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.) ;
 - (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; or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents			
		Capital Reserve	Maintenance Reserve	Tuition Reserve	Total
Checking and Savings Accounts	\$ 2,089,384	\$ 3,836,821	\$ 204,305	\$ 1,960,766	\$ 8,091,276

The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$8,091,276 and the bank balance was \$8,946,824. The District did not hold any investments during the fiscal year ended June 30, 2018.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 20,079			\$ 20,079
Construction in Progress	7,036,269	\$ 444,613		7,480,882
Total Capital Assets not Being Depreciated	<u>7,056,348</u>	<u>444,613</u>		<u>7,500,961</u>
Capital Assets Being Depreciated:				
Site Improvements	412,800			412,800
Buildings and Building Improvements	54,817,815			54,817,815
Machinery, Equipment and Vehicles	4,669,256	209,613		4,878,869
Total Capital Assets Being Depreciated	<u>59,899,871</u>	<u>209,613</u>		<u>60,109,484</u>
Governmental Activities Capital Assets	<u>66,956,219</u>	<u>654,226</u>	\$ -0-	<u>67,610,445</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(15,483,646)	(1,879,248)		(17,362,894)
Machinery, Equipment and Vehicles	(1,990,498)	(454,681)		(2,445,179)
Total Accumulated Depreciation	<u>(17,474,144)</u>	<u>(2,333,929)</u>		<u>(19,808,073)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 49,482,075</u>	<u>\$ (1,679,703)</u>	<u>\$ -0-</u>	<u>\$ 47,802,372</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	291,331	39,639		330,970
Less Accumulated Depreciation	(190,977)	(17,811)		(208,788)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 100,354</u>	<u>\$ 21,828</u>	<u>\$ -0-</u>	<u>\$ 122,182</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Continued)

NOTE 4. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$	53,639
Student & Instruction Related Services		74,057
General Administration		44,592
School Administration		3,568
Plant Operations and Maintenance		27,201
Pupil Transportation		35,440
Unallocated		2,095,432
		<hr/>
	\$	<u>2,333,929</u>

The District had active construction projects totaling \$8,402,833 as of June 30, 2018. These projects include a 5 classroom addition at the elementary school, roof replacement at the middle school, air conditioning at the elementary school and the high school, security upgrades at all schools, roof replacement at the high school, middle school classroom renovations, elementary school bathroom renovations, fire alarm project and a partial roof replacement. At year end, the District had \$404,887 in outstanding construction encumbrances.

NOTE 5. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Somerville Borough School District 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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 5. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance at June 30, 2017		\$ 2,205,099
Increased by:		
Interest Earnings	\$ 21,397	
Transferred by Board Resolution	1,795,000	
Budget Appropriation	541,119	
Unexpended Balance from Capital Projects Fund	71,176	
Unexpended Balance of Budgeted Withdrawal	<u>250,000</u>	
		2,678,692
Decreased by:		
Budgeted Withdrawal	(624,825)	
By Board Resolution - Capital Projects Fund	<u>(422,145)</u>	
		<u>(1,046,970)</u>
Ending Balance at June 30, 2018		<u>\$ 3,836,821</u>

The balance in the capital reserve account at June 30, 2018 does not exceed the LRFPP balance of local support costs of uncompleted capital projects. The withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFPP.

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, the District made transfers in Capital Outlay accounts for equipment which do not require approval of the County Superintendent.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the District-wide financial statements:

	Balance <u>June 30, 2017</u>	Accrued	Retired	Balance <u>June 30, 2018</u>
Serial Bonds Payable	\$ 16,970,000		\$ 1,650,000	\$ 15,320,000
Net Pension Liability	16,250,612		3,040,550	13,210,062
Unamortized Bond Issuance Premium	1,369,711		133,969	1,235,742
Compensated Absences Payable	<u>1,187,985</u>	<u>\$ 236,190</u>	<u>178,890</u>	<u>1,245,285</u>
	<u>\$ 35,778,308</u>	<u>\$ 236,190</u>	<u>\$ 5,003,409</u>	<u>\$ 31,011,089</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(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 and will be liquidated through the Debt Service Fund.

On April 30, 2013, the District issued \$9,240,000 refunding bonds with interest rates ranging from 2.00% to 4.00% to advance refund \$12,590,000 of the 1999 serial bonds with rates ranging from 4.70% to 5.10%. The refunding bonds will mature on February 15, 2014 through February 15, 2025 and February 15, 2015 was the first optional redemption date at 100% par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments when the school bonds were called on February 15, 2015. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

On April 12, 2016, the District issued \$9,265,000 refunding bonds with interest rates ranging from 2.00% to 4.00% to advance refund \$9,915,000 of the 2006 serial bonds with rates ranging from 4.00% to 4.375%. The refunding bonds will mature on July 15, 2016 through July 15, 2029 and July 15, 2027 is the first optional redemption date at 100% par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments when the school bonds were called on July 15, 2016. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

The District had bonds outstanding as of June 30, 2018 as follows:

<u>Purpose</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
School Refunding Bonds	7/25/2029	3.0-4.0%	\$ 8,535,000
School Refunding Bonds	2/15/2025	2.4-4.0%	6,785,000
			<u>\$ 15,320,000</u>

Principal and interest due on serial bonds outstanding are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,425,000	\$ 551,020	\$ 1,976,020
2020	1,480,000	502,020	1,982,020
2021	1,540,000	442,420	1,982,420
2022	1,610,000	380,320	1,990,320
2023	1,670,000	315,420	1,985,420
2024-2029	5,905,000	717,670	6,622,670
2030-2031	1,690,000	51,150	1,741,150
	<u>\$ 15,320,000</u>	<u>\$ 2,960,020</u>	<u>\$ 18,280,020</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$133,970 and the long-term portion is \$1,101,772.

C. Bonds Authorized But Not Issued:

As of June 30, 2018, the Board had no bonds authorized but not issued.

D. Operating Leases Payable:

The District has a commitment to lease Apple Macbook equipment which expire in 2019. The total operating lease payments made during the year ended June 30, 2018 were \$117,196. Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2018	\$ 118,251
2019	<u>119,315</u>
Total future minimum lease payments	<u>\$ 237,566</u>

E. Capital Leases Payable:

As of June 30, 2018, the Board had no capital leases payable.

F. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the long-term liabilities. The current portion of compensated absences liability at June 30, 2018 is \$12,825 and the long-term portion is \$1,232,460. Compensated absences will be liquidated by the General Fund.

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, 2018, no liability existed for compensated absences in the Food Service Fund.

G. 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, 2018 is \$-0- and the long-term portion is \$13,210,062 See Note 9 for further information on the PERS.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Continued)

NOTE 8. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$50,000 was established by the Somerville Borough Board of Education on June 16, 2009. 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. 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 excess, 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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance at June 30, 2017	\$	202,009
Interest Earnings		2,296
Ending Balance at June 30, 2018	\$	204,305

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS

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

A. Public Employees’ Retirement System (PERS)

Plan Description

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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 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 \$559,987 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. 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 and Pension Expense

At June 30, 2018, the District reported a liability of \$13,210,062 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.0567%, which was an increase of 0.0019% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$1,301,155. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 149,853	
	2015	5.72	631,226	
	2016	5.57	1,880,290	
	2017	5.48	<u>2,661,369</u>	<u>\$ 2,651,615</u>
Changes in Proportion	2014	6.44	159,750	
	2015	5.72	265,464	
	2016	5.57	372,116	
	2017	5.48	<u>334,937</u>	
			<u>1,132,267</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(158,294)	
	2015	5	135,035	
	2016	5	566,183	
	2017	5	<u>(452,971)</u>	
			<u>89,953</u>	
Difference Between Expected and Actual Experience	2015	5.72	175,131	
	2016	5.57	57,062	
	2017	5.48	<u>78,859</u>	
			<u>311,052</u>	
District Contribution Subsequent to the Measurement Date	2017	1	<u>568,482</u>	
			<u>\$ 4,763,123</u>	<u>\$ 2,651,615</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:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

Fiscal Year Ending June 30,	Total
2018	\$ 310,978
2019	469,271
2020	284,355
2021	(378,193)
2022	(275,652)
	\$ 410,759

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

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, 2016 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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2017 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:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the of the Net Pension Liability	\$ 16,387,979	\$ 13,210,062	\$ 10,562,464

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.nj.gov/treasury/pensions/financial-reports.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:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 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.

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 2018, the State's pension contribution was less than the actuarial 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 2018, the State of New Jersey contributed \$2,537,026 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$7,844,160.

The employee contribution rate was 7.34% effective July 1, 2017. 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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$113,232,293. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.168%, which was an increase of .001% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		113,232,293
Total	\$	113,232,293

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$7,844,160 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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)

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
			13,378,255,364	11,684,858,458
Difference Between Expected and Actual Experience	2014	8.5		13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			441,116,389	115,381,203
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			341,507,504	
			\$ 14,160,879,257	\$ 11,800,239,661

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
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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, 2016 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (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>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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, 2017 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:

	June 30, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
Total Net Pension Liability	\$ 134,523,515	\$ 113,232,293	\$ 95,692,491

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 \$10,057 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$18,438 for the fiscal year ended June 30, 2018.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. RISK MANAGEMENT

Property, Liability and Health Benefits

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. The District obtains its health benefit coverage through Horizon Blue Cross/Blue Shield.

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey Schools Insurance Group (the "Group"). This public entity risk management pool provides insurance coverage for property, liability, student accident, surety bonds and workers' compensation for the District. The Group 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. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The June 30, 2018 audit was not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2017 is as follows:

	New Jersey Schools Insurance Group (NJSIG)
Total Assets	\$ 328,772,862
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 -

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

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

New Jersey Schools Insurance Group
6000 Midlantic Drive
Mount Laurel, NJ 08054
Phone: (609) 386-6060 Fax: (609) 386-8877

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 District contributions, employee contributions, interest earnings, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years:

Fiscal Year	District Contributions	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2015-2016		\$ 27,483	\$ 612	\$ 54,445	\$ 305,108
2016-2017	\$ 103,000	35,735	720	107,296	337,267
2017-2018	50,000	38,427	1,727	40,366	387,055

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances existed as at June 30, 2018:

	Interfund Receivable	Interfund Payable
General Fund	\$ 19,907	
Special Revenue Fund		\$ 19,707
Capital Projects Fund		200
	<u>\$ 19,907</u>	<u>\$ 19,907</u>

The interfund between the Capital Projects Fund and the General Fund represents interest earned in the Capital Projects Fund which was not turned over to the General Fund before year end. The interfund receivable in the General Fund and the interfund payable in the Special Revenue Fund represent the negative cash balance in the Special Revenue Fund.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Variable Annuity Life Insurance Company	Siracusa
Met Life	Penn Serv
Equitable Life Assurance	Fidelity

NOTE 13. TAX CALENDAR

Property taxes are levied by the District's constituent municipality 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 School District on a predetermined mutually agreed-upon schedule.

NOTE 14. ECONOMIC DEPENDENCY

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

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

The School District participates in federal and state 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 is unknown and cannot be determined at this time.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 15. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2018, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 305,477	\$ 7,959	\$ 404,887	\$ 718,323

On the District's Governmental Funds Balance Sheet as of June 30, 2018, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$7,959 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 \$404,887 of year-end encumbrances in the Capital Projects are not recognized on a GAAP basis at June 30, 2018.

NOTE 16. TUITION RESERVE ACCOUNT

A tuition reserve account may be established in accordance with N.J.A.C. 6A:23-3.1(f) for tuition between two Boards of Education that are in a formal sending/receiving relationship. The maximum amount that may be restricted at year end is 10% of the estimated contract year tuition. Upon certification of tuition rates in the second year following the contract year, full appropriation of the applicable year's reserve must be liquidated and any remaining balance related to that year must be restricted and budgeted for tax relief.

As of June 30, 2018 the District has \$1,960,766 in the tuition reserve for which \$994,249 and \$966,517 will be used to pay for any tuition adjustments for the fiscal years ending June 30, 2019 and 2020, respectively.

NOTE 17. ACCOUNTS PAYABLE

	Governmental Funds			District Contribution Subsequent to the Measurement Date	Total Governmental Activities
	General Fund	Special Revenue Fund	Capital Projects Fund		
Vendors	\$ 871,821	\$ 82,910	\$ 336,533		\$ 1,291,264
Cash Deficit	1,078,493				1,078,493
Due to State of New Jersey				\$ 568,482	568,482
	\$1,950,314	\$ 82,910	\$ 336,533	\$ 568,482	\$ 2,938,239

The cash deficit in the General Fund is attributed to the year-end transfer of funds from the General Fund to the capital reserve and maintenance reserve accounts.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age	3.10 - 9.98% based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is 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.

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
	Total OPEB Liability Attributable to the District	\$ 91,516,704	\$ 77,094,475

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate (Cont'd)

	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 99,798,561	\$ 83,302,832	\$ 70,318,579

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 63,402,753	\$ 77,094,475	\$ 95,276,921

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 68,352,293	\$ 83,302,832	\$ 103,290,278

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$1,346,583 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0490458605%	0.0519459671%	0.0548689596%
District's proportionate share of the net pension liability	\$ 9,182,726	\$ 11,660,829	\$ 16,250,612
District's covered employee payroll	\$ 3,478,144	\$ 3,675,028	\$ 3,843,946
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	264.01%	317.30%	422.76%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%
			48.10%

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 404,327	\$ 446,596	\$ 492,461
Contributions in relation to the contractually required contribution	<u>(404,327)</u>	<u>(446,596)</u>	<u>(492,461)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 3,478,144	\$ 3,675,028	\$ 3,843,946
Contributions as a percentage of covered employee payroll	11.62%	12.15%	12.81%
			14.44%
			\$ 559,987
			<u>(559,987)</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.1703588325%	0.1722106861%	0.1665277727%
State's proportionate share of the net pension liability attributable to the District	\$ 91,051,251	\$ 108,844,508	\$ 131,001,349
District's covered employee payroll	\$ 16,634,801	\$ 16,820,295	\$ 17,622,689
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	547.35%	647.10%	743.37%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%
			25.41%
			0.1679416150%
			\$ 113,232,293
			\$ 18,022,261

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 4,899,412	\$ 6,645,937	\$ 9,842,929
Contributions in relation to the contractually required contribution	(931,034)	(1,333,286)	(1,822,962)
Contribution deficiency/(excess)	\$ 3,968,378	\$ 5,312,651	\$ 8,019,967
District's covered employee payroll	\$ 16,634,801	\$ 16,820,295	\$ 17,622,689
Contributions as a percentage of covered employee payroll	5.60%	7.93%	10.34%
			14.08%
			\$ 7,844,160
			(2,537,026)
			\$ 5,307,134
			\$ 18,022,261

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Years Ending</u>	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$57,831,784,184</u>	<u>\$53,639,841,858</u>
State's Covered Employee Payroll *	\$13,493,400,208	\$13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 22,185,150		\$ 22,185,150	\$ 22,185,150	
Tuition From Other LEAs Within the State	10,124,043		10,124,043	10,118,812	\$ (5,231)
Tuition from Individuals				79,106	79,106
Transportation Fees From Other LEA's	30,000		30,000	54,000	54,000
Other Local Governments - Unrestricted				11,400	11,400
Rents and Royalties				73,375	43,375
Interest on Maintenance Reserve				2,296	2,296
Interest on Capital Reserve	1,001		1,001	21,397	20,396
Miscellaneous	59,743		59,743	153,149	93,406
Total - Local Sources	32,399,937		32,399,937	32,698,685	298,748
State Sources:					
Equalization Aid	4,212,643		4,212,643	4,568,332	355,689
Special Education Categorical Aid	1,023,178		1,023,178	1,023,178	
Security Aid	99,165		99,165	99,165	
Transportation Aid	39,064		39,064	39,064	
Extraordinary Aid	100,000		100,000	254,230	154,230
Under Adequacy Aid	15,501		15,501	15,501	
PARCC Readiness Aid	16,430		16,430	16,430	
Per Pupil Growth Aid	16,430		16,430	16,430	
Professional Learning Community Aid	16,075		16,075	16,075	
On-Behalf TPAF Pension Contributions (Non-Budgeted)				2,537,026	2,537,026
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				61,567	61,567
On-Behalf Post Retirement Benefit Contributions (Non-Budgeted)				1,678,376	1,678,376
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				5,637	5,637
Reimbursed TPAF FICA Contributions (non-budgeted)				1,306,034	1,306,034
Total State Sources	5,538,486		5,538,486	11,637,045	6,098,559

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources:					
Medicaid Reimbursement	\$ 36,950		\$ 36,950	\$ 48,916	\$ 11,966
Total Federal Sources	36,950		36,950	48,916	11,966
TOTAL REVENUES	37,975,373		37,975,373	44,384,646	6,409,273
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	500,956	7,334	508,290	508,290	
Grades 1-5 - Salaries of Teachers	2,942,338	17,412	2,959,750	2,959,750	
Grades 6-8 - Salaries of Teachers	1,840,519	5,520	1,846,039	1,830,852	15,187
Grades 9-12 - Salaries of Teachers	5,709,759	70,104	5,779,863	5,779,863	
Regular Programs - Home Instruction:					
Salaries of Teachers	30,000		30,000	4,802	25,198
Purchased Professional - Educational Services	51,610		51,610	19,525	32,085
Other Purchased Services (400-500 series)	300		300	300	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	85,688	6,949	92,637	92,637	
Purchased Professional - Educational Services	38,195		38,195	29,560	8,635
Purchased Technical Services	35,880	(869)	35,011	16,976	18,035
Other Purchased Services (400-500 series)	501,783	6,827	508,610	456,742	51,868
General Supplies	723,597	(130,961)	592,636	398,014	194,622
Textbooks	37,904	(350)	37,554	22,602	14,952
Other Objects	11,519	(200)	11,319	5,119	6,200
Total Regular Programs - Instruction	12,510,048	(18,234)	12,491,814	12,124,732	367,082

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	\$ 101,770	\$ 58,000	\$ 159,770	\$ 159,478	\$ 292
Other Salaries for Instruction	40,028	2,041	42,069	42,068	1
General Supplies	800	2,703	3,503	2,931	572
Total Learning and/or Language Disabilities	<u>142,598</u>	<u>62,744</u>	<u>205,342</u>	<u>204,477</u>	<u>865</u>
Auditory Impairments:					
Purchased Professional - Educational Services		7,246	7,246		7,246
Total Auditory Impairments		<u>7,246</u>	<u>7,246</u>		<u>7,246</u>
Multiple Disabilities:					
Salaries of Teachers	334,211	(13,140)	321,071	314,803	6,268
Other Salaries for Instruction	304,714	82,161	386,875	379,765	7,110
General Supplies	15,450	(3,079)	12,371	10,193	2,178
Other Objects		139	139	138	1
Total Multiple Disabilities	<u>654,375</u>	<u>66,081</u>	<u>720,456</u>	<u>704,899</u>	<u>15,557</u>
Behavioral Disabilities:					
Salaries of Teachers	60,272	591	60,863	60,863	
Other Salaries for Instruction	78,904	773	79,677	79,676	1
Total Behavioral Disabilities:	<u>139,176</u>	<u>1,364</u>	<u>140,540</u>	<u>140,539</u>	<u>1</u>
Resource Room/Resource Center:					
Salaries of Teachers	2,473,402	(37,597)	2,435,805	2,433,312	2,493
Other Salaries for Instruction	478,613	(142,766)	335,847	296,491	39,356
Other Purchased Services (400-500 series)		495	495	495	
General Supplies	23,716	(1,395)	22,321	13,386	8,935
Textbooks	1,175	350	1,525	13	1,512
Other Objects	14,000	900	14,900	4,851	10,049
Total Resource Room/Resource Center	<u>2,990,906</u>	<u>(180,013)</u>	<u>2,810,893</u>	<u>2,748,548</u>	<u>62,345</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part-Time:					
Salaries of Teachers	\$ 39,924	\$ (3,638)	\$ 36,286	\$ 36,286	
Other Salaries for Instruction	40,844	5,000	45,844	37,192	\$ 8,652
General Supplies	2,000	(550)	1,450	782	668
Total Preschool Disabilities - Part-Time	82,768	812	83,580	74,260	9,320
Preschool Disabilities - Full-Time:					
Salaries of Teachers	66,734	74,673	141,407	141,407	
Other Salaries for Instruction	121,686	81,226	202,912	202,912	
General Supplies		1,550	1,550	1,457	93
Total Preschool Disabilities - Full-Time	188,420	157,449	345,869	345,776	93
Total Special Education Instruction	4,198,243	115,683	4,313,926	4,218,499	95,427
Basic Skills/Remedial - Instruction:					
Purchased Professional Educational Services	18,000		18,000	16,000	2,000
Total Basic Skills/Remedial - Instruction	18,000		18,000	16,000	2,000
Bilingual Education - Instruction:					
Salaries of Teachers	289,398	3,240	292,638	279,311	13,327
General Supplies	4,000	150	4,150	3,225	925
Total Bilingual Education - Instruction	293,398	3,390	296,788	282,536	14,252
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	242,475	(3,000)	239,475	230,566	8,909
Purchased Services (300-500 series)	12,100		12,100	6,024	6,076
Supplies and Materials	39,400	2,000	41,400	21,542	19,858
Other Objects	2,675	1,000	3,675	2,098	1,577
Total School-Sponsored Cocurricular Activities - Instruction	296,650		296,650	260,230	36,420

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 585,705	\$ 1,480	\$ 587,185	\$ 575,934	\$ 11,251
Purchased Services (300-500 series)	174,818	(6,710)	168,108	145,205	22,903
Supplies and Materials	94,995		94,995	90,527	4,468
Other Objects	28,610	2,693	31,303	31,303	
Total School-Sponsored Cocurricular Athletics - Instruction	884,128	(2,537)	881,591	842,969	38,622
Before/After School Programs - Instruction:					
Other Salaries for Instruction	40,000	1,000	41,000	20,096	20,904
Total Before/After School Programs - Instruction	40,000	1,000	41,000	20,096	20,904
Summer School - Instruction:					
Salaries of Teacher Tutors	6,000	(1,000)	5,000	1,168	3,832
Total Summer School - Instruction	6,000	(1,000)	5,000	1,168	3,832
Total Instruction	18,246,467	98,302	18,344,769	17,766,230	578,539
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	105,000		105,000		105,000
Tuition to Other LEAs Within the State - Special	311,919	194,000	505,919	457,874	48,045
Tuition to County Vocational School District - Regular	33,100	(7,074)	26,026	12,750	13,276
Tuition to County Vocational School District - Special		15,000	15,000	15,000	
Tuition to CSSD and Regular Day Schools	250,500		250,500	115,652	134,848
Tuition to Private Schools for the Disabled - Within the State	1,094,402	(277,500)	816,902	635,140	181,762
Total Undistributed Expenditures - Instruction:	1,794,921	(75,574)	1,719,347	1,236,416	482,931
Undistributed Expenditures - Attendance and Social Work Services:					
Salaries	63,356	1,267	64,623	64,623	
Other Purchased Services (400-500 series)	200	300	500	287	213
Total Undistributed Expenditures - Attendance and Social Work Services	63,556	1,567	65,123	64,910	213

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Health Services:					
Salaries	\$ 316,471		\$ 316,471	\$ 311,462	\$ 5,009
Purchased Professional and Technical Services	19,000	\$ (800)	18,200	11,960	6,240
Supplies and Materials	19,000	(7,215)	11,785	11,543	242
Other Objects	1,000		1,000	432	568
Total Undistributed Expenditures - Health Services	355,471	(8,015)	347,456	335,397	12,059
Undistributed Expenditures - Speech, OT, PT and Related Services:					
Salaries	476,020	45,347	521,367	521,367	
Purchased Professional - Educational Services	50,000	(29,079)	20,921	20,921	
Supplies and Materials	5,380	200	5,580	5,498	82
Total Undistributed Expenditures - Speech, OT, PT and Related Services	531,400	16,468	547,868	547,786	82
Undistributed Expenditures - Other Support Services - Students - Extraordinary					
Salaries	201,390	38,312	239,702	239,702	
Purchased Professional - Educational Services	145,000	(11,110)	133,890	118,608	15,282
Total Undistributed Expenditures - Other Support Services - Students - Extraordinary	346,390	27,202	373,592	358,310	15,282
Undistributed Expenditures - Guidance:					
Salaries of Other Professional Staff	942,829	(712)	942,117	931,319	10,798
Salaries of Secretarial and Clerical Assistants	109,771	712	110,483	110,482	1
Other Purchased Professional and Technical Services	47,635	(5,673)	41,962	41,449	513
Other Purchased Services (400-500 series)	400		400	345	55
Supplies and Materials	6,872		6,872	4,522	2,350
Total Undistributed Expenditures - Guidance	1,107,507	(5,673)	1,101,834	1,088,117	13,717

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	\$ 615,720	\$ 2,934	\$ 618,654	\$ 618,653	\$ 1
Salaries of Secretarial and Clerical Assistants	99,128	971	100,099	100,099	
Unused Vacation Payment to Terminated/Retired Staff		7,058	7,058	7,057	1
Other Purchased Professional and Technical Services	45,000	(4,930)	40,070	34,796	5,274
Other Purchased Services (400-500 Series)	1,500	(1,500)			
Miscellaneous Purchased Services (400-500 Series Other Than Residence Costs)	5,500	1,865	7,365	6,804	561
Supplies and Materials	9,000	1,137	10,137	9,566	571
Total Undistributed Expenditures - Child Study Teams	775,848	7,535	783,383	776,975	6,408
Undistributed Expenditures - Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	474,850		474,850	433,504	41,346
Salaries of Other Professional Staff	18,000		18,000	13,812	4,188
Salaries of Secretarial and Clerical Assistants	64,453	632	65,085	65,085	
Unused Vacation Payment to Terminated/Retired Staff		1,129	1,129	1,128	1
Other Purchased Services (400-500)	16,000		16,000	9,817	6,183
Supplies and Materials	8,000	(1,129)	6,871	6,150	721
Other Objects	6,000		6,000	2,109	3,891
Total Undistributed Expenditures - Improvement of Instructional Services	587,303	632	587,935	531,605	56,330
Undistributed Expenditures - Educational Media Services/School Library:					
Salaries	151,009	34,166	185,175	185,173	2
Salaries of Technology Coordinator	127,342	6,479	133,821	133,821	
Other Purchased Services (400-500 series)	13,472		13,472	10,430	3,042
Supplies and Materials	6,762		6,762	6,047	715
Total Undistributed Expenditures - Educational Media Services/School Library	298,585	40,645	339,230	335,471	3,759

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Instructional Staff Training Services:					
Salaries of Other Professional Staff	\$ 16,000		\$ 16,000	2,100	\$ 13,900
Purchased Professional - Educational Services	20,900		20,900	4,160	16,740
Purchased Technical Services	15,000		15,000	10,615	4,385
Other Purchased Services (400-500 series)	18,600		18,600	9,623	8,977
Supplies and Materials	5,075		5,075	2,193	2,882
Other Objects	1,000		1,000	857	143
Total Undistributed Expenditures - Instructional Staff Training Services	<u>76,575</u>		<u>76,575</u>	<u>29,548</u>	<u>47,027</u>
Undistributed Expenditures - Support Services - General Administration:					
Salaries	347,321	\$ (88,442)	258,879	258,878	1
Legal Services	85,000	41,149	126,149	112,877	13,272
Audit Fees	37,080		37,080	34,900	2,180
Architectural/Engineering Services	10,500	11,000	21,500	11,980	9,520
Other Purchased Professional Services	2,000	3,000	5,000	3,277	1,723
Purchased Technical Services	16,565	(11,000)	5,565	3,081	2,484
Communications/Telephone	64,500		64,500	48,087	16,413
Board of Education Other Purchased Services	4,635		4,635	3,694	941
Miscellaneous Purchased Services (400-500 series)	199,237	(3,000)	196,237	174,674	21,563
General Supplies	11,000		11,000	2,129	8,871
Miscellaneous Expenditures	15,300		15,300	14,402	898
Board of Education Membership Dues and Fees	19,320		19,320	16,418	2,902
Total Undistributed Expenditures - Support Services - General Administration	<u>812,458</u>	<u>(47,293)</u>	<u>765,165</u>	<u>684,397</u>	<u>80,768</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Support Services - School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	\$ 1,383,529		\$ 1,383,529	\$ 1,352,836	\$ 30,693
Salaries of Secretarial and Clerical Assistants	511,945		511,945	506,025	5,920
Unused Vacation Payment to Terminated/Retired Staff		\$ 12,075	12,075	12,074	1
Other Purchased Services (400-500 series)	14,850	1,500	16,350	13,348	3,002
Supplies and Materials	35,293	1,600	36,893	28,418	8,475
Other Objects	48,805		48,805	37,742	11,063
Total Undistributed Expenditures - Support Services - School Administration	1,994,422	15,175	2,009,597	1,950,443	59,154
Undistributed Expenditures - Central Services:					
Salaries	508,134	20,550	528,684	528,683	1
Unused Vacation Payment to Terminated/Retired Staff		8,524	8,524	8,524	
Other Purchased Services (400-500 series)	20,200	5,500	25,700	24,054	1,646
Supplies and Materials	9,700		9,700	7,725	1,975
Miscellaneous Expenditures	3,000		3,000	1,915	1,085
Total Undistributed Expenditures - Central Services	541,034	34,574	575,608	570,901	4,707
Undistributed Expenditures - Administration Information Technology:					
Salaries	323,192	(14,828)	308,364	308,364	
Purchased Technical Services	149,910	(26,366)	123,544	110,719	12,825
Supplies and Materials	25,000	8,656	33,656	32,888	768
Other Objects	12,700	(12,450)	250	250	
Total Undistributed Expenditures - Administration Information Technology	510,802	(44,988)	465,814	452,221	13,593

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Required Maintenance of School Facilities:					
Salaries	\$ 271,259		\$ 271,259	\$ 259,404	\$ 11,855
Cleaning, Repair and Maintenance Services	287,517	\$ 95,002	382,519	335,775	46,744
General Supplies	75,000	66,209	141,209	134,539	6,670
Other Objects	4,000	500	4,500	4,310	190
Total Undistributed Expenditures - Required Maintenance of School Facilities	637,776	161,711	799,487	734,028	65,459
Undistributed Expenditures - Custodial Services:					
Salaries	554,816	(1,745)	553,071	545,487	7,584
Salaries of Non-Instructional Aides	218,355		218,355	192,397	25,958
Purchased Professional and Technical Services	15,300		15,300	3,450	11,850
Cleaning, Repair and Maintenance Services	465,600	(5,000)	460,600	456,627	3,973
Rental of Land and Buildings Other Than Lease Purchase Agreements	3,570	4,121	7,691	7,691	1
Other Purchased Property Services	35,000	1,468	36,468	36,467	3,993
Insurance	80,357	(3,000)	77,357	73,364	379
Miscellaneous Purchased Services	500	(121)	379		
General Supplies	95,000	(5,000)	90,000	79,561	10,439
Energy (Natural Gas)	191,000	(7,677)	183,323	128,420	54,903
Energy (Electricity)	565,000	(54,000)	511,000	412,288	98,712
Other Objects	1,000	500	1,500	1,200	300
Total Undistributed Expenditures - Custodial Services	2,225,498	(70,454)	2,155,044	1,936,952	218,092
Undistributed Expenditures - Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	60,000	(2,354)	57,646	47,250	10,396
General Supplies	12,000	5,354	17,354	15,853	1,501
Total Undistributed Expenditures - Care and Upkeep of Grounds	72,000	3,000	75,000	63,103	11,897

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Security:					
Salaries	\$ 120,401	\$ 1,745	\$ 122,146	\$ 122,144	\$ 2
Purchased Professional and Technical Services	9,140	(2,801)	6,339	6,339	
General Supplies		6,017	6,017	5,386	631
Total Undistributed Expenditures - Security	129,541	4,961	134,502	133,869	633
Total Undistributed Expenditures - Operations & Maintenance of Plant	3,064,815	99,218	3,164,033	2,867,952	296,081
Undistributed Expenditures - Student Transportation Services:					
Salaries of Non-Instructional Aides	58,446	1,576	60,022	60,022	
Salaries for Pupil Transportation:					
Between Home and School - Special Education	108,276	9,284	117,560	117,559	1
Other Than Between Home and School	66,300		66,300	60,511	5,789
Other Purchased Professional and Technical Services	2,000		2,000	1,343	657
Cleaning, Repair and Maintenance Services	23,000		23,000	21,374	1,626
Contracted Services:					
Other than Between Home and School - Vendors	136,300	200	136,500	121,200	15,300
Special Education Students - Joint Agreements	35,000		35,000	35,000	
Special Education Students - ESCs & CTSA's	450,000	(16,299)	433,701	315,701	118,000
Miscellaneous Purchased Services - Transportation	30,836	(1,500)	29,336	13,049	16,287
Transportation Supplies	39,800		39,800	26,671	13,129
Miscellaneous Expenditures	200	1,500	1,700	400	1,300
Total Undistributed Expenditures - Student Transportation Services	950,158	(5,239)	944,919	737,830	207,089
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	540,000		540,000	515,727	24,273
Other Retirement Contributions - PERS	603,000		603,000	559,987	43,013
Unemployment Compensation	25,407	24,593	50,000	50,000	
Workmen's Compensation	142,200		142,200	118,799	23,401

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits - Employee Benefits (Cont'd):					
Health Benefits	\$ 5,333,446	\$ (344,757)	\$ 4,988,689	\$ 4,484,207	\$ 504,482
Tuition Reimbursement	195,000	(1,300)	193,700	137,092	56,608
Other Employee Benefits	84,000	1,300	85,300	85,299	1
Total Unallocated Benefits	6,923,053	(320,164)	6,602,889	5,951,111	651,778
On-Behalf TPAF Pension Contributions (non-budgeted)				2,537,026	(2,537,026)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				61,567	(61,567)
On-Behalf Post Retirement Benefit Contributions (non-budgeted)				1,678,376	(1,678,376)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				5,637	(5,637)
Reimbursed TPAF FICA Contributions (non-budgeted)				1,306,034	(1,306,034)
Total On-Behalf Benefits				5,588,640	(5,588,640)
Total Personal Services - Employee Benefits	6,923,053	(320,164)	6,602,889	11,539,751	(4,936,862)
Total Undistributed Expenditures	20,734,298	(263,930)	20,470,368	24,108,030	(3,637,662)
TOTAL GENERAL CURRENT EXPENSE	38,980,765	(165,628)	38,815,137	41,874,260	(3,059,123)
CAPITAL OUTLAY					
Equipment:					
Grades 1-5	12,193	52,363	64,556	64,556	
Grades 6-8	20,393	47,004	67,397	67,396	1
Grades 9-12	36,198	366	36,564	36,564	
Operation & Maintenance of Plant Services	2,600		2,600	2,600	
General Administration		7,173	7,173	6,489	684
School-Sponsored and Other Instructional Programs		25,017	25,017	5,229	19,788
Administration Information Technology		28,266	28,266	28,266	
Non-Instructional Equipment		5,439	5,439		28,266
Total Equipment	71,384	165,628	237,012	182,834	5,439
					54,178

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Legal Services	\$ 5,000		\$ 5,000		\$ 5,000
Architectural/Engineering Services	16,000		16,000		16,000
Construction Services	229,000		229,000		229,000
Assessment for Debt Service SDA Funding	93,839		93,839	\$ 93,839	
Total Facilities Acquisition and Construction Services	343,839		343,839	93,839	250,000
TOTAL CAPITAL OUTLAY	<u>415,223</u>	<u>\$ 165,628</u>	<u>580,851</u>	<u>276,673</u>	<u>\$ 304,178</u>
TOTAL EXPENDITURES	<u>39,395,988</u>		<u>39,395,988</u>	<u>42,150,933</u>	<u>(2,754,945)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,420,615)</u>		<u>(1,420,615)</u>	<u>2,233,713</u>	<u>3,654,328</u>
Other Financing Sources/(Uses):					
Transfer to Special Revenue Fund - PreK - Inclusion	(24,000)		(24,000)	(24,000)	
Transfer to Capital Projects Fund from Capital Reserve		(422,145)	(422,145)	(422,145)	
Transfer from Capital Projects Fund to General Fund	(374,825)		(374,825)	77,608	77,608
Transfer to Debt Service Fund from Capital Reserve	(398,825)		(820,970)	(374,825)	
Total Other Financing Sources/(Uses)		<u>(422,145)</u>	<u>(820,970)</u>	<u>(743,362)</u>	<u>77,608</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	<u>(1,819,440)</u>	<u>(422,145)</u>	<u>(2,241,585)</u>	<u>1,490,351</u>	<u>3,731,936</u>
Fund Balance, July 1	6,649,834		6,649,834	6,649,834	
Fund Balance, June 30	<u>\$ 4,830,394</u>	<u>\$ (422,145)</u>	<u>\$ 4,408,249</u>	<u>\$ 8,140,185</u>	<u>\$ 3,731,936</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Analysis of Balance:					
Restricted Fund Balance:					
Capital Reserve	\$ 3,836,821				
Maintenance Reserve	204,305				
Excess Surplus	32,756				
Excess Surplus - Designated for Subsequent Year's Expenditures	605,661				
Tuition Reserve - Designated for 2018-19 School Year	994,249				
Tuition Reserve - Designated for 2019-20 School Year	966,517				
Assigned Fund Balance:					
Year-End Encumbrances	305,477				
Designated for Subsequent Year's Expenditures	300,000				
Unassigned Fund Balance	894,399				
Fund Balance per Governmental Funds (Budgetary Basis)	<u>8,140,185</u>				
Reconciliation to Governmental Funds Statements (GAAP):					
Less: Last state aid payments not recognized on a GAAP basis			570,925		
Fund Balance per Governmental Funds (GAAP)			<u>\$ 7,569,260</u>		

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 83,497	\$ 83,497	\$ 51,831	\$ (31,666)
State Sources	\$ 1,055,025	448,932	1,503,957	1,217,015	(286,942)
Federal Sources	1,029,241	648,451	1,677,692	1,253,131	(424,561)
Total Revenues	2,084,266	1,180,880	3,265,146	2,521,977	(743,169)
Other Financing Sources:					
Transfer In - Board Contribution - General Fund	24,000		24,000	24,000	
Total Revenues and Other Financing Sources	2,108,266	1,180,880	3,289,146	2,545,977	(743,169)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,014,122	(48,752)	965,370	815,963	149,407
Other Salaries for Instruction	145,588	47,456	193,044	164,160	28,884
Purchased Professional and Technical Services		75,865	75,865	62,647	13,218
Other Purchased Services	497,843	252,473	750,316	463,708	286,608
General Supplies	25,646	148,950	174,596	146,530	28,066
Textbooks	50,204	(3,806)	46,398	46,079	319
Other Objects	1,000	18,365	19,365	8,017	11,348
Total Instruction	1,734,403	490,551	2,224,954	1,707,104	517,850

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Support Services:					
Personal Services - Salaries	\$ 78,390	\$ 63,769	\$ 142,159	\$ 120,401	\$ 21,758
Salaries of Supervisors of Instruction	23,531		23,531	23,531	
Salaries of Program Directors	11,073		11,073	11,072	1
Salaries of Other Professional Staff	9,178		9,178	9,178	
Salaries of Secretaries and Clerical Assistants	51,612		51,612	48,575	3,037
Other Salaries	10,394	58,000	68,394	58,849	9,545
Personal Services – Employee Benefits	131,635	177,466	309,101	231,859	77,242
Purchased Professional Educational Services		224,777	224,777	171,638	53,139
Purchased Professional and Technical Services		6,800	6,800	2,200	4,600
Cleaning, Repair & Maintenance Service	10,000		10,000	10,000	
Rentals	46,550	40,559	87,109	81,915	5,194
Other Purchased Services		18,832	18,832	9,535	9,297
Contractual Services - Transportation	1,000		1,000		1,000
Supplies and Materials	500	33,848	34,348	29,492	4,856
Other Objects		158	158		158
Total Support Services	373,863	624,209	998,072	808,245	189,827
Facilities Acquisition and Construction Services:					
Instructional Equipment		54,320	54,320	22,697	31,623
Noninstructional Equipment		11,800	11,800	7,931	3,869
Total Facilities Acquisition and Construction Services		66,120	66,120	30,628	35,492
Total Expenditures	\$ 2,108,266	\$ 1,180,880	\$ 3,289,146	\$ 2,545,977	\$ 743,169

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"	\$ 44,384,646	\$ 2,521,977
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances:		
State		(7,932)
Local		(27)
Prior Year Encumbrances:		
State		20,724
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	531,810	50,661
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(570,925)	(83,772)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 44,345,531	\$ 2,501,631
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 42,150,933	\$ 2,545,977
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, not in the Year the Supplies are Received for Financial Reporting Purposes.		12,765
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 42,150,933	\$ 2,558,742

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

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 ending June 30, 2018, 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. 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 last two state aid payments for the current year. Since the State is recording these 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

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Elementary and Secondary Education Act		
	Title I	Title II Part A	Title III
REVENUE:			
Local Sources			
State Sources			
Federal Sources	\$ 427,868	\$ 43,859	\$ 20,650
Total Revenue	<u>427,868</u>	<u>43,859</u>	<u>20,650</u>
Other Financing Sources:			
Transfer In - Board Contribution - General Fund			
Total Revenue and Other Financing Sources	<u>427,868</u>	<u>43,859</u>	<u>20,650</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	258,849	25,362	10,000
Other Salaries for Instruction			
Purchased Professional and Technical Services			
Other Purchased Services	24,037		
General Supplies	47,536		
Textbooks			
Other Objects			
Total Instruction	<u>330,422</u>	<u>25,362</u>	<u>10,000</u>
Support Services:			
Personal Services - Salaries			
Salaries of Supervisors of Instruction			
Salaries of Program Directors			
Salaries of Other Professional Staff			
Salaries of Secretaries and Clerical Assistants			
Other Salaries			
Personal Services – Employee Benefits	61,195	7,989	3,150
Purchased Professional Educational Services	22,667		7,500
Purchased Professional and Technical Services			
Cleaning, Repair and Maintenance Services			
Rentals			
Other Purchased Services		9,535	
Supplies and Materials	13,584	973	
Total Support Services	<u>97,446</u>	<u>18,497</u>	<u>10,650</u>
Facilities Acquisition and Construction Services:			
Instructional Equipment			
Noninstructional Equipment			
Total Facilities Acquisition and Construction Services			
Total Expenditures	<u>\$ 427,868</u>	<u>\$ 43,859</u>	<u>\$ 20,650</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Elementary and Secondary Education Act</u>		<u>Federal Impact Aid Displaced Students</u>
	<u>Title III Immigrant</u>	<u>Title IV</u>	
REVENUE:			
Local Sources			
State Sources			
Federal Sources	\$ 10,627	\$ 2,200	\$ 31,500
Total Revenue	<u>10,627</u>	<u>2,200</u>	<u>31,500</u>
Other Financing Sources:			
Transfer In - Board Contribution - General Fund			
Total Revenue and Other Financing Sources	<u>10,627</u>	<u>2,200</u>	<u>31,500</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	4,655		
Other Salaries for Instruction			
Purchased Professional and Technical Services			
Other Purchased Services			
General Supplies			31,500
Textbooks			
Other Objects			
Total Instruction	<u>4,655</u>		<u>31,500</u>
Support Services:			
Personal Services - Salaries			
Salaries of Supervisors of Instruction			
Salaries of Program Directors			
Salaries of Other Professional Staff			
Salaries of Secretaries and Clerical Assistants			
Other Salaries			
Personal Services – Employee Benefits	356		
Purchased Professional Educational Services			
Purchased Professional and Technical Services		2,200	
Cleaning, Repair and Maintenance Services			
Rentals			
Other Purchased Services			
Supplies and Materials	5,616		
Total Support Services	<u>5,972</u>	<u>2,200</u>	
Facilities Acquisition and Construction Services:			
Instructional Equipment			
Noninstructional Equipment			
Total Facilities Acquisition and Construction Services			
Total Expenditures	<u>\$ 10,627</u>	<u>\$ 2,200</u>	<u>\$ 31,500</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>IDEA Part B</u>		<u>Nonpublic</u>	
	<u>Preschool</u>	<u>Basic</u>	<u>Technology Aid</u>	<u>Textbook Aid</u>
REVENUE:				
Local Sources				
State Sources			\$ 31,270	\$ 46,079
Federal Sources	\$ 20,564	\$ 695,863		
Total Revenue	<u>20,564</u>	<u>695,863</u>	<u>31,270</u>	<u>46,079</u>
Other Financing Sources:				
Transfer In - Board Contribution - General Fund				
Total Revenue and Other Financing Sources	<u>20,564</u>	<u>695,863</u>	<u>31,270</u>	<u>46,079</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	14,567	93,620		
Other Salaries for Instruction				
Purchased Professional and Technical Services				
Other Purchased Services		417,732		
General Supplies	4,883		31,270	
Textbooks				46,079
Other Objects				
Total Instruction	<u>19,450</u>	<u>511,352</u>	<u>31,270</u>	<u>46,079</u>
Support Services:				
Personal Services - Salaries		42,875		
Salaries of Supervisors of Instruction				
Salaries of Program Directors				
Salaries of Other Professional Staff				
Salaries of Secretaries and Clerical Assistants				
Other Salaries				
Personal Services – Employee Benefits	1,114	10,442		
Purchased Professional Educational Services		131,194		
Purchased Professional and Technical Services				
Cleaning, Repair and Maintenance Services				
Rentals				
Other Purchased Services				
Supplies and Materials				
Total Support Services	<u>1,114</u>	<u>184,511</u>		
Facilities Acquisition and Construction Services:				
Instructional Equipment				
Noninstructional Equipment				
Total Facilities Acquisition and Construction Services				
Total Expenditures	<u>\$ 20,564</u>	<u>\$ 695,863</u>	<u>\$ 31,270</u>	<u>\$ 46,079</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Nonpublic</u>		<u>Preschool</u>
	<u>Nursing</u> <u>Services</u>	<u>Security</u> <u>Aid</u>	<u>Education</u> <u>Aid</u>
REVENUE:			
Local Sources			
State Sources	\$ 77,526	\$ 63,167	\$ 762,550
Federal Sources			
Total Revenue	<u>77,526</u>	<u>63,167</u>	<u>762,550</u>
Other Financing Sources:			
Transfer In - Board Contribution - General Fund			24,000
Total Revenue and Other Financing Sources	<u>77,526</u>	<u>63,167</u>	<u>786,550</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers			232,898
Other Salaries for Instruction			164,160
Purchased Professional and Technical Services			
Other Purchased Services			2,100
General Supplies			26,797
Textbooks			
Other Objects			
Total Instruction			<u>425,955</u>
Support Services:			
Personal Services - Salaries	77,526		
Salaries of Supervisors of Instruction			11,072
Salaries of Program Directors			23,531
Salaries of Other Professional Staff			9,178
Salaries of Secretaries and Clerical Assistants			48,575
Other Salaries			58,849
Personal Services – Employee Benefits			147,613
Purchased Professional Educational Services			9,030
Purchased Professional and Technical Services			
Cleaning, Repair and Maintenance Services			10,000
Rentals		63,167	3,000
Other Purchased Services			
Supplies and Materials			9,119
Total Support Services	<u>77,526</u>	<u>63,167</u>	<u>329,967</u>
Facilities Acquisition and Construction Services:			
Instructional Equipment			22,697
Noninstructional Equipment			7,931
Total Facilities Acquisition and Construction Services			<u>30,628</u>
Total Expenditures	<u>\$ 77,526</u>	<u>\$ 63,167</u>	<u>\$ 786,550</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Nonpublic Handicapped Services		
	Corrective Speech	Examination & Classification	Supplementary Instruction
REVENUE:			
Local Sources			
State Sources	\$ 28,570	\$ 61,147	\$ 45,199
Federal Sources			
Total Revenue	<u>28,570</u>	<u>61,147</u>	<u>45,199</u>
Other Financing Sources:			
Transfer In - Board Contribution - General Fund			
Total Revenue and Other Financing Sources	<u>28,570</u>	<u>61,147</u>	<u>45,199</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	28,570		45,199
Other Salaries for Instruction			
Purchased Professional and Technical Services		61,147	
Other Purchased Services			
General Supplies			
Textbooks			
Other Objects			
Total Instruction	<u>28,570</u>	<u>61,147</u>	<u>45,199</u>
Support Services:			
Personal Services - Salaries			
Salaries of Supervisors of Instruction			
Salaries of Program Directors			
Salaries of Other Professional Staff			
Salaries of Secretaries and Clerical Assistants			
Other Salaries			
Personal Services – Employee Benefits			
Purchased Professional Educational Services			
Purchased Professional and Technical Services			
Cleaning, Repair and Maintenance Services			
Rentals			
Other Purchased Services			
Supplies and Materials			
Total Support Services			
Facilities Acquisition and Construction Services:			
Instructional Equipment			
Noninstructional Equipment			
Total Facilities Acquisition and Construction Services			
Total Expenditures	<u>\$ 28,570</u>	<u>\$ 61,147</u>	<u>\$ 45,199</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Nonpublic Auxiliary Services		
	Compensatory Education Aid	Home Instruction	ESL
REVENUE:			
Local Sources			
State Sources	\$ 72,639	\$ 7,382	\$ 2,620
Federal Sources			
Total Revenue	<u>72,639</u>	<u>7,382</u>	<u>2,620</u>
Other Financing Sources:			
Transfer In - Board Contribution - General Fund			
Total Revenue and Other Financing Sources	<u>72,639</u>	<u>7,382</u>	<u>2,620</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	72,639	7,382	2,620
Other Salaries for Instruction			
Purchased Professional and Technical Services			
Other Purchased Services			
General Supplies			
Textbooks			
Other Objects			
Total Instruction	<u>72,639</u>	<u>7,382</u>	<u>2,620</u>
Support Services:			
Personal Services - Salaries			
Salaries of Supervisors of Instruction			
Salaries of Program Directors			
Salaries of Other Professional Staff			
Salaries of Secretaries and Clerical Assistants			
Other Salaries			
Personal Services – Employee Benefits			
Purchased Professional Educational Services			
Purchased Professional and Technical Services			
Cleaning, Repair and Maintenance Services			
Rentals			
Other Purchased Services			
Supplies and Materials			
Total Support Services			
Facilities Acquisition and Construction Services:			
Instructional Equipment			
Noninstructional Equipment			
Total Facilities Acquisition and Construction Services			
Total Expenditures	<u>\$ 72,639</u>	<u>\$ 7,382</u>	<u>\$ 2,620</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Nonpublic Auxiliary Services		
	Transportation Aid	Local Grants	Totals
REVENUE:			
Local Sources		\$ 51,831	\$ 51,831
State Sources	\$ 18,866		1,217,015
Federal Sources			1,253,131
Total Revenue	<u>18,866</u>	<u>51,831</u>	<u>2,521,977</u>
Other Financing Sources:			
Transfer In - Board Contribution - General Fund			24,000
Total Revenue and Other Financing Sources	<u>18,866</u>	<u>51,831</u>	<u>2,545,977</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers		19,602	815,963
Other Salaries for Instruction			164,160
Purchased Professional and Technical Services		1,500	62,647
Other Purchased Services	18,866	973	463,708
General Supplies		4,544	146,530
Textbooks			46,079
Other Objects		8,017	8,017
Total Instruction	<u>18,866</u>	<u>34,636</u>	<u>1,707,104</u>
Support Services:			
Personal Services - Salaries			120,401
Salaries of Supervisors of Instruction			11,072
Salaries of Program Directors			23,531
Salaries of Other Professional Staff			9,178
Salaries of Secretaries and Clerical Assistants			48,575
Other Salaries			58,849
Personal Services – Employee Benefits			231,859
Purchased Professional Educational Services		1,247	171,638
Purchased Professional and Technical Services			2,200
Cleaning, Repair and Maintenance Services			10,000
Rentals		15,748	81,915
Other Purchased Services			9,535
Supplies and Materials		200	29,492
Total Support Services		<u>17,195</u>	<u>808,245</u>
Facilities Acquisition and Construction Services:			
Instructional Equipment			22,697
Noninstructional Equipment			7,931
Total Facilities Acquisition and Construction Services			<u>30,628</u>
Total Expenditures	<u>\$ 18,866</u>	<u>\$ 51,831</u>	<u>\$ 2,545,977</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

District-Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 290,380	\$ 232,898	\$ 57,482
Other Salaries for Instruction	193,044	164,160	28,884
Other Purchased Services	2,100	2,100	
General Supplies	47,387	26,797	20,590
Other Objects	1,000		1,000
Total Instruction	533,911	425,955	107,956
Support Services:			
Salaries of Program Directors	11,073	11,072	1
Salaries of Supervisors of Instruction	23,531	23,531	
Salaries of Other Professional Staff	9,178	9,178	
Salaries of Secretaries and Clerical Assistants	51,612	48,575	3,037
Other Salaries	68,394	58,849	9,545
Personal Services – Employee Benefits	213,647	147,613	66,034
Purchased Professional Educational Services	12,780	9,030	3,750
Cleaning, Repair, and Maintenance Services	10,000	10,000	
Rentals	3,000	3,000	
Contractual Services - Transportation	1,000		1,000
Supplies and Materials	10,110	9,119	991
Total Support Services	414,325	329,967	84,358
Equipment:			
Instructional equipment	54,220	22,697	31,523
Noninstructional Equipment	11,800	7,931	3,869
Total Equipment	66,020	30,628	35,392
Total Expenditures	\$ 1,014,256	\$ 786,550	\$ 227,706

CALCULATION OF BUDGET & CARRYOVER

Total Revised 2017-2018 Preschool Education Aid Allocation	\$ 850,180
Add: Actual PEA Carryover (June 30, 2017)	273,122
Add: Budgeted Transfer from General Fund	24,000
Total Preschool Education Aid Funds Available for 2017-2018 Budget	1,147,302
Less: 2017-2018 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	(1,014,256)
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2018	133,046
Add: June 30, 2018 Unexpended Preschool Education Aid	227,706
2017-2018 Carryover - Preschool Education Aid	\$ 360,752
2017-2018 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2018-2019	\$ 360,752

CAPITAL PROJECTS FUND

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES,
PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Revenue and Other Financing Sources:	
Transfer from Capital Reserve	\$ 422,145
Interest Earned	6,432
	<hr/>
Total Revenue and Other Financing Sources	428,577
	<hr/>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	78,895
Construction Services	365,718
Operating Transfer Out - Capital Reserve	71,176
Operating Transfers Out - General Fund	6,432
	<hr/>
Total Expenditures and Other Financing Uses	522,221
	<hr/>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under)	
Expenditures and Other Financing Uses	(93,644)
	<hr/>
Fund Balance - Beginning Balance	1,066,604
	<hr/>
Fund Balance - Ending Balance	\$ 972,960
	<hr/> <hr/>
Reconciliation of Revenue from Budgetary Basis to GAAP Basis:	
SDA Grants Revenue (Budgetary Basis)	\$ -0-
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recognized on the GAAP Basis until Expended and Submitted for Reimbursement	643,570
	<hr/>
SDA Grants Revenue (GAAP Basis)	\$ 643,570
	<hr/> <hr/>
<u>Recapitulation:</u>	
Committed Fund Balance:	
Year-End Encumbrances	\$ 404,887
Committed Fund Balance - Other Purposes	568,073
	<hr/>
Total Committed Fund Balance	972,960
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	(160,893)
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 812,067
	<hr/> <hr/>

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER SCHOOL FIVE CLASSROOM ADDITION
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Outlay	\$ 2,186,585		\$ 2,186,585	\$ 2,186,585
Total Revenues and Other Financing Sources	<u>2,186,585</u>		<u>2,186,585</u>	<u>2,186,585</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	238,951		238,951	238,951
Construction Services	1,930,266		1,930,266	1,947,634
Total Expenditures Other Financing Uses	<u>2,169,217</u>		<u>2,169,217</u>	<u>2,186,585</u>
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	<u>\$ 17,368</u>	<u>\$ -0-</u>	<u>\$ 17,368</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	N/A
Grant Date:	N/A
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 2,200,000
Cancelled to Capital Outlay	\$ (13,415)
Revised Authorized Cost:	<u>\$ 2,186,585</u>
Percentage Decrease over Original Authorized Cost	-0.61%
Percentage Completion:	99.21%
Original Target Completion Date:	January 2014
Revised Target Completion Date:	October 2017

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE MIDDLE SCHOOL ROOF REPLACEMENT ANNEX AND MEDIA CENTER
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 306,454		\$ 306,454	\$ 306,454
Transfer from Capital Outlay	725,000		725,000	725,000
Total Revenues and Other Financing Sources	<u>1,031,454</u>		<u>1,031,454</u>	<u>1,031,454</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	63,766		63,766	78,211
Construction Services	729,149		729,149	953,243
Total Expenditures Other Financing Uses	<u>792,915</u>		<u>792,915</u>	<u>1,031,454</u>
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	<u>\$ 238,539</u>	<u>\$ -0-</u>	<u>\$ 238,539</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number:	4820-055-10-1004			
Grant Date:	01/12/11			
Bond Authorization Date:	N/A			
Bonds Authorized:	N/A			
Bonds Issued:	N/A			
Original Authorized Cost:	\$ 691,234			
Additional Authorized Cost:	\$ 340,220			
Revised Authorized Cost:	<u>\$ 1,031,454</u>			
Percentage Increase over Original Authorized Cost:	32.98%			
Percentage Completion:	76.87%			
Original Target Completion Date:	September 2011			
Revised Target Completion Date:	December 2017			

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER ELEMENTARY SCHOOL HVAC REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 451,817		\$ 451,817	\$ 451,817
Transfer from Capital Reserve	1,121,267		1,121,267	1,121,267
Total Revenues and Other Financing Sources	<u>1,573,084</u>		<u>1,573,084</u>	<u>1,573,084</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	84,200	\$ 33,026	117,226	84,200
Construction Services	1,330,900	600	1,331,500	1,488,884
Total Expenditures Other Financing Uses	<u>1,415,100</u>	<u>33,626</u>	<u>1,448,726</u>	<u>1,573,084</u>
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	<u>\$ 157,984</u>	<u>\$ (33,626)</u>	<u>\$ 124,358</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	4820-090-14-1004
Grant Date:	01/06/14
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 987,500
Transfer from Capital Reserve	\$ 585,584
Revised Authorized Cost:	<u>\$ 1,573,084</u>
Percentage Increase over Original Authorized Cost:	59.30%
Percentage Completion:	92.09%
Original Target Completion Date:	June 2015
Revised Target Completion Date:	June 2018

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER ELEMENTARY SCHOOL SECURITY UPGRADES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 42,347		\$ 42,347	\$ 42,347
Transfer from Capital Reserve	58,168	\$ (4,386)	53,782	53,782
Total Revenues and Other Financing Sources	<u>100,515</u>	<u>(4,386)</u>	<u>96,129</u>	<u>96,129</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	42,940		42,940	42,940
Construction Services	53,189		53,189	53,189
Total Expenditures Other Financing Uses	<u>96,129</u>		<u>96,129</u>	<u>96,129</u>
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	<u>\$ 4,386</u>	<u>\$ (4,386)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	4820-090-14-1009
Grant Date:	01/06/14
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 92,554
Additional Authorized Cost - Capital Reserve	\$ 7,961
Cancelled to Capital Reserve	<u>\$ (4,386)</u>
Revised Authorized Cost:	<u>\$ 96,129</u>
Percentage Increase over Original Authorized Cost:	8.60%
Percentage Completion:	100.00%
Original Target Completion Date:	June 2015
Revised Target Completion Date:	June 2018

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE MIDDLE SCHOOL SECURITY UPGRADES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 34,888		\$ 34,888	\$ 34,888
Transfer from Capital Reserve	79,173	\$ (3,287)	75,886	75,886
Total Revenues and Other Financing Sources	<u>114,061</u>	<u>(3,287)</u>	<u>110,774</u>	<u>110,774</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	55,693		55,693	37,809
Construction Services	55,081		55,081	72,965
Total Expenditures Other Financing Uses	<u>110,774</u>		<u>110,774</u>	<u>110,774</u>
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	<u>\$ 3,287</u>	<u>\$ (3,287)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	4820-090-14-1009
Grant Date:	01/06/14
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 76,252
Additional Authorized Cost - Capital Reserve	\$ 37,809
Cancelled to Capital Reserve	\$ (3,287)
Revised Authorized Cost:	<u>\$ 110,774</u>
Percentage Increase over Original Authorized Cost:	49.58%
Percentage Completion:	100.00%
Original Target Completion Date:	June 2016
Revised Target Completion Date:	June 2018

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE HIGH SCHOOL SECURITY UPGRADES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 73,937		\$ 73,937	\$ 73,937
Transfer from Capital Reserve	189,772	\$ (7,499)	182,273	182,273
Total Revenues and Other Financing Sources	<u>263,709</u>	<u>(7,499)</u>	<u>256,210</u>	<u>256,210</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	111,171		111,171	111,171
Construction Services	145,039		145,039	145,039
Total Expenditures Other Financing Uses	<u>256,210</u>		<u>256,210</u>	<u>256,210</u>
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	<u>\$ 7,499</u>	<u>\$ (7,499)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	4820-050-14-1007
Grant Date:	01/06/14
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 161,599
Additional Authorized Cost - Capital Reserve	\$ 102,110
Cancelled to Capital Reserve	\$ (7,499)
Revised Authorized Cost:	<u>\$ 256,210</u>
Percentage Increase over Original Authorized Cost:	63.19%
Percentage Completion:	100.00%
Original Target Completion Date:	June 2016
Revised Target Completion Date:	June 2018

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE MIDDLE SCHOOL ANNEX CLASSROOMS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Outlay	\$ 372,274		\$ 372,274	\$ 372,274
Transfer from Capital Reserve	420,726	\$ (56,004)	364,722	364,722
Total Revenues and Other Financing Sources	<u>793,000</u>	<u>(56,004)</u>	<u>736,996</u>	<u>736,996</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	76,475		76,475	76,475
Construction Services	660,521		660,521	660,521
Total Expenditures Other Financing Uses	<u>736,996</u>		<u>736,996</u>	<u>736,996</u>
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	<u>\$ 56,004</u>	<u>\$ (56,004)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	4820-050-14-1007
Grant Date:	01/06/14
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 735,000
Additional Authorized Cost - Capital Reserve	\$ 58,000
Cancelled to Capital Reserve	\$ (56,004)
Revised Authorized Cost:	<u>\$ 736,996</u>
Percentage Increase over Original Authorized Cost:	7.89%
Percentage Completion:	100.00%
Original Target Completion Date:	December 2015
Revised Target Completion Date:	December 2017

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE HIGH SCHOOL HVAC UPGRADES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 352,646		\$ 352,646	\$ 352,646
Transfer from Capital Reserve	1,172,810		1,172,810	1,172,810
Total Revenues and Other Financing Sources	<u>1,525,456</u>		<u>1,525,456</u>	<u>1,525,456</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	82,304		82,304	82,304
Construction Services	1,295,000	\$ 26,873	1,321,873	1,443,152
Total Expenditures Other Financing Uses	<u>1,377,304</u>	<u>26,873</u>	<u>1,404,177</u>	<u>1,525,456</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ 148,152</u>	<u>\$ (26,873)</u>	<u>\$ 121,279</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number:	4820-050-14-1006			
Grant Date:	01/06/14			
Bond Authorization Date:	N/A			
Bonds Authorized:	N/A			
Bonds Issued:	N/A			
Original Authorized Cost:	\$ 770,750			
Transfer from Capital Reserve	\$ 754,706			
Revised Authorized Cost:	<u>\$ 1,525,456</u>			
Percentage Increase over Original Authorized Cost:	97.92%			
Percentage Completion:	92.05%			
Original Target Completion Date:	June 2016			
Revised Target Completion Date:	June 2018			

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER ELEMENTARY SCHOOL BATHROOMS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 359,000	\$ 5,145	\$ 364,145	\$ 364,145
Total Revenues and Other Financing Sources	<u>359,000</u>	<u>5,145</u>	<u>364,145</u>	<u>364,145</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	25,749	15,500	41,249	42,861
Construction Services	656	320,628	321,284	321,284
Total Expenditures Other Financing Uses	<u>26,405</u>	<u>336,128</u>	<u>362,533</u>	<u>364,145</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ 332,595</u>	<u>\$ (330,983)</u>	<u>\$ 1,612</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	N/A
Grant Date:	N/A
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 172,000
Additional Authorized Cost - Capital Reserve	\$ 192,145
Revised Authorized Cost:	<u>\$ 364,145</u>
Percentage Increase over Original Authorized Cost:	111.71%
Percentage Completion:	99.56%
Original Target Completion Date:	June 2016
Revised Target Completion Date:	June 2018

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER ELEMENTARY SCHOOL FIRE ALARM
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 105,000		\$ 105,000	\$ 105,000
Total Revenues and Other Financing Sources	105,000		105,000	105,000
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	3,909	\$ 902	4,811	10,000
Construction Services	301	17,617	17,918	95,000
Total Expenditures Other Financing Uses	4,210	18,519	22,729	105,000
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	\$ 100,790	\$ (18,519)	\$ 82,271	\$ -0-

Additional Project Information:

Project Number:	N/A
Grant Date:	N/A
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 105,000
Revised Authorized Cost:	\$ 105,000
Percentage Increase over Original Authorized Cost:	0.00%
Percentage Completion:	21.65%
Original Target Completion Date:	June 2016
Revised Target Completion Date:	June 2018

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER ELEMENTARY SCHOOL PARTIAL ROOF REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 373,000	\$ 373,000	\$ 373,000
Total Revenues and Other Financing Sources		373,000	373,000	373,000
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services		25,784	25,784	25,784
Construction Services				347,216
Total Expenditures Other Financing Uses		25,784	25,784	373,000
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	\$ -0-	\$ 347,216	\$ 347,216	\$ -0-

Additional Project Information:

Project Number:	N/A
Grant Date:	N/A
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 373,000
Revised Authorized Cost:	\$ 373,000
Percentage Decrease over Original Authorized Cost	0.00%
Percentage Completion:	6.91%
Original Target Completion Date:	September 2018

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE HIGH SCHOOL ROOF REPAIRS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 44,000	\$ 44,000	\$ 44,000
Total Revenues and Other Financing Sources		44,000	44,000	44,000
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services		3,683	3,683	6,000
Construction Services				38,000
Total Expenditures Other Financing Uses		3,683	3,683	44,000
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	\$ -0-	\$ 40,317	\$ 40,317	\$ -0-
Additional Project Information:				
Project Number:		N/A		
Grant Date:		N/A		
Bond Authorization Date:		N/A		
Bonds Authorized:		N/A		
Bonds Issued:		N/A		
Original Authorized Cost:		\$ 44,000		
Revised Authorized Cost:		\$ 44,000		
Percentage Increase over Original Authorized Cost:		0.00%		
Percentage Completion:		8.37%		
Original Target Completion Date:		September 2018		

PROPRIETARY FUNDS

SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 279,888
Accounts Receivable:	
Federal Government	20,508
State Government	474
Inventories	5,397

Total Current Assets	<u>306,267</u>
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Non-Current Assets:

Capital Assets	330,970
Less: Accumulated Depreciation	<u>(208,788)</u>

Total Non-Current Assets	<u>122,182</u>
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Total Assets	<u>428,449</u>
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LIABILITIES:

Unearned Revenue - Donated Commodities	572
Unearned Revenue - Prepaid Sales	<u>12,098</u>

Total Liabilities	<u>12,670</u>
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NET POSITION:

Investment in Capital Assets	122,182
Unrestricted	<u>293,597</u>

Total Net Position	<u>\$ 415,779</u>
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SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Revenue:	
Daily Sales - Reimbursable Programs	\$ 313,440
Daily Sales - Non-Reimbursable Programs	121,893
	<hr/>
Total Operating Revenue	435,333
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	266,713
Cost of Sales - Non Reimbursable Programs	103,722
Management Fee	13,707
Salaries, Benefits & Payroll Taxes	273,018
Other	35,820
Depreciation Expense	17,811
	<hr/>
Total Operating Expenses	710,791
	<hr/>
Operating (Loss)	(275,458)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
School Breakfast Program	29,952
National School Lunch Program	289,070
Food Distribution Program	45,652
State Sources:	
School Lunch Program	8,027
	<hr/>
Total Non-Operating Revenue	372,701
	<hr/>
Change in Net Position	97,243
	<hr/>
Net Position - Beginning of Year	318,536
	<hr/>
Net Position - End of Year	\$ 415,779
	<hr/> <hr/>

SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 437,873
Payments to Employees	(273,018)
Payments to Suppliers	(420,046)
	<hr/>
Net Cash Used for Operating Activities	(255,191)
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Equipment	(39,639)
	<hr/>
Net Cash Used for Capital and Related Financing Activities	(39,639)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal and State Reimbursements	329,086
	<hr/>
Net Cash Provided by Noncapital Financing Activities	329,086
	<hr/>
Net Increase in Cash and Cash Equivalents	34,256
Cash and Cash Equivalents, July 1	245,632
	<hr/>
Cash and Cash Equivalents, June 30	\$ 279,888
	<hr/> <hr/>
Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:	
Operating (Loss)	\$ (275,458)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	17,811
Federal Food Distribution Program	45,652
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	169
Increase/(Decrease) in Accounts Payable	(44,077)
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(270)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	982
	<hr/>
Net Cash Used for Operating Activities	\$ (255,191)
	<hr/> <hr/>

Non-Cash Investing, Capital and Financing Activities:

The District received USDA donated commodities valued at \$45,382 and used \$45,652 of those commodities during the fiscal year.

FIDUCIARY FUNDS

SOMERVILLE BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Trust</u>	<u>Agency</u>		
	<u>Unemployment Compensation Trust</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	\$ 307,898	\$ 264,626	\$ 84,905	\$ 349,531
Interfund Receivable	79,157			
Total Assets	387,055	264,626	84,905	349,531
LIABILITIES:				
Payroll Deductions and Withholdings			5,748	5,748
Interfund Payable			79,157	79,157
Due to Student Groups		264,626		264,626
Total Liabilities		264,626	84,905	349,531
NET POSITION:				
Held in Trust for Unemployment Claims	387,055			
Total Net Position	\$ 387,055	\$ -0-	\$ -0-	\$ -0-

SOMERVILLE BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employee State Unemployment Insurance Deductions	\$ 38,427
District Contributions	<u>50,000</u>
Total Contributions	<u>88,427</u>
Investment Earnings:	
Interest	<u>1,727</u>
Net Investment Earnings	<u>1,727</u>
Total Additions	<u>90,154</u>
Deductions:	
State of New Jersey Unemployment Agency Payments	<u>40,366</u>
Total Deductions	<u>40,366</u>
Change in Net Position	49,788
Net Position—Beginning of the Year	<u>337,267</u>
Net Position—End of the Year	<u><u>\$ 387,055</u></u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 252,990	\$ 455,219	\$ 443,583	\$ 264,626
Total Assets	<u>\$ 252,990</u>	<u>\$ 455,219</u>	<u>\$ 443,583</u>	<u>\$ 264,626</u>
LIABILITIES:				
Due to Student Groups	\$ 252,990	\$ 455,219	\$ 443,583	\$ 264,626
Total Liabilities	<u>\$ 252,990</u>	<u>\$ 455,219</u>	<u>\$ 443,583</u>	<u>\$ 264,626</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Van Derveer Elementary School	\$ 49,172	\$ 47,644	\$ 40,835	\$ 55,981
Somerville Middle School	46,151	36,885	45,297	37,739
Somerville High School	<u>157,667</u>	<u>370,690</u>	<u>357,451</u>	<u>170,906</u>
Total All Schools	<u>\$ 252,990</u>	<u>\$ 455,219</u>	<u>\$ 443,583</u>	<u>\$ 264,626</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 48,238	\$ 13,781,457	\$ 13,744,790	\$ 84,905
Total Assets	<u>\$ 48,238</u>	<u>\$ 13,781,457</u>	<u>\$ 13,744,790</u>	<u>\$ 84,905</u>
 LIABILITIES:				
Payroll Deductions and Withholdings	\$ 7,508	\$ 13,743,030	\$ 13,744,790	\$ 5,748
Interfund Payable	40,730	38,427		79,157
Total Liabilities	<u>\$ 48,238</u>	<u>\$ 13,781,457</u>	<u>\$ 13,744,790</u>	<u>\$ 84,905</u>

LONG-TERM DEBT

SOMERVILLE BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding			Retired or Matured	Balance June 30, 2018
			Date	June 30, 2018	Interest Rate		
Pension Refunding	7/13/2003	\$ 2,705,000				\$ 275,000	
School Refunding Bonds	4/30/2013	9,240,000	02/15/19	\$ 860,000	3.000%		
			02/15/20	885,000	4.000%		
			02/15/21	925,000	4.000%		
			02/15/22	970,000	4.000%		
			02/15/23	1,005,000	4.000%		
			02/15/24	1,055,000	2.400%		
			02/15/25	1,085,000	4.000%	7,615,000	830,000
School Refunding Bonds	4/15/2016	9,265,000	07/15/19	565,000	4.000%		
			07/15/20	595,000	4.000%		
			07/15/21	615,000	4.000%		
			07/15/22	640,000	4.000%		
			07/15/23	665,000	4.000%		
			07/15/24	690,000	4.000%		
			07/15/25	725,000	4.000%		
			07/15/26	755,000	4.000%		
			07/15/27	785,000	4.000%		
			07/15/28	810,000	3.000%		
		07/15/29	830,000	3.000%			
		07/15/30	860,000	3.000%		9,080,000	545,000
						\$ 16,970,000	\$ -0-
						\$ 1,650,000	\$ 15,320,000

SOMERVILLE BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOT APPLICABLE

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,617,358		\$ 1,617,358	\$ 1,617,358	
Miscellaneous				38,255	\$ 38,255
State Sources:					
Debt Service Aid Type II	207,696		207,696	207,696	
Total Revenues	1,825,054		1,825,054	1,863,309	38,255
EXPENDITURES:					
Regular Debt Service:					
Interest on Early Retirement Bonds	8,250		8,250	8,250	
Interest on Bonds	595,395		595,395	595,395	
Redemption of Principal	1,375,000		1,375,000	1,375,000	
Redemption of Principal - ERIP	275,000		275,000	275,000	
Total Regular Debt Service	2,253,645		2,253,645	2,253,645	
Total Expenditures	2,253,645		2,253,645	2,253,645	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(428,591)		(428,591)	(390,336)	38,255

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final to Actual</u>
Other Financing Sources/(Uses)					
Operating Transfers In - General Fund - Capital Reserve	\$ 374,825		\$ 374,825	\$ 374,825	
Total Other Financing Sources/(Uses)	<u>374,825</u>		<u>374,825</u>	<u>374,825</u>	
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	(53,766)		(53,766)	(15,511)	\$ 38,255
Fund Balance, July 1	<u>18,778</u>		<u>18,778</u>	<u>18,778</u>	
Fund Balance, June 30	<u>\$ (34,988)</u>	<u>\$ -0-</u>	<u>\$ (34,988)</u>	<u>\$ 3,267</u>	<u>\$ 38,255</u>
<u>Recapitulation:</u>					
Restricted Fund Balance			<u>\$ 3,267</u>		

STATISTICAL SECTION

This part of the District'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 District's overall financial health.

Contents

	<u>Exhibit</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	J-1 thru J-5
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the District'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 District's current levels of outstanding debt and the District'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 District'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 District's operations and resources to help the reader understand how the District's financial information relates to the services the District 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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Net Investment in Capital Assets	\$ 12,989,685	\$ 13,798,944	\$ 15,869,670	\$ 19,929,605	\$ 22,785,085	\$ 24,519,577	\$ 26,525,104	\$ 30,303,213	\$ 33,327,721	\$ 32,963,384
Restricted	6,445,610	5,965,930	4,986,233	5,105,023	4,522,430	4,060,067	5,647,393	5,746,020	5,437,484	6,643,576
Unrestricted/(Deficit)	(3,374,507)	(2,794,727)	(154,516)	(145,481)	321,331	(6,495,713)	(7,722,300)	(10,131,781)	(12,998,198)	(12,648,954)
Total Governmental Activities Net Position	\$ 16,060,788	\$ 16,970,147	\$ 20,701,387	\$ 24,889,147	\$ 27,628,846	\$ 22,083,931	\$ 24,450,197	\$ 25,917,452	\$ 25,767,007	\$ 26,958,006
Business-Type Activities:										
Investment in Capital Assets	\$ 131,820	\$ 119,580	\$ 106,583	\$ 120,158	\$ 106,443	\$ 120,756	\$ 107,596	\$ 106,516	\$ 100,354	\$ 122,182
Unrestricted	93,842	80,864	97,872	99,291	133,556	106,816	160,482	209,467	218,182	293,597
Total Business-Type Activities Net Position	\$ 225,662	\$ 200,444	\$ 204,455	\$ 219,449	\$ 239,999	\$ 227,572	\$ 268,078	\$ 315,983	\$ 318,536	\$ 415,779
District-Wide:										
Net Investment in Capital Assets	\$ 13,121,505	\$ 13,918,524	\$ 15,976,253	\$ 20,049,763	\$ 22,891,528	\$ 24,640,333	\$ 26,632,700	\$ 30,409,729	\$ 33,428,075	\$ 33,085,566
Restricted	6,445,610	5,965,930	4,986,233	5,105,023	4,522,430	4,060,067	5,647,393	5,746,020	5,437,484	6,643,576
Unrestricted/(Deficit)	(3,280,665)	(2,713,863)	(56,644)	(46,190)	454,887	(6,388,897)	(7,561,818)	(9,922,314)	(12,780,016)	(12,355,357)
Total District Net Position	\$ 16,286,450	\$ 17,170,591	\$ 20,905,842	\$ 25,108,596	\$ 27,868,845	\$ 22,311,503	\$ 24,718,275	\$ 26,233,435	\$ 26,085,543	\$ 27,373,785

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental Activities:										
Instruction	\$ 21,935,221	\$ 23,719,403	\$ 24,042,184	\$ 24,084,529	\$ 25,449,684	\$ 25,453,035	\$ 29,277,713	\$ 31,363,497	\$ 33,964,538	\$ 35,570,845
Support Services:										
Tuition	2,309,113	2,198,874	1,836,656	1,973,771	2,081,521	1,864,473	1,636,448	1,664,099	1,580,061	1,236,416
Student & Instruction Related Services	5,402,195	4,151,442	3,905,097	4,250,272	4,789,418	4,743,399	5,305,703	6,010,893	7,190,300	7,602,396
General Administrative Services	1,115,342	1,002,633	677,996	1,034,397	798,512	711,104	806,049	811,495	868,335	814,187
School Administrative Services	1,640,904	1,972,290	2,144,127	2,063,933	2,088,203	2,117,831	2,865,374	3,088,245	3,581,115	3,657,553
Central Services	559,273	608,104	539,778	555,433	532,911	557,222	635,172	644,566	679,156	712,161
Administration Information Technology	395,336	311,042	441,476	503,046	538,827	674,007	656,588	580,861	659,426	538,882
Plant Operations And Maintenance	2,657,479	2,851,398	2,572,196	2,617,512	2,588,691	2,587,776	2,798,045	3,219,038	3,166,642	3,210,892
Pupil Transportation	906,164	925,207	913,937	899,933	908,718	1,029,868	1,147,465	908,332	888,193	857,415
Interest On Long-Term Debt	1,247,328	1,302,094	1,067,482	1,093,390	983,201	869,222	850,781	823,623	501,148	2,095,432
Unallocated Depreciation	582,877	616,168	211,594	616,168	637,815	606,616	611,931	611,931	2,095,024	509,003
Capital Outlay		406,837	49,184		78,645	93,839	200,765	93,839	93,839	93,839
Transfer to Charter School	17,345	34,371	31,300	19,054	17,231					
Total Governmental Activities Expenses	<u>38,768,577</u>	<u>40,099,863</u>	<u>38,383,823</u>	<u>39,760,622</u>	<u>41,493,377</u>	<u>41,308,392</u>	<u>46,792,034</u>	<u>49,820,419</u>	<u>55,267,777</u>	<u>56,899,020</u>
Business-Type Activities:										
Food Service	526,946	633,191	619,463	667,946	617,778	643,605	595,302	663,033	725,406	710,791
Total Business-Type Activities Expense	<u>526,946</u>	<u>633,191</u>	<u>619,463</u>	<u>667,946</u>	<u>617,778</u>	<u>643,605</u>	<u>595,302</u>	<u>663,033</u>	<u>725,406</u>	<u>710,791</u>
Total District Expenses	<u>39,295,523</u>	<u>40,733,054</u>	<u>39,003,286</u>	<u>40,428,568</u>	<u>42,111,155</u>	<u>41,951,997</u>	<u>47,387,336</u>	<u>50,483,452</u>	<u>55,993,183</u>	<u>57,609,811</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues:										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	\$ 9,326,630	\$ 8,524,928	\$ 10,566,778	\$ 10,273,503	\$ 10,454,978	\$ 10,602,699	\$ 10,930,843	\$ 10,941,121	\$ 10,499,776	\$ 10,197,918
Operating Grants and Contributions	5,710,628	5,606,807	5,913,137	6,369,807	6,843,376	6,581,343	10,979,485	12,613,093	16,021,400	17,930,182
Capital Grants and Contributions	891,578	1,765,590	817,741	471,767	579,558	336,782	146,411	472,099	151,172	643,570
Total Governmental Activities Program Revenues	15,928,836	15,897,325	17,297,656	17,115,077	17,877,912	17,520,824	22,056,739	24,026,313	26,672,348	28,771,670
Business-Type Activities:										
Charges for Services:										
Food Service	254,596	285,851	304,032	322,611	296,745	279,406	323,756	365,734	387,991	435,333
Operating Grants and Contributions	295,796	322,122	319,442	361,370	341,583	351,772	312,052	345,204	339,968	372,701
Total Business Type Activities Program Revenues	550,392	607,973	623,474	683,981	638,328	631,178	635,808	710,938	727,959	808,034
Total District Program Revenues	16,479,228	16,505,298	17,921,130	17,799,058	18,516,240	18,152,002	22,692,547	24,737,251	27,400,307	29,579,704
Net (Expense)/Revenue:										
Governmental Activities	(22,839,741)	(24,202,538)	(21,086,167)	(22,645,545)	(23,615,465)	(23,787,568)	(24,735,295)	(25,794,106)	(28,595,429)	(28,127,350)
Business-Type Activities	23,446	(25,218)	4,011	16,035	20,550	(12,427)	40,506	47,905	2,553	97,243
Total District-Wide Net Expense	(22,816,295)	(24,227,756)	(21,082,156)	(22,629,510)	(23,594,915)	(23,799,995)	(24,694,789)	(25,746,201)	(28,592,876)	(28,030,107)

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 18,555,740	\$ 19,277,969	\$ 19,188,561	\$ 19,476,385	\$ 19,710,100	\$ 20,371,582	\$ 20,473,440	\$ 20,882,908	\$ 21,450,566	\$ 22,185,150
Taxes Levied for Debt Service	1,570,214	1,810,440	1,901,440	1,901,440	1,989,439	1,752,268	1,752,268	1,342,800	1,617,358	1,617,358
Unrestricted Grants and Contributions	4,564,441	3,801,589	3,578,463	4,098,408	4,503,683	4,730,049	4,780,164	4,806,051	4,840,817	5,155,537
Interest and Miscellaneous Income	276,586	221,899	148,943	150,985	151,942	340,762	95,689	229,602	536,243	360,304
Total Governmental Activities	24,966,981	25,111,897	24,817,407	25,627,218	26,355,164	27,194,661	27,101,561	27,261,361	28,444,984	29,318,349
Total District-Wide	24,966,981	25,111,897	24,817,407	25,627,218	26,355,164	27,194,661	27,101,561	27,261,361	28,444,984	29,318,349
Change in Net Position										
Governmental Activities	2,127,240	909,359	3,731,240	2,981,673	2,739,699	3,407,093	2,366,266	1,467,255	(150,445)	1,190,999
Business-Type Activities	23,446	(25,218)	4,011	16,035	20,550	(12,427)	40,506	47,905	2,553	97,243
Total District	\$ 2,150,686	\$ 884,141	\$ 3,735,251	\$ 2,997,708	\$ 2,760,249	\$ 3,394,666	\$ 2,406,772	\$ 1,515,160	\$ (147,892)	\$ 1,288,242

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved/Restricted	\$ 6,997,411	\$ 5,722,573	\$ 4,483,954	\$ 5,008,027	\$ 4,204,422	\$ 3,783,789	\$ 5,372,621	\$ 5,733,360	\$ 5,418,706	\$ 6,640,309
Assigned			1,280,056	1,098,508	461,319	1,217,868	438,870	774,869	325,045	605,477
Unassigned			380,238	351,136	300,773	292,467	299,674	340,838	374,273	323,474
Unreserved	396,329	480,394								
Total General Fund	\$ 7,393,740	\$ 6,202,967	\$ 6,144,248	\$ 6,457,671	\$ 4,966,514	\$ 5,294,124	\$ 6,111,165	\$ 6,849,067	\$ 6,118,024	\$ 7,569,260
All Other Governmental Funds/(Deficit)										
Reserved/Restricted	\$ 1,715,580	\$ 393,820	\$ 232,574	\$ 96,996	\$ 668,851	\$ 276,278	\$ 274,772	\$ 12,660	\$ 18,778	\$ 3,267
Committed			322,401	183,039	739,951	2,366,287	2,105,564	1,632,195	262,141	812,067
Unassigned/(Deficit)			(52,696)	(60,052)	(59,226)	(60,536)	(53,994)	(63,372)	(50,661)	(83,772)
Unreserved/(Deficit), Reported In:										
Special Revenue Fund	(47,124)	(57,282)								
Capital Projects Fund	(1,346,061)	(59,209)								
Debt Service Fund	106,864	12,571								
Total All Other Governmental Funds	\$ 429,259	\$ 289,900	\$ 502,279	\$ 219,983	\$ 1,349,576	\$ 2,582,029	\$ 2,326,342	\$ 1,581,483	\$ 230,258	\$ 731,562
Total All Government Funds	\$ 7,822,999	\$ 6,492,867	\$ 6,646,527	\$ 6,677,654	\$ 6,316,090	\$ 7,876,153	\$ 8,437,507	\$ 8,430,550	\$ 6,348,282	\$ 8,300,822

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Tax Levy	\$ 20,125,954	\$ 21,088,409	\$ 21,090,001	\$ 21,377,825	\$ 21,699,539	\$ 22,123,850	\$ 22,225,708	\$ 22,225,708	\$ 23,067,924	\$ 23,802,508
Tuition Charges	9,326,630	8,524,928	10,566,778	10,273,503	10,471,936	10,602,699	10,922,882	10,941,121	10,499,776	10,197,918
Interest Earnings	3,516	1,237	800	219	394	1,621	822	4,859	13,444	23,693
Miscellaneous	337,037	273,840	217,210	212,940	227,696	366,501	115,140	668,448	368,483	388,415
State Sources	9,937,719	8,712,328	8,877,333	9,504,635	10,957,015	10,266,765	10,724,555	11,010,910	11,875,396	13,645,892
Federal Sources	1,164,962	2,408,480	1,362,941	1,373,173	876,496	1,354,049	1,194,273	1,132,007	1,132,091	1,302,047
Total Revenue	40,895,818	41,009,222	42,115,063	42,742,295	44,233,076	44,715,485	45,183,380	45,983,053	46,957,114	49,360,473
Expenditures										
Regular Instruction	15,999,651	17,948,006	17,776,273	18,011,856	18,693,897	18,906,836	18,835,269	19,514,024	19,514,032	20,279,330
Support Services:										
Tuition	2,309,113	2,198,874	1,836,656	1,973,771	2,081,521	1,864,473	1,636,448	1,664,099	1,580,061	1,236,416
Student & Instruction Related Services	4,116,054	3,043,547	2,810,853	3,042,475	3,360,018	3,411,150	3,639,209	3,634,260	3,923,835	4,068,119
General Administrative Services	805,885	833,411	623,696	961,730	699,272	607,077	694,092	692,263	735,842	684,397
School Administrative Services	1,153,413	1,400,811	1,479,224	1,472,972	1,465,406	1,471,985	1,744,542	1,819,473	1,924,038	1,950,443
Central Services	415,224	436,656	418,789	421,988	445,612	441,608	501,025	521,575	524,880	570,901
Administration Information Technology	339,437	286,424	373,836	435,508	471,474	599,667	582,688	485,923	570,707	452,221
Plant Operations And Maintenance	2,308,067	2,488,333	2,507,571	2,548,105	2,402,197	2,608,189	2,711,624	2,807,934	2,834,129	2,867,952
Pupil Transportation	799,830	819,240	656,880	653,842	643,288	741,853	837,422	825,518	779,223	756,696
Unallocated Benefits	8,335,976	8,219,596	8,398,444	8,587,819	9,369,802	9,136,034	9,586,604	10,211,525	10,690,368	11,539,751
Capital Outlay	5,175,169	2,171,871	2,686,586	2,213,130	2,568,341	985,265	1,524,532	1,492,402	3,833,455	748,062
Debt Service:										
Principal	1,080,000	1,165,000	1,215,000	1,275,000	1,335,000	1,510,000	1,455,000	1,520,000	1,765,000	1,650,000
Interest And Other Charges	1,241,234	1,293,214	1,146,295	1,093,918	1,041,581	871,284	873,571	809,134	562,785	603,645
Transfer to Charter School	17,345	34,371	31,300	19,054	17,231					
Total Expenditures	44,096,398	42,339,354	41,961,403	42,711,168	44,594,640	43,155,421	44,622,026	45,998,130	49,238,355	47,407,933
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	(3,200,580)	(1,330,132)	153,660	31,127	(361,564)	1,560,064	561,354	(15,077)	(2,281,241)	1,952,540
Other Financing Sources (Uses)										
Cancellation of Prior Year Accounts Payable									198,973	
Transfers In	29,321	765,720	1,541,855	503,795	2,350,000	2,173,012	1,054,436	1,754,338	2,185,825	898,578
Transfers Out	(29,321)	(765,720)	(1,541,855)	(503,795)	(2,350,000)	(2,173,012)	(1,054,436)	(1,754,338)	(2,185,825)	(898,578)
Total Other Financing Sources (Uses)									198,973	
Net Change In Fund Balances	\$ (3,200,580)	\$ (1,330,132)	\$ 153,660	\$ 31,127	\$ (361,564)	\$ 1,560,064	\$ 561,354	\$ (15,077)	\$ (2,082,268)	\$ 1,952,540
Debt Service As A Percentage Of Noncapital Expenditures	5.96%	6.12%	6.01%	5.85%	5.65%	5.65%	5.40%	5.23%	5.13%	4.83%

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Rentals- Use of Facilities	Prior Year Refunds	Other	Total
2009	\$ 82,150	\$ 9,326,630	\$ 9,000	\$ 21,674	\$ 134,441	\$ 9,573,895
2010	19,100	8,524,928	750		195,290	8,740,068
2011	4,646	10,566,778	19,144		124,509	10,715,077
2012	607	10,273,503	11,649		138,592	10,424,351
2013	394	10,445,978	15,723	11,796	131,339	10,605,230
2014	1,621	10,602,699	7,131	34,723	297,278	10,943,452
2015	4,416	10,922,882	8,983	4,400	98,163	11,038,844
2016	17,626	10,499,776	50,900	9,072	147,650	10,725,024
2017	41,009	10,499,776	60,520	2,370	229,316	10,832,991
2018	49,924	10,197,918	73,375	19,942	172,376	10,513,535

Source: Somerville Borough School District records

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

Year Ended December 31,	Total Assessed Value										Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
	Vacant Land	Residential	Commercial	Industrial	Apartment	Value	Tax-Exempt Property	Public Utilities ^a					
2008	\$ 4,189,400	\$ 395,145,400	\$ 200,311,950	\$ 11,187,900	\$ 41,843,600	\$ 652,678,250	\$ 253,343,450	\$ 5,580,114	\$ 658,258,364	\$ 3.00	\$ 1,434,238,715		
2009	3,450,900	395,255,400	205,064,950	10,187,900	41,093,600	655,052,750	260,914,100	5,999,725	661,052,475	3.12	1,459,063,364		
2010	3,263,100	395,574,700	204,521,850	9,937,900	40,468,500	653,766,050	255,490,400	5,665,501	659,431,551	3.20	1,399,556,602		
2011	* 9,120,400	740,887,600	367,607,750	21,167,200	93,501,100	1,232,284,050	414,585,900	11,806,377	1,244,090,427	1.71	1,328,047,945		
2012	23,385,600	739,999,700	324,527,100	20,144,200	83,404,700	1,191,461,300	421,421,600	10,006,498	1,201,467,798	1.79	1,265,162,946		
2013	23,183,500	722,754,500	316,096,600	19,730,500	82,760,000	1,164,525,100	419,865,300	8,695,054	1,173,220,154	1.87	1,221,366,079		
2014	24,636,000	720,768,100	316,826,900	19,730,500	80,544,200	1,162,505,700	433,993,200	7,763,347	1,170,269,047	1.90	1,201,186,258		
2015	26,134,800	719,526,100	313,428,300	18,401,100	80,143,500	1,157,633,800	434,215,500	7,681,438	1,165,315,238	1.91	1,214,671,438		
2016	26,174,800	718,279,200	312,902,000	18,401,100	80,143,500	1,155,900,600	434,371,700	8,298,912	1,164,199,512	1.98	1,220,096,561		
2017	29,360,000	718,292,800	305,232,300	16,853,200	80,043,500	1,149,781,800	442,016,700	8,230,482	1,158,012,282	2.02	1,246,639,756		

* - A revaluation was effective in this year.

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

SOMERVILLE BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(rate per \$100 of assessed value)

Year Ended December 31,	Somerville Borough School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Somerville	Somerset County	
2008	\$ 2.768	\$ 0.235	\$ 3.003	\$ 1.395	\$ 0.657	\$ 5.055
2009	2.849	0.268	3.117	1.496	0.652	5.265
2010	2.910	0.288	3.198	1.653	0.626	5.478
2011*	1.555	0.152	1.707	0.889	0.380	2.976
2012	1.629	0.164	1.793	0.955	0.386	3.134
2013	1.713	0.155	1.868	0.982	0.391	3.241
2014	1.749	0.150	1.899	0.982	0.404	3.285
2015	1.792	0.115	1.907	1.015	0.411	3.333
2016	1.843	0.139	1.981	1.017	0.416	3.414
2017	1.886	0.138	2.024	1.069	0.429	3.522

* - A revaluation was effective in this year.

Source: Municipal Tax Collector and School Business Administrator

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 calculation.

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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

BOROUGH OF SOMERVILLE

	2018		2009			2009	
	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer		Taxable Assessed Value	% of Total District Net Assessed Value
Brookside at Somerville, LLC		\$ 38,724,700	3.34%	Brookside at Somerville, LLC	\$ 19,756,543	2.99%	
Welltower Inc.		13,720,400	1.18%	JSMat Somerville, LLC	12,919,544	1.95%	
Somerville Urban Renewal		12,215,000	1.05%	De Sapio Properties #10, LLC	9,234,549	1.40%	
Route #22, LLC		11,546,500	1.00%	Verizon	7,641,121	1.16%	
De Sapio Properties #10, LLC		9,000,000	0.78%	Health Care Reit, Inc.	7,418,310	1.12%	
Warren Street Partners, LLC		7,605,700	0.66%	Route #22 LLC	7,006,629	1.06%	
Somerville TIC c/o Desapio Prop		6,798,600	0.59%	De Sapio Properties #7, LLC	6,279,088	0.95%	
Veterans Memorial Associates		6,465,200	0.56%	Somerville TIC I LLC	5,861,121	0.89%	
De Sapio Properties #7, LLC		6,000,000	0.52%	75 Veterans Memorial Associates	4,503,761	0.68%	
Individual Taxpayer #1		5,990,900	0.52%	Main Associates c/o NY Urban	3,410,655	0.52%	
		<u>\$ 118,067,000</u>	<u>10.20%</u>		<u>\$ 84,031,321</u>	<u>12.72%</u>	

Source: Municipal Tax Assessor

SOMERVILLE BOROUGH 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		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 20,125,954	\$ 20,125,954	100.00%	-0-
2010	21,088,409	21,088,409	100.00%	-0-
2011	21,090,001	21,090,001	100.00%	-0-
2012	21,377,825	21,377,825	100.00%	-0-
2013	21,699,539	21,699,539	100.00%	-0-
2014	22,123,850	22,123,850	100.00%	-0-
2015	22,225,708	22,225,708	100.00%	-0-
2016	22,225,708	22,225,708	100.00%	-0-
2017	23,067,924	23,067,924	100.00%	-0-
2018	23,802,508	23,802,508	100.00%	-0-

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

- 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.

SOMERVILLE BOROUGH 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 ^b	Capital Leases			
2009	\$ 29,007,000	\$ - 0 -	\$ 29,007,000	3.35%	\$ 2,329
2010	27,842,000	- 0 -	27,842,000	3.30%	2,298
2011	26,627,000	- 0 -	26,627,000	3.04%	2,188
2012	25,352,000	- 0 -	25,352,000	2.75%	2,078
2013	23,870,000	- 0 -	23,870,000	2.48%	1,955
2014	22,360,000	- 0 -	22,360,000	2.21%	1,831
2015	20,905,000	- 0 -	20,905,000	1.95%	1,716
2016	18,735,000	- 0 -	18,735,000	1.70%	1,539
2017	16,970,000	- 0 -	16,970,000	1.51%	1,367
2018	15,320,000	- 0 -	15,320,000	1.37%	1,234

Source: School District Financial Reports

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.
- b Includes ERIP bonds

SOMERVILLE BOROUGH 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 Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds ^c	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 29,007,000	-0-	\$ 29,007,000	4.407%	\$ 2,329
2010	27,842,000	-0-	27,842,000	4.212%	2,298
2011	26,627,000	-0-	26,627,000	4.038% *	2,188
2012	25,352,000	-0-	25,352,000	2.038%	2,078
2013	23,870,000	-0-	23,870,000	1.987%	1,955
2014	22,360,000	-0-	22,360,000	1.906%	1,831
2015	20,905,000	-0-	20,905,000	1.786%	1,716
2016	18,735,000	-0-	18,735,000	1.608%	1,539
2017	16,970,000	-0-	16,970,000	1.458%	1,367
2018	15,320,000	-0-	15,320,000	1.323%	1,234

* Revaluation was effective in 2011

Source: School District Financial Reports

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 Population data can be found in on J-14. This ratio is calculated using net valuation taxable data for the prior calendar year.

c Includes ERIP bonds.

SOMERVILLE BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
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 Somerville	\$ 22,349,122	100.00%	\$ 22,349,122
Somerset County General Obligation Debt	206,591,021	2.10%	4,332,273
Somerset County Improvement Authority Debt	145,124,287	2.10%	<u>3,043,298</u>
Subtotal, Overlapping Debt			29,724,693
Somerville Borough School District Direct Debt			<u>16,150,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 45,874,693</u></u>

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.

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 that is borne by the residents and businesses of Borough of Somerville. 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 Somerville Borough 's equalized property value that is within the Somerset County's boundaries and dividing it by Somerset County's total equalized property value.

SOMERVILLE BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2018	Somerville Borough
Equalized Valuation Basis	
2015	\$1,187,682,159
2016	1,216,353,362
2017	1,254,672,414
	<u>\$3,658,707,935</u>
Average Equalized Valuation of Taxable Property	<u>\$1,219,569,312</u>
Debt Limit ^a (4% of average equalization value)	\$ 48,782,772
Net Bonded School Debt as of June 30, 2018	15,320,000
Legal Debt Margin	<u>\$ 33,462,772</u>

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 50,261,176	\$ 54,917,340	\$ 56,030,656	\$ 54,055,736	\$ 52,091,637	\$ 49,341,903	\$ 48,206,377	\$ 47,604,631	\$ 48,044,807	\$ 48,782,772
Total Net Debt Applicable to Limit	30,087,000	27,842,000	26,627,000	25,352,000	23,870,000	22,360,000	20,905,000	18,735,000	16,970,000	15,320,000
Legal Debt Margin	<u>\$ 20,174,176</u>	<u>\$ 27,075,340</u>	<u>\$ 29,403,656</u>	<u>\$ 28,703,736</u>	<u>\$ 28,221,637</u>	<u>\$ 26,981,903</u>	<u>\$ 27,301,377</u>	<u>\$ 28,869,631</u>	<u>\$ 31,074,807</u>	<u>\$ 33,462,772</u>
Total Net Debt Applicable to the Limit										
As a Percentage of Debt Limit	70.34%	59.86%	50.70%	47.52%	46.90%	45.82%	43.37%	39.36%	35.32%	31.40%

a Limit set by NISA 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

SOMERVILLE BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
UNAUDITED

Year	Population ^a	Personal Income ^b	Somerset County Per Capita Personal Income ^c	Unemployment Rate ^d
2009	12,455	\$ 866,606,445	\$ 69,579	6.10%
2010	12,118	843,533,980	69,610	6.10%
2011	12,172	875,398,068	71,919	6.09%
2012	12,200	923,271,600	75,678	11.00%
2013	12,210	961,684,020	78,762	7.50%
2014	12,213	1,009,599,858	82,666	5.60%
2015	12,185	1,071,427,050	87,930	4.90%
2016	12,177	1,099,193,436	90,268	4.20%
2017	12,418	1,120,948,024	90,268 *	3.90%
2018	12,418 **	1,120,948,024 *	90,268 *	N/A

* - Latest Somerset County per capita personal income available (2016) was used for calculation purposes.

** - Latest population data available (2017) was used for calculation purposes.

N/A - Information Unavailable

Source: School District Reports

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2018		2009		Percentage of Total Employment
	Employer	Employees	Employer	Employees	
Robert Wood Johnson University Hospital at Somerset	**	N/A	Somerset Medical Center	**	N/A
Somerset County Administration	**	N/A	Somerset County Administration	**	N/A
Somerville Board of Education	345.5	N/A	Somerville Board of Education	300	N/A
Borough of Somerville	81	N/A	Borough of Somerville	94	N/A

** - Number of employees is greater than 500

N/A - Total amount of employment is not available in order to calculate percentage of total employment.

Note: Although there are less than 10 principal employers, the ones listed above constitute more than 50% of employment in the Borough.

Source: Somerset County Chamber of Commerce.

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

<u>Function/Program</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>	<u>2018</u>
Instruction										
Regular	164.0	164.0	164.0	164.0	163.0	163.0	162.0	163.0	163.0	162.0
Special Education	51.0	51.0	51.0	52.0	62.5	65.5	72.0	78.0	78.0	74.0
Support Services:										
Student & Instruction Related Services	40.0	40.0	40.0	40.0	39.5	43.5	49.5	50.5	50.5	52.0
School Administrative Services	17.0	17.0	17.0	17.0	17.0	17.4	18.0	19.0	19.0	19.5
General and Business Administrative Services	10.0	10.0	10.0	10.0	12.5	12.5	12.5	13.5	15.0	7.5
Plant Operations and Maintenance	13.0	13.0	13.0	13.0	13.0	13.0	16.5	17.0	17.0	20.5
Pupil Transportation	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Other Support Services	3.0	3.0	3.0	3.0	5.5	5.5				
Total	301.0	301.0	301.0	302.0	316.0	323.4	333.5	344.0	345.5	338.5

Source: District Personnel Records

SOMERVILLE BOROUGH 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 School	High School				
2009	2,351	\$ 36,599,995	\$ 15,567.84	-3.34%	218	1:10.12	1:8.0	1:11.7	2,351	2,266	3.07%	96.38%
2010	2,325	37,709,269	16,219.04	4.18%	218	1:12.0	1:8.0	1:11.7	2,325	2,233	-1.11%	96.05%
2011	2,401	36,913,522	15,374.23	-5.21%	218	1:12.0	1:8.0	1:11.7	2,401	2,283	3.27%	95.09%
2012	2,419	38,129,120	15,762.35	2.52%	219	1:12.0	1:8.0	1:11.7	2,419	2,291	0.75%	94.71%
2013	2,473	39,649,718	16,033.04	1.72%	225	1:12.3	1:8.0	1:11.4	2,473	2,325	2.23%	94.02%
2014	2,398	39,788,872	16,592.52	3.49%	228	1:14.3	1:9.2	1:13.1	2,398	2,260	-3.03%	94.25%
2015	2,386	40,768,923	17,086.72	2.98%	202	1:12.7	1:9.6	1:12.0	2,386	2,295	-0.50%	96.19%
2016	2,404	42,176,594	17,544.34	2.68%	204	1:12.0	1:9.2	1:12.8	2,404	2,307	0.75%	95.97%
2017	2,353	43,077,115	18,307.32	4.35%	199	1:9.0	1:10.0	1:8.0	2,353	2,251	-2.12%	95.68%
2018	2,347	44,406,226	18,920.42	3.35%	196	1:8.0	1:9.0	1:8.0	2,347	2,219	-0.26%	94.55%

Source: Somerville Borough School District records

Note: Enrollment based on annual average daily enrollment

- 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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>District Building</u>										
Van Derveer School										
Square Feet	86,792	86,792	86,792	86,792	93,192	97,192	97,192	97,192	97,192	97,192
Capacity (students)	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175
Enrollment	753	839	861	926	945	913	910	885	852	823
Somerville Middle School										
Square Feet	97,350	97,350	97,350	97,350	97,350	97,350	97,350	97,350	97,350	97,350
Capacity (students)	1,600	1,600	1,600	1,600	501	501	501	501	501	501
Enrollment	414	319	318	308	333	323	347	357	378	381
Somerville High School										
Square Feet	153,250	153,250	153,250	153,250	153,250	153,250	153,250	153,250	153,250	153,250
Capacity (students)	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Enrollment	1,184	1,166	1,222	1,185	1,195	1,162	1,129	1,162	1,123	1,143

Number of Schools at June 30, 2018

Elementary = 1

Middle School = 1

High School = 1

Note: Enrollment is based on the average daily enrollment

Source: Somerville Borough School District Facilities Office

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

Undistributed Expenditures - Required Maintenance For School Facilities
 11-000-261-xxx

School Facilities	Project #	Fiscal Year Ended June 30,									
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Van Derveer School	N/A	\$ 96,778	\$ 124,766	\$ 109,455	\$ 99,814	\$ 124,137	\$ 142,144	\$ 156,302	\$ 354,162	\$ 305,424	\$ 322,618
Somerville Middle School	N/A	136,130	185,372	157,372	161,471	159,443	158,545	174,336	193,668	191,469	206,023
Somerville High School	N/A	270,508	305,897	449,097	326,238	269,703	246,018	270,522	147,580	206,051	205,387
Total School Facilities		\$ 503,416	\$ 616,035	\$ 715,924	\$ 587,523	\$ 553,283	\$ 546,707	\$ 601,160	\$ 695,410	\$ 702,944	\$ 734,028

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

Source: Somerville Borough School District records

SOMERVILLE BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

	Coverage	Deductible
<u>Commercial Package Policy - NJ School Insurance Group</u>		
Property - Blanket Buildings and Contents **	\$ 94,711,649	\$ 5,000
Boiler and Machinery	Included	5,000
Crisis Response	1,000,000	
Includes coverage such as:		
Extra Expense	50,000,000	5,000
Valuable Papers	10,000,000	5,000
Electronic Data Processing	1,000,000	1,000
Computer Fraud	100,000	1,000
Forgery & Alteration	100,000	1,000
Money & Securities	100,000	1,000
General Liability	16,000,000	Each Occurrence
Employee Benefits Program Liability	16,000,000	Each Employee
	17,000,000	Annual NJSIG Aggregate
Automobile Liability	16,000,000	CSL
Comprehensive		1,000
Collision		1,000
School Leaders Errors and Omissions	16,000,000	
Claims Made		10,000
Surety Bond - Selective Insurance Company		
Business Administrator	500,000	

**Note - Solar panels are excluded from the property coverage

Source: Somerville Board of Education

**Note - Solar panels are excluded from the property coverage

Source: Somerville Board of Education

SINGLE AUDIT SECTION

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 Somerville 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 Somerville Borough School District, in the County of Somerset (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

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

January 18, 2019
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
 Somerville Borough School District
 County of Somerset, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Somerville Borough 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, 2018. 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, 2018.

The Honorable President and Members
of the Board of Education
Somerville Borough 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 the 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.

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or Federal Project Number	Grant Period	Award Amount	Balance at June 30, 2017			Balance June 30, 2018					
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Expenditures	Adjustments	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Amounts Provided to Subrecipients
General Fund:													
U.S. Department of Health and Human Services													
Passed-Through State Department of Human Services:													
Medicaid Cluster:													
Medicaid Assistance Program	93.778	N/A	7/1/17-6/30/18	\$ 48,916			\$ 47,772	\$ (48,916)		\$ 1,144			
Total U.S. Department of Health and Human Services/Medicaid Cluster							47,772	(48,916)		1,144			
Total General Fund							47,772	(48,916)		1,144			
Special Revenue Fund:													
U.S. Department of Education													
Passed-through State Department of Education:													
Elementary and Secondary Education Act Consolidated:													
Title I													
Title I	84.010A	ESES4820-18	7/1/17-6/30/18	462,639			238,991	(427,868)		188,877			
Title I - Part A	84.010A	ESE/A4820-17	7/1/16-6/30/17	435,283	\$ 108,916		108,916						
Title II - Part A	84.367A	ESE/A4820-18	7/1/17-6/30/18	59,712			24,140	(43,859)		19,719			
Title II - Part A	84.367A	ESE/A4820-17	7/1/16-6/30/17	90,792			39,929						
Title III	84.365A	ESE/A4820-18	7/1/17-6/30/18	27,849			8,000	(20,650)		12,650			
Title III	84.365A	ESE/A4820-17	7/1/16-6/30/17	24,639	5,339		5,339						
Title III Immigrant	84.365A	ESE/A4820-18	7/1/17-6/30/18	16,485			8,835	(10,627)		1,792			
Title III Immigrant	84.365A	ESE/A4820-17	7/1/16-6/30/17	25,389	4,304		4,304						
Title IV	84.424A	ESE/A4820-18	7/1/17-6/30/18	10,000			2,200	(2,200)					
Total Special Education Cluster							631,690	(716,427)		210,673			
Special Education Cluster:													
I.D.E.A. Part B - Basic	84.027	IDE/A4820-18	7/1/17-6/30/18	1,065,529			486,304	(695,863)		209,559			
I.D.E.A. Part B - Basic	84.027	IDE/A4820-17	7/1/16-6/30/17	1,046,973			124,669						
I.D.E.A. Part B - Preschool	84.173	IDE/A4820-18	7/1/17-6/30/18	35,478			19,450	(20,564)		1,114			
I.D.E.A. Part B - Preschool	84.173	IDE/A4820-17	7/1/16-6/30/17	33,806			1,267						
Total Special Education Cluster							631,690	(716,427)		210,673			
Emergency Impact Aid for Displaced Students	84.938	N/A	7/1/17-6/30/18	31,500				(31,500)		31,500			
Total Special Revenue Fund and U.S. Department of Education							1,072,344	(1,253,131)		465,211			
Enterprise Fund:													
U.S. Department of Agriculture Passed-through State Department of Agriculture:													
Child Nutrition Cluster:													
Food Distribution Program	10.555	N/A	7/1/17-6/30/18	45,382			\$ 45,382	(44,810)		\$ 572			
Food Distribution Program	10.555	N/A	7/1/16-6/30/17	38,497			842	(842)					
School Breakfast Program	10.553	N/A	7/1/17-6/30/18	29,952			27,205	(29,952)		2,747			
School Breakfast Program	10.553	N/A	7/1/16-6/30/17	21,957			2,020						
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	289,070			271,309	(289,070)		17,761			
National School Lunch Program	10.555	N/A	7/1/16-6/30/17	271,866			20,483						
Child Nutrition Cluster-Subtotal							321,017	(364,674)		20,508			
Total Enterprise Fund and U.S. Department of Agriculture							321,017	(364,674)		20,508			
Total Federal Financial Awards							\$ 306,927	\$ 46,224	\$ 1,441,133	\$ (1,666,721)	\$ 486,863		
										\$ 572	\$ -0-		

N/A - Not Available/Applicable

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017				Balance at June 30, 2018				MEMO	
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	GAAP Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Budgetary Accounts Receivable
Preschool Education Aid	16-495-034-5120-086	7/1/15 - 6/30/16	\$ 651,768	\$ 159,607	\$ 50,661	\$ 50,661	\$ (116,086)	\$ 43,521	\$ 608,247		\$	\$ 608,247	
Preschool Education Aid	17-495-034-5120-086	7/1/16 - 6/30/17	518,072	113,515	766,408			113,515	404,557			404,557	
Preschool Education Aid	18-495-034-5120-086	7/1/17 - 6/30/18	850,180				(646,464)	203,716	646,464		\$ 83,772	646,464	
Total Special Revenue Fund				273,122	1,333,726		(1,217,015)	360,752	2,516,290		91,154	2,516,290	
Debt Service Fund:													
Debt Service Aid Type II	18-100-034-5120-125	7/1/17 - 6/30/18	207,696		207,696		(207,696)		207,696			207,696	
Total Debt Service Fund					207,696		(207,696)		207,696			207,696	
Capital Projects Fund:													
New Jersey School Development Authority:													
Educational Financing Capital	4820-050-10-1001	1/1/14 - 12/31/18	352,646		282,117				282,117		70,529	282,117	
High School HVAC Upgrades	4820-050-10-1004	1/1/14 - 12/31/18	451,817		361,453				361,453		90,364	361,453	
VDV HVAC Upgrades													
Total Capital Projects Fund					643,570				643,570		160,893	643,570	
Enterprise Fund													
State Department of Agriculture:													
State School Lunch Program	17-100-010-3350-023	7/1/16 - 6/30/17	6,718	516	516				516			6,718	
State School Lunch Program	18-100-010-3350-023	7/1/17 - 6/30/18	8,027		7,553				7,553		474	8,027	
Total Enterprise Fund				516	8,069		(8,027)		8,069		474	14,745	
Total State Financial Awards				\$ 1,695,593	\$ 273,122	\$ 51,552	\$ (13,069,783)	\$ 360,752	\$ 59,236	\$ 1,142,540	\$ 22,018,903		
Less: On-Behalf TPAF Pension System Contributions:													
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17 - 6/30/18	(2,537,026)				\$ 2,537,026						
On-Behalf Long Term Disability Insurance Contributions	18-495-034-5094-004	7/1/17 - 6/30/18	(5,637)				5,637						
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17 - 6/30/18	(1,678,376)				1,678,376						
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17 - 6/30/18	(61,567)				61,567						
Subtotal - On-Behalf TPAF Pension System Contributions							4,282,606						
Total State Awards - for Major Program Determination							\$ (8,787,177)						

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of Borough of Somerville School District under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules are 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, special revenue fund and capital projects 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 P.L. 2003, C.97 (A3521). For GAAP purposes, those 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 special revenue fund also does not recognize the June state aid payments in the current year. Grant revenue in the Capital Projects Fund is recognized on the budgetary basis in the year of award while on a GAAP basis revenue is recognized based on grant expenditures and when reimbursement requests are submitted.

The net adjustment to reconcile revenue from the budgetary basis to the GAAP basis is (\$39,115) for the General Fund, (\$20,346) for the Special Revenue (for which (\$27) is for local projects), and \$643,570 for the Capital Projects Fund. See Exhibit C-3 and F-1 for a reconciliation of revenue from the budgetary basis to the GAAP basis of accounting for the General, Special Revenue and Capital Projects Funds.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 48,916	\$ 11,597,930	\$ 11,646,846
Special Revenue Fund	1,253,131	1,196,696	2,449,827
Capital Projects Fund		643,570	643,570
Debt Service Fund		207,696	207,696
Proprietary Fund	<u>364,674</u>	<u>8,027</u>	<u>372,701</u>
Total Financial Assistance	<u>\$ 1,666,721</u>	<u>\$ 13,653,919</u>	<u>\$ 15,320,640</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. FEDERAL AND STATE LOANS OUTSTANDING

Somerville Borough School District had no loan balances outstanding at June 30, 2018.

NOTE 7. NEW JERSEY SCHOOL DEVELOPMENT AUTHORITY (SDA) GRANTS

The District has active grants awarded in the amount of \$804,463 from the School Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2018 \$643,570 has been expended and drawn down on a GAAP Basis. The District will continue to realize the grant revenue in the Capital Projects Fund on a GAAP Basis as it is expended and submitted for reimbursement.

NOTE 8. OTHER

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, 2018. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 and 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 single audit thresholds identified in the Uniform Guidance and New Jersey's OMB Circular 15-08 were \$750,000.
- The thresholds used for distinguishing between Type A and Type B federal and State programs was \$750,000.
- The District was determined to be a "low-risk" auditee for both federal and state programs.
- The District's programs tested as major federal and state programs for the current fiscal year consisted of the following:

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Special Education Cluster:				
I.D.E.A. Part B - Basic	84.027	7/1/17-6/30/18	\$ 1,065,529	\$ 695,863
I.D.E.A. Part B - Preschool	84.173	7/1/17-6/30/18	35,478	20,564
	State		Award	Budgetary
<u>State Program</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Amount</u>	<u>Expenditures</u>
State Aid - Public:				
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$ 4,568,332	\$ 4,568,332
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	1,023,178	1,023,178
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	99,165	99,165
Under Adequacy Aid	18-495-034-5120-096	7/1/17-6/30/18	15,501	15,501
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	16,430	16,430
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	16,430	16,430
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	16,075	16,075

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

There were no prior year findings.