

**Comprehensive Annual
Financial Report**

of the

Borough of South Bound Brook Board of Education

County of Somerset

South Bound Brook, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

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

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INTRODUCTORY SECTION

South Bound Brook Public Schools

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

February 11, 2019

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

Dear Board Members:

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

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

1. REPORTING ENTITY AND ITS SERVICES

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

The South Bound Brook School District provides a full range of educational services appropriate to students in grades pre-k through 8. These services are provided for regular, as well as disadvantaged students. The South Bound Brook Board of Education and Bound Brook Board of Education have a sending/receiving agreement, with South Bound Brook sending its high school students in grades 9-12 to Bound Brook High School as tuition students. The budgeted cost for 2017-2018 was \$14,672 per regular education student. Some of the district's students, grades 9-12, attend the Somerset County Vocational-Technical School District either part time or full time. There are also some disadvantaged students who are placed out of the district in order for them to receive an appropriate education. The district completed the 2017-2018 school year (June 30, 2018) with a PK-8 enrollment of 452 students. The following details the changes in the student enrollment of the district over the last five years:

AVERAGE DAILY ENROLLMENT

<u>School Year</u>	<u>Prek-8 Enrollment</u>	<u>Students Sent Out of District</u>	<u>Total Resident Enrollment</u>	<u>Percent Change</u>
2013-14	459	149	608	0.65%
2014-15	455	132	582	(0.95%)
2015-16	453	143	596	1.02%
2016-17	455	131	586	(0.98%)
2017-18	452	131	583	(0.98%)

2. ECONOMIC CONDITION AND OUTLOOK

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

3. MAJOR INITIATIVES

The South Bound Brook School District continues to evaluate facilities in order to improve energy efficiency and maintain facilities in a prudent manner. To this end, the Board of Education continued to implement maintenance and improvements developed with the school's architect of record, Tokarski & Millemann. Projects completed this year included installing brand new lockers in the Robert Morris School, new automatic bleachers in the Mclaughlin Gym, new technology infrastructure wiring and access points in each classroom, a new HVAC unit within the Art Room.

In the area of improved school security, additional security cameras were added as well as an emergency lighting system.

Significant strides have been made in the school district's instructional program. The school continues to improve its technological capacities in order to accommodate PARCC testing requirements and infuse technology into instruction at all levels. To this end, Google Chromebooks have been purchased for a 1 to 1 initiative in grades 3 through 8, and the district continues to improve infrastructure to meet additional demands.

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

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

The district's Leader in Me program, a school wide cultural approach that unifies the student body and celebrates their unique gifts, continues to expand in its seventh year of implementation. Based on Stephen Covey's world renown "7 Habits of Highly Effective People", the Leader in Me has created a cultural paradigm shift and provides a common language and focus to staff, students, and parents, empowering students to take a proactive approach to their learning and behavior. The school has reached the milestone of becoming a designated Lighthouse School. Each year a Leadership Day is held to showcase the students' leadership abilities. This event is attended by influential community members and interested school districts from across the state.

4. INTERNAL ACCOUNTING CONTROLS

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

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

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

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

5. BUDGETARY CONTROLS

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2018.

6. ACCOUNTING SYSTEM AND REPORTS

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

7. FINANCIAL INFORMATION AT FISCAL YEAR-END

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

You should review, in detail, the management's discussion and analysis for the fiscal year ended June 30, 2018 for Financial Summaries.

8. DEBT ADMINISTRATION

Series 2001 Bonds were refunded to the Series 2010 Bonds in the amount of \$2,865,000.00 on December 1, 2010. The remaining principal balance of the 2010 bonds at June 30, 2018 was \$1,210,000.00.

9. CASH MANAGEMENT

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

10. RISK MANAGEMENT

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

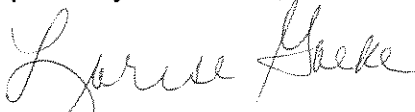
11. OTHER INFORMATION

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

12. ACKNOWLEDGMENTS

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

Respectfully submitted,



Lorise A. Goeke, Ed. D.
Superintendent



Vincent Caravello
Business Administrator

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

**ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Allison Lih-Thiessen – President	2020
Charles Brown – Vice-President	2019
Constance Conner	2020
Janet Esposito	2018
Laura Kress	(until 12/17)
Fortunata Pena	2018
Nancy Santora	2018
Heidi Shallop	(until 04/18)

Other Officials

Dr. Lorise Goeke, Superintendent of Schools

Vincent Caravello, Business Administrator/ Board Secretary

Joseph Marra, Treasurer of School Monies

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

Architect

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

Audit Firm

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

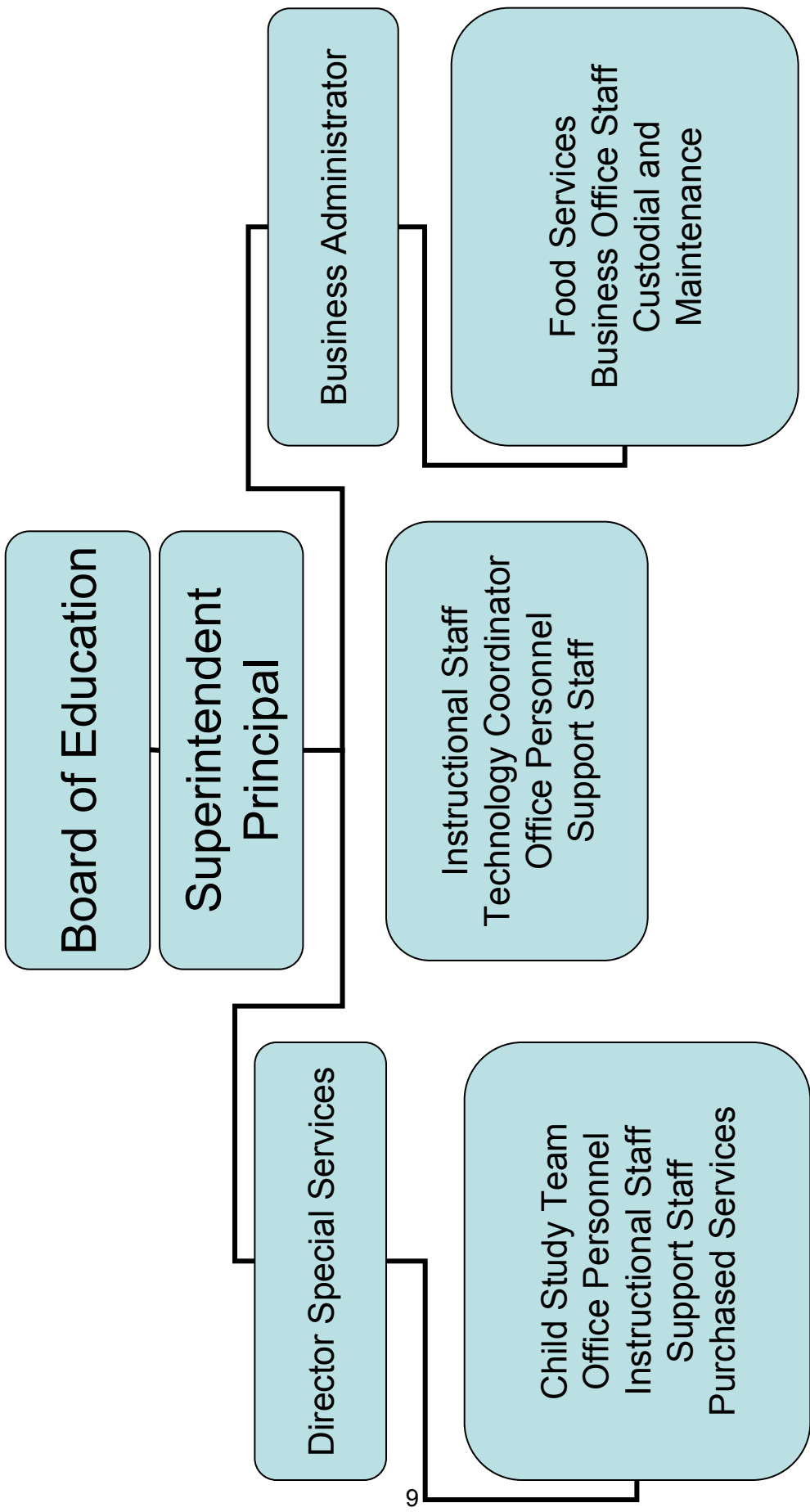
Attorney

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

Official Depository

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

South Bound Brook Schools



FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Auditor's Responsibility

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

SUPLEE, CLOONEY & COMPANY

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of South Bound Brook School District, County of Somerset, New Jersey as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 7 to the basic financial statements, during the fiscal year ended June 30, 2018, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

SUPLEE, CLOONEY & COMPANY

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2019 on our consideration of the Borough of South Bound Brook School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of South Bound Brook School District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

February 11, 2019

REQUIRED SUPPLEMENTARY INFORMATION – Part I

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

This section of the South Bound Brook School District's Comprehensive Annual Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements-Management's Discussion and Analysis-for the State and Local Governments. Certain comparative information between the current fiscal year (2017-2018) and the prior fiscal year (2016-2017) is presented in the MD&A.

Financial Highlights

- Revenue from governmental activities accounted for \$13,006,162.79 or 98.33 percent of total school district revenue. The other 1.67 percent of revenue was generated by the business type activities.
- Governmental fund revenues exceeded expenditures by \$850,142.32.
- The District reduced its outstanding long-term debt by 12.74%.
- In fiscal year 2018 the District implemented GASB 75 "Accounting and Financial reporting for Post-employment Benefits" Other than Pensions. Prior year information has not been restated.

Overview of the Financial Statements

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

- Proprietary Funds Statements offer short and long-term financial information about the activities the District operates like a business, which include food services.
- Fiduciary Funds Statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

District-wide Financial Statements

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

Fund Financial Statements

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

The District maintains three financial funds:

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

Financial Analysis of the District as a Whole

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

**Table 1
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	Change
Current and Other Assets	\$5,171,090.52	\$4,573,119.57	\$79,778.05	\$71,471.08	\$5,250,868.57	\$4,644,590.65	13.05%
Capital Assets	8,104,277.61	8,214,871.80	14,148.49	8,635.36	8,118,426.10	8,223,507.16	(1.28%)
Total Assets	13,275,368.13	12,787,991.37	93,926.54	80,106.44	13,369,294.67	12,868,097.81	3.89%
Deferred Outflows Related to Pensions	625,981.00	499,667.00			625,981.00	499,667.00	
Long-Term Liabilities	2,362,647.00	2,762,707.23			2,362,647.00	2,762,707.23	(14.48%)
Short-Term Liabilities	421,926.34	503,313.30	18,330.56	4,623.67	440,256.90	507,936.97	(13.32%)
Total Liabilities	2,784,573.34	3,266,020.53	18,330.56	4,623.67	2,802,903.90	3,270,644.20	(14.30%)
Deferred Inflows Related to Pensions	399,654.00	157,748.00			399,654.00	157,748.00	
Net Position:							
Net investment in Capital Assets							
Assets	6,894,277.61	6,704,871.80	14,148.49	8,635.36	6,908,426.10	6,713,507.16	2.90%
Restricted	5,214,922.55	4,497,568.27			5,214,922.55	4,497,568.27	15.95%
Unrestricted (Deficit)	(1,395,168.00)	(1,338,550.23)	61,447.49	66,847.41	(1,333,720.51)	(1,271,702.82)	4.88%
Total Net Position	\$10,714,032.16	\$9,863,889.84	\$75,595.98	\$75,482.77	\$10,789,628.14	\$9,939,372.61	8.55%

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

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

	Governmental Activities		Business-Type Activities		Total School District	
	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2017</u>
Revenue:						
Program Revenue:						
Charges for Services			\$84,146.21	\$81,006.06	\$84,146.21	\$81,006.06
Operating Grants and Contributions	\$3,099,416.80	\$2,700,051.61	136,986.13	130,356.47	3,236,402.93	2,830,408.08
General Revenue:						
Property Taxes	6,385,119.00	6,283,195.00			6,385,119.00	6,283,195.00
Federal and State Aid not restricted	3,485,915.00	3,415,756.00			3,485,915.00	3,415,756.00
Other	35,711.99	161,945.18			35,711.99	161,945.18
Total Revenue	<u>13,006,162.79</u>	<u>12,560,947.79</u>	<u>221,132.34</u>	<u>211,362.53</u>	<u>13,227,295.13</u>	<u>12,772,310.32</u>
Expenses:						
Instruction	8,214,348.80	7,684,210.04			8,214,348.80	7,684,210.04
Student & Instructional Support Services	1,574,449.45	1,397,758.89			1,574,449.45	1,397,758.89
Administrative and Business	1,092,697.66	1,089,865.70			1,092,697.66	1,089,865.70
Maintenance & Operations	901,199.66	892,758.34			901,199.66	892,758.34
Transportation	248,165.72	218,263.10			248,165.72	218,263.10
Other	125,159.18	115,795.59	221,019.13	223,860.23	346,178.31	339,655.82
Total Expenses	<u>12,156,020.47</u>	<u>11,398,651.66</u>	<u>221,019.13</u>	<u>223,860.23</u>	<u>12,377,039.60</u>	<u>11,622,511.89</u>
Increase/(Decrease) in Net Position	<u>\$850,142.32</u>	<u>\$1,162,296.13</u>	<u>\$113.21</u>	<u>(\$12,497.70)</u>	<u>\$850,255.53</u>	<u>\$1,149,798.43</u>

Sources of Revenue

The District's total revenue for the 2017-2018 school year was \$13,227,295.13 as reflected in Table 3 below. Property taxes and state formula aid accounted for 74.62 percent of the total revenue with the other 25.38 percent consisting of other state and federal aid and grants, charges for services, and miscellaneous sources.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

**Table 3
Sources of Revenue**

<u>Sources of Revenue</u>	<u>FY 2018</u>		<u>FY 2017</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Property Taxes	\$6,385,119.00	48.27%	\$6,283,195.00	49.19%
State Formula Aid	3,485,915.00	26.35%	3,415,756.00	26.74%
Other State and Federal Aid	3,236,402.93	24.47%	2,830,408.08	22.16%
Federal and State Grants			32,601.53	0.26%
Charges for Services	84,146.21	0.64%	81,006.06	0.63%
Other	35,711.99	0.27%	129,343.65	1.02%
	<u>\$13,227,295.13</u>	<u>100.00%</u>	<u>\$12,772,310.32</u>	<u>100.00%</u>

Expenses for Fiscal Years 2018 and 2017

The total expenditures for the 2017-2018 fiscal year for all programs and services were \$12,377,039.60. Table 4 below summarizes these program costs. The District's expenses are predominantly related to instructing, providing services and transporting students, grades kindergarten through eight, which accounts for 81.1 percent of the total District costs. Administrative and business expenses account for the costs of the office of the superintendent of schools, the business office, and the principal's office. Maintenance and operations account for the costs of keeping the school buildings and grounds safe, clean and in good operating condition, and includes all the utility costs related to the school facilities. Other costs include interest on long-term debt, unallocated depreciation expense and the costs of the business-type activities of the proprietary funds. It is important to note that depreciation expense on capital assets is included in expenses for the year under the new accounting reporting model; expenses therefore include \$373,080.00 for depreciation.

**Table 4
Expenses for Fiscal Years 2018 and 2017**

<u>Expense Category</u>	<u>FY 2018</u>		<u>FY 2017</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$8,214,348.80	66.37%	\$7,684,210.04	66.11%
Student & Instruction Services	1,574,449.45	12.72%	1,397,758.89	12.03%
Administrative and Business	1,092,697.66	8.83%	1,089,865.70	9.38%
Maintenance & Operations	901,199.66	7.28%	892,758.34	7.68%
Transportation	248,165.72	2.01%	218,263.10	1.88%
Other	346,178.31	2.80%	339,655.82	2.92%
	<u>\$12,377,039.60</u>	<u>100.00%</u>	<u>\$11,622,511.89</u>	<u>100.00%</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

Governmental Activities

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

**Table 5
Net Cost of Governmental Activities**

<u>Expense Category</u>	<u>FY 2018</u>		<u>FY 2017</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$5,846,925.37	64.56%	\$5,664,998.21	65.13%
Student & Instruction Services	1,045,135.27	11.54%	946,549.40	10.88%
Administrative and Business	919,576.00	10.15%	888,036.23	10.21%
Maintenance & Operations	901,199.66	9.95%	892,758.34	10.26%
Transportation	231,899.72	2.56%	203,398.10	2.34%
Other	111,867.66	1.24%	102,859.77	1.18%
	<u>\$9,056,603.67</u>	<u>100.00%</u>	<u>\$8,698,600.05</u>	<u>100.00%</u>

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

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

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

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

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

"Other" includes unallocated depreciation.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

General Fund Budgeting Highlights

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

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

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

Capital Assets

During the fiscal year 2016-2017 the District had capital projects completed, causing a net decrease of 2.16%. Table 6 reflects the comparative balances of capital assets net of depreciation. The detail of the changes in capital assets is reflected in Note 3 to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2017</u>	
Land	\$524,414.00	\$524,414.00			\$524,414.00	\$524,414.00	
Construction In Progress	43,863.31				43,863.31		100.00%
Site Improvements	4,839.50	6,775.29			4,839.50	6,775.29	(28.57%)
Building and Building Improvements	6,869,329.67	7,041,183.63			6,869,329.67	7,041,183.63	(2.44%)
Machinery and Equipment	<u>661,831.13</u>	<u>642,498.88</u>	<u>\$14,148.49</u>	<u>\$8,635.36</u>	<u>675,979.62</u>	<u>651,134.24</u>	<u>3.82%</u>
Total Assets	<u>\$8,104,277.61</u>	<u>\$8,214,871.80</u>	<u>\$14,148.49</u>	<u>\$8,635.36</u>	<u>\$8,118,426.10</u>	<u>\$8,223,507.16</u>	<u>(1.28%)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED**

Debt Administration

At June 30, 2018, the District had \$2,672,647.00 of outstanding long-term debt, consisting of bonds payable from construction, compensated absences and net pension liability. The District will continue to pay down its debt, as the obligations are due. Table 7 reflects the comparison of outstanding debt for the past two fiscal years. More information of the District's long-term debt is presented in Note 4 to the financial statements.

**Table 7
Outstanding Long-term Debt**

	Total School Debt		Total Percentage Change
	FY 2018	FY 2017	
Compensated Absences Payable	\$40,805.00	\$49,157.23	(16.99%)
Net Pension Liability Payable	1,421,842.00	1,503,550.00	(5.43%)
Bonds Payable	1,210,000.00	1,510,000.00	(19.87%)
	<u>\$2,672,647.00</u>	<u>\$3,062,707.23</u>	<u>(12.74%)</u>

The District's Future

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

In conclusion, the Borough of South Bound Brook School District has committed itself to sound financial practices. The District plans to continue to improve its fiscal management to meet the challenges of the future as well as maintaining an up to date facility for the students of South Bound Brook. The District will look to make more facility upgrades within the new fiscal year.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2018.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$992,204.20	\$67,776.76	\$1,059,980.96
Receivables, net	382,153.68	10,020.02	392,173.70
Inventory		1,981.27	1,981.27
Restricted assets:			
Restricted cash and cash equivalents	3,796,732.64		3,796,732.64
Capital assets:			
Land and improvements	524,414.00		524,414.00
Other capital assets, net	7,579,863.61	14,148.49	7,594,012.10
Total assets	<u>13,275,368.13</u>	<u>93,926.54</u>	<u>13,369,294.67</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to pensions	625,981.00		625,981.00
Total Deferred Outflows of Resources	<u>625,981.00</u>		<u>625,981.00</u>
LIABILITIES:			
Accounts payable	97,511.28	15,606.01	113,117.29
Interfunds payable	3,089.63		3,089.63
Unearned revenue	10,381.73	2,724.55	13,106.28
Accrued interest payable	4,033.33		4,033.33
Noncurrent liabilities:			
Due within one year	310,000.00		310,000.00
Due beyond one year:			
Net Pension Liability	1,421,842.00		1,421,842.00
Compensated absences payable	40,805.00		40,805.00
Bonds and capital leases payable	900,000.00		900,000.00
Total liabilities	<u>2,787,662.97</u>	<u>18,330.56</u>	<u>2,805,993.53</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to pensions	399,654.00		399,654.00
Total Deferred Inflows of Resources	<u>399,654.00</u>		<u>399,654.00</u>
NET POSITION:			
Net investment in capital assets	6,894,277.61	14,148.49	6,908,426.10
Restricted for:			
Capital projects fund	3,343,558.05		3,343,558.05
Debt service fund (deficit)	(4,033.33)		(4,033.33)
Other purposes	1,875,397.83		1,875,397.83
Unrestricted (deficit)	<u>(1,395,168.00)</u>	<u>61,447.49</u>	<u>(1,333,720.51)</u>
Total net position	<u>\$10,714,032.16</u>	<u>\$75,595.98</u>	<u>\$10,789,628.14</u>

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

MAJOR FUND FINANCIAL STATEMENTS

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

ASSETS AND OTHER DEBITS:	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
Assets:				
Cash and cash equivalents	\$881,944.55		\$110,259.65	\$992,204.20
Capital reserve account	3,319,112.64			3,319,112.64
Maintenance reserve account	477,620.00			477,620.00
Accounts receivable:				
Federal		\$45,112.68		45,112.68
State	56,107.00		280,934.00	337,041.00
Interfund	365,479.19			365,479.19
Total assets	<u>5,100,263.38</u>	<u>45,112.68</u>	<u>391,193.65</u>	<u>5,536,569.71</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	29,958.28			29,958.28
Interfunds payable	3,089.63	34,730.95	330,748.24	368,568.82
Unearned revenue		10,381.73		10,381.73
Total liabilities	<u>33,047.91</u>	<u>45,112.68</u>	<u>330,748.24</u>	<u>408,908.83</u>
Fund balances:				
Restricted for:				
Capital reserve account	3,283,112.64			3,283,112.64
Maintenance reserve account	477,620.00			477,620.00
Excess surplus designated for subsequent years expenditures	564,380.00			564,380.00
Excess surplus - current year	560,681.16			560,681.16
Capital projects fund			60,445.41	60,445.41
Assigned for:				
Year-end encumbrances	181,421.67			181,421.67
Total fund balances	<u>5,067,215.47</u>		<u>60,445.41</u>	<u>5,127,660.88</u>
Total liabilities and fund balances	<u>\$5,100,263.38</u>	<u>\$45,112.68</u>	<u>\$391,193.65</u>	

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Total Fund Balances (Brought Forward)		\$5,127,660.88
<p>Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of Assets	\$13,221,152.36	
Accumulated Depreciation	<u>(5,116,874.75)</u>	
		8,104,277.61
<p>Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
Net pension liability	(1,421,842.00)	
Serial bonds payable	(1,210,000.00)	
Compensated absences payable	<u>(40,805.00)</u>	
		(2,672,647.00)
<p>Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.</p>		
Pensions:		
Deferred Outflows		
Pension related	558,428.00	
Employers contributions related to pensions	<u>67,553.00</u>	
Pension related		625,981.00
Deferred Inflows:		
Pension related		(399,654.00)
<p>Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.</p>		
Accounts payable - pension related	(67,553.00)	
Accrued interest payable	<u>(4,033.33)</u>	
		<u>(71,586.33)</u>
Net Position of Governmental Activities		<u><u>\$10,714,032.16</u></u>

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	\$6,030,719.00			\$354,400.00	\$6,385,119.00
Miscellaneous	33,778.51	\$2,500.00	(\$566.52)		35,711.99
Total revenues-local sources	6,064,497.51	2,500.00	(566.52)	354,400.00	6,420,830.99
State sources	4,569,524.89				4,569,524.89
Federal sources		260,917.91			260,917.91
Total revenues	10,634,022.40	263,417.91	(566.52)	354,400.00	11,251,273.79
EXPENDITURES:					
Current expense:					
Instruction:					
Regular	2,218,465.96	94,878.45			2,313,344.41
Special education	648,880.61	127,447.00			776,327.61
Other instruction	149,937.41				149,937.41
Support services:					
Tuition	1,879,073.40				1,879,073.40
Student and instruction related services	900,986.61	41,092.46			942,079.07
General administrative services	162,432.03				162,432.03
School administrative services	222,963.70				222,963.70
Central services	217,980.50				217,980.50
Administration Information Technology	91,800.00				91,800.00
Plant operations and maintenance	667,989.85				667,989.85
Student transportation services	248,165.72				248,165.72
Employee benefits	2,163,489.13				2,163,489.13
Capital outlay	262,837.02				262,837.02
Capital outlay - debt assessment	32,491.00				32,491.00
Charter Schools	30,175.00				30,175.00
Special schools	28,292.66				28,292.66
Debt service:					
Principal				300,000.00	300,000.00
Interest				54,400.00	54,400.00
Total expenditures	9,925,960.60	263,417.91		354,400.00	10,543,778.51
Excess (deficiency) of revenues over (under) expenditures	708,061.80		(566.52)		707,495.28
Other financing sources (uses):					
Operating transfers in	81,583.46				81,583.46
Operating transfers out			(81,583.46)		(81,583.46)
Total financing sources (uses):	81,583.46		(81,583.46)		
Net change in fund balances	789,645.26		(82,149.98)		707,495.28
Fund balances, July 1, 2017	4,277,570.21		142,595.39		4,420,165.60
Fund balances, June 30, 2018	\$5,067,215.47	\$-0-	\$60,445.41	\$-0-	\$5,127,660.88

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds (from B-2)		\$707,495.28
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.</p>		
Depreciation expense	(\$372,230.08)	
Capital outlays	295,328.02	
Capital outlays not capitalized	<u>(33,692.13)</u>	(110,594.19)
<p>Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets and is not reported in the statements of activities.</p>		
		300,000.00
<p>In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.</p>		
		1,000.00
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
District pension contributions	56,584.00	
Less: Pension expense	<u>(112,695.00)</u>	(56,111.00)
<p>In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>		
		<u>8,352.23</u>
Change in net position of governmental activities		<u><u>\$850,142.32</u></u>

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

OTHER FUNDS

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$67,776.76
Accounts receivable:	
State	218.95
Federal	9,801.07
Inventories	1,981.27
Total current assets	<u>79,778.05</u>
Noncurrent assets	
Furniture, machinery & equipment	84,788.44
Less: Accumulated depreciation	<u>(70,639.95)</u>
Total noncurrent assets	<u>14,148.49</u>
TOTAL ASSETS	<u>93,926.54</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	15,606.01
Unearned revenue	<u>2,724.55</u>
Total current liabilities	<u>18,330.56</u>
NET POSITION:	
Net investment in capital assets	14,148.49
Unrestricted	<u>61,447.49</u>
TOTAL NET POSITION	<u><u>\$75,595.98</u></u>

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE
OPERATING REVENUES:	
Local sources:	
Daily sales-reimbursable programs:	
School lunch program	\$58,528.63
Daily sales non-reimbursable programs	25,617.58
	84,146.21
Total operating revenue	84,146.21
OPERATING EXPENSES:	
Salaries	81,916.92
Employee benefits and taxes	24,264.95
Management fee	13,445.00
Supplies, materials and repairs	21,416.72
Depreciation	849.92
Cost of sales - reimbursable programs	73,683.62
Cost of sales - non-reimbursable programs	5,442.00
	221,019.13
Total operating expenses	221,019.13
Operating (loss)	(136,872.92)
Nonoperating revenues:	
State sources:	
State school lunch program	2,769.41
Federal sources:	
National school lunch program	109,350.81
National school breakfast program	13,569.04
National food distribution commodities	11,296.87
	136,986.13
Total nonoperating revenues	136,986.13
Change in net position	113.21
Net position - July 1	75,482.77
Net position - June 30	\$75,595.98

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE</u>
Cash flows from operating activities:	
Receipts from customers	\$84,166.58
Payments to employees	(81,916.92)
Payments for employee benefits	(24,264.95)
Payments to suppliers	(100,583.99)
	<hr/>
Net cash (used) by operating activities	(122,599.28)
	<hr/>
Cash flows from noncapital financing activities:	
State sources	2,713.39
Federal sources	132,314.18
	<hr/>
Net cash (used) by noncapital financing activities	135,027.57
	<hr/>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(6,363.05)
	<hr/>
Net cash provided (used) by capital and related financing activities	(6,363.05)
	<hr/>
Net increase in cash and cash equivalents	6,065.24
Cash and cash equivalents, July 1	61,711.52
	<hr/>
Cash and cash equivalents, June 30	\$67,776.76
	<hr/> <hr/>
Operating income(loss)	(\$136,872.92)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:	
Depreciation	849.92
Change in assets and liabilities:	
(Increase) Decrease in inventory	(283.17)
Increase (Decrease) in unearned revenue	117.89
Increase (Decrease) in accounts payable	13,589.00
	<hr/>
Net cash (used) by operating activities	(\$122,599.28)
	<hr/> <hr/>

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	AGENCY	
	STUDENT ACTIVITIES	PAYROLL
ASSETS:		
Cash and cash equivalents	\$42,312.54	\$39,685.06
Interfunds receivable		3,089.63
	42,312.54	42,774.69
Total assets	42,312.54	42,774.69
LIABILITIES:		
Liabilities:		
Payroll deductions & withholdings		42,774.69
Due to student groups	42,312.54	
	42,312.54	42,774.69
Total liabilities	42,312.54	42,774.69
NET POSITION:		
Total net position	\$-0-	\$-0-

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include elementary and middle schools located in the Borough of South Bound Brook. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

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

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

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

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

Fiduciary Fund Types

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus

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

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

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

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

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

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

Interfunds

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

Inventories and Prepaid Expenses

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Compensated Absences

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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

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

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

Fund Equity

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

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

Unearned Revenue

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

Fund Balance

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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

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

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

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

Revenues – Exchange and Non-Exchange Transactions

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues – Exchange and Non-Exchange Transactions (Continued)

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

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

Operating Revenues and Expenses

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

Allocation of Indirect Expenses

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Extraordinary and Special Items

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

Management Estimates

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

Accounting and Financial Reporting for Pensions

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

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

Deferred Outflows/Inflows of Resources

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Deposits

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

The Borough of South Bound Brook School District had the following cash and cash equivalents at June 30, 2018:

	<u>Cash in</u> <u>Bank</u>	<u>Deletions</u>	<u>Reconciled</u> <u>Balance</u>
Governmental Funds	\$4,889,314.12	\$100,377.28	\$4,788,936.84
Proprietary Fund	68,148.76	372.00	67,776.76
Fiduciary Fund	104,809.23	22,811.63	81,997.60
	<u>\$5,062,272.11</u>	<u>\$123,560.91</u>	<u>\$4,938,711.20</u>

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

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

Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2018, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$4,812,272.11 was covered under the provisions of NJ GUDPA.

Investments

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

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

Investments (Continued)

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

As of June 30, 2018, the District had no investments outstanding. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the District is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 3: CHANGE IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land and Improvements	\$524,414.00			\$524,414.00
Construction In Progress		\$43,863.31		43,863.31
Total capital assets not depreciated	<u>524,414.00</u>	<u>43,863.31</u>		<u>568,277.31</u>
Capital assets being depreciated:				
Site Improvements	42,529.65			42,529.65
Building and building improvements	11,248,419.41	104,655.58		11,353,074.99
Machinery and equipment	1,144,153.41	113,117.00		1,257,270.41
Total capital assets being depreciated	<u>12,435,102.47</u>	<u>217,772.58</u>		<u>12,652,875.05</u>
Total gross assets	12,959,516.47	261,635.89		13,221,152.36
Less: accumulated depreciation for:				
Site Improvements	(35,754.36)	(1,935.79)		(37,690.15)
Building and building improvements	(4,207,235.78)	(276,509.54)		(4,483,745.32)
Machinery and equipment	<u>(501,654.53)</u>	<u>(93,784.75)</u>		<u>(595,439.28)</u>
	<u>(4,744,644.67)</u>	<u>(372,230.08)</u>		<u>(5,116,874.75)</u>
Governmental activities capital assets, net	<u>\$8,214,871.80</u>	<u>(\$110,594.19)</u>		<u>\$8,104,277.61</u>
Business type activities:				
Machinery and equipment	\$78,425.39	\$6,363.05		\$84,788.44
Less: accumulated depreciation	<u>(69,790.03)</u>	<u>(849.92)</u>		<u>(70,639.95)</u>
Business type activities capital assets, net	<u>\$8,635.36</u>	<u>\$5,513.13</u>	<u>-0-</u>	<u>\$14,148.49</u>

Depreciation Expense was charged to governmental expenses as follows:

Instruction:	
Regular	\$102,152.17
Support Services:	
Student and instruction related services	22,897.35
General Administration	1,667.00
School administration	87.66
Central services	12,796.30
Plant operations and maintenance	<u>232,629.60</u>
	<u>\$372,230.08</u>

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 4: LONG-TERM LIABILITIES

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

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

At June 30, 2018, the District had no bonds or notes authorized but not issued.

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2018:

	<u>Bonds Payable</u>	<u>Compensated Absences Payable</u>	<u>Net Pension Liability</u>	<u>Total</u>
Balance, July 1, 2017	\$1,510,000.00	\$49,157.23	\$1,503,550.00	\$3,062,707.23
Reductions	<u>300,000.00</u>	<u>8,352.23</u>	<u>81,708.00</u>	<u>390,060.23</u>
Balance, June 30, 2018	<u><u>\$1,210,000.00</u></u>	<u><u>\$40,805.00</u></u>	<u><u>\$1,421,842.00</u></u>	<u><u>\$2,672,647.00</u></u>
Amounts Due Within One Year	<u><u>\$310,000.00</u></u>			<u><u>\$310,000.00</u></u>

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 4: LONG-TERM DEBT (CONTINUED)

Bonds Payable

The annual requirements to amortize all debt outstanding as of June 30, 2018, with interest payments on issued debt, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$310,000.00	\$42,200.00	\$352,200.00
2020	305,000.00	29,900.00	334,900.00
2021	300,000.00	17,800.00	317,800.00
2022	295,000.00	5,900.00	300,900.00
	<u>\$1,210,000.00</u>	<u>\$95,800.00</u>	<u>\$1,305,800.00</u>

Under New Jersey Statutes the District may incur debt in an amount not to exceed 3% of the averaged equalized valuation basis of real property. For the fiscal year ended December 31, 2017, the District borrowing capacity under N.J.S. 18A:24-19 would be as follows:

<u>Year</u>	<u>Equalized Valuation</u> <u>of Real Property</u>
2017	\$332,973,618.00
2016	323,271,250.00
2015	315,077,407.00
	<u>\$971,322,275.00</u>
Average equalized valuation of property	\$323,774,091.67
School borrowing margin (3% of average equalized valuation of property)	9,713,222.75
Net bonded school debt as of December 31, 2017	<u>1,210,000.00</u>
School borrowing power available	<u>\$8,503,222.75</u>

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 5: PENSION PLANS

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

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

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

Pension Plan Design Changes

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

Funding Changes

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

COLA Suspension

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 5: PENSION PLANS (CONTINUED)

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

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

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

PERS Contribution Requirements

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2018	\$56,584.00	100%	\$56,584.00
6/30/2017	\$45,100.00	100%	\$45,100.00
6/30/2016	\$40,607.00	100%	\$40,607.00

During the fiscal years ended June 30, 2018, 2017 and 2016, the State of New Jersey contributed \$505,420.00, \$373,925.00, and \$260,225.00, respectively to the TPAF pension system on behalf of the District.

Also, in accordance with N.J.S.A. 18A:66-66, during the years ended June 30 2018, 2017 and 2016, the State of New Jersey reimbursed the District \$234,540.89, \$231,371.69 and \$246,113.27, respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

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

Public Employees Retirement System (PERS)

At June 30, 2018, the District reported a liability of \$1,421,842.00 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 0.0061079896 percent, which was an increase of 0.0010313659 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$113,197.00. This pension expense was based on the pension plans June 30, 2017 measurement date.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$33,479.00
Changes of assumptions	\$285,402.00	286,452.00
Net difference between projected and actual earnings on pension plan investments		9,682.00
Changes in proportion and differences between District contributions and proportionate share of contributions	114,252.00	228,815.00
District contributions subsequent to the measurement date	<u> </u>	<u>67,553.00</u>
	<u>\$399,654.00</u>	<u>\$625,981.00</u>

The \$67,553.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

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

Public Employees Retirement System (PERS) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2019	\$43,610.00
2020	60,647.00
2021	56,982.00
2022	7,509.00
2023	<u>(9,974.00)</u>
	<u>\$158,774.00</u>

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 rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

Mortality Rate

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. 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. Postretirement 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.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

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 1 year for females).

The actuarial assumptions used in the June 30, 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.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term Rate of Return (Continued)

Best estimates of arithmetic rates of return for each major asset class included in PERS's 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%
US 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 estate	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%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate (Continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employer 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.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>4.00%</u>	At Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
District's proportionate share of the pension liability	\$1,763,892.00	\$1,421,842.00	\$1,136,873.00

Pension Plan Fiduciary Net Position

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

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

Teachers Pensions and Annuity Fund (TPAF)

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

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2018 was as follows:

Net Pension Liability:	
Districts proportionate share	-0-
State's proportionate share	
associated with the District	<u>\$22,414,042</u>
	<u><u>\$22,414,042</u></u>

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 June 30, 2016. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the proportion of the TPAF net pension liability associated with the District was .0332436125% which was an increase of .0007415240 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized on-behalf pension expense and revenue of \$1,552,731.00 for contributions provided by the State. This pension expense and revenue was based on the pension plan's June 30, 2017 measurement date.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 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%

Mortality Rates

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-year 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 plan investments (7.00% at June 30, 2017 and 7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

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

Teachers Pensions and Annuity Fund (TPAF) (continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return (Continued)

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:

<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%
US 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 estate	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%
	<u>100.00%</u>	

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.25% and 3.22% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the 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 2036. Therefore, the long-term expected rate of return on 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.

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

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

Pension Plan Fiduciary Net Position

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS – GASB 75

Plan Description and Benefits Provided

The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan, with 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 No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefit 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. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. 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 or more years 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.

Employees Covered by Benefit Terms

The State Health Benefit Local Education Retired Employees Plan Membership covered by the benefit terms consisted of the following:

Active Plan Members	\$223,747
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	142,331
Inactive Plan Members or Beneficiaries	
Not Yet Receiving Benefits	<u>- 0 -</u>
Total Plan Members	<u>\$366,078</u>

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Total Nonemployer OPEB Liability

The portion of the Total Nonemployer OPEB Liability that was associated with the District at June 30, 2018 was as follows:

Nonemployer OPEB Liability:	
Districts proportionate share	-0-
State's proportionate share associated with the District	\$16,318,818.00
	<u>\$16,318,818.00</u>
	<u>\$16,318,818.00</u>

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 was determined separately based on actual data of the District.

For the year ended June 30, 2018, the District recognized on-behalf post-employment expense and revenue of \$1,034,017.00 in the government-wide financial statements for contributions provided by the State. This expense and revenue was based on the plans June 30, 2017 measurement date.

At June 30, 2017, the District's proportion was 0.0304229420 percent, which was an increase of .0002982792 from its proportion measured as of June 30, 2016.

The State, a Nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS, TPAF/ABP and PFRS participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Consequently, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions and Other Imputes

The total OPEB liability in the June 30, 2017 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation 2.5 percent			
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases			
Through 2026	1.55-4.55%	2.15-4.15%	2.10-8.98%
	Based on years Of Service	Based on Age	Based of Age
Thereafter	2.00-5.45%	3.15-5.15%	3.10-9.98
	Based on years Of Service	Based on Age	Based of 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 the MP-2017 scale. Post-Retirement mortality rates were based on the RP-2014 Headcount - Weighted Healthy 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 trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Pan B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. 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 Total Nonemployer OPEB Liability

Shown below are details regarding the Total Nonemployer OPEB Liability for the Measurement Period from June 30, 2016 to June 30, 2017.

Balance at 6/30/16		\$17,421,630
Changes for the year:		
Service cost	\$727,027	
Interest	512,085	
Changes in assumptions or other inputs	(1,977,864)	
Benefit payments	(377,978)	
Contributions from Members	<u>13,918</u>	
Net change in OPEB Liability		<u>(1,102,812)</u>
Balance at 6/30/17		<u><u>\$16,318,818</u></u>

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

The following presents the total nonemployer OPEB liability associated with the District as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2017		
	<u>1.00%</u> <u>Decrease (2.58%)</u>	<u>At Discount</u> <u>Rate (3.58)</u>	<u>1.00%</u> <u>Increase (4.58%)</u>
State of New Jersey's Share of Nonemployer OPEB Liability Associated with the District	\$19,371,614	\$16,318,818	\$13,897,311

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Sensitivity of the Total Nonemployer OPEB Liability to Changes in Healthcare Trends

The following presents the total nonemployer OPEB liability associated with the District as of June 30, 2017 respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2017		
	<u>1.00% Decrease</u>	Healthcare Cost <u>Trend Rate</u>	<u>1.00% Increase</u>
State of New Jersey's Share of Nonemployer OPEB Liability Associated with the District	\$13,420,650	\$16,318,818	\$20,167,551

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

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB associated with the District from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Changes of assumptions	\$1,929,961.00	-
Changes in proportion	-	\$136,306.00
	<u>\$1,929,961.00</u>	<u>\$136,306.00</u>

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB associated with the District will be recognized in OPEB expense as follows:

Year Ended	<u>Amount</u>
<u>June 30,</u>	
2019	(\$198,730)
2020	(\$198,730)
2021	(\$198,730)
2022	(\$198,730)
2023	(\$198,730)
Total Thereafter	<u>(\$800,007)</u>
	<u><u>(\$1,793,655)</u></u>

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero. There is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources in the financial statements.

State Health Benefit Local Education Retired Employee Plan Information

The New Jersey Division of Pension and Benefits issues publicly available reports on the OPEB plan. Those reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295 or on their website at:

<http://www.state.nj.us/treasury/pensions/gasb-notice-opeb.shtml>

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 8: LITIGATION

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

NOTE 9: CONTINGENCIES

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2017-2018 fiscal year were subject to the Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$750,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

NOTE 10: RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to pay contributions (tax) to the New Jersey Unemployment Trust Fund based on a contribution rate and taxable wage base paid to each employee each calendar year. The District is billed for amounts due to the State.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made. The following interfund balances remained on the balance sheet at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$365,479.19	\$3,089.63
Special Revenue Fund		34,730.95
Capital Projects Fund		330,748.24
Fiduciary Fund	3,089.63	
	<u>\$368,568.82</u>	<u>\$368,568.82</u>
	<u>\$368,568.82</u>	<u>\$368,568.82</u>

NOTE 12: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1)– Of the \$5,067,215.47 General Fund fund balance at June 30, 2018, \$181,421.67 has been assigned for year-end encumbrances; \$3,283,112.64 is restricted in the capital reserve account; \$477,620.00 is restricted in the maintenance reserve account; \$1,125,061.16 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7, of which \$564,380.00 has been appropriated and included as anticipated revenue for the year ending June 30, 2019.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 13: CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2004,c.73 (S1701), the Restricted Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. Based on this calculation, the South Bound Brook School District has \$560,681.16 excess fund balance resulting from the year ended June 30, 2018.

General Fund Expenditures Fiscal Year Ended June 30, 2018	\$9,925,960.60
Less:	
On-behalf TPAF Pension and Social Security Reimbursement	1,067,343.89
Adjusted General Fund Expenditures	8,858,616.71
Excess Surplus Percentage	2.00%
2% of Adjusted 2017-18 General Fund Expenditures	177,172.33
Greater of line above of \$250,000.00	250,000.00
Add: Allowable Adjustments	
Maximum Unreserved/Unassigned Fund Balance	250,000.00
Actual Unreserved/Unassigned Fund Balance	810,681.16
Excess Surplus	\$560,681.16

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 14: CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the year ending June 30, 2018 is as follows:

Beginning balance, July 1, 2017	\$2,722,529.18
Add: Return of completed projects	81,583.46
Add: Board resolution/ Adopted budget	479,000.00
Ending balance, June 30, 2018	<u>\$3,283,112.64</u>

NOTE 15: DEFERRED COMPENSATION

The District offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the District does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2018.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 16: MAINTENANCE RESERVE

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

The activity of the maintenance reserve for the year ending June 30, 2018 is as follows:

Balance June 30, 2017 and 2018	<u><u>\$477,620.00</u></u>
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NOTE 17: DEFICIT FUND BALANCES

The District has a deficit fund balance of \$91,295.00 in the General Fund as of June 30, 2018 as reported in the fund statements (modified accrual basis). P.L. 2003,C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset and liability) should be symmetry, ie, if one government recognized an asset, the other government recognized liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last two state aid payments, the General Fund balance deficit does not alone indicate that the District is facing financial difficulties. \$91,295.00 is not shown as assigned for year-end encumbrances because it has been taken out of the deficit fund balance.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2018

NOTE 18: TAX ABATEMENTS

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

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

NOTE 19: INVENTORY

Inventory in the Food Service Fund at June 30, 2018 consisted of the following:

Food and Supplies	<u>\$1,981.27</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Act of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

NOTE 20: SUBSEQUENT EVENTS

The Board of Education has evaluated subsequent events occurring after the financial statement date through February 11, 2019 which is the date the financial statements were available to be issued. No items were noted for disclosure or adjustment.

REQUIRED SUPPLEMENTARY INFORMATION - Part II

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Local sources:					
Local tax levy	\$6,030,719.00		\$6,030,719.00	\$6,030,719.00	\$21,578.51
Miscellaneous	12,200.00		12,200.00	33,778.51	
Total revenues-local sources	6,042,919.00		6,042,919.00	6,064,497.51	21,578.51
State sources:					
Equalization aid	2,961,161.00	\$85,136.00	3,046,297.00	3,046,297.00	
Categorical special education aid	340,449.00		340,449.00	340,449.00	
Extraordinary aid	75,000.00		75,000.00	56,107.00	(18,893.00)
Categorical security aid	35,261.00		35,261.00	35,261.00	
Categorical transportation aid	16,266.00		16,266.00	16,266.00	
PARCC Readiness Aid	5,580.00		5,580.00	5,580.00	
Per Pupil Growth Aid	5,580.00		5,580.00	5,580.00	
Professional Learning Community Aid	5,500.00		5,500.00	5,500.00	
On-behalf TPAF post retirement medical pension (non-budgeted)				326,439.00	
On-behalf TPAF non-contributory insurance (non-budgeted)				11,975.00	
On-behalf TPAF pension (non-budgeted)				493,445.00	
On-behalf TPAF long term disability insurance (non-budgeted)				944.00	
Reimbursed TPAF social security cont. (non-budgeted)				234,540.89	
Total - state sources	3,444,797.00	85,136.00	3,529,933.00	4,578,383.89	1,048,450.89
Total revenues	\$9,487,716.00	\$85,136.00	\$9,572,852.00	\$10,642,881.40	\$1,070,029.40
EXPENDITURES					
CURRENT EXPENSE:					
Regular programs - instruction:					
Salaries of teachers:					
Preschool	\$45,048.00	(\$7,196.00)	\$37,852.00	\$37,851.98	\$0.02
Kindergarten	197,375.00	2,636.00	200,011.00	200,010.73	0.27
Grades 1-5	1,089,342.00		1,089,342.00	1,086,570.80	2,771.20
Grades 6-8	672,201.00	(12,500.00)	659,701.00	636,805.18	22,895.82
Regular programs - home instruction:					
Salaries of teachers	5,000.00		5,000.00	488.75	4,511.25
Regular programs - undistributed instruction:					
Other purchased services	73,734.84	7,500.00	81,234.84	66,234.19	15,000.65
General supplies	125,052.86		125,052.86	116,082.43	8,970.43
Textbooks	75,000.00	(13,000.00)	62,000.00	59,533.60	2,466.40
Other objects	17,035.00	4,000.00	21,035.00	14,888.30	6,146.70
Total regular programs	\$2,299,788.70	(\$18,560.00)	\$2,281,228.70	\$2,218,465.96	\$62,762.74

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Special education:					
Learning and/or language disabilities:					
Salaries of teachers	\$87,595.00	(\$87,595.00)			\$100.00
Other salaries for instruction	18,417.00	(18,417.00)			100.00
General supplies	100.00		\$100.00		200.00
Textbooks	100.00		200.00		
Total learning and/or language disabilities	106,212.00	(106,012.00)	200.00		
Behavioral disabilities:					
Salaries of teachers		57,828.00	57,828.00	\$57,828.00	
Total behavioral disabilities		57,828.00	57,828.00	57,828.00	
Multiple disabilities:					
Salaries of teachers	57,815.00	54,380.00	112,195.00	112,194.69	0.31
Other salaries for instruction	127,344.00	24,504.83	151,848.83	151,848.83	
Purchased professional-educational services	13,222.53		13,222.53	13,222.53	
Other purchased services (400-500 series)	150.00		150.00	150.00	
General supplies	100.00		100.00	100.00	
Total multiple disabilities	198,631.53	78,884.83	277,516.36	277,266.05	250.31
Resource room/resource center:					
Salaries of teachers	183,725.00	33,280.00	217,005.00	217,005.00	
Other purchased services (400-500 series)	450.00		450.00	450.00	
General supplies	3,000.00		3,000.00	109.76	2,890.24
Textbooks	300.00		300.00	300.00	
Total resource room/center	187,475.00	33,280.00	220,755.00	217,114.76	3,640.24
Preschool disabilities - part time:					
Salaries of teachers	45,048.00	(3,772.00)	41,276.00	38,885.22	2,390.78
Other salaries for instruction	52,053.00	1,624.00	53,677.00	53,676.62	0.38
Purchased professional-educational services	4,000.00		4,000.00	4,000.00	
Other purchased services	150.00		150.00	150.00	
General supplies	235.00		235.00	109.96	150.00
Total preschool disabilities - part time	101,486.00	(2,148.00)	99,338.00	96,671.80	2,666.20
Total special education	593,804.53	\$61,832.83	655,637.36	648,880.61	\$6,756.75
Basic skills/remedial:					
Salaries of teachers	28,797.00		28,797.00	28,797.00	
Total basic skills/remedial	\$28,797.00		\$28,797.00	\$28,797.00	

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Bilingual education:					
Salaries of teachers	\$71,545.00	\$13.00	\$71,558.00	\$71,558.00	\$150.00
Purchased services (400-500 series)	150.00		150.00		100.00
General supplies	100.00		100.00		100.00
Textbook	100.00		100.00		100.00
Total bilingual education	71,895.00	13.00	71,908.00	71,558.00	350.00
School sponsored cocurricular activities:					
Salaries	39,717.00	9,865.41	49,582.41	49,582.41	
Purchased services	5,000.00	(5,000.00)			
Supplies and Materials	4,000.00	(4,000.00)			
Total school sponsored cocurricular activities	48,717.00	865.41	49,582.41	49,582.41	
Total other instructional programs	149,409.00	878.41	150,287.41	149,937.41	350.00
Total - instruction	3,043,002.23	\$44,151.24	3,087,153.47	3,017,283.98	69,869.49
Undistributed expenditures:					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,271,370.00	(43,920.00)	1,227,450.00	1,125,895.21	101,554.79
Tuition to Other LEAs Within the State-Special	376,570.00	(18,861.00)	357,709.00	351,525.14	6,183.86
Tuition to county vocational school district - regular	54,188.00	637.00	54,825.00	54,825.00	
Tuition to private schools for handicapped within the state	573,424.00	(23,747.00)	549,677.00	346,828.05	202,848.95
Total undistributed expenditures - instruction	2,275,552.00	(85,891.00)	2,189,661.00	1,879,073.40	310,587.60
Attendance & Social Work:					
Salaries	30,282.00	224.00	30,506.00	30,506.00	
Other purchased services (400-500 series)	6,400.00		6,400.00	6,400.00	
Total attendance & social work	36,682.00	224.00	36,906.00	36,906.00	
Health services:					
Salaries	125,943.00	(22,133.75)	103,809.25	85,611.88	18,197.37
Purchased professional technical services	6,500.00		6,500.00	4,000.00	2,500.00
Other purchased services	240.00		240.00	240.00	
Supplies and Materials	3,700.00		3,700.00	2,897.37	802.63
Other objects	380.00		380.00	304.45	75.55
Total health services	\$136,763.00	(\$22,133.75)	\$114,629.25	\$92,813.70	\$21,815.55

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Other support services - students-related services:					
Salaries	\$72,345.00		\$72,345.00	\$72,345.00	
Purchased professional educational services	118,224.50		118,224.50	86,332.00	\$31,892.50
Supplies and Materials	550.00		550.00	499.73	50.27
Total other support services - students-related services	191,119.50		191,119.50	159,176.73	31,942.77
Related services - extraordinary services:					
Purchased professional - Educational Services	136,000.00		136,000.00	100,796.55	35,203.45
Supplies and Materials	220.00		220.00	220.00	
Total related services - extraordinary services:	136,220.00		136,220.00	101,016.55	35,203.45
Other support services - students-regular					
Salaries of other professional staff	57,815.00		57,815.00	57,815.00	
Supplies and materials	330.00		330.00	291.58	38.42
Total other support services - students-regular	58,145.00		58,145.00	58,106.58	38.42
Other support services - students - special services:					
Salaries of other professional staff	102,265.00		102,265.00	102,091.60	173.40
Salaries of secretarial and clerical assistants	50,738.00	\$374.00	51,112.00	51,112.00	
Purchased services - special	11,500.00		11,500.00	10,285.84	1,214.16
Other purchased services	760.00		760.00	749.08	10.92
Supplies and materials	4,051.50		4,051.50	4,051.50	
Other objects	2,000.00		2,000.00	1,826.61	173.39
Total other support services - students - special services	171,314.50	374.00	171,688.50	170,116.63	1,571.87
Improvement of instructional services:					
Salaries of Supervisor/Instructor	89,141.00	1.00	89,142.00	89,142.00	
Salaries of other professional staff	33,898.00	496.00	34,394.00	34,393.54	0.46
Other Salaries	30,504.00		30,504.00	30,504.00	
Total improvement of instructional services	153,543.00	497.00	154,040.00	154,039.54	0.46
Educational media services / school library					
Salaries	88,445.00	258.75	88,703.75	88,703.75	
Supplies and materials	7,000.00		7,000.00	4,158.52	2,841.48
Total Educational media services / school library	\$95,445.00	\$258.75	\$95,703.75	\$92,862.27	\$2,841.48

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Instructional staff training services:					
Purchased professional educational services	\$40,868.00		\$40,868.00	\$35,383.33	\$5,484.67
Other Purchased Services	10,000.00		10,000.00	565.28	9,434.72
Total Instructional staff training services	50,868.00		50,868.00	35,948.61	14,919.39
Support services general administration:					
Salaries	67,500.00		67,500.00	67,500.00	
Legal services	20,000.00		20,000.00	10,917.75	9,082.25
Audit Fees	18,375.00	(\$1,125.00)	17,250.00	17,250.00	
Other purchased professional services	8,900.00	19,560.00	28,460.00	28,192.09	267.91
Purchased technical services	12,500.00	(2,280.00)	10,220.00	10,220.00	
Other purchased services	5,500.00		5,500.00	4,052.75	1,447.25
Supplies and materials	4,500.00	(2,235.00)	2,265.00	1,264.77	1,000.23
Miscellaneous Expenditures	18,383.70		18,383.70	18,026.27	357.43
BOE membership dues and fees	5,300.00		5,300.00	5,008.40	291.60
Total support services general administration	160,958.70	13,920.00	174,878.70	162,432.03	12,446.67
Support services school administration:					
Salaries of principals/assistant principals	180,934.00	(1,147.00)	179,787.00	169,539.90	10,247.10
Salaries of other professional staff	47,028.00	347.00	47,375.00	47,374.08	0.92
Salaries of secretarial and clerical assistants	500.00		500.00	499.63	0.37
Other purchased services (400-500 series)	6,000.00		6,000.00	5,170.09	829.91
Supplies and materials	380.00		380.00	380.00	
Other objects					
Total support services school administration	234,842.00	(800.00)	234,042.00	222,963.70	11,078.30
Central Services:					
Salaries	207,364.00	800.00	208,164.00	208,164.00	
Purchased professional services	8,300.00	(200.00)	8,100.00	7,358.98	741.02
Miscellaneous purchased services	1,200.00		1,200.00	1,191.63	8.37
Supplies and materials	1,200.00		1,200.00	1,065.89	134.11
Miscellaneous expenditures		200.00	200.00	200.00	
Total central services	218,064.00	800.00	218,864.00	217,980.50	883.50
Administration information technology:					
Salaries	91,800.00		91,800.00	91,800.00	
Purchased Professional Services	1,000.00		1,000.00		1,000.00
Supplies and materials	500.00		500.00		500.00
Total administration information technology	93,300.00		93,300.00	91,800.00	1,500.00
Required maintenance for school facilities:					
Cleaning, repair and maint. services	95,172.33	34,293.39	129,465.72	123,821.96	5,643.76
General supplies	12,000.00	(3,200.00)	8,800.00	8,791.74	8.26
Total required maintenance for school facilities	\$107,172.33	\$31,093.39	\$138,265.72	\$132,613.70	\$5,652.02

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Other operations & maintenance of plant					
Salaries	\$26,000.00	(\$4,000.00)	\$22,000.00	\$2,727.03	\$19,272.97
Purchased professional and technical services	12,000.00	(6,700.00)	5,300.00	4,686.61	613.39
Cleaning, repair and maint. services	351,655.00	32,400.00	384,055.00	334,507.01	49,547.99
Rental of land & building other than lease purchase	6,500.00	(5,000.00)	1,500.00	1,080.00	420.00
Other purchased property services	10,412.48	(2,793.39)	7,619.09	6,452.82	1,166.27
Insurance	42,000.00		42,000.00	42,000.00	
Energy (Natural Gas)	210,000.00	(30,000.00)	180,000.00	127,098.85	52,901.15
Energy (Electricity)	15,000.00	15,000.00	30,000.00	16,823.83	13,176.17
Other objects	700.00		700.00		700.00
Total other operations & maintenance of plant	674,267.48	(1,093.39)	673,174.09	535,376.15	137,797.94
Student transportation services:					
Contracted services (between home and school) - joint agreements	68,000.00		68,000.00	10,523.90	57,476.10
Contracted services (special education students) - vendors	445,444.73	(24,510.00)	420,934.73	237,641.82	183,292.91
Total student transportation services	513,444.73	(24,510.00)	488,934.73	248,165.72	240,769.01
Unallocated benefits:					
Social security contributions	84,460.00		84,460.00	74,570.46	9,889.54
Other retirement contributions - regular	77,250.00		77,250.00	57,913.68	19,336.32
Unemployment Compensation	16,480.00		16,480.00	15,881.80	598.20
Workmen's compensation	36,000.00	(1,761.24)	34,238.76	28,639.94	5,598.82
Health benefits	42,230.00	15,000.00	57,230.00	57,006.72	223.28
Other employee benefits	43,775.00		43,775.00	11,994.94	31,780.06
Total unallocated benefits	300,195.00	13,238.76	313,433.76	246,007.54	67,426.22
Allocated benefits:					
Regular programs - health benefits	719,301.29	(15,000.00)	704,301.29	427,296.12	277,005.17
Regular programs - tuition reimbursement	22,067.00		22,067.00	13,291.58	8,775.42
Special programs - health benefits	241,025.00		241,025.00	241,025.00	
Improvement of instruction services - health benefits	12,830.00		12,830.00	12,830.00	
Library services - health benefits	37,300.00		37,300.00	37,300.00	
General administration - health benefits	46,225.00		46,225.00	46,225.00	
School administration - health benefits	19,170.00		19,170.00	19,170.00	
Central services - health benefits	53,000.00		53,000.00	53,000.00	
Total allocated benefits	\$1,150,918.29	(\$15,000.00)	\$1,135,918.29	\$850,137.70	\$285,780.59

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018

	BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
On-behalf TPAF post retirement medical pension (non-budgeted)				\$326,439.00	(\$326,439.00)
On-behalf TPAF non-contributory insurance (non-budgeted)				11,975.00	(11,975.00)
On-behalf TPAF pension (non-budgeted)				493,445.00	(493,445.00)
On-behalf TPAF long term disability insurance (non-budgeted)				944.00	(944.00)
Reimbursed TPAF social security contributions (non-budgeted)				234,540.89	(234,540.89)
Total on-behalf contributions				1,067,343.89	(1,067,343.89)
Total undistributed expenditures	\$6,758,814.53	(\$89,022.24)	\$6,669,792.29	6,554,880.94	114,911.35
TOTAL EXPENDITURES - CURRENT EXPENSE	\$9,801,816.76	(\$44,871.00)	\$9,756,945.76	\$9,572,164.92	\$184,780.84
CAPITAL OUTLAY:					
Equipment:					
Undistributed Expenditures - Instruction	46,000.00	(19,642.00)	26,358.00	26,358.00	
Undist. Expend. - Required Maint for School Fac	60,000.00	36,771.90	96,771.90	96,771.00	0.90
Total Equipment	106,000.00	17,129.90	123,129.90	123,129.00	0.90
Facilities Acquisition and Construction Services					
Other purchased prof. and tech. service	15,158.10	3,194.10	18,352.20	18,352.00	0.20
Infrastructure	86,913.33	89,322.00	176,235.33	121,356.02	54,879.31
Assessment for debt service on SDA funding	32,491.00		32,491.00	32,491.00	
Total Facilities Acquisition and Const. Serv.	134,562.43	92,516.10	227,078.53	172,199.02	54,879.51
TOTAL CAPITAL OUTLAY	240,562.43	109,646.00	350,208.43	295,328.02	54,880.41
CHARTER SCHOOLS:					
Transfer of funds to charter schools	11,314.00	18,861.00	30,175.00	30,175.00	
SPECIAL SCHOOLS:					
Summer school-instruction:					
Salaries of teachers	17,000.00		17,000.00	15,660.64	1,339.36
Other salaries for instruction	4,000.00	2,565.50	6,565.50	6,565.50	
Purchased professional and technical services	8,500.00	(1,065.50)	7,434.50	6,066.52	1,367.98
Total summer school-instruction	29,500.00	1,500.00	31,000.00	28,292.66	2,707.34
Total special schools	29,500.00	1,500.00	31,000.00	28,292.66	2,707.34
Total expenditures	10,083,193.19	\$85,136.00	10,168,329.19	9,925,960.60	242,368.59
Excess (deficiency) of revenues over (under) expenditures	(\$595,477.19)		(\$595,477.19)	\$716,920.80	\$1,312,397.99

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018

	<u>BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
Other financing sources (uses):					
Operating transfer in - capital projects fund				\$81,583.46	\$81,583.46
Total other financing sources (uses)				81,583.46	81,583.46
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(\$595,477.19)		(\$595,477.19)	\$798,504.26	1,393,981.45
Fund balances, July 1	4,610,006.21		4,610,006.21	4,610,006.21	
Fund balances, June 30	<u>\$4,014,529.02</u>		<u>\$4,014,529.02</u>	<u>\$5,408,510.47</u>	<u>\$1,393,981.45</u>
Reconciliation:					
Reserve for encumbrances				\$272,716.67	
Capital reserve				3,283,112.64	
Maintenance reserve				477,620.00	
Excess surplus - prior year				564,380.00	
Excess surplus - current year				560,681.16	
Unrestricted fund balance				250,000.00	
				<u>\$5,408,510.47</u>	
Reconciliation to government fund statements					
Last state aid payment not recognized on GAAP basis				(341,295.00)	
Fund balance per governmental funds (GAAP)				<u>\$5,067,215.47</u>	

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR FISCAL YEARS ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Federal sources	\$326,526.00	\$159.00	\$326,685.00	\$270,400.12	(\$56,284.88)
Other sources	2,622.00		2,622.00	2,500.00	(122.00)
Total revenues	329,148.00	159.00	329,307.00	272,900.12	(56,406.88)
EXPENDITURES:					
Instruction:					
Salaries of teachers	104,562.00	500.00	105,062.00	96,148.38	8,913.62
Tuition	146,134.00		146,134.00	123,896.00	22,238.00
General supplies	20,924.00	159.00	21,083.00	11,763.28	9,319.72
Total instruction	271,620.00	659.00	272,279.00	231,807.66	40,471.34
Support services:					
Purchased professional & technical services	13,692.00		13,692.00	9,500.00	4,192.00
Purchased professional & educational services	4,204.00		4,204.00	3,550.00	654.00
Personal services - employee benefits	34,579.00		34,579.00	24,552.46	10,026.54
Other purchased services	400.00		400.00	400.00	400.00
Supplies and materials	4,653.00	(500.00)	4,153.00	3,490.00	663.00
Total support services	57,528.00	(500.00)	57,028.00	41,092.46	15,935.54
Total expenditures	\$329,148.00	\$159.00	\$329,307.00	\$272,900.12	\$56,406.88

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$10,642,881.40	\$272,900.12
Difference - budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and related revenue is recognized.		(9,482.21)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	332,436.00	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(341,295.00)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$10,634,022.40	\$263,417.91
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules	\$9,925,960.60	\$272,900.12
Difference - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial purposes		(9,482.21)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$9,925,960.60	\$263,417.91

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

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

Measurement Date Ending June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportion of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0060734228%	\$ 1,160,752	\$ 375,757.00	308.91%	48.72%
2014	0.0055848866%	1,045,644	340,333.00	307.24%	52.08%
2015	0.0047232171%	1,060,268	350,749.00	302.29%	47.92%
2016	0.0050766237%	1,503,550	357,861.00	420.15%	40.14%
2017	0.0061079896%	1,421,842	461,918.00	307.81%	48.09%

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

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

Fiscal Year Ending June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 46,041	\$ 46,041	\$ -0-	\$ 340,333.00	13.53%
2015	40,607	40,607	-0-	350,749.00	11.58%
2016	45,100	45,100	-0-	357,861.00	12.60%
2017	45,326	45,326	-0-	461,918.00	9.81%
2018	56,867	56,867	-0-	552,954.00	10.28%

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

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

Measurement Date Ending June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportion of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0333448840%	\$ -0-	\$ 3,441,564.00	-0-	33.76%
2014	0.0314054995%	-0-	3,289,205.00	-0-	33.64%
2015	0.0313036520%	-0-	3,383,672.00	-0-	28.71%
2016	0.0325020885%	-0-	3,243,274.00	-0-	22.33%
2017	0.0332436125%	-0-	3,289,576.00	-0-	25.41%

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The discount rate changed from 3.98% to 5.00% as of
June 30, 2017.

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms

None

Change in assumptions

The discount rate changed from 3.22% to 4.25% as of
June 30, 2017.

SCHEDULE RELATED TO ACCOUNTING AND REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (GASB 75)

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL
OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS

	Fiscal Year Ended June <u>30, 2018</u>
Changes for the year:	
Service cost	\$727,027
Interest	512,085
Changes in assumptions or other inputs	(1,977,864)
Benefit payments	(377,978)
Contributions from Members	13,918
Net changes	(1,102,812)
Beginning Balance	\$17,421,630
Ending Balance	\$16,318,818
Covered Employee Payroll	3,751,494
Total OPEB Liability as a percentage of Covered Employee Payroll	-0-

Change of Benefit Terms:

No Change in Benefits terms between the June 30, 2016 actuarial valuation and the June 30, 2017 actuarial valuation.

Change of Assumptions:

The Discount Rate Changed from 2.85% at the June 30, 2016 measurement date to 3.58% at the 6/30/2017 measurement date.

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>TITLE I</u>	<u>TITLE IIA</u>	<u>TITLE III</u>	<u>TITLE IV</u>	<u>IDEA BASIC</u>	<u>IDEA BASIC - PRESCHOOL</u>	<u>SAFETY GRANT</u>	<u>TOTAL 2018</u>
REVENUES:								
Federal sources	\$120,089.21	\$7,500.00	\$9,813.91	\$3,550.00	\$123,896.00	\$5,551.00	\$2,500.00	\$270,400.12
Other sources								2,500.00
Total revenues	<u>120,089.21</u>	<u>7,500.00</u>	<u>9,813.91</u>	<u>3,550.00</u>	<u>123,896.00</u>	<u>5,551.00</u>	<u>2,500.00</u>	<u>272,900.12</u>
EXPENDITURES:								
Instruction:								
Salaries of teachers	94,771.25		1,377.13					96,148.38
Tuition					123,896.00			123,896.00
General supplies	938.00		4,774.28			3,551.00	2,500.00	11,763.28
Total instruction	<u>95,709.25</u>		<u>6,151.41</u>		<u>123,896.00</u>	<u>3,551.00</u>	<u>2,500.00</u>	<u>231,807.66</u>
Support services:								
Personal services - employee benefits	24,379.96		172.50					24,552.46
Purchased professional & technical services		7,500.00				2,000.00		9,500.00
Purchased professional & educational services				3,550.00				3,550.00
Supplies and materials			3,490.00					3,490.00
Total support services	<u>24,379.96</u>	<u>7,500.00</u>	<u>3,662.50</u>	<u>3,550.00</u>		<u>2,000.00</u>		<u>41,092.46</u>
Total expenditures	<u>\$120,089.21</u>	<u>\$7,500.00</u>	<u>\$9,813.91</u>	<u>\$3,550.00</u>	<u>\$123,896.00</u>	<u>\$5,551.00</u>	<u>\$2,500.00</u>	<u>\$272,900.12</u>

CAPITAL PROJECTS FUND DETAIL STATEMENTS

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>ISSUE / PROJECT TITLE</u>	<u>ORIGINAL DATE</u>	<u>APPROPRIATION</u>	<u>EXPENDITURES TO DATE</u>	<u>CLOSE PROJECT CAPITAL RESERVE</u>	<u>(MEMO ONLY) UNEXPENDED BALANCE JUNE 30, 2018</u>
		<u>PRIOR YEARS</u>	<u>CURRENT YEAR</u>		
Various Improvements of Robert Morris Elementary School	11/28/14	\$544,116.00	\$483,670.59		\$60,445.41
Installation of Backup Generator	11/28/14	499,777.00	266,000.00	\$233,777.00	
		<u>\$1,043,893.00</u>	<u>\$749,670.59</u>	<u>\$233,777.00</u>	<u>\$60,445.41</u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

REVENUES AND OTHER FINANCING SOURCES:	
Canceled Encumbrances	\$586.43
	<hr/>
Total revenues and other financing sources	586.43
	<hr/>
EXPENDITURES AND OTHER FINANCING USES:	
Transfers out - General fund	81,583.46
Canceled Grants Receivable	152,779.97
	<hr/>
Total expenditures and other financing uses	234,363.43
	<hr/>
Excess of revenues over expenditures	(233,777.00)
Fund balance - July 1	294,222.41
	<hr/>
Fund balance - June 30	\$60,445.41
	<hr/> <hr/>
<u>Reconciliation to GAAP Basis:</u>	
Fund Balance June 30 - Budgetary Basis (Exhibit F-2)	\$60,445.41
	<hr/>
Fund Balance June 30 - GAAP Basis (Exhibit B-2)	\$60,445.41
	<hr/> <hr/>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS
BUDGETARY BASIS - VARIOUS IMPROVEMENTS OF ROBERT MORRIS ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>PRIOR PERIODS</u>	<u>CURRENT YEAR</u>	<u>TOTALS</u>	<u>REVISED AUTHORIZED COST</u>
REVENUES AND OTHER FINANCING SOURCES:				
State sources - SCC grant	\$280,934.00		\$280,934.00	\$280,934.00
Transfer from capital reserve	263,182.00		263,182.00	263,182.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues and other financing sources	280,934.00		544,116.00	544,116.00
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES AND OTHER FINANCING USES:				
Purchased professional and technical services	127,254.52		127,254.52	140,000.00
Construction services	356,416.07		356,416.07	404,116.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures and other financing uses	483,670.59		483,670.59	544,116.00
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$202,736.59)</u>	<u>-0-</u>	<u>\$60,445.41</u>	
ADDITIONAL PROJECT INFORMATION:				
Project number	4850-060-14-1001			
Grant date	11/28/14			
Bond authorization date	N/A			
Bonds authorized	N/A			
Bonds issued	N/A			
Original authorized cost	\$544,116.00			
Additional authorized cost				
Revised authorized cost	\$544,116.00			
Percentage increase over original authorized cost	N/A			
Percentage completion	100.00%			
Original target completion date	9/30/16			
Completion date	6/30/18			

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS
BUDGETARY BASIS - INSTALLATION OF BACKUP GENERATOR
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>PRIOR PERIODS</u>	<u>CURRENT YEAR</u>	<u>TOTALS</u>	<u>REVISED AUTHORIZED COST</u>
REVENUES AND OTHER FINANCING SOURCES:				
State sources - SCC grant	\$258,041.00	(\$152,779.97)	\$105,261.03	\$105,261.03
Transfer from capital reserve	<u>241,736.00</u>	<u>(81,583.46)</u>	<u>160,152.54</u>	<u>160,152.54</u>
Total revenues and other financing sources	<u>499,777.00</u>	<u>(234,363.43)</u>	<u>265,413.57</u>	<u>265,413.57</u>
EXPENDITURES AND OTHER FINANCING USES:				
Purchased professional and technical services	38,000.00		38,000.00	38,000.00
Construction services	<u>228,000.00</u>	<u>(586.43)</u>	<u>227,413.57</u>	<u>227,413.57</u>
Total expenditures and other financing uses	<u>266,000.00</u>	<u>(586.43)</u>	<u>265,413.57</u>	<u>265,413.57</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$233,777.00</u>	<u>(\$233,777.00)</u>	<u>-0-</u>	
ADDITIONAL PROJECT INFORMATION:				
Project number	4850-060-14-1002			
Grant date	11/28/14			
Bond authorization date	N/A			
Bonds authorized	N/A			
Bonds issued	N/A			
Original authorized cost	\$499,777.00			
Additional authorized cost	(234,363.43)			
Revised authorized cost	\$265,413.57			
Percentage increase over original authorized cost	N/A			
Percentage completion	100.00%			
Original target completion date	8/30/17			
Completion date	6/30/18			

PROPRIETARY FUND DETAIL STATEMENTS

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

Food Services Fund:

This fund provides for the operation of food services in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS

FIDUCIARY FUND DETAIL STATEMENTS

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

Student Activity Fund: This agency fund is used to account for student funds held at the schools.

Payroll Agency Fund: This agency fund is used to account for the payroll transactions of the school district.

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	<u>AGENCY</u>		<u>TOTAL AGENCY FUND</u>
	<u>STUDENT ACTIVITIES</u>	<u>PAYROLL</u>	
ASSETS:			
Cash and cash equivalents	\$42,312.54	\$39,685.06	\$81,997.60
Interfunds receivable		3,089.63	\$3,089.63
Total assets	<u>42,312.54</u>	<u>42,774.69</u>	<u>85,087.23</u>
LIABILITIES:			
Liabilities:			
Payroll deductions & withholdings		42,774.69	42,774.69
Due to student groups	42,312.54		42,312.54
Total liabilities	<u>42,312.54</u>	<u>42,774.69</u>	<u>85,087.23</u>
NET POSITION:			
Total net position	<u><u>\$-0-</u></u>	<u><u>\$-0-</u></u>	<u><u>\$-0-</u></u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUND
STUDENT ACTIVITY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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	<u>\$39,457.97</u>	<u>\$50,421.23</u>	<u>\$47,566.66</u>	<u>\$42,312.54</u>
Total assets	<u>39,457.97</u>	<u>50,421.23</u>	<u>47,566.66</u>	<u>42,312.54</u>
LIABILITIES:				
Due student groups:				
Robert Morris School	<u>39,457.97</u>	<u>50,421.23</u>	<u>47,566.66</u>	<u>42,312.54</u>
Total liabilities	<u>\$39,457.97</u>	<u>\$50,421.23</u>	<u>\$47,566.66</u>	<u>\$42,312.54</u>

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
FIDUCIARY FUND
PAYROLL AGENCY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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	\$40,295.79	\$2,430,516.74	\$2,431,127.47	\$39,685.06
Interfunds Receivable		3,089.63		3,089.63
Total assets	<u>40,295.79</u>	<u>2,433,606.37</u>	<u>2,431,127.47</u>	<u>42,774.69</u>
LIABILITIES:				
Deductions payable	40,294.78	2,430,516.74	2,428,036.83	42,774.69
Interfunds payable	1.01	3,089.63	3,090.64	
Total liabilities	<u>\$40,295.79</u>	<u>\$2,433,606.37</u>	<u>\$2,431,127.47</u>	<u>\$42,774.69</u>

LONG-TERM DEBT SCHEDULES

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2018

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2017</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2018</u>
School Refunding Bonds	12/01/10	\$2,865,000.00	12/01/18 12/01/19 12/01/20 12/01/21	\$310,000.00 305,000.00 300,000.00 295,000.00	4.00% 4.00% 4.00% 4.00%	\$1,510,000.00	\$300,000.00	\$1,210,000.00
						<u>\$1,510,000.00</u>	<u>\$300,000.00</u>	<u>\$1,210,000.00</u>

STATISTICAL SECTION
(UNAUDITED)

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
STATISTICAL SECTION

Contents

Page

Financial Trends:

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

J-1 to J-4

Revenue Capacity:

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

J-5 to J-9

Debt Capacity:

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

J-10 to J-13

Demographic and Economic Information:

These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

J-14 to J-15

Operating Information:

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

J-16 to J-20

Sources

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$6,894,277.61	\$6,704,871.80	\$6,590,038.81	\$5,843,661.23	\$5,584,150.62	\$5,070,810.77	\$5,119,307.60	\$5,152,889.34	\$5,201,117.25	\$4,535,756.04
Restricted	5,214,922.55	4,497,568.27	3,421,578.94	3,171,129.13	2,896,931.99	2,664,676.02	2,142,168.54	1,546,317.67	878,425.13	1,032,031.95
Unrestricted (Deficit)	(1,395,168.00)	(1,338,550.23)	(1,310,024.04)	(1,314,340.71)	(159,714.90)	(93,491.06)	(116,860.93)	(71,962.30)	(65,218.97)	(91,734.71)
Total governmental activities net position	<u>10,714,032.16</u>	<u>9,863,889.84</u>	<u>8,701,593.71</u>	<u>7,700,449.65</u>	<u>8,321,367.71</u>	<u>7,641,995.73</u>	<u>7,144,615.21</u>	<u>6,627,244.71</u>	<u>6,014,323.41</u>	<u>5,476,053.28</u>
Business-type activities										
Net investment in capital assets	14,148.49	66,847.41	87,980.47	454.74	12,495.94	17,480.89	22,465.82	27,321.86	20,726.58	25,174.02
Unrestricted	61,447.49	66,847.41	87,980.47	63,179.16	61,822.24	43,833.75	40,825.44	38,183.55	37,286.74	26,247.52
Total business-type activities net position	<u>75,595.98</u>	<u>66,847.41</u>	<u>87,980.47</u>	<u>63,633.90</u>	<u>74,318.18</u>	<u>61,314.64</u>	<u>63,291.26</u>	<u>65,505.41</u>	<u>58,013.32</u>	<u>51,421.54</u>
District-wide										
Net investment in capital assets	6,908,426.10	6,704,871.80	6,590,038.81	5,844,115.97	5,596,646.56	5,088,291.66	5,141,773.42	5,180,211.20	5,221,843.83	4,560,930.06
Restricted	5,214,922.55	4,497,568.27	3,421,578.94	3,171,129.13	2,896,931.99	2,664,676.02	2,142,168.54	1,546,317.67	878,425.13	1,032,031.95
Unrestricted (deficit)	(1,333,720.51)	(1,271,702.82)	(1,222,043.57)	(1,251,161.55)	(97,892.69)	(49,657.31)	(76,035.49)	(33,778.75)	(27,932.23)	(65,487.19)
Total district net position	<u>\$10,789,628.14</u>	<u>\$9,930,737.25</u>	<u>\$8,789,574.18</u>	<u>\$7,764,083.55</u>	<u>\$8,395,685.89</u>	<u>\$7,703,310.37</u>	<u>\$7,207,906.47</u>	<u>\$6,692,750.12</u>	<u>\$6,072,336.73</u>	<u>\$5,527,474.82</u>

Source: CAFR Schedule A-1

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
CHANGES IN NET POSITION

UNAUDITED

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
EXPENSES										
Governmental activities										
Instruction:										
Regular	\$5,543,821.62	\$5,543,821.62	\$5,426,109.53	\$5,334,014.50	\$4,450,408.86	\$4,428,294.37	\$4,382,810.29	\$3,628,938.34	\$4,281,292.76	\$4,099,161.14
Special education	2,208,608.47	1,844,991.27	1,770,978.12	1,793,798.61	1,552,269.23	1,517,687.67	1,423,538.70	1,317,871.51	1,550,918.02	1,397,205.23
Other instruction	338,050.87	295,397.15	247,180.10	201,401.25	178,939.03	139,432.10	149,479.91	115,483.79	106,922.33	295,030.47
Support Services:										
Student & instruction related services	1,574,449.45	1,397,758.89	1,302,960.12	1,351,227.04	1,241,487.38	1,538,533.97	1,463,925.07	1,826,685.64	1,521,178.93	1,363,082.62
General administrative services	224,685.32	214,269.29	207,219.82	193,863.55	200,948.10	227,912.75	202,165.50	231,435.34	338,656.48	368,126.14
School administrative services	428,615.28	530,945.68	428,945.00	325,957.01	206,570.43	229,379.84	150,988.28	124,982.18	135,927.48	214,300.62
Central services	328,065.73	344,650.72	283,704.03	281,862.92	318,257.40	276,480.97	284,776.69	228,251.29	263,092.38	228,210.87
Plant operations and maintenance	901,199.66	892,758.35	903,797.90	859,374.20	797,220.05	737,783.20	683,570.35	820,468.17	784,147.51	746,858.34
Student transportation services	248,165.72	218,263.10	262,229.06	314,985.92	315,264.53	269,501.42	386,364.65	276,502.14	338,022.64	429,809.50
Special & Charter schools	71,759.18	51,593.09	75,367.95	58,255.89	116,688.92	98,632.50	89,610.54	111,790.62	70,374.08	22,632.54
Interest on long-term debt	53,400.00	64,212.50	73,300.00	82,175.00	89,625.00	94,408.33	100,954.17	183,251.38	151,775.28	168,136.67
Total governmental activities expenses	12,044,689.13	11,398,651.66	10,983,791.63	10,796,915.89	9,467,578.93	9,558,047.12	9,288,184.15	8,865,660.40	9,542,307.89	9,332,654.14
Business-type activities:										
Food Service	221,019.13	223,860.23	192,624.94	221,380.93	196,421.01	191,971.03	191,104.37	165,626.51	147,724.33	146,268.88
Total business-type activities expense	221,019.13	223,860.23	192,624.94	221,380.93	196,421.01	191,971.03	191,104.37	165,626.51	147,724.33	146,268.88
Total district expenses	12,265,708.26	11,622,511.89	11,176,416.57	11,018,296.82	9,663,999.94	9,750,018.15	9,479,288.52	9,031,286.91	9,690,032.22	9,478,823.02
PROGRAM REVENUES										
Governmental activities:										
Operating grants and contributions	3,099,416.80	2,700,051.61	2,053,169.25	1,741,247.07	867,802.46	1,038,844.83	837,698.37	778,259.90	966,094.06	833,953.34
Total governmental activities program revenues	3,099,416.80	2,700,051.61	2,053,169.25	1,741,247.07	867,802.46	1,038,844.83	837,698.37	778,259.90	966,094.06	833,953.34
Business-type activities:										
Charges for services	84,146.21	81,006.06	78,486.13	75,472.95	76,479.37	75,367.96	75,642.01	72,296.07	70,360.04	63,740.78
Food Service	136,986.13	130,356.47	136,402.67	144,730.55	132,945.18	114,595.54	113,222.41	100,731.81	83,845.35	75,835.46
Operating grants and contributions	221,132.34	211,362.53	216,888.80	220,203.50	209,424.55	189,963.50	188,864.42	173,027.88	154,205.39	139,576.24
Total business-type activities program revenues	3,320,549.14	2,911,414.14	2,270,058.05	1,961,450.57	1,077,227.01	1,228,808.33	1,026,562.79	951,287.78	1,120,299.45	973,529.58
NET (EXPENSE)/REVENUE	(8,945,272.33)	(8,698,600.05)	(8,930,622.38)	(9,055,668.82)	(8,599,776.47)	(8,519,202.29)	(8,450,485.78)	(8,087,400.50)	(8,576,213.83)	(8,498,600.80)
Governmental activities	113.21	(12,497.70)	24,263.86	13,003.54	13,003.54	(2,007.53)	(2,239.95)	7,401.37	6,481.06	(6,692.64)
Business-type activities	(8,945,159.12)	(8,711,097.75)	(8,906,358.52)	(9,068,672.36)	(8,586,772.93)	(8,521,209.82)	(8,452,725.73)	(8,079,999.13)	(8,582,732.77)	(8,505,293.44)
Total district-wide net expense										

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Property taxes levied for general purposes	\$6,030,719.00	\$5,913,220.00	\$5,797,275.00	\$5,683,604.00	\$5,481,965.00	\$5,380,122.00	\$5,300,611.00	\$5,248,130.00	\$5,166,471.00	\$5,045,171.00
Taxes levied for debt service	354,400.00	369,975.00	374,050.00	363,352.55	375,100.00	269,700.00	336,855.00	376,395.00	375,420.00	373,820.00
Unrestricted grants and contributions	3,485,915.00	3,415,756.00	3,391,966.00	3,379,161.00	3,375,534.00	3,355,805.00	3,272,799.00	3,052,944.00	3,558,910.00	3,258,148.10
Capital Grants		32,601.53	297,400.02	56,760.00						
Miscellaneous income	35,711.99	129,343.65	76,375.42	113,561.14	46,549.45	10,955.81	57,591.28	22,852.80	13,682.96	15,273.44
Retirement of capital assets			(7,300.00)	(655.93)						(34,774.92)
Total governmental activities	9,906,745.99	9,860,896.18	9,931,766.44	9,595,502.76	9,279,148.45	9,016,582.81	8,967,856.28	8,700,321.80	9,114,483.96	8,657,637.62
Business-type activities:										
Miscellaneous Income			82.71	(9,506.85)		30.91	25.80	90.72	110.72	
Retirement of capital assets				(9,506.85)						
Total business-type activities										
Total district-wide	9,906,745.99	9,860,896.18	9,931,766.44	9,585,995.91	9,279,148.45	9,016,582.81	8,967,856.28	8,700,321.80	9,114,483.96	8,657,637.62
CHANGE IN NET POSITION										
Governmental activities	961,473.66	1,162,296.13	1,001,144.06	539,833.94	679,371.98	497,380.52	517,370.50	612,921.30	538,270.13	159,036.82
Business-type activities	113.21	(12,497.70)	24,263.86	(10,684.28)	13,003.54	(2,007.53)	(2,239.95)	7,401.37	6,481.06	(6,692.64)
Total district	\$961,586.87	\$1,149,798.43	\$1,025,407.92	\$529,149.66	\$692,375.52	\$495,372.99	\$515,130.55	\$620,322.67	\$544,751.19	\$152,344.18

Source: CAFR Schedule A-2

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Restricted	\$4,977,088.80	\$4,172,704.02	\$3,253,859.91	\$3,120,914.96	\$2,783,793.87	\$2,413,508.40	\$2,046,631.59	\$1,545,708.55		
Assigned	181,421.67	29,104.00	378.00	377.59	1,004.50	26,022.14	15,001.48	67,591.70		
Unassigned (Deficit)	(91,295.00)	(82,436.00)	(79,853.00)	(75,772.00)	35,506.00	208,585.00	53,246.61	(36,889.00)		
Reserved									\$930,291.41	\$1,175,270.09
Unreserved (Deficit)									(51,734.00)	(89,856.00)
Total general fund	<u>5,067,215.47</u>	<u>4,119,372.02</u>	<u>3,174,384.91</u>	<u>3,045,520.55</u>	<u>2,820,304.37</u>	<u>2,648,115.54</u>	<u>2,114,879.68</u>	<u>1,576,411.25</u>	<u>878,557.41</u>	<u>1,065,414.09</u>
All Other Governmental Funds										
Restricted	60,445.41	142,595.39	173,136.86	56,760.00	9,547.45	9,547.45	9,547.45	9,547.45		
Reserved										
Unreserved, reported in:										
Capital projects fund									34,904.98	35,898.90
Total all other governmental funds	<u>\$60,445.41</u>	<u>\$142,595.39</u>	<u>\$173,136.86</u>	<u>\$56,760.00</u>	<u>\$9,547.45</u>	<u>\$9,547.45</u>	<u>\$9,547.45</u>	<u>\$9,547.45</u>	<u>\$34,904.98</u>	<u>\$35,898.90</u>

Source: CAFR Schedule B-1

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Tax levy	\$6,385,119.00	\$6,283,195.00	\$6,171,325.00	\$6,046,957.00	\$5,857,065.00	\$5,649,822.00	\$5,637,466.00	\$5,624,525.00	\$5,541,891.00	\$5,418,991.00
Interest earnings - capital reserve fund		8,235.60	39,330.90	88,495.53			289.04	999.74	1,119.17	2,543.55
Tuition from other LEA's within the state	35,711.99	121,108.05	39,044.52	25,085.16	46,549.45	17,161.62	62,600.26	29,068.87	20,732.03	18,703.15
Miscellaneous	4,569,524.89	4,380,956.22	4,520,424.29	4,133,215.43	3,986,157.44	4,063,067.57	3,725,451.54	3,511,826.14	3,599,007.98	3,830,170.53
State sources	260,917.91	220,292.92	274,268.98	309,989.64	257,179.02	325,376.45	379,747.81	312,161.95	917,827.84	255,957.65
Federal sources	11,251,273.79	11,013,787.79	11,044,393.69	10,603,742.76	10,146,950.91	10,055,427.64	9,805,554.65	9,478,581.70	10,080,578.02	9,526,365.88
Total revenue										
	\$6,385,119.00	\$6,283,195.00	\$6,171,325.00	\$6,046,957.00	\$5,857,065.00	\$5,649,822.00	\$5,637,466.00	\$5,624,525.00	\$5,541,891.00	\$5,418,991.00
Expenditures										
Instruction										
Regular	2,313,344.41	2,430,879.63	2,261,385.32	2,221,726.64	2,193,867.22	2,213,600.62	2,131,993.77	1,941,459.55	2,092,789.56	2,089,166.75
Special education	776,327.61	618,481.75	732,839.37	713,530.82	730,862.93	675,705.13	655,492.70	647,596.01	698,673.80	584,728.20
Other	149,937.41	142,559.03	127,125.01	114,868.07	118,979.96	114,868.19	86,438.70	76,233.49	80,444.51	219,341.75
Support Services:										
Tuition	1,879,073.40	1,898,984.68	2,063,717.27	2,295,356.27	2,073,393.46	1,967,142.59	2,035,964.33	1,816,165.77	2,154,975.28	1,979,206.44
Student & instruction related services	942,079.07	852,394.59	916,526.02	942,735.48	898,560.50	1,076,005.20	1,074,996.87	1,153,692.13	1,164,957.06	1,021,711.18
General administrative services	162,432.03	148,728.85	163,609.28	149,176.33	142,015.78	199,062.39	161,573.25	185,583.78	323,621.17	297,956.08
School administrative services	314,763.70	299,757.35	264,859.02	215,051.71	169,031.41	153,951.23	111,640.89	103,199.72	116,995.12	157,825.69
Central services	217,980.50	221,455.33	219,236.47	215,687.46	214,335.64	196,462.93	189,906.17	179,479.70	176,105.89	178,843.35
Plant operations and maintenance	667,989.85	657,109.24	673,823.58	644,257.78	595,100.01	553,430.13	356,364.65	601,986.89	600,865.89	555,091.77
Student transportation services	248,165.72	218,263.10	262,229.06	314,985.92	315,264.53	269,501.42	495,524.00	276,502.14	338,022.64	429,809.50
Employee benefits	2,163,489.13	1,807,834.73	1,845,957.73	1,758,828.77	1,458,939.59	1,648,086.29	1,504,575.22	1,286,056.34	1,391,015.10	1,404,982.61
Capital outlay	295,328.02	236,073.41	827,025.88	321,356.28	575,872.05	90,223.19	43,673.00	52,433.59	707,646.06	150,402.75
Special schools	28,292.66	27,333.27	24,264.46	27,902.00	21,142.00	19,262.47	18,548.67	11,337.28	9,577.54	16,731.61
Charter schools	30,175.00	11,314.00	42,504.00	22,950.50	92,297.00	75,190.00	63,539.00	97,964.00	57,319.00	
Debt service:										
Principal	300,000.00	305,000.00	300,000.00	290,000.00	285,000.00	175,000.00	235,000.00	225,000.00	215,000.00	205,000.00
Interest and other charges	54,400.00	64,975.00	74,050.00	82,900.00	90,100.00	94,700.00	101,855.00	151,395.00	160,420.00	168,820.00
Total expenditures	10,543,778.51	9,941,143.96	10,799,152.47	10,331,314.03	9,974,762.06	9,522,191.78	9,267,086.22	8,806,065.39	10,288,428.62	9,459,617.68
Excess (Deficiency) of revenues over (under) expenditures	707,495.28	1,072,643.83	245,241.22	272,428.73	172,188.83	533,235.86	538,468.43	672,496.31	(207,850.60)	66,748.20
Other Financing sources (uses)										
Capital leases (non-budgeted)										
Transfers in	81,583.46		394,918.00	110,000.00				34,904.98	872,830.36	150,402.75
Transfers out	(81,583.46)		(394,918.00)	(110,000.00)				(34,904.98)	(872,830.36)	(150,402.75)
Total other financing sources (uses)										
Net change in fund balances	\$707,495.28	\$1,072,643.83	\$245,241.22	\$272,428.73	\$172,188.83	\$533,235.86	\$538,468.43	\$672,496.31	(\$207,850.60)	\$66,748.20
Debt service as a percentage of noncapital expenditures	3.46%	3.81%	3.75%	3.73%	3.99%	2.86%	3.65%	4.30%	3.92%	4.02%

Source: CAFR Schedule B-2

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Tuition</u>	<u>Canceled</u> <u>Accounts Payable</u>	<u>Interest on</u> <u>Investments</u>	<u>Miscellaneous</u>	<u>Total</u>
2018	\$14,888.35		\$8,877.02	\$10,013.14	\$33,778.51
2017	7,847.60		1,977.27	104,974.35	114,799.22
2016	14,732.40		1,813.89	2,993.52	19,539.81
2015		\$5,822.64	2,238.11	11,647.27	19,708.02
2014		35,089.36	2,046.36	8,413.73	45,549.45
2013		5,442.29	2,679.76	2,833.76	10,955.81
2012		38,140.13	3,122.86	16,039.25	57,302.24
2011			6,351.30	5,954.31	12,305.61
2010			7,100.26	5,463.53	12,563.79
2009			4,755.67	7,974.22	12,729.89

Source: District Records

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

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax Exempt Property	Public Utilities (a)	Net Valuation Taxable	Est. Actual (County Equalized Value)	Total Direct School Tax Rate (b)
2017	\$1,170,200.00	\$271,641,576.00		\$23,774,050.00	\$387,500.00	\$20,750,100.00	\$317,723,426.00		\$1,029,502.00	\$318,752,928.00	\$324,307,276.00	2.00
2016	1,832,600.00	271,935,276.00		24,801,500.00	387,500.00	20,532,100.00	319,488,976.00		1,036,026.00	320,525,002.00	316,107,168.00	1.96
2015	1,707,600.00	272,815,976.00		24,801,500.00	387,500.00	20,532,100.00	320,244,676.00		1,029,761.00	321,274,437.00	301,319,139.00	1.92
2014	1,782,600.00	275,197,176.00		25,225,500.00	387,500.00	20,532,100.00	323,124,876.00		1,017,210.00	324,142,086.00	304,431,157.00	1.87
2013	2,005,200.00	279,004,176.00		24,472,800.00	387,500.00	21,591,500.00	327,461,176.00		1,057,824.00	324,142,086.00	305,063,068.00	1.78
2012	2,005,200.00	287,316,176.00		24,690,400.00	387,500.00	23,144,600.00	337,543,876.00		969,486.00	328,519,000.00	327,483,937.00	1.67
2011	2,236,200.00	285,911,776.00		25,571,000.00	387,500.00	23,144,600.00	337,251,076.00		1,069,810.00	338,513,362.00	342,414,939.00	1.66
2010	1,905,700.00	287,184,276.00		26,184,276.00	387,500.00	23,144,600.00	338,806,352.00		1,493,387.00	338,320,886.00	351,527,291.00	1.66
2009	3,305,000.00	287,361,700.00		27,839,800.00	681,000.00	23,396,100.00	342,563,600.00		1,093,985.00	340,299,739.00	372,215,705.00	1.60
2008	2,598,300.00	143,115,654.00		11,506,700.00	201,300.00	8,245,382.00	165,667,336.00		430,840.00	166,098,176.00	362,823,109.00	3.26

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

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

Fiscal Year Ended Dec 31,	Borough of South Bound Brook Board of Education			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	Total Direct School Tax Rate	Borough of South Bound Brook	Somerset County	
2017	\$1.87	\$0.13	\$2.00	\$0.96	\$0.41	\$3.37
2016	1.84	0.12	1.96	0.94	0.39	3.30
2015	1.82	0.10	1.92	0.92	0.37	3.21
2014	1.75	0.12	1.87	0.90	0.37	3.13
2013	1.70	0.08	1.78	0.86	0.34	2.99
2012	1.57	0.10	1.67	0.84	0.36	2.87
2011	1.55	0.11	1.66	0.80	0.36	2.82
2010	1.55	0.11	1.66	0.80	0.34	2.80
2009*	1.48	0.11	1.60	0.74	0.36	2.70
2008	3.05	0.21	3.26	1.54	0.75	5.55

* revaluation

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

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

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

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

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

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Finchley Gardens	\$14,030,000.00	1	4.40%	\$2,900,000.00	3	0.85%
Towne Oaks	11,155,000.00	2	3.50%	3,450,000.00	1	1.01%
41 Canal Street Association (Bldg)	2,500,000.00	3	0.78%	1,188,200.00	4	0.35%
Durling Realty, LLC	1,600,000.00	4	0.50%			
Zehra Associates	1,275,000.00	5	0.40%	550,000.00	8	0.16%
J&M Associates	1,275,000.00	6	0.40%	625,000.00	6	0.18%
Chafos, J & G	1,106,100.00	7	0.35%	572,000.00	7	0.17%
Ukrainian Orthodox Federal Credit Unic	1,050,000.00	8	0.33%	500,100.00	9	0.15%
Verizon	1,017,210.00	9	0.32%			0.00%
Town & Country Developers				3,150,000.00	2	0.92%
Canal Road Realty	950,000.00	10	0.30%	661,600.00	5	0.19%
Homeowner				487,700.00	10	0.14%
Total	\$35,958,310.00		11.28%	\$14,084,600.00		4.11%

Source: Municipal Tax Assessor

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

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy (a)</u>		<u>Collections in</u> <u>Subsequent Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2018	\$6,385,119.00	\$6,385,119.00	100.00%	\$0.00
2017	6,283,195.00	6,283,195.00	100.00%	0.00
2016	6,171,325.00	6,171,325.00	100.00%	0.00
2015	6,046,957.00	6,046,957.00	100.00%	0.00
2014	5,857,065.00	5,857,065.00	100.00%	0.00
2013	5,649,822.00	5,649,822.00	100.00%	0.00
2012	5,637,466.00	5,637,466.00	100.00%	0.00
2011	5,624,525.00	5,624,525.00	100.00%	0.00
2010	5,541,891.00	5,541,891.00	100.00%	0.00
2009	5,418,991.00	5,418,991.00	100.00%	0.00

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

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

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

Fiscal Year Ended June 30.	Governmental Activities			Bond		Business-Type Activities		Total District	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Anticipation Notes	Capital Leases	Capital Leases				
2018	\$1,210,000.00							\$1,210,000.00	7.46%	\$259.82
2017	1,510,000.00							1,510,000.00	5.73%	327.48
2016	1,815,000.00							1,815,000.00	4.76%	392.69
2015	2,115,000.00							2,115,000.00	4.09%	457.50
2014	2,405,000.00							2,405,000.00	3.48%	519.78
2013	2,690,000.00							2,690,000.00	2.98%	582.88
2012	2,865,000.00							2,865,000.00	2.73%	622.96
2011	3,100,000.00		\$6,918.23					3,106,918.23	2.39%	679.55
2010	3,297,000.00		14,828.90					3,311,828.90	2.16%	618.46
2009	3,512,000.00		22,333.54					3,534,333.54	1.99%	666.23

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

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

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

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

Fiscal Year Ended <u>June 30,</u>	<u>General Bonded Debt Outstanding</u>		Net General Bonded Debt <u>Outstanding</u>	Percentage of Actual Taxable Value (a) of <u>Property</u>	<u>Per Capita (b)</u>
	<u>General Obligation Bonds</u>	<u>Deductions</u>			
2018	\$1,210,000.00		\$1,210,000.00	0.37960%	\$259.82
2017	1,510,000.00		1,510,000.00	0.47110%	327.48
2016	1,815,000.00		1,815,000.00	0.56494%	392.69
2015	2,115,000.00		2,115,000.00	0.65249%	457.50
2014	2,405,000.00		2,405,000.00	0.74196%	519.78
2013	2,690,000.00		2,690,000.00	0.81883%	582.88
2012	2,865,000.00		2,865,000.00	0.84635%	622.96
2011	3,100,000.00		3,100,000.00	0.91629%	678.04
2010	3,297,000.00		3,297,000.00	0.96885%	615.69
2009	3,512,000.00		3,512,000.00	2.11441%	662.02

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

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

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 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			
South Bound Brook Borough	\$5,062,301.74	100.00%	\$5,062,301.74
Other debt			
Somerset County	206,591,021.16	0.56%	1,154,916.24
Middlesex County Utilities Authority	170,384,571.00	0.53%	<u>903,038.23</u>
Subtotal, overlapping debt			\$7,120,256.21
South Bound Brook Borough School District Direct Debt			<u>1,210,000.00</u>
Total direct and overlapping debt			<u><u>\$8,330,256.21</u></u>

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

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

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

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

<u>Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Unemployment Rate (d)</u>
2017	4,657	*	*	5.30%
2016	4,611	\$416,225,748.00	\$90,268.00	5.20%
2015	4,622	399,655,096.00	86,468.00	6.50%
2014	4,623	387,088,413.00	83,731.00	7.60%
2013	4,627	370,932,709.00	80,167.00	9.00%
2012	4,615	360,722,245.00	78,163.00	12.80%
2011	4,599	341,420,562.00	74,238.00	12.30%
2010	4,572	326,774,556.00	71,473.00	12.50%
2009	5,355	376,515,405.00	70,311.00	7.20%
2008	5,305	397,132,300.00	74,860.00	5.50%

Source:

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

* Not Available

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

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction:										
Regular	32	30	30	29	28	28	28	30	32	34
Special education	10	7	7	7	7	7	6	14	9	9
Support Services:										
Student & instruction related services	18	21	20	20	19	22	21	14	11	10
School administrative services	4	4	4	3	2	2	2	2	4	4
Plant operations and maintenance	0	0	0	0	0	0	0	0	0	0
Central services	3	3	3	3	3	3	3	3	4	4
Administration information technology	1	1	1	1	1	1	1	1	1	1
Food Service	5	5	4	4	4	3	3	3	3	3
Total	73	71	69	67	64	66	64	65	64	65

Source: District Personnel Records

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
OPERATING STATISTICS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	% Change	Teaching Staff (b)	Teacher/Pupil		Average Daily Attendance (c)	Average Daily Enrollment (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary/ Middle School					
2018	583	\$9,925,960.60	\$17,025.66	8.84%	43	1/14		424	450	0.90%	94.22%
2017	586	9,283,323.04	15,841.85	(4.33%)	42	1/14		431	446	(1.55%)	96.64%
2016	596	9,323,217.61	15,642.98	5.40%	42	1/14		433	453	(0.44%)	95.58%
2015	582	9,637,057.75	16,558.52	9.16%	40	1/14		435	455	(0.87%)	95.60%
2014	608	9,023,790.03	14,841.76	(1.13%)	40	1/15		438	459	2.00%	95.42%
2013	604	9,162,268.59	15,169.32	9.73%	42	1/14		429	450	(2.81%)	95.33%
2012	592	8,886,558.22	15,011.08	1.10%	42	1/14		443	463	4.04%	95.68%
2011	606	8,377,257.40	13,823.86	(6.89%)	44	1/15		421	445	3.73%	94.61%
2010	620	9,205,362.56	14,847.36	2.19%	41	1/15		405	429	0.23%	94.41%
2009	615	8,935,394.93	14,529.10		43	1/14		406	428	#DIV/0!	94.86%

Sources: District records

Note: Enrollment based on annual October district count.

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

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

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
 SCHOOL BUILDING INFORMATION
 UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>District Building</u>										
Elementary School/Middle School:										
Robert Morris School (2001)	83,416	83,416	83,416	83,416	83,416	83,416	83,416	83,416	83,416	83,416
Square Feet	594	594	594	594	594	594	594	594	594	594
Capacity (students)	452	453	461	450	459	450	465	454	429	427
Enrollment										

Elementary/Middle School = 1

Source: District records

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

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

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

School Facilities *	Robert Morris
Project #(s)	<u>School</u>
2018	\$132,613.70
2017	79,552.45
2016	86,350.30
2015	104,833.89
2014	95,763.45
2013	88,206.83
2012	60,067.58
2011	78,028.71
2010	38,463.00
2009	67,781.51
	<hr/>
Total School Facilities	<u><u>\$831,661.42</u></u>

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

Source: District records

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

	<u>Coverage Amount</u>	<u>Deductible</u>
New Jersey School Boards Association Insurance Group		
Property Coverage:		
Blanket Real and Personal Property	\$450,000,000.00	\$5,000.00
Blanket Extra Expense	50,000,000.00	5,000.00
Blanket Valuable Papers and Records	10,000,000.00	5,000.00
Sublimits:		
Flood	75,000,000.00	500,000.00
Demolition and Increased Cost of Construction	25,000.00	10,000.00
Earthquake	50,000,000.00	10,000.00
Electronic Data Processing:		
Blanket Hardware and Software	500,000.00	1,000.00
Boiler and Machinery Coverage:		
Property Damage	450,000,000.00	
Crime Coverage:		
Money and Securities Limit	50,000.00	1,000.00
Employee Dishonesty	250,000.00	1,000.00
Public Official Bond Limit - Board Treasurer	200,000.00	1,000.00
Public Official Bond Limit - Board Secretary	100,000.00	1,000.00
General Liability Coverage:		
Bodily Injury and Property Damage	31,000,000.00	
Sexual Abuse Claims	17,000,000.00	
Personal Injury and Advertising Injury	31,000,000.00	
Employee Benefit Liability	31,000,000.00	
Automobile Coverage:		
Bodily Injury and Property Damage	31,000,000.00	

Source: District Records

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Borough of South Bound Brook School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 11, 2019.

Internal Control Over Financial Reporting

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

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

SUPLEE, CLOONEY & COMPANY

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

Compliance and Other Matters

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

Purpose of This Report

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


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

February 11, 2019



SUPLEE, CLOONEY & COMPANY

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

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

Report on Compliance for Each Major State Program

We have audited the Borough of South Bound Brook School District's compliance with the types of compliance requirements described in the New Jersey *OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Borough of South Bound Brook School District's major state programs for the year ended June 30, 2018. The District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of South Bound Brook School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; and New Jersey OMB Circular 15-08. Those standards and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough of South Bound Brook School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

SUPLEE, CLOONEY & COMPANY

Opinion on Each Major State Program

In our opinion, the Borough of South Bound Brook School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 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 State of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS



PUBLIC SCHOOL ACCOUNTANT NO. 948

February 11, 2019

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

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM/TITLE	FEDERAL CFDA NUMBER	FEDERAL FAIN NUMBER	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2017	CASH RECEIPTS	BUDGETARY EXPENDITURES	(ACCOUNTS RECEIVABLE)	BALANCE AT JUNE 30, 2018		
										UNEARNED REVENUE	DUE TO GRANTOR	
U.S. Department of Education												
Passed-through State Department of Education:												
N.C.L.B.												
Title I	84-010	S010A160030	NCLB485017	7/1/16	\$114,699.02	(\$22,071.26)	\$22,071.26					
Title I	84-010	S010A170030	NCLB485018	7/1/17	138,819.74		101,244.74	(\$120,089.21)	(\$18,844.47)			
Title II- Part A	84-367A	S367A160029	NCLB485017	7/1/16	9,844.60	(4,859.40)	4,859.40					
Title II- Part A	84-367A	S367A170029	NCLB485018	7/1/17	12,650.60		7,499.60	(7,500.00)	(0.40)			
Title III	84-365	S365A160030	NCLB485017	7/1/16	23,338.32	(14,085.38)	14,085.38					
Title III	84-365	S365A170030	NCLB485018	7/1/17	15,080.62		7,711.62	(9,813.91)	(2,102.29)			
Title IV	84-424A	S424A170031	NCLB485018	7/1/17	9,400.00	(41,016.04)	158,972.00	(3,550.00)	(2,050.00)			
Total N.C.L.B.								(140,953.12)	(22,997.16)			
I.D.E.A. Part B Education Cluster												
I.D.E.A. Part B, Basic	84-027	H027A170100	IDEA485017	7/1/16	123,405.38	(7,852.62)	7,852.62					
I.D.E.A. Part B, Basic	84-027	H027A180100	IDEA485018	7/1/17	146,101.38		105,003.38	(123,896.00)	(18,892.62)			
I.D.E.A. Part B-Preschool	84-173	H173A170114	IDEA485017	7/1/16	5,551.00	(0.90)	0.90					
I.D.E.A. Part B-Preschool	84-173	H173A180114	IDEA485018	7/1/17	7,879.10	(7,853.52)	2,328.10	(5,551.00)	(3,222.90)			
Total Education Cluster							115,185.00	(129,447.00)	(22,115.52)			
Total Special Revenue Fund						(48,869.56)	274,157.00	(270,400.12)	(45,112.68)			
U.S. Department of Agriculture												
Passed-through State Department of Education:												
Child Nutrition Cluster:												
National School Lunch Program - Commodities	10-555	171NJ304N1099	N/A	10/1/16	11,935.77	478.76	11,732.63	(478.76)		\$914.52		
National School Lunch Program - Commodities	10-555	181NJ304N1099	N/A	10/1/17	11,394.39		6,869.24	(10,818.11)				
National School Lunch Program	10-555	171NJ304N1099	N/A	10/1/16	102,488.32	(6,869.24)	100,428.87	(109,350.81)	(8,921.94)			
National School Lunch Program	10-555	181NJ304N1099	N/A	10/1/17	109,350.81		1,029.29	(19,569.04)	(879.13)			
National School Breakfast Program	10-553	171NJ304N1099	N/A	10/1/16	13,596.98	(7,419.77)	132,749.94	(134,216.72)	(9,801.07)	914.52		
National School Breakfast Program	10-553	181NJ304N1099	N/A	10/1/17	13,569.04		132,749.94	(134,216.72)	(9,801.07)	914.52		
Total Child Nutrition Cluster												
Total U.S. Department of Agriculture						(7,419.77)	132,749.94	(134,216.72)	(9,801.07)	914.52		
Total Expenditures of Federal Awards						(\$56,289.33)	\$406,906.94	(\$404,616.84)	(\$54,913.75)	\$914.52	\$-0-	

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

STATE GRANITOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2017	CASH RECEIPTS	BUDGETARY EXPENDITURES	ADJUSTMENT	BALANCE AT JUNE 30, 2018			BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
								(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	DUE TO GRANTOR		
State Department of Education General Funds:												
State Aid Cluster:												
Equalization Aid	18-495-034-5120-078	7/1/17	\$3,046,297.00		\$2,745,343.00	(\$3,046,297.00)	\$300,954.00				\$300,954.00	\$3,046,297.00
Special Education Aid	18-495-034-5120-011	7/1/17	340,449.00		306,831.00	(340,449.00)	33,618.00				33,618.00	340,449.00
Categorical Security Aid	18-495-034-5120-084	7/1/17	35,261.00		31,780.00	(35,261.00)	3,481.00				3,481.00	35,261.00
PARCC Readiness Aid	18-495-034-5120-098	7/1/17	5,580.00		5,034.00	(5,580.00)	546.00				546.00	5,580.00
Per Pupil Growth	18-495-034-5120-097	7/1/17	5,580.00		5,034.00	(5,580.00)	546.00				546.00	5,580.00
Professional Learning Community Aid	18-495-034-5120-101	7/1/17	5,500.00		4,954.00	(5,500.00)	546.00				546.00	5,500.00
Total State Aid Cluster			16,266.00		3,098,976.00	(3,438,667.00)	339,691.00				339,691.00	3,438,667.00
Categorical Transportation Aid	18-495-034-5120-014	7/1/17	63,407.00		14,682.00	(16,266.00)	1,604.00				1,604.00	16,266.00
Extraordinary Aid	17-100-034-5120-473	7/1/16	56,107.00		63,407.00							56,107.00
On Behalf TPAF Pension Post Retirement Medical	18-495-034-5120-104	7/1/17	1,800.00		1,800.00	(1,800.00)						1,800.00
On Behalf TPAF Pension Post Retirement Medical	18-495-034-5094-001	7/1/17	326,439.00		326,439.00	(326,439.00)						326,439.00
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17	11,975.00		11,975.00	(11,975.00)						11,975.00
On Behalf TPAF Pension Contribution	18-495-034-5094-002	7/1/17	493,445.00		493,445.00	(493,445.00)						493,445.00
On Behalf TPAF Long Term Disability Insurance	18-495-034-5094-004	7/1/17	944.00		944.00	(944.00)						944.00
Reimbursed TPAF social security contributions	17-495-034-5094-003	7/1/16	231,371.69									231,371.69
Reimbursed TPAF social security contributions	18-495-034-5094-003	7/1/17	234,540.89		234,540.89	(234,540.89)						234,540.89
Total General Funds			258,041.00	(63,407.00)	4,246,188.89	(4,580,183.89)	341,295.00	(56,107.00)			397,402.00	4,881,220.16
New Jersey Schools Development Authority Capital Projects Fund:												
Robert Morris School - Emergency Generator	4850-060-14-1002	various	280,894.00	(137,036.28)	105,261.03							31,775.25
Robert Morris School - Various Improvements	4850-060-14-1001	various		(249,725.27)								249,725.27
Total Capital Projects Fund			280,894.00	(386,761.55)	105,261.03							281,500.52
State Department of Agriculture Child Nutrition Cluster:												
State School Lunch Program	17-100-010-3350-023	7/1/16	2,476.92	(162.93)	162.93							2,476.92
State School Lunch Program	18-100-010-3350-023	7/1/17	2,769.41	(162.93)	2,550.46	(2,769.41)						2,475.92
Total Child Nutrition Cluster			2,769.41	(162.93)	2,713.39	(2,769.41)						5,065.54
Total Enterprise Fund				(162.93)	2,713.39	(2,769.41)						5,065.54
Total State Financial Assistance			\$3,521,360.31	(\$450,331.48)	\$4,354,163.31	(\$4,582,953.30)	\$341,295.00	(\$337,826.47)	-0-		\$679,121.47	\$5,167,766.22
Less: On-Behalf amounts not utilized for determination of Major Programs:												
On Behalf TPAF Pension Post Retirement Medical	18-495-034-5094-001	7/1/17	326,439.00		326,439.00	(326,439.00)						2,589.62
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17	11,975.00		11,975.00	(11,975.00)						2,475.92
On Behalf TPAF Pension Contribution	18-495-034-5094-002	7/1/17	493,445.00		493,445.00	(493,445.00)						5,065.54
On Behalf TPAF Long Term Disability Insurance	18-495-034-5094-004	7/1/17	944.00		944.00	(944.00)						5,065.54
Total State Financial Assistance Subject to Single Audit Testing			\$3,521,360.31	(\$450,331.48)	\$4,354,163.31	(\$4,582,953.30)	\$341,295.00	(\$337,826.47)	-0-		\$679,121.47	\$5,167,766.22

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

Borough of South Bound Brook School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2018

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

Borough of South Bound Brook School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2018

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$8,859.00) for the general fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$4,571,324.89	\$4,571,324.89
Special Revenue Fund	\$270,400.12		270,400.12
Food Service Fund	134,216.72	2,769.41	136,986.13
GAAP Basis	<u>\$404,616.84</u>	<u>\$4,574,094.30</u>	<u>\$4,978,711.14</u>
Budgetary Adjustment		8,859.00	8,859.00
Total Awards & Financial Assistance	<u><u>\$404,616.84</u></u>	<u><u>\$4,582,953.30</u></u>	<u><u>\$4,987,570.14</u></u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF pension contributions, post-retirement medical benefits and long-term disability insurance represents the amount paid by the state on behalf of the district for the year ended June 30, 2018. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2018.

Borough of South Bound Brook School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Program(s) - Not Applicable

State Program(s)

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

<u>Program</u>	<u>Grant Number</u>
State Aid Public Cluster:	
Special Education Categorical Aid	18-495-034-5120-011
Equalization Aid	18-495-034-5120-078
Categorical Security Aid	18-495-034-5120-084
PARCC Readiness Aid	18-495-034-5120-098
Per Pupil Growth Aid	18-495-034-5120-097
Professional Learning Community Aid	18-495-034-5120-101

Borough of South Bound Brook School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

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

- (5) Program Threshold Determination:
 - Type A State Program Threshold > \$750,000.00
 - Type B State Program Threshold <= \$750,000.00

- (6) Auditee qualified as a low-risk auditee under N.J. OMB Circular 15-08? Yes

Internal Control Findings

None Reported

Compliance Findings

None Reported

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

State Programs – None Reported

Borough of South Bound Brook School District

Schedule of Prior Year Audit Findings

Not Applicable

