

**BOUND BROOK  
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019**

**Comprehensive Annual  
Financial Report**

**of the**

**BOROUGH OF BOUND BROOK  
SCHOOL DISTRICT**

**Bound Brook, New Jersey**

**For the Fiscal Year Ended June 30, 2019**

**Prepared by**

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

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INTRODUCTORY SECTION

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

Phone: (732) 652-7928  
Fax: (732) 271-9097

Michael Steinmetz  
Business Administrator/ Board Secretary

November 8, 2019

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

Dear Honorable President and Board Members:

The Comprehensive Annual Financial Report of the Borough of Bound Brook School District (the "District") for the fiscal year ended June 30, 2019 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Borough of Bound Brook School District (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District continues to provide a full range of educational services appropriate to grade levels Preschool Handicapped through Grade 12. These include regular, pre-vocational and special education programs. The District completed the 2018-2019 school year with an average daily enrollment of 1,893 students, which is 10 students more than last year.

## 2. ECONOMIC CONDITION AND OUTLOOK

The School District, along with many other public school systems in the State, faces some difficult economic situations in the future since the primary funding source is property tax revenue.

The School District attributes much of its past education success to the community's demand for, and support of, a quality school system.

## 3. MAJOR INITIATIVES

The district enrollment is increasing at a very high rate, faster than the latest enrollment projection. The increase of student enrollment will not affect our programs going forward in any way, we are adding staff and resources to support our students and staff. District is starting a 12-classroom addition to Smalley School in December. The district will also start a new cafeteria and kitchen on Lafayette School for further expansion in the future. The last time the district did a demographic study was 2019 by Whitehall group, we have exceeded these enrollment number already. The introduction of 8 Pilot building programs will strain the district financially as well in our facilities to house all the new students that will be attending our school district.

The most pressing professional development need is strategies for SEL. We were able to provide PD to 35 of our elementary staff in June on Responsive Classroom, Level 1. This was accomplished by using funding from Title IV. We have worked with various county agencies to bring PD into the district regarding Mindfulness, Trauma Informed Education, The Effects of Emotional Intelligence on Youth, Fostering Empathy at School, Restorative Practices for grades 7-12. The district has currently started a therapeutic counseling center and a therapeutic K-1 classroom for mental health needs.

In terms of personnel, there was an addition in personnel, as a special education teacher at the high school was hired to implement modifications and accommodations to serve our special education population, as well as co-teaching with the general education teacher.

We implemented Advanced Placement Physics, as well as Astronomy to the Program of Studies as new course offerings. The teacher responsible for AP Physics was trained at an AP institute during the summer and wrote the curriculum for both of these courses. Although the course curriculum is written, every other year the teacher will attend an AP Institute to keep current with trends in the high stakes assessment, as well as an opportunity to network with other educational professionals that teach AP Physics.

In 20/21 we plan to have \$730,104.06 in the general budget (tentative) to be used for New wifi upgrade \$220,000 for the whole district before federal money applied. We expect to be Erated 70% or more discount based on our free and reduced lunch number (if our Erate money refreshes the FCC has not made a decision yet). The district will pay the rest. We are using technology across the curriculum to enhance learning. Computer science skills are addressed in grades 6-12 through specific courses devoted to technology. In grades K-6, computer science skills are infused into daily lessons through research, writing, center work, and teacher directed lessons.



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

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at fiscal year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent fiscal year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2019.

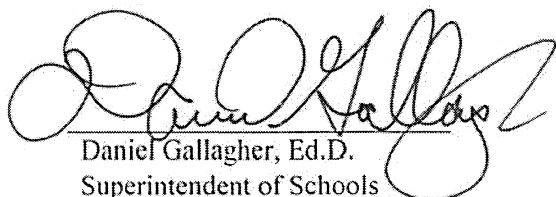
6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to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

The Honorable President and Members  
of the Board of Education  
Borough of Bound Brook School District  
Page 4  
November 8, 2019

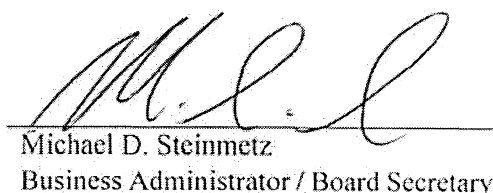
9. OTHER INFORMATION: **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes,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

10. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Bound Brook Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

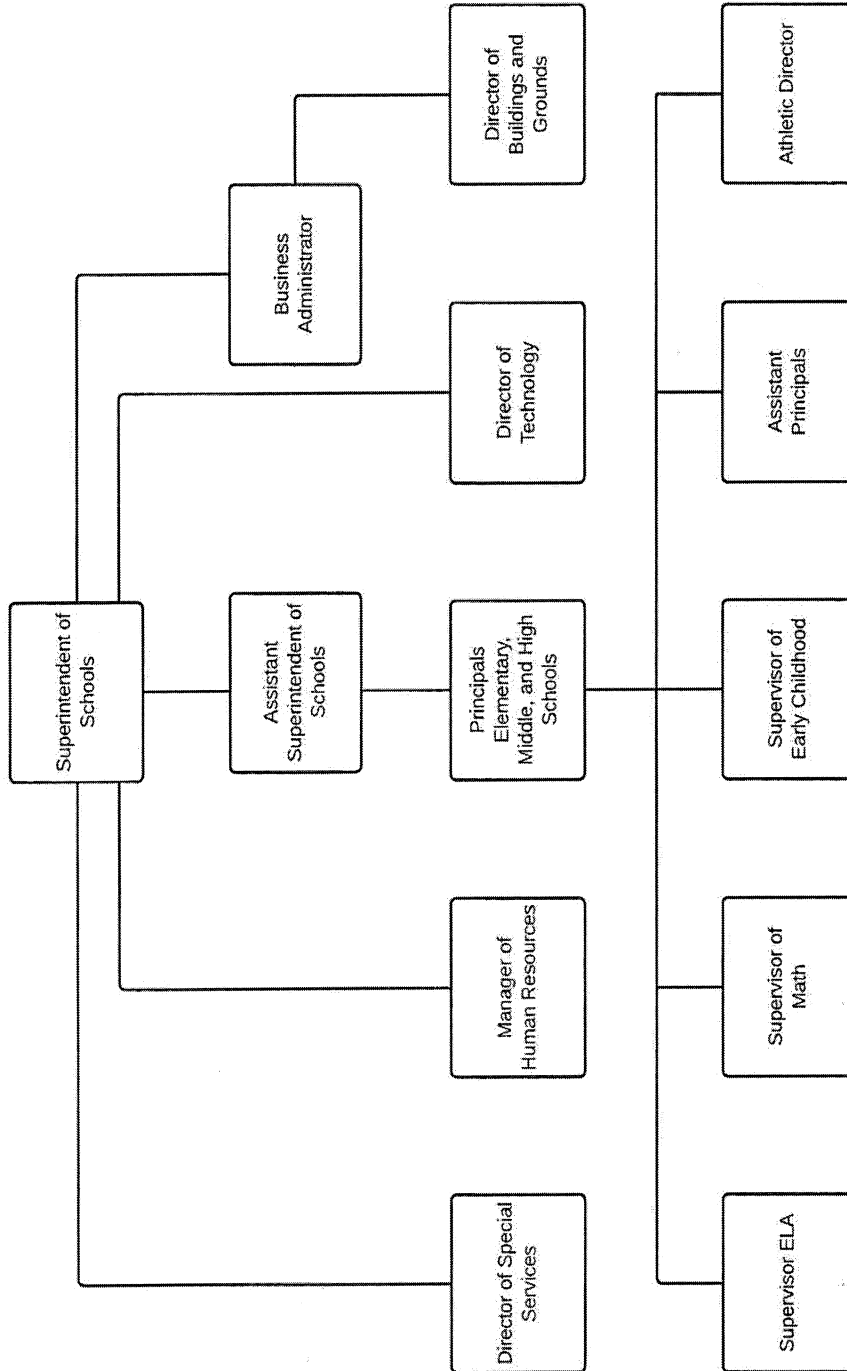


Daniel Gallagher, Ed.D.  
Superintendent of Schools



Michael D. Steinmetz  
Business Administrator / Board Secretary

BOUND BROOK BOARD OF EDUCATION  
 Organizational Chart  
 Fiscal Year Ended June 30, 2019



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

**ROSTER OF OFFICIALS**

**JUNE 30, 2019**

**MEMBERS OF THE BOARD OF EDUCATION**

**TERM EXPIRES**

Michele DeFazio, President	2021
Camilia Stevens, Vice President	2021
Tyler Awtry	2020
Michael Bal	2020
William Boehm	2020
Lizethe Martinez	2019
Mario Meola	2019
Charity Morris	2021
Roger Zupko	2019
Dominic Vatalare, South Bound Brook Representative	2020

**OTHER OFFICIALS**

Dr. Daniel Gallagher, Superintendent

Michael Steinmetz, Business Administrator/Board Secretary

Thomas A. Venanzi, Treasurer

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

**Architects**

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

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

**Audit Firm**

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

**Attorney**

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

**Official Depository**

TD Bank, NA  
452 Union Avenue  
Bridgewater, NJ 08807

FINANCIAL SECTION

## Independent Auditors' Report

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Bound Brook School District (the "District") in the County of Somerset, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Bound Brook School District, in the County of Somerset, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension and post-employment benefits schedules in Exhibits L-1 through L-5 and the related notes, and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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



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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 8, 2019  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

This section of Borough of Bound Brook School District’s annual financial report presents its discussion and analysis of the District’s financial performance during the fiscal year ending June 30, 2019. 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.

**Overview of the Financial Statements**

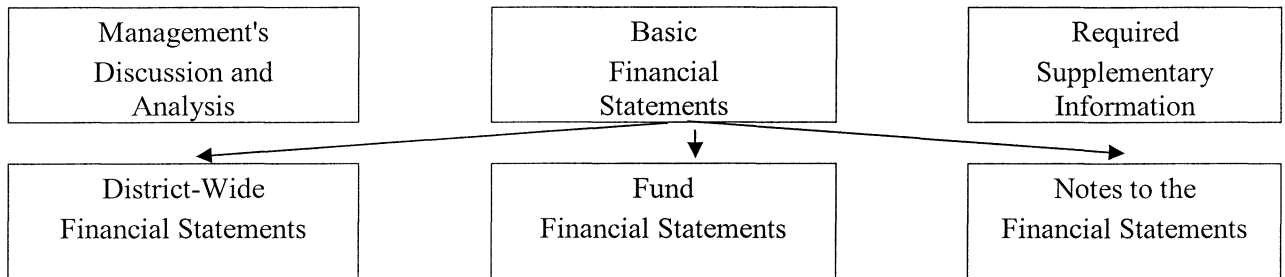
This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

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

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



**BOROUGH OF BOUND BROOK SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
(Unaudited)

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

**Figure A-2**

***Major Features of the District-Wide and Fund Financial Statements***

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

### **District-wide Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

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

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

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

*Net Position.* The District's combined net position at June 30, 2019 increased by \$2,148,051 from the previous year. The net position from governmental activities increased \$2,242,365 and the net position from business-type activities decreased \$94,314. The net investment in capital assets increased by \$3,428,694. Restricted net position decreased by \$883,781. Unrestricted net position decreased by \$396,862.

**Figure A-3**  
**Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
Current and Other Assets	\$ 3,797,071	\$ 5,891,121	\$ 288,124	\$ 466,070	\$ 4,085,195	\$ 6,357,191	
Capital Assets, Net	34,299,351	31,296,382	618,081	556,066	34,917,432	31,852,448	
Total Assets	38,096,422	37,187,503	906,205	1,022,136	39,002,627	38,209,639	2.08%
Deferred Outflows of Resources	2,272,888	3,484,830			2,272,888	3,484,830	-34.78%
Other Liabilities	1,507,585	1,851,246	14,418	36,035	1,522,003	1,887,281	
Long-Term Liabilities	32,240,053	35,287,204			32,240,053	35,287,204	
Total Liabilities	33,747,638	37,138,450	14,418	36,035	33,762,056	37,174,485	-9.18%
Deferred Inflows of Resources	2,685,890	1,840,466			2,685,890	1,840,466	45.94%
<b>Net Position:</b>							
Net Investment in							
Capital Assets	10,171,912	6,805,233	618,081	556,066	10,789,993	7,361,299	
Restricted	3,300,175	4,183,956			3,300,175	4,183,956	
Unrestricted / (Deficit)	(9,536,305)	(9,295,772)	273,706	430,035	(9,262,599)	(8,865,737)	
Total Net Position	\$ 3,935,782	\$ 1,693,417	\$ 891,787	\$ 986,101	\$ 4,827,569	\$ 2,679,518	80.17%

**BOROUGH OF BOUND BROOK SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
(Unaudited)

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,208,831	\$ 1,364,129	\$ 251,305	\$ 213,549	\$ 1,460,136	\$ 1,577,678	
Operating Grants & Contributions	11,001,994	12,869,099	1,196,738	1,179,739	12,198,732	14,048,838	
General Revenue:							
Property Taxes	14,217,109	14,217,109			14,217,109	14,217,109	
Unrestricted Federal & State Aid	12,625,558	9,605,112			12,625,558	9,605,112	
Other	297,635	142,487	384	(6,737)	298,019	135,750	
Total Revenue	39,351,127	38,197,936	1,448,427	1,386,551	40,799,554	39,584,487	3.07%
Expenses:							
Instruction	21,473,964	22,844,086			21,473,964	22,844,086	
Pupil & Instruction Services	6,757,428	5,802,630			6,757,428	5,802,630	
Administrative & Business	4,363,374	4,180,816			4,363,374	4,180,816	
Maintenance & Operations	2,527,645	2,320,651			2,527,645	2,320,651	
Transportation	749,559	660,955			749,559	660,955	
Other	1,237,176	995,325	1,542,357	1,325,183	2,779,533	2,320,508	
Total Expenses	37,109,146	36,804,463	1,542,357	1,325,183	38,651,503	38,129,646	1.37%
Transfers	384	225	(384)	(225)			
Change in Net Position	\$ 2,242,365	\$ 1,393,698	\$ (94,314)	\$ 61,143	\$ 2,148,051	\$ 1,454,841	47.65%

**Governmental Activities**

As discussed elsewhere in this commentary, the financial position of the District increased significantly from the prior year. There was an increase in state aid which helped to cover the contractual obligations. The District is over \$6 million below adequacy, which causes a severe strain on maintaining the budget. Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented or continued during the year were:

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

Figure A-5 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial obligation placed on the District's taxpayers by each of these functions:

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

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2018/2019</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2017/2018</u>
Instruction	\$ 21,473,964	\$ 22,844,086	\$ 11,251,357	\$ 10,989,903
Pupil and Instruction Services	6,757,428	5,802,630	5,717,423	4,519,533
Administrative and Business	4,363,374	4,180,816	3,567,764	3,143,265
Maintenance and Operations	2,527,645	2,320,651	2,527,645	2,320,651
Transportation	749,559	660,955	596,956	602,558
Other	1,237,176	995,325	1,237,176	995,325
	<u>\$ 37,109,146</u>	<u>\$ 36,804,463</u>	<u>\$ 24,898,321</u>	<u>\$ 22,571,235</u>

**Business-Type Activities**

Net position from the District's business-type activity decreased by \$94,314 (Refer to Figure A-4).

**Financial Analysis of the District's Funds**

With the decline in excess surplus, the District needed to reduce a large budgeted fund balance that it could no longer fund. The District's long-term plan is to reduce the budgeted fund balance further by generating a healthy surplus and starting tuition based programs as additional revenue sources.

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

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



BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

**General Fund Budgetary Highlights**

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

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

**Capital Assets**

At year-end, the District had \$34,917,432 in capital assets as shown in Figure A-6. Capital Assets had a net increase of \$3,064,984 or 9.62% over the prior year. The District had \$3,815,725 of additions offset by \$750,741 of depreciation expense. (More detailed information about the District’s capital assets is presented in Note 7 to the financial statements.)

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

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
Construction in Progress	\$ 14,959,985	\$ 13,829,881			\$ 14,959,985	13,829,881	
Buildings and Building Improvements	17,505,366	16,732,541	\$ 459,553	\$ 474,403	17,964,919	\$ 17,206,944	
Machinery and Equipment	1,834,000	733,960	158,528	81,663	1,992,528	815,623	
<b>Total Capital Assets (Net of Depreciation)</b>	<b>\$ 34,299,351</b>	<b>\$ 31,296,382</b>	<b>\$ 618,081</b>	<b>\$ 556,066</b>	<b>\$ 34,917,432</b>	<b>\$ 31,852,448</b>	<b>9.62%</b>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

**Long-term Liabilities**

At year-end, the District had \$24,160,000 in general obligation bonds outstanding and utilized the option to purchase the capital leases in the current year as shown in Figure A-7. (More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.)

**Figure A-7**

**Outstanding Long-Term Liabilities**

	<u>Total School District</u>		<u>Percentage Change</u>
	<u>2018/2019</u>	<u>2017/2018</u>	
General Obligation Bonds (Financed with Property Taxes)	\$ 24,160,000	\$ 25,255,000	
Capital Lease Purchase		398,814	
Net Pension Liability	7,601,725	9,169,004	
Compensated Absences	478,328	464,386	
	<u>\$ 32,240,053</u>	<u>\$ 35,287,204</u>	<u>-8.64%</u>

- The District retired \$1,095,000 of Serial Bonds Payable.
- The Compensated Absence Payable accrued an additional \$13,942.
- The Net Pension Liability decreased \$1,567,279.
- The District retired \$398,814 of Capital Leases.

**Factors Bearing on the District’s Future**

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

- There are two primary revenue sources available to school districts: state aid and local taxes. The state aid revenue stream has increased for a limited amount of funds over the last two years, however, the introduction of Pilot projects in the Borough without any funds coming into the district will create a financial strain for the next 15 years.
- The school district enrollment has increased significantly over the past three years, with 2080 students to educate; this has placed an additional burden on the capped revenue source as well as facility needs.
- The District is continuing its goal of eliminating the need of budgeted fund balance to cover projected costs. To that end, it would probably need at least another year of an increase to the tax levy to cover contract costs.

**Contacting the District’s Financial Management**

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 603,109	\$ 82,140	\$ 685,249
Receivable from Federal Government	352,133	2,134	354,267
Receivable from State Government	180,567	176,465	357,032
Receivable from Other Governments	68,247		68,247
Other Accounts Receivable		7,313	7,313
Internal Balances	384	(384)	
Interfund Accounts Receivable	12,707		12,707
Inventories		20,456	20,456
Restricted Assets:			
Maintenance Reserve Account - Cash and Cash Equivalents	1,000,220		1,000,220
Capital Reserve Account - Cash and Cash Equivalents	1,329,704		1,329,704
Emergency Reserve Account - Cash and Cash Equivalents	250,000		250,000
Capital Assets:			
Construction in Progress	14,959,985		14,959,985
Depreciable Buildings and Building Improvements and Machinery and Equipment	19,339,366	618,081	19,957,447
Total Assets	<u>38,096,422</u>	<u>906,205</u>	<u>39,002,627</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	2,272,888		2,272,888
Total Deferred Outflows of Resources	<u>2,272,888</u>		<u>2,272,888</u>
<b>LIABILITIES</b>			
Accounts Payable	690,589		690,589
Payable to Local Government	125,073		125,073
Accrued Interest Payable	357,845		357,845
Unearned Revenue	334,078	14,418	348,496
Noncurrent Liabilities:			
Due Within One Year	830,000		830,000
Due Beyond One Year	31,410,053		31,410,053
Total Liabilities	<u>33,747,638</u>	<u>14,418</u>	<u>33,762,056</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	2,685,890		2,685,890
Total Deferred Inflows of Resources	<u>2,685,890</u>		<u>2,685,890</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	10,171,912	618,081	10,789,993
Restricted for:			
Capital Projects	1,329,704		1,329,704
Debt Service	32,582		32,582
Maintenance	1,000,220		1,000,220
Emergency	250,000		250,000
Excess Surplus	687,669		687,669
Unrestricted/(Deficit)	(9,536,305)	273,706	(9,262,599)
Total Net Position	<u>\$ 3,935,782</u>	<u>\$ 891,787</u>	<u>\$ 4,827,569</u>

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 14,534,183	\$ 1,180,927	\$ 5,342,417	\$ (8,010,839)		\$	(8,010,839)
Special Education	4,470,193		3,242,730	(1,227,462)			(1,227,462)
Other Instruction	1,645,515			(1,645,515)			(1,645,515)
School-Sponsored Instruction	824,073		456,532	(367,541)			(367,541)
Support Services:							
Tuition	1,730,757			(1,730,757)			(1,730,757)
Student & Instruction Related Services	5,026,671		1,040,005	(3,986,666)			(3,986,666)
General Administrative Services	726,327		208,779	(517,548)			(517,548)
School Administrative Services	2,362,432		556,526	(1,805,906)			(1,805,906)
Central Services and Administrative							
Information Technology	1,274,615		30,305	(1,244,310)			(1,244,310)
Plant Operations and Maintenance	2,527,645			(2,527,645)			(2,527,645)
Pupil Transportation	749,559	27,904	124,699	(596,956)			(596,956)
Interest and Other Charges	793,513			(793,513)			(793,513)
Capital Outlay	407,927			(407,927)			(407,927)
Transfer to Charter School	35,736			(35,736)			(35,736)
Total Governmental Activities	37,109,146	1,208,831	11,001,994	(24,898,321)			(24,898,321)

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:						
Food Service	\$ 1,539,557	\$ 248,505	\$ 1,196,738		\$ (94,314)	\$ (94,314)
Summer Enrichment	1,975					
Summer Sports	825					
Total Business-Type Activities	1,542,357	251,305	1,196,738		(94,314)	(94,314)
Total Primary Government	\$ 38,651,503	\$ 1,460,136	\$ 12,198,732	\$ (24,898,321)	\$ (94,314)	\$ (24,992,635)
General Revenue and Transfers						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 13,680,017	\$	\$ 13,680,017
Taxes Levied for Debt Service				537,092		537,092
Federal and State Aid not Restricted:				12,625,558		12,625,558
Miscellaneous Income				297,635	\$ 384	298,019
Transfers				384	(384)	
Total General Revenue and Transfers				27,140,686		27,140,686
Change in Net Position				2,242,365	(94,314)	2,148,051
Net Position - Beginning				1,693,417	986,101	2,679,518
Net Position - Ending				\$ 3,935,782	\$ 891,787	\$ 4,827,569

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

FUND FINANCIAL STATEMENTS



BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 343,734	\$ 194,232	\$ 65,142	\$ 1	\$ 603,109
Receivables From Federal Government		352,133			352,133
Receivables From State Government	180,567				180,567
Receivables From Other Governments	68,247				68,247
Interfund Receivable	13,091			32,581	45,672
Restricted Cash and Cash Equivalents	2,579,924				2,579,924
Total Assets	\$ 3,185,563	\$ 546,365	\$ 65,142	\$ 32,582	\$ 3,829,652

LIABILITIES AND FUND BALANCES:

Liabilities:					
Accounts Payable	\$ 174,757	\$ 286,041			\$ 460,798
Interfund Payable			\$ 32,581		32,581
Payable to Local Government	125,073				125,073
Unearned Revenue	2,050	332,028			334,078
Total Liabilities	301,880	618,069	32,581		952,530
Fund Balances:					
Restricted:					
Capital Reserve Account	1,329,704				1,329,704
Capital Projects			32,561		32,561
Maintenance Reserve	1,000,220				1,000,220
Emergency Reserve Account	250,000				250,000
Excess Surplus	40,439				40,439
Excess Surplus - For Subsequent Year's Expenditures	647,230				647,230
Debt Service				\$ 32,582	32,582
Fund Balances:					
Unassigned / (Deficit)	(383,910)	(71,704)			(455,614)
Total Fund Balances/(Deficit)	2,883,683	(71,704)	\$ 32,561	\$ 32,582	2,877,122
Total Liabilities and Fund Balances	\$ 3,185,563	\$ 546,365	\$ 65,142	\$ 32,582	\$ 3,829,652

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

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

Total Fund Balances from Above	\$ 2,877,122
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds.	34,299,351
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(357,845)
Long-Term Liabilities, Including Bonds Payable and Compensated Absences, Are Not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds	(24,638,328)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(7,601,725)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Deferred Outflows	2,043,097
Deferred Inflows	(2,685,890)
Net Position of Governmental Activities	\$ 3,935,782

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 13,680,017			\$ 537,092	\$ 14,217,109
Tuition Charges	1,180,927				1,180,927
Transportation Fees	27,904				27,904
Miscellaneous	290,571	\$ 14,603	\$ 7,064		312,238
Total - Local Sources	15,179,419	14,603	7,064	537,092	15,738,178
State Sources	17,953,068	627,843		935,887	19,516,798
Federal Sources	31,228	1,984,901			2,016,129
Total Revenues	33,163,715	2,627,347	7,064	1,472,979	37,271,105
<b>EXPENDITURES:</b>					
Current:					
Regular Instruction	7,316,120	2,064,520			9,380,640
Special Education Instruction	2,456,029	506,276			2,962,305
Other Instruction	712,757				712,757
School-Sponsored	824,073				824,073
Support Services and Undistributed Costs:					
Tuition	1,730,757				1,730,757
Student and Other Instruction Related Services	3,349,511				3,349,511
General Administration Services	794,333				794,333
School Administration Services	1,423,881				1,423,881
Central Services & Administrative Information Technology	1,110,170				1,110,170
Plant Operations and Maintenance	2,346,508				2,346,508
Student Transportation	678,151				678,151
Unallocated Benefits	7,840,625				7,840,625

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Debt Service:					
Interest and Other Charges				\$ 809,263	\$ 809,263
Principal				1,095,000	1,095,000
Capital Outlay	\$ 2,950,438	\$ 56,905	\$ 1,130,104		4,137,447
Transfer of Funds to Charter School	35,736				35,736
Total Expenditures	33,569,089	\$ 2,627,701	1,130,104	1,904,263	39,231,157
Excess/(Deficit) of Revenue Over/(Under) Expenditures	(405,374)	(354)	(1,123,040)	(431,284)	(1,960,052)
OTHER FINANCING SOURCES/(USES):					
Transfers In/(Out)	(376,244)		(7,064)	383,692	384
Total Other Financing Sources/(Uses)	(376,244)		(7,064)	383,692	384
Net Change in Fund Balances	(781,618)	(354)	(1,130,104)	(47,592)	(1,959,668)
Fund Balance / (Deficit) - July 1	3,665,301	(71,350)	1,162,665	80,174	4,836,790
Fund Balance / (Deficit) - June 30	\$ 2,883,683	\$ (71,704)	\$ 32,561	\$ 32,582	\$ 2,877,122

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (1,959,668)

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

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

	Depreciation Expense	\$ (726,551)	
	Capital Outlays	3,729,520	3,002,969

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

(13,942)

Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces

Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.

1,095,000

Repayment of capital lease principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

398,814

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

15,750

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Changes in Net Pension Liability	\$ 1,567,279
Change in Deferred Outflows	(1,018,413)
Change in Deferred Inflows	<u>(845,424)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	<u>\$ 2,242,365</u>

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019

	Business-type Activities - <u>Enterprise Funds</u> <u>Non-Major Funds</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 82,140
Intergovernmental Accounts Receivable:	
Federal	176,465
State	2,134
Accounts Receivable - Other	5,595
Student Accounts Receivable	1,718
Inventories	<u>20,456</u>
Total Current Assets	<u>288,508</u>
Non-Current Assets:	
Capital Assets	1,022,849
Less: Accumulated Depreciation	<u>(404,768)</u>
Total Non-Current Assets	<u>618,081</u>
Total Assets	<u>906,589</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Interfund Accounts Payable - General Fund	384
Unearned Revenue - Prepaid Sales	6,748
Unearned Revenue - Donated Commodities	6,870
Unearned Revenue - Program Fees	<u>800</u>
Total Current Liabilities	<u>14,802</u>
<b>NET POSITION:</b>	
Investment in Capital Assets	618,081
Unrestricted	<u>273,706</u>
Total Net Position	<u>\$ 891,787</u>

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Business-type Activities - Enterprise Funds Non-Major Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Meals	\$ 145,408
Daily Sales - Non-Reimbursable Meals	93,487
Other Income	9,610
Charges for Services - Program Fees	<u>2,800</u>
Total Operating Revenue	<u>251,305</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	691,514
Cost of Sales - Non-Reimbursable Programs	54,620
Salaries, Benefits & Payroll Taxes	522,172
Supplies, Insurance & Other Costs	113,985
Management Fee	47,974
Miscellaneous	85,102
Program Expenses	2,800
Depreciation Expense	<u>24,190</u>
Total Operating Expenses	<u>1,542,357</u>
Operating Loss	(1,291,052)
Non-Operating Revenue:	
Local Sources:	
Interest Income	384
State Sources:	
State School Lunch Program	13,086
Federal Sources:	
National School Lunch Program	668,665
After School Snack Program	10,707
Summer Food Service Program	21,044
School Breakfast Program	395,831
Food Distribution Program	<u>87,405</u>
Total Non-Operating Revenue	<u>1,197,122</u>
Change in Net Position Before Transfers	(93,930)
Transfer - General Fund	<u>(384)</u>
Change in Net Position After Transfers	<u>(94,314)</u>
Net Position - Beginning of Year	<u>986,101</u>
Net Position - End of Year	<u>\$ 891,787</u>

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



BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-type Activities - <u>Enterprise Funds</u> <u>Non-Major Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 247,464
Payments for Programs	(2,800)
Payments to Food Service Vendor	(522,172)
Payments to Suppliers	<u>(920,490)</u>
Net Cash Used for Operating Activities	<u>(1,197,998)</u>
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	<u>384</u>
Net Cash Provided by Investing Activities	<u>384</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(86,205)</u>
Net Cash Used for Capital and Related Financial Activities	<u>(86,205)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State Reimbursements	11,749
Cash Received from Federal Reimbursements	<u>993,126</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,004,875</u>
Net Decrease in Cash and Cash Equivalents	(278,944)
Cash and Cash Equivalents, July 1	<u>361,084</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 82,140</u></u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Business-type Activities - Enterprise Funds Non-Major Funds</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (1,291,052)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	24,190
Food Distribution Program	87,405
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(4,849)
(Increase)/Decrease in Accounts Receivable - Students	(874)
(Increase)/Decrease in Inventory	6,623
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(741)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	1,082
Increase/(Decrease) in Unearned Revenue - Program Fees	800
Increase/(Decrease) in Accounts Payable - Food Service Provider	<u>(20,582)</u>
Net Cash Used for Operating Activities	<u>\$ (1,197,998)</u>

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received \$86,664 and utilized \$87,405 of commodities from the Federal Food Distribution Program for the fiscal year ended June 30, 2019.

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 322,637	\$ 248,947	\$ 8,670	\$ 123	\$ 580,377
Interfund Receivable - Payroll Agency Fund		8,974			8,974
Total Assets	<u>322,637</u>	<u>257,921</u>	<u>8,670</u>	<u>123</u>	<u>589,351</u>
<b>LIABILITIES:</b>					
Interfund Payable - General Fund	12,707				12,707
Interfund Payable - Unemployment Trust	8,974				8,974
Due to Student Groups	72,829				72,829
Due to Athletic Fund	1,240				1,240
Payroll Deductions and Withholdings	226,887				226,887
Total Liabilities	<u>322,637</u>				<u>322,637</u>
<b>NET POSITION:</b>					
Held in Trust for:					
Unemployment Claims		257,921			257,921
Flexible Spending Claims			8,670		8,670
Restricted for Scholarships				123	123
Total Net Position	<u>\$ -0-</u>	<u>\$ 257,921</u>	<u>\$ 8,670</u>	<u>\$ 123</u>	<u>\$ 266,714</u>

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
Additions:				
Contributions:				
Plan Contributions	\$ 34,475	\$ 19,965		\$ 54,440
Total Contributions	34,475	19,965		54,440
Investment Earnings:				
Interest	1,610			1,610
Net Investment Earnings	1,610			1,610
Total Additions	36,085	19,965		56,050
Deductions:				
Unemployment Compensation Claims	50,817			50,817
Flexible Spending Claims		18,932		18,932
Scholarships Awarded			\$ 100	100
Total Deductions	50,817	18,932	100	69,849
Change in Net Position	(14,732)	1,033	(100)	(13,799)
Net Position - Beginning of the Year	272,653	7,637	223	280,513
Net Position - End of the Year	<u>\$ 257,921</u>	<u>\$ 8,670</u>	<u>\$ 123</u>	<u>\$ 266,714</u>

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

D. Budgets/Budgetary Control:

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

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

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

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2019 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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



BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 33,570,886	\$ 2,662,001
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(34,630)
Prior Year Encumbrances Cancelled		(3,702)
Prior Year Encumbrances		4,032
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Statements	966,972	71,350
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(1,374,143)	(71,704)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 33,163,715	\$ 2,627,347
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 33,569,089	\$ 2,662,001
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(34,630)
Prior Year Encumbrances Cancelled		(3,702)
Prior Year Encumbrances		4,032
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 33,569,089	\$ 2,627,701

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

E. Cash and Cash Equivalents:

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2019.

K. Capital Assets:

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

K. Capital Assets: (Cont'd)

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

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

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

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

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

O. Unearned Revenue:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,883,683 General Fund balance at June 30, 2019, \$-0- is assigned for year-end encumbrances (which is \$361,069 less than encumbrances, on a Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ended June 30, 2020); \$1,329,704 is restricted in a capital reserve account; \$1,000,220 is restricted in a maintenance reserve account; \$250,000 is restricted in an emergency reserve account; \$647,230 is restricted for prior year excess surplus in accordance with N.J.S.A.18A:7F (S1701) and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2020; \$40,439 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the year ended June 30, 2021. Additionally, there is a deficit of \$383,910 in unassigned fund balance (which is \$1,013,074 less than unassigned fund balance, on a Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ended June 30, 2020).

Special Revenue Fund: The deficit unassigned fund balance of \$71,704 in Special Revenue Fund at June 30, 2019 is unassigned. This deficit is due to the last two June state aid payments, which are not recognized on a GAAP basis until the fiscal year ended June 30, 2020.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2019 is \$32,561 and is restricted.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2019 is \$32,582 and is restricted.

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

The District's fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$1,374,143 due to the last two State Aid payments which is not recognized on a GAAP basis. (\$1,013,074 in unassigned fund balance and \$361,069 in assigned fund balance for encumbrances), as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

Q. Deficit Fund Balances / Net Position

The District's fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$1,374,143, which resulted in deficit in unassigned fund balance of \$383,910 as reported in the fund statements (modified accrual basis).

The District has a deficit in unrestricted net position of \$9,536,305 in governmental activities, which is primarily due to compensated absences payable, and net pension liability. The District has a deficit in unassigned fund balance of \$71,704 in the Special Revenue Fund as of June 30, 2019 as a result of the last two state aid payments that are not recognized on a GAAP basis. These deficits do not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2019 for pensions.

The District had deferred inflows of resources for pensions at June 30, 2019.

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

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

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2019.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$361,069 of assigned resources for year-end encumbrances in the General Fund on the budgetary basis at June 30, 2019.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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



BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

Investments: (Cont'd)

- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (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 a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
  - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
  - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
  - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
  - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
  - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

As of June 30, 2019, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents Capital, Maintenance, &amp; Emergency Reserve Accounts</u>	<u>Total</u>
Checking Accounts	<u>\$ 1,265,626</u>	<u>\$ 2,579,924</u>	<u>\$ 3,845,550</u>

During the period ended June 30, 2019, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2019, was \$3,845,550 and the bank balance was \$5,289,832.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018	\$ 1,706,332
Withdrawals:	
Budget Withdrawal	<u>376,628</u>
Ending Balance, June 30, 2019	<u>\$ 1,329,704</u>

The balance in the capital reserve account at June 30, 2019 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawal from the capital reserve was for use in a DOE approved facilities project consistent with the District's LRFP.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT

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

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

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

The activity of the maintenance reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018	\$ 1,150,220
Withdrawals:	
Budgeted Withdrawals	<u>150,000</u>
Ending Balance, June 30, 2019	<u><u>\$ 1,000,220</u></u>

NOTE 6. EMERGENCY RESERVE

An emergency reserve was established by Board resolution on June 11, 2018. The account is maintained in the general fund and its activity is included in the general fund annual budget.

The emergency reserve is restricted to be used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution at year end for the purpose of depositing surplus into reserve accounts as an amount approved by the district board of education between June 1<sup>st</sup> and June 20<sup>th</sup>. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent or a withdrawal that was included in the original budget certified for taxes to finance school security improvements pursuant to N.J.S.A. 18A:7G-6(c)1.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 6. EMERGENCY RESERVE (Cont'd)

The activity of the emergency reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018	\$ 250,000
Ending Balance, June 30, 2019	<u>\$ 250,000</u>

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental Activities:				
Construction in Progress	\$ 13,829,881	\$ 1,130,104		\$ 14,959,985
Total Capital Assets Not Being Depreciated	13,829,881	1,130,104		14,959,985
Capital Assets Being Depreciated:				
Buildings and Building Improvements	23,425,804	1,331,971		24,757,775
Machinery and Equipment	2,450,890	1,267,445		3,718,335
Total Capital Assets Being Depreciated	25,876,694	2,599,416		28,476,110
Governmental Activities Capital Assets	39,706,575	3,729,520		43,436,095
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(6,693,263)	(559,146)		(7,252,409)
Machinery and Equipment	(1,716,930)	(167,405)		(1,884,335)
	(8,410,193)	(726,551)		(9,136,744)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 31,296,382	\$ 3,002,969	\$ -0-	\$ 34,299,351
Business Type Activities:				
Capital Assets Being Depreciated:				
Buildings and Building Improvements	\$ 691,445			\$ 691,445
Machinery and Equipment	245,199	\$ 86,205		331,404
Business Type Activities Capital Assets	936,644	86,205		1,022,849
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(217,043)	(14,849)		(231,892)
Machinery and Equipment	(163,535)	(9,341)		(172,876)
	(380,578)	(24,190)		(404,768)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 556,066	\$ 62,015	\$ -0-	\$ 618,081

The District expended \$1,130,104 towards construction projects in progress. The District has \$32,561 in an active construction project as of June 30, 2019 of which \$19,958 was encumbered. The District also expended \$2,542,511 from its capital outlay budget. The Special Revenue Fund also expended \$56,905 for buildings and instructional equipment. The Food Service Fund also expended \$86,205 for equipment.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 7. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 292,525
Special Education	66,837
Other Instruction	154,339
Student and Instruction Related Services	51,657
General Administration	3,780
School Administration	46,953
Central Services & Administrative Information Tehnology	6,635
Operations and Maintenance of Plant	75,955
Pupil Transportation	27,870
	<u>\$ 726,551</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2019, the following changes occurred in long-term liabilities reported in the District-wide financial statements:

	Beginning Balance	Accrued	Retired	Ending Balance
Serial Bonds Payable	\$ 25,255,000		\$ 1,095,000	\$ 24,160,000
Capital Leases	398,814		398,814	
Net Pension Liability	9,169,004		1,567,279	7,601,725
Compensated Absences Payable	464,386	\$ 19,754	5,812	478,328
	<u>\$ 35,287,204</u>	<u>\$ 19,754</u>	<u>\$ 3,066,905</u>	<u>\$ 32,240,053</u>

A. Bonds Payable

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

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

The District had bonds outstanding as of June 30, 2019 as follows:

Purpose	Final Maturity Dates	Interest Rates	Principal Amount
School Bonds	1/15/2040	2.00% - 3.750%	\$ 24,160,000
			<u>\$ 24,160,000</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable (Cont'd)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 830,000	\$ 779,462	\$ 1,609,462
2021	870,000	754,562	1,624,562
2022	900,000	728,463	1,628,463
2023	940,000	701,463	1,641,463
2024	980,000	673,262	
2025-2029	5,250,000	2,909,710	8,159,710
2030-2034	5,990,000	2,074,964	8,064,964
2035-2039	6,980,000	1,005,979	7,985,979
2040	1,420,000	53,250	1,473,250
	<u>\$ 24,160,000</u>	<u>\$ 9,681,115</u>	<u>\$ 32,187,853</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2019, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District's capital lease purchase related to financing of construction of improvements for the central administrative office upgrade. The capital lease purchase totaled \$500,000 of which \$500,000 has been liquidated as of June 30, 2019. The capital lease was for a term of five years and the District utilized its option to purchase the capital lease in the current year by liquidating the full payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the liability is \$-0- and the long-term liability balance of compensated absences is \$478,328.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2019, no liability existed for compensated absences in the Enterprise Funds.

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

E. Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2019 is \$-0- and the long-term portion is \$7,601,725. See Note 10 for further information on the PERS.

NOTE 9. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2019, the District transferred \$2,003,248 to the capital outlay accounts for equipment and did not require County Superintendent approval. The District transferred \$408,235 to the facilities acquisition and construction services accounts for which County Superintendent approval was required and obtained.

NOTE 10. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Public Employee's Retirement System (PERS) of New Jersey; or the Teachers' Pension and Annuity Fund (TPAF); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code(ICR) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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



BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$386,845 for 2019.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2019, the District's liability was \$7,601,725 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the District's proportion was 0.039%, which was a decrease of 0.001% from its proportion measured as of June 30, 2017.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

For the year ended June 30, 2019, the District recognized actual pension expense in the amount of \$680,582. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferral Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 60,168	
	2015	5.72	271,563	
	2016	5.57	920,907	
	2017	5.48		\$(1,401,322)
	2018	5.63		(1,029,306)
			<u>1,252,638</u>	<u>(2,430,628)</u>
Changes in Proportion	2014	6.44	40,399	
	2015	5.72	258,532	
	2016	5.57	122,779	
	2017	5.48	223,783	
	2018	5.63		(144,760)
			<u>645,493</u>	<u>(144,760)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00		
	2015	5.00		45,934
	2016	5.00		256,798
	2017	5.00		(231,131)
	2018	5.63		(142,906)
				<u>(71,305)</u>
Difference Between Expected and Actual Experience	2015	5.72	75,344	
	2016	5.57	27,947	
	2017	5.48	41,675	
	2018	5.63		(39,197)
			<u>144,966</u>	<u>(39,197)</u>
District Contribution Subsequent to the Measurement Date	2018	1.00	229,791	
			<u>\$ 2,272,888</u>	<u>\$(2,685,890)</u>

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2019	\$ 52,760
2020	(73,048)
2021	(523,806)
2022	(454,042)
2023	(145,390)
	\$ (1,143,526)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2017 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.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
District's proportionate share of the Net Pension Liability	\$ 9,558,294	\$ 7,601,725	\$ 5,960,290

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2019, the State of New Jersey contributed \$2,257,356 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$4,155,699.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2019, the State's proportionate share of the net pension liability associated with the District was \$71,285,563. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the District's proportion was 0.112%, which was an increase of 0.007% from its proportion measured as of June 30, 2017.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>71,285,563</u>
Total	<u>\$ 71,285,563</u>

For the fiscal year ended June 30, 2019, the State recognized pension expense on behalf of the District in the amount of \$4,155,699 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,076,424,469	
	2015	8.3	3,063,649,492	
	2016	8.3	6,913,685,892	
	2017	8.3		\$ 10,084,192,916
	2018	8.29		<u>5,994,557,085</u>
			<u>11,053,759,853</u>	<u>16,078,750,001</u>
Difference Between Expected and Actual Experience	2014	8.5		10,252,211
	2015	8.3	189,214,650	
	2016	8.3		85,977,601
	2017	8.3	179,419,108	
	2018	8.29	<u>1,051,605,259</u>	
			<u>1,420,239,017</u>	<u>96,229,812</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5		(192,642,062)
	2016	5		(863,710,381)
	2017	5		678,024,787
	2018	5		<u>384,121,486</u>
				<u>5,793,830</u>
			<u>\$ 12,473,998,870</u>	<u>\$ 16,180,773,643</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2019	\$ 401,574,312
2020	208,932,249
2021	(222,922,941)
2022	(149,225,008)
2023	(735,040,983)
Thereafter	(3,210,092,402)
	\$ (3,706,774,773)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55 – 4.55%
Thereafter	2.00 – 5.45%
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.



BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2018 are summarized in the following table:

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 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 50% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on pension 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.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (3.86%)	At Current Discount Rate (4.86%)	At 1% Increase (5.86%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 84,258,182	\$ 71,285,563	\$ 60,531,578

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$2,099 for the fiscal year ended June 30, 2019. Employee contributions to DCRP amounted to \$4,950 for the year ended June 30, 2019.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 11. RISK MANAGEMENT

Property and Liability Insurance

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

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

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

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

	New Jersey Schools Insurance Group (NJSIG)
Total Assets	\$ 342,337,056
Total Net Position	\$ 82,580,855
Total Revenue	\$ 133,258,299
Total Expenses	\$ 129,340,074
Change in Net Position	\$ 3,918,225
Member Dividends	\$ -0-

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019		\$ 36,085	\$ 50,817	\$ 257,921
2018	\$ 125,000	25,455	128,957	272,653
2017	-0-	27,301	48,952	251,155

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. DEFERRED COMPENSATION

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

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

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 14. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2019, there were encumbrances as detailed below in the governmental funds:

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 361,069	\$ 34,630	\$ 19,958	\$ 415,657

On the District's Governmental Funds Balance Sheet as of June 30, 2019, \$-0- is assigned for year-end encumbrances in the General Fund, which is \$361,069 less than encumbrances, on a Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ended June 30, 2020. \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$34,630 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund. The Capital Projects Fund has \$19,958 of encumbrances which are included in the \$32,561 of restricted fund balance.

Arbitrage

The District may have a liability for arbitrage payable to the federal government relative to its \$28,140,000 School Bonds dated December 23, 2014. The amount of the liability at June 30, 2019, if any, is unknown

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 15. TAX CALENDAR

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

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

NOTE 16. INTERFUND RECEIVABLES AND PAYABLES AND PAYABLES AND TRANSFERS

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 13,091	
Capital Projects Fund		\$ 32,581
Debt Service Fund	32,581	
Fiduciary Funds - Payroll Agency		21,681
Fiduciary Funds - Unemployment Compensation Trust Fund	8,974	
Proprietary Funds - Food Service		384
	\$ 54,646	\$ 54,646

The interfund between the General Fund and the Payroll Agency Fiduciary Fund is due to a remaining balance in the Agency Fiduciary Fund. The interfund between the Capital Projects Fund and the Debt Service Fund is for interest earnings in the Capital Projects Fund. The interfund receivable in the Unemployment Compensation Trust Fund from the Payroll Agency Fiduciary Fund is for prior year employee deductions not turned over at year end. The interfund between the Food Service to General Fund is for interest earnings not turned over at year end.

During the fiscal year, the District transferred \$376,628 from the Capital Reserve in General Fund to the Debt Service Fund, and \$32,581 from the Capital Projects Fund to the Debt Service Fund for interest earnings.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 17. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental Activities as of June 30, 2019 consisted of the following:

	Governmental Fund		District	Total
	General Fund	Special Revenue Fund	Contribution Subsequent to Measurement Date	
Vendors	\$ 174,757	\$ 286,041		\$ 460,798
State of New Jersey			\$ 229,791	229,791
	\$ 174,757	\$ 286,041	\$ 229,791	\$ 690,589

NOTE 18. TAX ABATEMENTS

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

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

The Borough of Bound Brook recognized revenue in the amount of \$251,747 from two payment in lieu of taxes ("PILOT") agreements. The taxes which would have been paid on these properties for 2018 without the abatement would have been \$1,857,945 of which \$704,982 would have been for the district school tax.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

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

For additional information about the State Health Benefit Local Education Retired Plan, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2017, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	145,050
Active Plan Members	<u>217,131</u>
Total	<u><u>362,181</u></u>



BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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.

Actuarial Assumptions and Other Inputs

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015 and July 1, 2011 - June 30, 2014 for TPAF and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2006 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-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Discount Rate

The discount rates for June 30, 2018 and 2017 were 3.87% and 3.58%, respectively, a change of +.29%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State's Proportionate Share of the Total OPEB Liability Attributable to the District

	Total OPEB Liability
Balance at June 30, 2017	\$ 46,536,229
Changes for Year:	
Service Cost	2,264,147
Interest Cost	1,728,658
Changes of Assumptions	(4,608,757)
Differences between Expected and Actual Experience	(4,721,773)
Gross Benefit Payments by the State	(1,073,910)
Contributions from Members	37,116
Net Changes	(6,374,519)
Balance at June 30, 2018	\$ 40,161,710

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease	At Discount Rate	At 1% Increase
	(2.87%)	(3.87%)	(4.87%)
Total OPEB Liability Attributable to the District	\$ 47,479,317	\$ 40,161,710	\$ 34,344,968

BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 33,195,992	\$ 40,161,710	\$ 49,374,138

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

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$2,439,035 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2018 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	Year of Deferral	Original Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ (4,878,318)
Changes in Assumptions	2018	9.51		(4,124,136)
			-0-	(9,002,454)
Differences Between Expected and Actual Experience	2018	9.51		(3,898,591)
Changes in Proportion	N/A	N/A	\$ 387,177	
			\$ 387,177	\$ (12,901,044)

N/A - Not Available

BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

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

Fiscal Year Ending June 30,	Total
2019	\$ (1,589,734)
2020	(1,589,733)
2021	(1,589,733)
2022	(1,589,733)
2023	(1,589,733)
Thereafter	(4,952,380)
	\$ (12,901,044)

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.031966110000%	0.036432408200%	0.037772106700%	0.039388458800%	0.038608013600%
District's proportionate share of the net pension liability	\$ 5,984,930	\$ 8,178,346	\$ 11,187,015	\$ 9,169,004	\$ 7,601,725
District's covered employee payroll	\$ 2,390,466	\$ 2,489,416	\$ 2,592,656	\$ 2,643,172	\$ 1,802,304
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	250.37%	328.52%	431.49%	346.89%	421.78%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 263,524	\$ 314,090	\$ 340,375	\$ 371,239	\$ 386,845
Contributions in relation to the contractually required contribution	(263,524)	(314,090)	(340,375)	(371,239)	(386,845)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 2,342,657	\$ 2,390,466	\$ 2,489,416	\$ 2,592,656	\$ 2,643,172
Contributions as a percentage of covered employee payroll	11.25%	13.14%	13.67%	14.32%	14.64%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
State's proportion of the net pension liability attributable to the District	0.0939304738%	0.0938715579%	0.1039094711%	0.1049132632%	0.1120527668%
State's proportionate share of the net pension liability attributable to the District	\$ 50,202,781	\$ 59,330,833	\$ 81,741,820	\$ 70,736,285	\$ 71,285,563
District's covered employee payroll	\$ 9,870,838	\$ 10,464,674	\$ 11,469,546	\$ 11,938,207	\$ 12,896,873
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	508.60%	566.96%	712.69%	592.52%	552.74%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%

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



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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 2,701,381	\$ 3,622,682	\$ 6,141,760	\$ 4,900,253	\$ 4,155,699
Contributions in relation to the contractually required contribution	<u>(507,504)</u>	<u>(831,939)</u>	<u>(1,180,068)</u>	<u>(1,650,142)</u>	<u>(2,257,356)</u>
Contribution deficiency/(excess)	<u>\$ 2,193,877</u>	<u>\$ 2,790,743</u>	<u>\$ 4,961,692</u>	<u>\$ 3,250,111</u>	<u>\$ 1,898,343</u>
District's covered employee payroll	\$ 9,870,838	\$ 10,464,674	\$ 11,469,546	\$ 11,938,207	\$ 12,896,873
Contributions as a percentage of covered employee payroll	5.14%	7.95%	10.29%	13.82%	17.50%

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY  
ASSOCIATED WITH THE DISTRICT AND REATELD RATIOS  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Years Ending June 30,</u>	
	<u>2017</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 2,739,161	\$ 2,264,147
Interest Cost	1,484,976	1,728,658
Changes in Assumptions	(6,530,422)	(4,608,757)
Differences between Expected and Actual Experience		(4,721,773)
Member Contributions	39,690	37,116
Gross Benefit Payments	<u>(1,077,878)</u>	<u>(1,073,910)</u>
Net Change in Total OPEB Liability	(3,344,473)	(6,374,519)
Total OPEB Liability - Beginning	<u>49,880,702</u>	<u>46,536,229</u>
Total OPEB Liability - Ending	<u>\$ 46,536,229</u>	<u>\$ 40,161,710</u>
State's Covered Employee Payroll *	\$ 12,855,140	\$ 13,958,962
Total OPEB Liability as a Percentage of Covered Employee Payroll	362%	288%

\* - Covered payroll for the fiscal years ending June 30, 2017 and June 30, 2018 are based on the payroll on the June 30, 2016 and June 30, 2017 census data.

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018. The municipal bond rate changed from 3.58% to 3.87%.

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018. The municipal bond rate changed from 3.58 to 3.87%.

The salary increases in the July 1, 2016 valuation were as follows: 2012-2021 and thereafter – varies based on experience. The salary increases in the July 1, 2017 valuation are as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED

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

Changes of Actuarial Assumptions (Cont'd)

The mortality rates utilized in the July 1, 2016 valuation were as follows: 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 mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

C. State Health Benefit Local Education Retired Employees OPEB Plan

State Health Benefit Local Education Retired Employees OPEB Plan

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The mortality rates in the valuation as of June 30, 2017 were based on the following:

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

The mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement mortality rates were based on the RP-2006 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-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED

C. State Health Benefit Local Education Retired Employees OPEB Plan (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

The health care trend rates in the valuation as of June 30, 2017 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after eight years. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

BUDGETARY COMPARISON SCHEDULES

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 13,680,017		\$ 13,680,017	\$ 13,680,017	
Tuition from Other LEA's	1,100,819		1,100,819	1,180,927	\$ 80,108
Transportation Fees	20,000		20,000	27,904	7,904
Miscellaneous	227,615		227,615	290,571	62,956
<b>Total - Local Sources</b>	<b>15,028,451</b>		<b>15,028,451</b>	<b>15,179,419</b>	<b>150,968</b>
State Sources:					
Categorical Special Education Aid	1,019,541	\$ 554,836	1,574,377	1,574,377	
Equalization Aid	7,852,318	2,945,164	10,797,482	10,797,482	
Categorical Security Aid	784,650		784,650	784,650	
Categorical Transportation Aid	124,699		124,699	124,699	
School Choice Aid	514,710		514,710	514,710	
Extraordinary Aid	130,000		130,000	175,557	45,557
TPAF Pension Contribution (On-Behalf - Non Budgeted)				2,257,356	2,257,356
TPAF Pension NCGI Premium (On-Behalf - Non Budgeted)				47,252	47,252
TPAF Pension LTDI Premium (On-Behalf - Non Budgeted)				4,275	4,275
TPAF Post Retirement Contribution (On-Behalf - Non Budgeted)				1,045,367	1,045,367
TPAF Social Security (Reimbursed - Non Budgeted)				1,034,514	1,034,514
<b>Total State Sources</b>	<b>10,425,918</b>	<b>3,500,000</b>	<b>13,925,918</b>	<b>18,360,239</b>	<b>4,434,321</b>
Federal Sources:					
Medicaid Assistance Program	41,976		41,976	31,228	(10,748)
<b>Total Federal Sources</b>	<b>41,976</b>		<b>41,976</b>	<b>31,228</b>	<b>(10,748)</b>
<b>TOTAL REVENUES</b>	<b>25,496,345</b>	<b>3,500,000</b>	<b>28,996,345</b>	<b>33,570,886</b>	<b>4,574,541</b>

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 2,500	\$ (1,789)	\$ 711	\$ 711	
Kindergarten - Salaries of Teachers	587,630	39,265	626,895	626,895	
Grades 1-5 - Salaries of Teachers	2,543,623	152,499	2,696,122	2,696,122	
Grades 6-8 - Salaries of Teachers	1,124,747	(155,906)	968,841	968,841	
Grades 9-12 - Salaries of Teachers	2,250,042	136,822	2,386,864	2,386,864	
Regular Programs - Home Instruction:					
Salaries of Teachers	28,500	(1,458)	27,042	27,042	
Purchased Professional - Educational Services	35,000	(4,692)	30,308	26,480	\$ 3,828
Regular Programs - Undistributed Instruction:					
Purchased Professional Education Services	94,750	38,215	132,965	108,626	24,339
Other Purchased Services (400-500 series)	4,450	1,195	5,645	5,645	
General Supplies	130,628	342,278	472,906	466,894	6,012
Regular Programs - Undistributed Instruction:					
Other Objects	2,000		2,000	2,000	
<b>Total Regular Programs - Instruction</b>	<b>6,803,870</b>	<b>546,429</b>	<b>7,350,299</b>	<b>7,316,120</b>	<b>34,179</b>
<b>Learning and/or Language Disabilities:</b>					
Salaries of Teachers	269,835	96,601	366,436	366,436	
Purchased Professional-Educational Services	79,965	50,890	130,855	130,855	
General Supplies	7,150	(3,132)	4,018	4,018	
<b>Total Learning and/or Language Disabilities</b>	<b>356,950</b>	<b>144,359</b>	<b>501,309</b>	<b>501,309</b>	



BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Behavioral Disabilities:					
Salaries of Teachers	\$ 218,076	\$ 7,446	\$ 225,522	\$ 225,522	
Purchased Professional-Educational Services	74,905	31,696	106,601	106,601	
General Supplies	6,000	(5,205)	795	795	
<b>Total Behavioral Disabilities</b>	<b>298,981</b>	<b>33,937</b>	<b>332,918</b>	<b>332,918</b>	
Resource Room/Resource Center:					
Salaries of Teachers	1,057,473	(18,878)	1,038,595	1,038,595	
Purchased Professional-Educational Services	51,602	65,813	117,415	117,415	
General Supplies	10,800	(7,434)	3,366	3,366	
<b>Total Resource Room/Resource Center</b>	<b>1,119,875</b>	<b>39,501</b>	<b>1,159,376</b>	<b>1,159,376</b>	
Autism:					
Salaries of Teachers	229,380	10,757	240,137	240,137	
Purchased Professional-Educational Services	98,240	(36,712)	61,528	61,376	\$ 152
General Supplies	4,400	(1,364)	3,036	3,036	
<b>Total Autism</b>	<b>332,020</b>	<b>(27,319)</b>	<b>304,701</b>	<b>304,549</b>	<b>152</b>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	103,755	7,307	111,062	111,062	
Purchased Professional - Educational Services	25,766	21,049	46,815	46,815	
General Supplies	2,000	(2,000)			
<b>Total Preschool Disabilities - Part-Time</b>	<b>131,521</b>	<b>26,356</b>	<b>157,877</b>	<b>157,877</b>	
<b>Total Special Education Instruction</b>	<b>2,239,347</b>	<b>216,834</b>	<b>2,456,181</b>	<b>2,456,029</b>	<b>152</b>

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 1,775	\$ 211,486	\$ 211,486	\$ 211,486	
Purchased Professional-Education Services	200	660	2,435	2,435	
General Supplies		(2)	198	198	
<b>Total Basic Skills/Remedial - Instruction</b>	<b>1,975</b>	<b>212,144</b>	<b>214,119</b>	<b>214,119</b>	
Bilingual Education - Instruction:					
Salaries of Teachers	405,518	81,561	487,079	487,079	
Purchased Professional-Education Service	28,871	(17,409)	11,462	11,462	
General Supplies	300	(203)	97	97	
<b>Total Bilingual Education - Instruction</b>	<b>434,689</b>	<b>63,949</b>	<b>498,638</b>	<b>498,638</b>	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	106,139	(25,692)	80,447	80,447	
Purchased Services (300-500 series)	8,400	(2,646)	5,754	5,754	
Supplies and Materials	125	1,187	1,312	1,312	
Other Objects	2,865	(2,000)	865	865	
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>117,529</b>	<b>(29,151)</b>	<b>88,378</b>	<b>88,378</b>	
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	319,642	3,691	323,333	323,333	
Purchased Services (300-500 series)	97,394	(14,748)	82,646	82,646	
Supplies and Materials	53,200	9,497	62,697	61,719	\$ 978
Other Objects	26,695	(12,099)	14,596	14,596	
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>496,931</b>	<b>(13,659)</b>	<b>483,272</b>	<b>482,294</b>	<b>978</b>

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Summer School - Instruction:					
Salaries of Teachers	\$ 120,830	\$ (59,334)	\$ 61,496	\$ 61,496	
Purchased Services (300-500 series)		5,250	5,250	5,250	
Total Summer School - Instruction	120,830	(54,084)	66,746	66,746	
Alternative Education Program - Instruction:					
Salaries of Teachers	55,000	(1,943)	53,057	53,057	
Total Alternative Education Program - Instruction	55,000	(1,943)	53,057	53,057	
Other Supplemental/At-Risk Programs - Instruction:					
Salaries of Teachers	179,000	(45,402)	133,598	133,598	
Total Other Supplemental/At-Risk Programs - Instruction	179,000	(45,402)	133,598	133,598	
Total Instruction	10,449,171	895,117	11,344,288	11,308,979	\$ 35,309
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	69,800	(69,800)			
Tuition to Other LEAs Within the State - Special	549,975	(351,655)	198,320	198,082	238
Tuition to County Vocational School District - Regular	79,578	(32,778)	46,800	46,800	
Tuition to County Vocational School District - Special	3,900	650	4,550	4,550	
Tuition to Private Schools for the Disabled - Within State	951,681	529,644	1,481,325	1,481,325	
Total Undistributed Expenditures - Instruction	1,654,934	76,061	1,730,995	1,730,757	238

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

**GENERAL FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**UNAUDITED**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Attendance & Social Work:					
Salaries	\$ 45,470	\$ 3,397	\$ 48,867	\$ 48,867	
Other Purchased Services (400-500 series)	1,600	(1,600)			
Supplies and Materials		763	763	763	
Total Attendance & Social Work	47,070	2,560	49,630	49,630	
Health Services:					
Salaries	351,910	(29,203)	322,707	322,707	
Purchased Professional and Technical Services	8,777	(1,782)	6,995	6,995	
Other Purchased Services (400-500 series)	35,775	(12,025)	23,750	23,750	
Supplies and Materials	8,233	1,421	9,654	9,631	\$ 23
Total Health Services	404,695	(41,589)	363,106	363,083	23
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	185,275	46,012	231,287	231,287	
Purchased Professional - Educational Services	76,391	(50,578)	25,813	25,813	
Supplies and Materials	4,000	(822)	3,178	3,156	22
Total Other Support Services - Speech, OT, PT and Related Services	265,666	(5,388)	260,278	260,256	22
Other Support Services - Extraordinary Services:					
Purchased Professional - Educational Services	24,435	200,386	224,821	224,821	
Total Other Support Services - Extraordinary Services	24,435	200,386	224,821	224,821	

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Other Support Services - Guidance:					
Salaries of Other Professional Staff	\$ 441,604	\$ 168,111	\$ 609,715	\$ 609,715	
Salaries of Secretarial and Clerical Assistants	47,857	3,200	51,057	51,057	
Purchased Professional - Educational Services	4,200	(4,200)			
Other Purchased Professional and Technical Services	26,800	1,846	28,646	28,544	\$ 102
Other Purchased Services (400-500)	200	1,875	2,075	2,074	1
Supplies and Materials	35,337	(18,303)	17,034	16,951	83
Other Objects		820	820	820	
Total Other Support Services - Students - Guidance	555,998	153,349	709,347	709,161	186
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	538,775	64,016	602,791	602,791	
Salaries of Secretarial and Clerical Assistants	55,202	4,350	59,552	59,552	
Purchased Professional - Educational Services	215,205	(108,391)	106,814	105,914	900
Other Purchased Professional Services		8,680	8,680	8,680	
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	29,000	(26,812)	2,188	2,188	
Supplies and Materials	8,910	(2,003)	6,907	6,907	
Other Objects	1,320	(305)	1,015	1,015	
Total Other Support Services - Students - Child Study Teams	848,412	(60,465)	787,947	787,047	900
Improvement of Instructional Services:					
Salaries of Other Professional Staff		148,382	148,382	148,381	1
Other Purchased Professional and Technical Services	80,100	(30,222)	49,878	49,878	
Supplies and Materials	348,740	(18,859)	329,881	329,881	
Total Improvement of Instructional Services	428,840	99,301	528,141	528,140	1

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Educational Media Services/School Library:					
Salaries	\$ 236,390	\$ (59,450)	\$ 176,940	\$ 176,940	
Salaries of Technology Coordinators	151,938	8,776	160,714	160,711	\$ 3
Purchased Professional and Technical Services	6,825	325	7,150	7,150	
Other Purchased Services (400-500)	1,200	(1,018)	182	182	
Supplies and Materials	21,850	10,968	32,818	32,803	15
Total Educational Media Services/School Library	418,203	(40,399)	377,804	377,786	18
<b>Instructional Staff Training Services:</b>					
Other Salaries	25,000	(9,014)	15,986	15,986	
Purchased Professional - Educational Services	33,000	(3,558)	29,442	29,442	
Other Purchased Services (400-500 series)	2,800	1,236	4,036	4,036	
Supplies and Materials		125	125	123	2
Total Instructional Staff Training Services	60,800	(11,211)	49,589	49,587	2
<b>Support Services - General Administration:</b>					
Salaries	449,573	(16,627)	432,946	432,946	
Legal Services	125,000	(46,395)	78,605	69,238	9,367
Audit Fees	27,500	1,350	28,850	28,850	
Other Purchased Professional Services	15,000	3,002	18,002	7,002	11,000
Communications/Telephone	151,168	(20,119)	131,049	130,115	934
BOE Other Purchased Services	5,500	(2,875)	2,625	2,625	
Miscellaneous Purchased Services (400-500 series)	72,193	12,948	85,141	85,141	

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Support Services - General Administration (Cont'd):					
General Supplies	\$ 7,200	\$ 4,353	\$ 11,553	\$ 11,553	
BOE in-house Meeting/Training Supplies	2,500	(1,700)	800	794	\$ 6
Miscellaneous Expenditures	15,700	344	16,044	16,044	
Board of Education Membership Dues and Fees	10,500	(475)	10,025	10,025	
Total Support Services - General Administration	<u>881,834</u>	<u>(66,194)</u>	<u>815,640</u>	<u>794,333</u>	<u>21,307</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	888,853	25,022	913,875	913,873	2
Salaries of Other Professional Staff	229,762	10,441	240,203	240,203	
Salaries of Secretarial and Clerical Assistants	221,718	11,332	233,050	233,050	
Other Purchased Services (400-500 series)	13,597	(1,831)	11,766	9,489	2,277
Supplies and Materials	18,105	2,802	20,907	18,096	2,811
Other Objects	7,090	2,100	9,190	9,170	20
Total Support Services - School Administration	<u>1,379,125</u>	<u>49,866</u>	<u>1,428,991</u>	<u>1,423,881</u>	<u>5,110</u>
Support Services - Central Services:					
Salaries	407,634	30,898	438,532	437,780	752
Purchased Professional Services	6,900	(1,901)	4,999	4,199	800
Purchased Technical Services	34,600	20,854	55,454	55,303	151
Miscellaneous Purchased Services (400-500 series)	38,119	25,641	63,760	28,757	35,003
Supplies and Materials	14,500	(4,528)	9,972	9,595	377
Interest for Lease Purchase Agreements	9,394		9,394	9,394	
Miscellaneous Expenditures	4,200	(2,600)	1,600	1,533	67
Total Support Services - Central Services	<u>515,347</u>	<u>68,364</u>	<u>583,711</u>	<u>546,561</u>	<u>37,150</u>

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Support Services - Administration Information Technology:					
Salaries	\$ 114,175	\$ 5,015	\$ 119,190	\$ 119,190	
Purchased Professional Services	49,534	(4,091)	45,443	45,443	
Purchased Technical Services	61,387	49,274	110,661	110,661	
Other Purchased Services (400-500 series)	44,969	5,234	50,203	50,042	\$ 161
Supplies and Materials	63,910	174,130	238,040	237,453	587
Other Objects	820		820	820	
<b>Total Support Services - Administration Information Technology</b>	<b>334,795</b>	<b>229,562</b>	<b>564,357</b>	<b>563,609</b>	<b>748</b>
Required Maintenance of School Facilities:					
Salaries	213,089	14,772	227,861	227,861	
Cleaning, Repair and Maintenance Services	163,325	17,728	181,053	181,053	
General Supplies	47,000	(7,438)	39,562	37,818	1,744
<b>Total Required Maintenance of School Facilities</b>	<b>423,414</b>	<b>25,062</b>	<b>448,476</b>	<b>446,732</b>	<b>1,744</b>
Custodial Services:					
Salaries	170,046	(92,607)	77,439	77,439	
Purchased Professional and Technical Services	653,434	3,806	657,240	657,240	
Cleaning, Repair and Maintenance Services	20,910	(6,380)	14,530	14,530	
Other Purchased Property Services	53,000	(3,200)	49,800	49,791	
Insurance	159,671	(15,051)	144,620	144,620	
Miscellaneous Purchased Services	5,000	(699)	4,301	4,301	
General Supplies	68,600	41,508	110,108	110,108	
Energy (Natural Gas)	180,000	32,667	212,667	212,667	
Energy (Electricity)	255,000	75,263	330,263	330,263	
Energy (Oil)	5,000	(1,637)	3,363	3,363	
Other Objects	9,075	(2,286)	6,789	6,789	
<b>Total Custodial Services</b>	<b>1,579,736</b>	<b>31,384</b>	<b>1,611,120</b>	<b>1,611,111</b>	<b>9</b>



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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Care and Upkeep of Grounds					
Salaries	\$ 32,000	\$ 92,872	\$ 92,872	\$ 92,872	
Cleaning, Repair, and Maintenance Services	3,000	(13,675)	18,325	17,425	\$ 900
General Supplies	35,000	5,939	8,939	8,939	
Total Care and Upkeep of Grounds		85,136	120,136	119,236	900
Security:					
Salaries	40,426	41,285	81,711	81,711	
Purchased Professional and Technical Services	88,327	(609)	87,718	87,718	
Total Security	128,753	40,676	169,429	169,429	
Student Transportation Services:					
Salaries of Non-Instructional Aides	13,000	(2,292)	10,708	10,708	
Salaries for Transportation - (Between Home & School) - Special	127,881	(4,638)	123,243	123,243	
Salaries for Transportation - (Other Than Between Home & School)	45,000	5,708	50,708	50,708	
Cleaning, Repair and Maintenance Services	20,000	16,339	36,339	21,097	15,242
Contracted Services:					
Aid in Lieu of Payments - Charter School	7,700	(3,700)	4,000	4,000	
Aid in Lieu of Payments - Choice School		1,000	1,000	1,000	
Other than Between Home and School - Vendors	23,100	(17,820)	5,280	5,280	
Special Education Students - Joint Agreements	397,000	29,498	426,498	426,498	
Miscellaneous Purchased Services - Transportation	15,922	1,271	17,193	17,193	
Transportation Supplies	30,000	(13,037)	16,963	16,963	
Other Objects	1,500	(39)	1,461	1,461	
Total Student Transportation Services	681,103	12,290	693,393	678,151	15,242

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Unallocated Benefits:					
Social Security Contributions	\$ 232,774	\$ (20,557)	\$ 212,217	\$ 212,217	
Other Retirement Contributions - PERS	423,320	(36,475)	386,845	386,845	
Other Retirement Contributions - Regular		2,099	2,099	2,099	
Unemployment Compensation	25,000	(25,000)			
Workmen's Compensation	123,160	7,593	130,753	130,753	
Health Benefits	3,152,477	(533,644)	2,618,833	2,618,833	
Tuition Reimbursement	114,793	(12,524)	102,269	77,648	\$ 24,621
Other Employee Benefits	40,800	(17,334)	23,466	23,466	
<b>Total Unallocated Benefits</b>	<b>4,112,324</b>	<b>(635,842)</b>	<b>3,476,482</b>	<b>3,451,861</b>	<b>24,621</b>
<b>On-Behalf Contributions:</b>					
TPAF Pension Contribution (On-Behalf - Non Budgeted)				2,257,356	(2,257,356)
TPAF Pension NCGI Premium (On-Behalf - Non Budgeted)				47,252	(47,252)
TPAF Pension LTDI Premium (On-Behalf - Non Budgeted)				4,275	(4,275)
TPAF Post Retirement Contribution (On-Behalf - Non Budgeted)				1,045,367	(1,045,367)
TPAF Social Security (Reimbursed - Non Budgeted)				1,034,514	(1,034,514)
<b>Total On-Behalf Contributions</b>				<b>4,388,764</b>	<b>(4,388,764)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>4,112,324</b>	<b>(635,842)</b>	<b>3,476,482</b>	<b>7,840,625</b>	<b>(4,364,143)</b>
<b>Total Undistributed Expenses</b>	<b>14,780,484</b>	<b>212,909</b>	<b>14,993,393</b>	<b>19,273,936</b>	<b>(4,280,543)</b>
<b>TOTAL CURRENT EXPENSE</b>	<b>25,229,655</b>	<b>1,108,026</b>	<b>26,337,681</b>	<b>30,582,915</b>	<b>(4,245,234)</b>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CAPITAL OUTLAY</b>					
Equipment:					
Instruction - Grades 6-8		\$ 75,518	\$ 75,518	\$ 75,518	
Instruction - Grades 9-12		96,782	96,782	96,782	
School-Sponsored and Other Instructional Programs		14,881	14,881	14,881	
Undistributed Expenditures - Administrative Information Technology	\$ 128,189		128,189	128,189	
Undistributed Expenditures - Required Maintenance for Schools		10,368	10,368	10,368	
Undistributed Expenditures - Custodial Services		202,896	202,896	171,484	\$ 31,412
Undistributed Expenditures - Care and Upkeep of Grounds		164,957	164,957	164,957	
Undistributed Expenditures - Security		961,649	961,649	959,024	2,625
School Buses - Regular		30,980	30,980	30,980	
Undistributed Expenditures - Non Instructional Services		445,217	445,217	353,430	91,787
Total Equipment	128,189	2,003,248	2,131,437	2,005,613	125,824
<b>CAPITAL OUTLAY</b>					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	49,000	174,835	223,835	158,394	65,441
Construction Services	485,000	(68,210)	416,790	378,504	38,286
Lease Purchase Agreements - Principal	96,481	301,610	398,091	398,091	
Assessment for Debt Service on SDA Funding	9,836		9,836	9,836	
Total Facilities Acquisition and Construction Services	640,317	408,235	1,048,552	944,825	103,727
<b>TOTAL CAPITAL OUTLAY</b>	768,506	2,411,483	3,179,989	2,950,438	229,551
Transfer of Funds to Charter Schools	56,239	(19,509)	36,730	35,736	994
<b>TOTAL EXPENDITURES</b>	26,054,400	3,500,000	29,554,400	33,569,089	(4,014,689)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(558,055)		(558,055)	1,797	559,852

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/(Uses):					
Capital Reserve - Transfer to Debt Service Fund	\$ (376,628)		\$ (376,628)	\$ (376,628)	
Food Service Fund - Interest Earned				384	\$ (384)
Total Other Financing Sources/(Uses)	<u>(376,628)</u>		<u>(376,628)</u>	<u>(376,244)</u>	<u>(384)</u>
Excess (Deficiency) of Revenues and Other Sources/ Over (Under) Expenditures and Other Financing (Uses)	<u>(934,683)</u>		<u>(934,683)</u>	<u>(374,447)</u>	<u>560,236</u>
Fund Balance, July 1	4,632,273		4,632,273	4,632,273	
Fund Balance, June 30	<u>\$ 3,697,590</u>	<u>\$ -0-</u>	<u>\$ 3,697,590</u>	<u>\$ 4,257,826</u>	<u>\$ 560,236</u>
<u>Recapitulation:</u>					
Restricted:					
Excess Surplus				\$ 40,439	
Excess Surplus - Designated for Subsequent Year's Expenditures				647,230	
Emergency Reserve				250,000	
Maintenance Reserve				1,000,220	
Capital Reserve				1,329,704	
Assigned:					
Year-End Encumbrances				361,069	
Unassigned				629,164	
				<u>4,257,826</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				<u>(1,374,143)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 2,883,683</u>	

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources		\$ 25,195	\$ 25,195	\$ 14,603	\$ (10,592)
State Sources	\$ 778,679		778,679	631,203	(147,476)
Federal Sources	1,604,131	632,307	2,236,438	2,016,195	(220,243)
<b>Total Revenues</b>	<b>2,382,810</b>	<b>657,502</b>	<b>3,040,312</b>	<b>2,662,001</b>	<b>(378,311)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	941,389	81,409	1,022,798	1,012,329	10,469
Other Salaries for Instruction		1,156	1,156		1,156
Purchased Professional and Technical Services	246,610	(5,398)	241,212	222,190	19,022
Other Purchased Professional Services	290,385	160,185	450,570	450,570	
General Supplies	115,145	155,616	270,761	148,551	122,210
<b>Total Instruction</b>	<b>1,593,529</b>	<b>392,968</b>	<b>1,986,497</b>	<b>1,833,640</b>	<b>152,857</b>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services:					
Salaries of Supervisors of Instruction	\$ 11,612	\$	11,612	\$ 11,584	\$ 28
Salaries of Program Directors	55,785		55,785	55,649	136
Salaries of Other Professional Staff	101,712	\$ (1,308)	100,404	69,799	30,605
Salaries of Secretaries and Clerical Assistants	51,196	1,702	52,898	52,895	3
Salaries of Community Parent Involvement Specialist	6,694	314	7,008	7,008	
Salaries of Master Teachers	58,637	3,523	62,160	60,471	1,689
Other Salaries	37,481	6,297	43,778	39,208	4,570
Personal Services - Employee Benefits	341,804	122,152	463,956	421,756	42,200
Purchased Professional and Technical Services	70,142	31,886	102,028	42,507	59,521
Other Purchased Professional Services	18,218	42,093	60,311	830	59,481
Supplies and Materials	6,000	19,995	25,995	9,749	16,246
Total Support Services	759,281	226,654	985,935	771,456	214,479
Equipment and Facilities Acquisition and Construction:					
Instructional Equipment	15,000	31,386	46,386	46,386	
Non-Instructional Equipment	15,000	(4,025)	10,975		10,975
Construction Services		10,519	10,519	10,519	
Total Equipment and Facilities Acquisition and Construction	30,000	37,880	67,880	56,905	10,975
Total Expenditures	\$ 2,382,810	\$ 657,502	\$ 3,040,312	\$ 2,662,001	\$ 378,311

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 33,570,886	\$ 2,662,001
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(34,300)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Statements	966,972	71,350
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(1,374,143)	(71,704)
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 \$ 33,163,715	 \$ 2,627,347
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 33,569,089	\$ 2,662,001
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(34,300)
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 \$ 33,569,089	 \$ 2,627,701

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2019 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)



SPECIAL REVENUE FUND

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Elementary and Secondary Education Act					
	Title I Reallocation	Title I SIA A	Title II, Part A	Title III	Title III, Immigrant	Title IV
REVENUE:						
Local Sources						
State Sources						
Federal Sources						
Total Revenue	\$ 926,599	\$ 5,184	\$ 44,786	\$ 38,106	\$ 2,707	\$ 2,836
	926,599	5,184	44,786	38,106	2,707	2,836
EXPENDITURES:						
Instruction:						
Salaries of Teachers	584,710	4,816		33,992		730
Purchased Professional and Technical Services	8,130		37,280			
Other Purchased Professional Services			7,506			
General Supplies	96,235			1,513		1,731
Total Instruction	689,075	4,816	44,786	35,505		2,461
Support Services:						
Salaries of Supervisors of Instruction						
Salaries of Program Directors						
Salaries of Other Professional Staff						
Salaries of Secretaries and Clerical Assistants						
Salaries of Community Parent Involvement Specialist	11,253					
Salaries of Master Teachers					2,515	
Other Salaries	18,103					
Personal Services - Employee Benefits	207,774			2,601		
Purchased Professional and Technical Services						
Other Purchased Professional Services						
Supplies and Materials	394					375
Total Support Services	237,524	368		2,601	192	375
		368			2,707	
Equipment and Facilities Acquisition and Construction:						
Instructional Equipment						
Construction Services						
Total Equipment and Facilities Acquisition and Construction						
Total Expenditures	\$ 926,599	\$ 5,184	\$ 44,786	\$ 38,106	\$ 2,707	\$ 2,836
	926,599	5,184	44,786	38,106	2,707	2,836

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Preschool Expansion Grant	Preschool Education Aid	Basic	IDEA Part B	Local Grants	Totals
REVENUE:						
Local Sources					\$ 14,603	\$ 14,603
State Sources	\$ 455,441	\$ 631,203	\$ 489,133	\$ 17,143		631,203
Federal Sources						2,016,195
Total Revenue	455,441	631,203	489,133	17,143	14,603	2,662,001
EXPENDITURES:						
Instruction:						
Salaries of Teachers	126,699	221,494	19,665	11,592	3,230	1,012,329
Purchased Professional and Technical Services	50,424	112,633	12,198	1,525		222,190
Other Purchased Professional Services			443,064			450,570
General Supplies	23,359	17,118		3,139		148,551
Total Instruction	200,482	351,245	474,927	16,256	3,230	1,833,640
Support Services:						
Salaries of Supervisors of Instruction	5,792	5,792				11,584
Salaries of Program Directors		55,649				55,649
Salaries of Other Professional Staff	19,003	38,577	11,799		420	69,799
Salaries of Secretaries and Clerical Assistants		41,642				52,895
Salaries of Community Parent Involvement Specialist	3,504	3,504				7,008
Salaries of Master Teachers	60,471					60,471
Other Salaries		18,590				39,208
Personal Services - Employee Benefits	125,669	82,005	2,407	887		421,756
Purchased Professional and Technical Services	10,727	8,790				42,507
Other Purchased Professional Services	30	800				830
Supplies and Materials	5,301	2,685			434	9,749
Total Support Services	230,497	258,034	14,206	887	854	771,456
Equipment and Facilities Acquisition and Construction:						
Instructional Equipment	24,462	21,924			10,519	46,386
Construction Services						10,519
Total Equipment and Facilities Acquisition and Construction	24,462	21,924			10,519	56,905
Total Expenditures	\$ 455,441	\$ 631,203	\$ 489,133	\$ 17,143	\$ 14,603	\$ 2,662,001

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
SCHEDULE OF PRESCHOOL EDUCATION AID  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

District-Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 221,494	\$ 221,494	
Purchased Professional and Technical Services	150,705	112,633	\$ 38,072
General Supplies	83,515	17,118	66,397
Total Instruction	<u>455,714</u>	<u>351,245</u>	<u>104,469</u>
Support Services:			
Salaries of Supervisors of Instruction	5,806	5,792	14
Salaries of Program Directors	55,785	55,649	136
Salaries of Other Professional Staff	39,179	38,577	602
Salaries of Secretaries and Clerical Assistants	41,642	41,642	
Other Salaries	19,902	18,590	1,312
Salaries of Community Parent Involvement Specialist	3,504	3,504	
Personal Services - Employee Benefits	96,148	82,005	14,143
Purchased Professional and Technical Services	15,000	8,790	6,210
Other Purchased Professional Services	9,999	800	9,199
Supplies and Materials	6,294	2,685	3,609
Total Support Services	<u>293,259</u>	<u>258,034</u>	<u>35,225</u>
Facilities Acquisition:			
Instructional Equipment	21,924	21,924	
Noninstructional Equipment	8,076		8,076
Total Facilities Acquisition	<u>30,000</u>	<u>21,924</u>	<u>8,076</u>
Total Expenditures	<u>\$ 778,973</u>	<u>\$ 631,203</u>	<u>\$ 147,770</u>

CALCULATION OF BUDGET & CARRYOVER

Total revised 2018-2019 Preschool Education Aid Allocation	719,882
Add: Actual Preschool Education Aid Carryover (June 30, 2018)	228,330
Total Preschool Education Aid Funds Available for 2018-2019 Budget	<u>948,212</u>
Less: 2018-2019 Budgeted PEA (Including prior year budget carryover)	<u>(778,973)</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2018	169,239
Add: June 30, 2019 Unexpended Preschool Education Aid	147,770
2018-2019 Carryover - Preschool Education Aid	<u>\$ 317,009</u>
2018-2019 Preschool Education Aid Carryover Budgeted in 2019-20	<u>\$ 169,533</u>

CAPITAL PROJECTS FUND

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Revenue and Other Financing Sources:	
Interest on Investments	\$ 7,064
	<hr/>
Total Revenue and Other Financing Sources	7,064
	<hr/>
Expenditures:	
Construction Services	1,130,104
	<hr/>
Total Expenditures	1,130,104
	<hr/>
Other Financing Uses:	
Transfer Out - Debt Service Fund	7,064
	<hr/>
Total Other Financing Uses	7,064
	<hr/>
Deficit of Revenue and Other Financing Sources under Expenditures and Other Financing Uses	(1,130,104)
	<hr/>
Fund Balance - Beginning of Year	1,162,665
	<hr/>
Fund Balance - End of Year	\$ 32,561
	<hr/> <hr/>
<u>Recapitulation:</u>	
Restricted for Year-End Encumbrances	\$ 19,958
Restricted Fund Balance	12,603
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 32,561
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BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
BOND REFERENDUM - VARIOUS SCHOOL RENOVATIONS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Prior Periods	Current Year	Totals	Authorized Costs
Revenue and Other Financing Sources:				
Bond Proceeds	\$ 27,140,000		\$ 27,140,000	\$ 27,140,000
Total Revenue and Other Financing Sources	27,140,000		27,140,000	27,140,000
Expenditures:				
Instructional Equipment	55,408		55,408	55,409
Other Purchased Professional Services	1,670,210		1,670,210	1,670,210
Construction Services	22,162,867	\$ 1,130,104	23,292,971	23,325,531
Buildings Other Than Lease Purchase Agreements	2,088,850		2,088,850	2,088,850
Total Expenditures	25,977,335	1,130,104	27,107,439	27,140,000
Excess of Revenue and Other Financing Sources over Expenditures	\$ 1,162,665	\$ (1,130,104)	\$ 32,561	\$ -0-
Additional Project Information:				
Project Number(s)	N/A			
Grant Date(s)	N/A			
Bond Authorization Date	9/30/2014			
Bonds Authorized	\$ 27,140,000			
Bonds Issued	\$ 27,140,000			
Original Authorized Cost	\$ 27,140,000			
Revised Authorized Cost	\$ 27,140,000			
Percentage Completion	99.88%			
Original Target Completion Date	9/30/2018			
Revised Target Completion Date	6/30/2020			

PROPRIETARY FUNDS



BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2019

	Non-Major Funds			Total
	Summer Sports	Summer Enrichment	Food Service	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents		\$ 800	\$ 81,340	\$ 82,140
Intergovernmental Accounts Receivable:				
Federal			176,465	176,465
State			2,134	2,134
Accounts Receivable - Other			5,595	5,595
Student Accounts Receivable			1,718	1,718
Inventories			20,456	20,456
<b>Total Current Assets</b>		<b>800</b>	<b>287,708</b>	<b>288,508</b>
Non-Current Assets:				
Capital Assets			1,022,849	1,022,849
Less: Accumulated Depreciation			(404,768)	(404,768)
<b>Total Non-Current Assets</b>			<b>618,081</b>	<b>618,081</b>
<b>Total Assets</b>		<b>800</b>	<b>905,789</b>	<b>906,589</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Interfund Accounts Payable - General Fund			384	384
Unearned Revenue - Prepaid Sales			6,748	6,748
Unearned Revenue - Donated Commodities			6,870	6,870
Unearned Revenue - Program Fees		800		800
<b>Total Current Liabilities</b>		<b>800</b>	<b>14,002</b>	<b>14,802</b>
<b>NET POSITION:</b>				
Investment in Capital Assets			618,081	618,081
Unrestricted			273,706	273,706
<b>Total Net Position</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 891,787</b>	<b>\$ 891,787</b>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Non-Major Funds			Total
	Summer Sports	Summer Enrichment	Food Service	
Operating Revenue:				
Local Sources:				
Daily Sales - Reimbursable Meals			\$ 145,408	\$ 145,408
Daily Sales - Non-Reimbursable Meals			93,487	93,487
Other Income			9,610	9,610
Charges for Services:				
Program Fees	\$ 825	\$ 1,975		2,800
Total Operating Revenue	825	1,975	248,505	251,305
Operating Expenses:				
Cost of Sales - Reimbursable Programs			691,514	691,514
Cost of Sales - Non-Reimbursable Programs			54,620	54,620
Salaries, Benefits & Payroll Taxes			522,172	522,172
Supplies, Insurance & Other Costs			113,985	113,985
Management Fee			47,974	47,974
Miscellaneous			85,102	85,102
Program Expenses	825	1,975		2,800
Depreciation Expense			24,190	24,190
Total Operating Expenses	825	1,975	1,539,557	1,542,357
Operating Loss			(1,291,052)	(1,291,052)
Non-Operating Revenue:				
Local Sources:				
Interest Income			384	384
State Sources:				
State School Lunch Program			13,086	13,086
Federal Sources:				
National School Lunch Program			668,665	668,665
After School Snack Program			10,707	10,707
Summer Food Service Program			21,044	21,044
School Breakfast Program			395,831	395,831
Food Distribution Program			87,405	87,405
Total Non-Operating Revenue			1,197,122	1,197,122
Change in Net Position Before Transfers			(93,930)	(93,930)
Transfer - General Fund			(384)	(384)
Total Transfers			(384)	(384)
Change in Net Position After Transfers			(94,314)	(94,314)
Net Position - Beginning of Year			986,101	986,101
Net Position - End of Year	\$ -0-	\$ -0-	\$ 891,787	\$ 891,787

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Non-Major Funds			Total
	Summer Sports	Summer Enrichment	Food Service	
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 825	\$ 2,775	\$ 243,864	\$ 247,464
Payments for Programs	(825)	(1,975)		(2,800)
Payments to Food Service Vendor			(522,172)	(522,172)
Payments to Suppliers			(920,490)	(920,490)
Net Cash Provided by/(Used for) Operating Activities		800	(1,198,798)	(1,197,998)
Cash Flows from Investing Activities:				
Local Sources:				
Interest Income			384	384
Net Cash Provided by Investing Activities			384	384
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets			(86,205)	(86,205)
Net Cash Used for Capital and Related Financing Activities			(86,205)	(86,205)
Cash Flows from Noncapital Financing Activities:				
Cash Received from State Reimbursements			11,749	11,749
Cash Received from Federal Reimbursements			993,126	993,126
Net Cash Provided by Noncapital Financing Activities			1,004,875	1,004,875
Net Increase/(Decrease) in Cash and Cash Equivalents		800	(279,744)	(278,944)
Cash and Cash Equivalents, July 1			361,084	361,084
Cash and Cash Equivalents, June 30	\$ -0-	\$ 800	\$ 81,340	\$ 82,140
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:				
Operating Loss	\$ -0-	\$ -0-	\$ (1,291,052)	\$ (1,291,052)
Adjustment to Reconcile Operating Loss to Net Cash Provided By/(Used) for Operating Activities:				
Depreciation			24,190	24,190
Food Distribution Program			87,405	87,405
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable			(4,849)	(4,849)
(Increase)/Decrease in Accounts Receivable - Students			(874)	(874)
(Increase)/Decrease in Inventory			6,623	6,623
Increase/(Decrease) in Unearned Revenue - Donated Commodities			(741)	(741)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales			1,082	1,082
Increase/(Decrease) in Unearned Revenue - Program Fees		800		800
Increase/(Decrease) in Accounts Payable			(20,582)	(20,582)
Net Cash Provided By/(Used) for Operating Activities	\$ -0-	\$ 800	\$ (1,198,798)	\$ (1,197,998)

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received \$86,664 and utilized \$87,405 of commodities from the Federal Food Distribution Program for the fiscal year ended June 30, 2019.

FIDUCIARY FUNDS

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2019

	Student Activities	Payroll Agency	Total Agency	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ASSETS:						
Cash and Cash Equivalents	\$ 74,069	\$ 248,568	\$ 322,637	\$ 248,947	\$ 8,670	\$ 123
Interfund Receivable - Payroll Agency Fund				8,974		
Total Assets	74,069	248,568	322,637	257,921	8,670	123
LIABILITIES:						
Interfund Payable - General Fund		12,707	12,707			
Interfund Payable - Unemployment Trust		8,974	8,974			
Due to Student Groups	72,829		72,829			
Due to Athletic Fund	1,240		1,240			
Payroll Deductions and Withholdings		226,887	226,887			
Total Liabilities	74,069	248,568	322,637			
NET POSITION:						
Held in Trust for:						
Unemployment Claims				257,921		
Flexible Spending Claims					8,670	
Restricted for Scholarships						123
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 257,921	\$ 8,670	\$ 123

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
Additions:				
Contributions:				
Plan Contributions	\$ 34,475	\$ 19,965		\$ 54,440
Total Contributions	34,475	19,965		54,440
Investment Earnings:				
Interest	1,610			1,610
Net Investment Earnings	1,610			1,610
Total Additions	36,085	19,965		56,050
Deductions:				
Unemployment Compensation Claims	50,817			50,817
Flexible Spending Claims		18,932		18,932
Scholarships Awarded			\$ 100	100
Total Deductions	50,817	18,932	100	69,849
Change in Net Position	(14,732)	1,033	(100)	(13,799)
Net Position - Beginning of the Year	272,653	7,637	223	280,513
Net Position - End of the Year	<u>\$ 257,921</u>	<u>\$ 8,670</u>	<u>\$ 123</u>	<u>\$ 266,714</u>

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 89,249	\$ 211,229	\$ 226,409	\$ 74,069
Total Assets	<u>\$ 89,249</u>	<u>\$ 211,229</u>	<u>\$ 226,409</u>	<u>\$ 74,069</u>
 <b>LIABILITIES</b>				
Due to Athletics	\$ 3,204	\$ 35,220	\$ 37,184	\$ 1,240
Due to Student Groups	<u>86,045</u>	<u>176,009</u>	<u>189,225</u>	<u>72,829</u>
Total Liabilities	<u>\$ 89,249</u>	<u>\$ 211,229</u>	<u>\$ 226,409</u>	<u>\$ 74,069</u>

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
High School	\$ 86,045	\$ 176,009	\$ 189,225	\$ 72,829
Athletic Fund	<u>3,204</u>	<u>35,220</u>	<u>37,184</u>	<u>1,240</u>
Total All Schools	<u>\$ 89,249</u>	<u>\$ 211,229</u>	<u>\$ 226,409</u>	<u>\$ 74,069</u>



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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 174,579	\$ 18,910,378	\$ 18,836,389	\$ 248,568
Total Assets	\$ 174,579	\$ 18,910,378	\$ 18,836,389	\$ 248,568
 <u>LIABILITIES:</u>				
Interfund Payable - General Fund	\$ 12,804	\$ 403	\$ 500	\$ 12,707
Interfund Payable - Unemployment Trust	8,974	27,280	27,280	8,974
Payroll Deductions and Withholdings	152,801	18,882,695	18,808,609	226,887
Total Liabilities	\$ 174,579	\$ 18,910,378	\$ 18,836,389	\$ 248,568

LONG-TERM DEBT

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

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

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2018	Retired or Matured	Balance June 30, 2019
			Date	Amount				
School Bonds	12/23/2014	\$ 27,140,000	1/15/2036	\$ 1,390,000	3.375%	\$ 24,950,000	\$ 790,000	\$ 24,160,000
			1/15/2037	1,390,000	3.500%			
			1/15/2038	1,400,000	3.500%			
			1/15/2039	1,420,000	3.625%			
			1/15/2040	1,420,000	3.750%			
						\$ 25,255,000	\$ 1,095,000	\$ 24,160,000

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
LONG-TERM DEBT  
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Purpose</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance July 1, 2018</u>	<u>Retired or Matured</u>	<u>Balance June 30, 2019</u>
Capital Improvement	\$ 500,000	2.35%	<u>\$ 398,814</u>	<u>\$ 398,814</u>	<u>\$ -0-</u>

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 537,092		\$ 537,092	\$ 537,092	
State Sources:					
School Building Aid	935,887		935,887	935,887	
Total Revenues	1,472,979		1,472,979	1,472,979	
EXPENDITURES:					
Regular Debt Service:					
Interest	809,263		809,263	809,263	
Redemption of Principal	1,095,000		1,095,000	1,095,000	
Total Regular Debt Service	1,904,263		1,904,263	1,904,263	
Total Expenditures	1,904,263		1,904,263	1,904,263	
Deficit of Revenues Under Expenditures	(431,284)		(431,284)	(431,284)	
Other Financing Sources:					
Transfers In - General Fund	376,628		376,628	376,628	
Transfers In - Capital Projects Fund				7,064	\$ 7,064
Total Other Financing Sources	376,628		376,628	383,692	7,064
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	(54,656)		(54,656)	(47,592)	7,064
Fund Balance, July 1	80,174		80,174	80,174	
Fund Balance, June 30	\$ 25,518	\$ -0-	\$ 25,518	\$ 32,582	\$ 7,064
<u>Recapitulation:</u>					
Restricted Fund Balance				\$ 32,582	

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

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

**Contents**

	<b><u>Exhibit</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.	J-1 thru J-5
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.	J-6 thru J-9
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.	J-10 thru J-13
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.	J-14 thru J-15
<b>Operating Information</b> These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.	J-16 thru J-20

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

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

	June 30,				
	2010	2011	2012	2013	2014
Governmental Activities/(Deficit)					
Net Investment in Capital Assets	\$ 1,716,604	\$ 2,918,629	\$ 3,739,856	\$ 3,914,713	\$ 4,936,220
Restricted	1,810,688	1,259,473	2,853,224	4,846,267	3,638,379
Unrestricted	(862,834)	1,060,389	346,336	(41,070)	(6,077,733)
Total Governmental Activities Net Position	<u>\$ 2,664,458</u>	<u>\$ 5,238,491</u>	<u>\$ 6,939,416</u>	<u>\$ 8,719,910</u>	<u>\$ 2,496,866</u>
Business-type Activities					
Investment in Capital Assets	\$ 238,916	\$ 244,022	\$ 247,997	\$ 241,035	\$ 244,069
Unrestricted	94,183	110,735	143,262	161,939	242,439
Total Business-type Activities Net Position	<u>\$ 333,099</u>	<u>\$ 354,757</u>	<u>\$ 391,259</u>	<u>\$ 402,974</u>	<u>\$ 486,508</u>
District-wide/(Deficit)					
Net Investment in Capital Assets	\$ 1,955,520	\$ 3,162,651	\$ 3,987,853	\$ 4,155,748	\$ 5,180,289
Restricted	1,810,688	1,259,473	2,853,224	4,846,267	3,638,379
Unrestricted	(768,651)	1,171,124	489,598	120,869	(5,835,294)
Total District Net Position	<u>\$ 2,997,557</u>	<u>\$ 5,593,248</u>	<u>\$ 7,330,675</u>	<u>\$ 9,122,884</u>	<u>\$ 2,983,374</u>



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

	June 30,				
	2015	2016	2017	2018	2019
Governmental Activities/(Deficit)					
Net Investment in Capital Assets	\$ 5,350,423	\$ 5,910,924	\$ 5,959,764	\$ 6,805,233	\$ 10,171,912
Restricted	2,187,690	1,734,140	2,300,098	4,183,956	3,300,175
Unrestricted	(5,855,274)	(6,646,582)	(7,960,143)	(9,295,772)	(9,536,305)
Total Governmental Activities Net Position	<u>\$ 1,682,839</u>	<u>\$ 998,482</u>	<u>\$ 299,719</u>	<u>\$ 1,693,417</u>	<u>\$ 3,935,782</u>
Business-type Activities					
Investment in Capital Assets	\$ 288,615	\$ 401,026	\$ 555,675	\$ 556,066	\$ 618,081
Unrestricted	297,462	272,464	369,283	430,035	273,706
Total Business-type Activities Net Position	<u>\$ 586,077</u>	<u>\$ 673,490</u>	<u>\$ 924,958</u>	<u>\$ 986,101</u>	<u>\$ 891,787</u>
District-wide/(Deficit)					
Net Investment in Capital Assets	\$ 5,639,038	\$ 6,311,950	\$ 6,515,439	\$ 7,361,299	\$ 10,789,993
Restricted	2,187,690	1,734,140	2,300,098	4,183,956	3,300,175
Unrestricted	(5,557,812)	(6,374,118)	(7,590,860)	(8,865,737)	(9,262,599)
Total District Net Position	<u>\$ 2,268,916</u>	<u>\$ 1,671,972</u>	<u>\$ 1,224,677</u>	<u>\$ 2,679,518</u>	<u>\$ 4,827,569</u>

Source: School District Financial Reports

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

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
Expenses					
Governmental Activities					
Instruction					
Regular	\$ 9,471,006	\$ 9,101,265	\$ 9,925,886	\$ 9,662,684	\$ 10,622,657
Special Education	3,210,096	2,994,967	3,018,139	3,091,112	3,283,366
Other Instruction	1,117,507	1,069,180	1,199,461	1,171,293	854,765
School-Sponsored Instruction					479,070
Support Services					
Tuition	2,019,496	1,178,899	1,498,550	1,653,671	2,323,753
Student & Instruction Related Services	2,730,076	2,393,733	2,401,926	2,690,669	2,854,172
General and Business Administrative Services	1,541,863	644,922	595,606	667,296	754,316
School Administrative Services	591,904	1,231,592	1,251,606	1,325,535	1,274,212
Central Services & Administrative					
Information Technology	678,253	662,570	678,599	620,910	956,300
Plant Operations and Maintenance	2,746,671	2,504,012	2,781,499	2,743,694	3,107,572
Pupil Transportation	691,361	403,748	478,755	547,810	573,206
Charter Schools	43,870	34,949	31,910	22,933	56,001
Capital Outlay					
Interest on long-term debt	132,752	136,223	117,129	97,286	76,323
Total Governmental Activities Expenses	<u>24,974,855</u>	<u>22,356,060</u>	<u>23,979,066</u>	<u>24,294,893</u>	<u>27,215,713</u>
Business-type Activities					
Food Service	720,678	692,835	716,740	766,869	981,456
Summer Enrichment					
Summer Sports					
Total Business-type Activities Expense	<u>720,678</u>	<u>692,835</u>	<u>716,740</u>	<u>766,869</u>	<u>981,456</u>
Total District Expenses	<u>\$ 25,695,533</u>	<u>\$ 23,048,895</u>	<u>\$ 24,695,806</u>	<u>\$ 25,061,762</u>	<u>\$ 28,197,169</u>
Program Revenues					
Governmental Activities					
Charges for Services					
Tuition & Pupil Transportation	\$ 1,430,266	\$ 1,224,395	\$ 1,522,518	\$ 1,427,304	\$ 1,618,263
Operating Grants and Contributions	5,699,175	4,285,627	4,669,370	4,723,498	4,988,209
Capital Grants and Contributions	151,415	1,043,671	257,365		
Total Governmental Activities Program Revenues	<u>7,280,856</u>	<u>6,553,693</u>	<u>6,449,253</u>	<u>6,150,802</u>	<u>6,606,472</u>
Business-type Activities:					
Charges for Services					
Food Service	200,931	198,194	202,479	211,181	206,447
Summer Enrichment					
Summer Sports					
Operating Grants and Contributions	464,616	484,746	550,763	558,940	844,829
Capital Grants and Contributions	101,187	171			
Total Business-type Activities Program Revenues	<u>766,734</u>	<u>683,111</u>	<u>753,242</u>	<u>770,121</u>	<u>1,051,276</u>
Total District Program Revenues	<u>\$ 8,047,590</u>	<u>\$ 7,236,804</u>	<u>\$ 7,202,495</u>	<u>\$ 6,920,923</u>	<u>\$ 7,657,748</u>

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

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
Net (Expense)/Revenue					
Governmental Activities	\$ (15,802,367)	\$ (17,529,813)	\$ (18,144,091)	\$ (20,609,241)	\$ (21,565,613)
Business-type Activities	(9,724)	36,502	3,252	69,820	50,088
Total District-wide Net Expense	<u>\$ (15,812,091)</u>	<u>\$ (17,493,311)</u>	<u>\$ (18,140,839)</u>	<u>\$ (20,539,421)</u>	<u>\$ (21,515,525)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
Property Taxes Levied for General Purposes, Net	\$ 12,284,744	\$ 12,072,744	\$ 12,314,062	\$ 12,571,243	\$ 12,571,243
Taxes Levied for Debt Service	348,678	357,154	380,108	376,744	379,939
Federal and State aid not restricted	4,841,513	5,851,606	6,365,605	6,823,930	7,258,883
Investment Earnings	14,981	139	324	132	
Miscellaneous Income	131,171	94,757	170,639	115,902	118,502
Insurance Reimbursement due to Losses from Hurricane Sandy				45,097	
Transfers				(8,463)	(13,714)
Total Governmental Activities	<u>17,621,087</u>	<u>18,376,400</u>	<u>19,230,738</u>	<u>19,924,585</u>	<u>20,314,853</u>
Business-type Activities					
Investment Earnings					
Miscellaneous	13,350	32,281	31,382		
Other Items					
Transfers					8,463
Total Business-type Activities	<u>13,350</u>	<u>32,281</u>	<u>31,382</u>		<u>8,463</u>
Total District-wide	<u>\$ 17,634,437</u>	<u>\$ 18,408,681</u>	<u>\$ 19,262,120</u>	<u>\$ 19,924,585</u>	<u>\$ 20,323,316</u>
Change in Net Position					
Governmental Activities	\$ 1,818,720	\$ 846,587	\$ 1,086,647	\$ (684,656)	\$ (1,250,760)
Business-type Activities	3,626	68,783	34,634	69,820	58,551
Total District	<u>\$ 1,822,346</u>	<u>\$ 915,370</u>	<u>\$ 1,121,281</u>	<u>\$ (614,836)</u>	<u>\$ (1,192,209)</u>

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

	Fiscal Year Ended June 30,				
	2015	2016	2017	2018	2019
Expenses					
Governmental Activities					
Instruction					
Regular	\$ 11,846,786	\$ 13,025,688	\$ 15,225,678	\$ 16,257,390	\$ 14,534,183
Special Education	3,351,241	4,203,934	3,945,318	4,279,100	4,470,193
Other Instruction	1,065,461	1,427,274	1,595,820	1,764,401	1,645,515
School-Sponsored Instruction	540,909	552,371	520,906	543,194	824,073
Support Services					
Tuition	2,263,257	1,658,891	1,873,933	1,463,570	1,730,757
Student & Instruction Related Services	4,035,498	4,136,282	4,152,379	4,339,060	5,026,671
General and Business Administrative Services	950,061	1,115,262	1,722,079	959,459	726,327
School Administrative Services	1,539,137	1,900,486	2,359,417	2,267,448	2,362,432
Central Services & Administrative					
Information Technology	760,378	938,214	1,159,296	953,909	1,274,615
Plant Operations and Maintenance	3,004,402	2,809,504	2,813,285	2,320,651	2,527,645
Pupil Transportation	629,387	689,036	797,625	660,955	749,559
Charter Schools	67,096	81,656	66,431	829,023	35,736
Capital Outlay	9,836	9,836	9,836	114,896	407,927
Interest on long-term debt	505,583	893,001	862,331	51,406	793,513
Total Governmental Activities Expenses	<u>30,569,032</u>	<u>33,441,435</u>	<u>37,104,334</u>	<u>36,804,463</u>	<u>37,109,146</u>
Business-type Activities					
Food Service	1,159,932	1,271,721	1,323,394	1,323,708	1,539,557
Summer Enrichment				725	1,975
Summer Sports				750	825
Total Business-type Activities Expense	<u>1,159,932</u>	<u>1,271,721</u>	<u>1,323,394</u>	<u>1,325,183</u>	<u>1,542,357</u>
Total District Expenses	<u>\$ 31,728,964</u>	<u>\$ 34,713,156</u>	<u>\$ 38,427,728</u>	<u>\$ 38,129,646</u>	<u>\$ 38,651,503</u>
Program Revenues					
Governmental Activities					
Charges for Services					
Tuition & Pupil Transportation	\$ 1,644,174	\$ 1,611,381	\$ 1,512,921	\$ 1,364,129	\$ 1,208,831
Operating Grants and Contributions	7,359,245	9,042,408	11,747,672	12,869,099	11,001,994
Capital Grants and Contributions					
Total Governmental Activities Program Revenues	<u>9,003,419</u>	<u>10,653,789</u>	<u>13,260,593</u>	<u>14,233,228</u>	<u>12,210,825</u>
Business-type Activities:					
Charges for Services					
Food Service	214,846	230,139	223,500	212,074	248,505
Summer Enrichment				725	1,975
Summer Sports				750	825
Operating Grants and Contributions	995,174	1,128,331	1,177,111	1,179,739	1,196,738
Capital Grants and Contributions					
Total Business-type Activities Program Revenues	<u>1,210,020</u>	<u>1,358,470</u>	<u>1,400,611</u>	<u>1,393,288</u>	<u>1,448,043</u>
Total District Program Revenues	<u>\$ 10,213,439</u>	<u>\$ 12,012,259</u>	<u>\$ 14,661,204</u>	<u>\$ 15,626,516</u>	<u>\$ 13,658,868</u>

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

	Fiscal Year Ended June 30,				
	2015	2016	2017	2018	2019
Net (Expense)/Revenue					
Governmental Activities	\$ (22,787,646)	\$ (23,843,741)	\$ (22,571,235)	\$ (22,571,235)	\$ (24,898,321)
Business-type Activities	86,749	77,217	68,105	68,105	(94,314)
Total District-wide Net Expense	<u>\$ (22,700,897)</u>	<u>\$ (23,766,524)</u>	<u>\$ (22,503,130)</u>	<u>\$ (22,503,130)</u>	<u>\$ (24,992,635)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
Property Taxes Levied for General Purposes, Net	\$ 12,833,220	\$ 13,446,977	\$ 14,056,977	\$ 13,680,017	\$ 13,680,017
Taxes Levied for Debt Service	382,092	382,092	382,092	537,092	537,092
Federal and State aid not restricted	7,349,935	8,149,850	8,183,327	9,605,112	12,625,558
Investment Earnings					
Miscellaneous Income	235,820	124,999	696,794	142,487	297,635
Insurance Reimbursement due to Losses from Hurricane Sandy					
Transfers	(49,481)	(630)	(174,211)	225	384
Total Governmental Activities	<u>20,751,586</u>	<u>22,103,288</u>	<u>23,144,979</u>	<u>23,964,933</u>	<u>27,140,686</u>
Business-type Activities					
Investment Earnings			34		
Miscellaneous				185	384
Other Items				(6,922)	
Transfers	13,714	49,481	630	(225)	(384)
Total Business-type Activities	<u>13,714</u>	<u>49,481</u>	<u>664</u>	<u>(6,962)</u>	<u>-0-</u>
Total District-wide	<u>\$ 20,765,300</u>	<u>\$ 22,152,769</u>	<u>\$ 23,145,643</u>	<u>\$ 23,957,971</u>	<u>\$ 27,140,686</u>
Change in Net Position					
Governmental Activities	\$ (2,036,060)	\$ (1,740,453)	\$ 573,744	\$ 1,393,698	\$ 2,242,365
Business-type Activities	100,463	126,698	68,769	61,143	(94,314)
Total District	<u>\$ (1,935,597)</u>	<u>\$ (1,613,755)</u>	<u>\$ 642,513</u>	<u>\$ 1,454,841</u>	<u>\$ 2,148,051</u>

Source: School District Financial Reports

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

	June 30,				
	2010	2011	2012	2013	2014
General Fund					
Reserved	\$ 1,574,502				
Unreserved / (Deficit)	(193,916)				
Restricted		\$ 1,259,471	\$ 2,853,224	\$ 4,846,267	\$ 3,638,378
Assigned		1,366,117	798,758	556,617	415,345
Unassigned / (Deficit)					
Total General Fund	<u>\$ 1,380,586</u>	<u>\$ 2,625,588</u>	<u>\$ 3,651,982</u>	<u>\$ 5,402,884</u>	<u>\$ 4,053,723</u>
All Other Governmental Funds					
Reserved	\$ 45,121				
Unreserved/(Deficit), Reported in:					
Special Revenue Fund	(38,574)				
Capital Projects Fund	207,500				
Debt Service Fund	22,139				
Restricted		\$ 2			\$ 1
Committed		264,918	\$ 135,763		
Unassigned / (Deficit)		(35,249)	(33,201)	\$ (30,421)	(41,423)
Total All Other Governmental Funds/(Deficit)	<u>\$ 236,186</u>	<u>\$ 229,671</u>	<u>\$ 102,562</u>	<u>\$ (30,421)</u>	<u>\$ (41,422)</u>
Total Governmental Funds	<u>\$ 1,616,772</u>	<u>\$ 2,855,259</u>	<u>\$ 3,754,544</u>	<u>\$ 5,372,463</u>	<u>\$ 4,012,301</u>

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

UNAUDITED  
(Continued)

	June 30,				
	2015	2016	2017	2018	2019
General Fund					
Reserved					
Unreserved / (Deficit)					
Restricted	\$ 2,179,449	\$ 1,692,891	\$ 2,083,212	\$ 4,103,782	\$ 3,267,593
Assigned	1,325,094	875,872	620,225		
Unassigned / (Deficit)				(438,481)	(383,910)
Total General Fund	<u>\$ 3,504,543</u>	<u>\$ 2,568,763</u>	<u>\$ 2,703,437</u>	<u>\$ 3,665,301</u>	<u>\$ 2,883,683</u>
All Other Governmental Funds					
Reserved					
Unreserved/(Deficit), Reported in:					
Special Revenue Fund					
Capital Projects Fund					
Debt Service Fund					
Restricted	\$ 23,439,965	\$ 15,643,721	\$ 6,757,778	\$ 1,242,839	\$ 65,143
Committed					
Unassigned / (Deficit)	(39,193)	(42,678)	(71,598)	(71,350)	(71,704)
Total All Other Governmental Funds/(Deficit)	<u>\$ 23,400,772</u>	<u>\$ 15,601,043</u>	<u>\$ 6,686,180</u>	<u>\$ 1,171,489</u>	<u>\$ (6,561)</u>
Total Governmental Funds	<u>\$ 26,905,315</u>	<u>\$ 18,169,806</u>	<u>\$ 9,389,617</u>	<u>\$ 4,836,790</u>	<u>\$ 2,877,122</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,				
	2010	2011	2012	2013	2014
Revenues:					
Tax Levy	\$ 12,633,422	\$ 12,429,898	\$ 12,694,170	\$ 12,947,987	\$ 12,951,182
Tuition Charges	1,376,405	1,192,531	1,508,356	1,392,846	1,578,544
Interest Earnings	14,981	139	324	132	
Transportation Fees	53,861	31,864	14,162	34,458	39,719
Miscellaneous	131,171	1,098,321	170,639	148,455	171,852
Other Sources	37,525		168,948		
State Sources	7,653,140	8,516,188	9,363,345	10,147,444	10,561,900
Federal Sources	3,001,438	1,661,152	1,760,047	1,367,431	1,631,842
Total Revenue	<u>24,901,943</u>	<u>24,930,093</u>	<u>25,679,991</u>	<u>26,038,753</u>	<u>26,935,039</u>
Expenditures:					
Instruction					
Regular Instruction	7,122,471	6,917,885	7,534,483	7,263,271	8,174,052
Special Education Instruction	2,432,265	2,252,971	2,218,008	2,323,453	2,593,085
Other Instruction	790,606	699,269	807,810	764,077	877,619
School-Sponsored Support Services					
Tuition	2,019,496	1,178,899	1,498,550	1,653,671	2,323,753
Student & Other Instruction Related Services	1,896,259	1,661,981	1,712,488	1,904,266	2,100,703
School Administrative Services	527,667	553,276	502,522	593,598	646,825
General & Business Administrative Services	1,072,503	888,028	932,555	932,549	951,231
Central Services and Administrative					
Information Technology	458,074	460,025	492,200	463,224	706,343
Plant Operations and Maintenance	2,371,655	2,186,347	2,411,793	2,327,704	2,689,719
Pupil Transportation	610,852	319,762	368,176	443,737	508,445
Unallocated Benefits	5,135,998	4,891,356	5,149,196	5,132,037	5,157,841



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

	Fiscal Year Ending June 30,				
	2010	2011	2012	2013	2014
Expenditures:					
Charter School	\$ 43,870	\$ 34,949	\$ 31,910	\$ 22,933	\$ 81,777
Capital Outlay	510,510	1,119,113	578,889	95,528	954,093
Debt Service:					
Principal	380,000	400,000	420,000	435,000	460,000
Interest and Other Charges	158,157	140,995	122,126	102,420	56,001
Total Expenditures	<u>25,530,383</u>	<u>23,704,856</u>	<u>24,780,706</u>	<u>24,457,468</u>	<u>28,281,487</u>
Excess/(Deficit) of Revenues					
Over/(Under) Expenditures	<u>(628,440)</u>	<u>1,225,237</u>	<u>899,285</u>	<u>1,581,285</u>	<u>(1,346,448)</u>
Other Financing Sources/(Uses)					
Capital Leases (Non-budgeted)		\$ 13,250			
Bond Proceeds					
Transfers in	\$ 491,479	56,660	\$ 42,352	\$ 135,763	
Transfers out	(491,479)	(56,660)	(42,352)	(144,226)	\$ (13,714)
Insurance Reimbursement due to Losses from Hurricane Sandy				45,097	
Total Other Financing Sources/(Uses)		<u>13,250</u>		<u>36,634</u>	<u>(13,714)</u>
Net Change in Fund Balances	<u>\$ (628,440)</u>	<u>\$ 1,238,487</u>	<u>\$ 899,285</u>	<u>\$ 1,617,919</u>	<u>\$ (1,360,162)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>2.15%</u>	<u>2.40%</u>	<u>2.24%</u>	<u>2.21%</u>	<u>1.89%</u>

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

UNAUDITED  
(Continued)

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Revenues:					
Tax Levy	\$ 13,215,312	\$ 13,829,069	\$ 14,439,069	\$ 14,217,109	\$ 14,217,109
Tuition Charges	1,603,297	1,560,159	1,462,346	1,333,378	1,180,927
Interest Earnings	40,877	51,222	50,575	30,751	27,904
Transportation Fees	278,790	147,295	703,422	150,657	312,238
Miscellaneous					
Other Sources					
State Sources	10,907,831	12,409,986	13,071,259	14,908,052	19,516,798
Federal Sources	1,564,502	1,989,233	1,891,421	1,803,398	2,016,129
Total Revenue	<u>27,610,609</u>	<u>29,986,964</u>	<u>31,618,092</u>	<u>32,443,345</u>	<u>37,271,105</u>
Expenditures:					
Instruction					
Regular Instruction	7,954,520	8,516,426	8,981,055	8,974,085	9,380,640
Special Education Instruction	2,360,167	2,857,226	2,311,633	2,504,930	2,962,305
Other Instruction	968,658	539,533	554,273	579,886	712,757
School-Sponsored		552,371	520,906	543,194	824,073
Support Services					
Tuition	2,263,257	1,658,891	1,873,933	1,463,570	1,730,757
Student & Other Instruction Related Services	2,615,307	2,589,664	2,322,676	2,447,189	3,349,511
School Administrative Services	981,259	1,140,120	1,289,527	1,193,250	1,423,881
General & Business Administrative Services	726,162	900,363	864,762	777,381	794,333
Central Services and Administrative					
Information Technology	541,686	668,299	760,823	805,054	1,110,170
Plant Operations and Maintenance	2,492,118	2,207,295	2,072,498	2,251,237	2,346,508
Pupil Transportation	545,229	580,826	672,548	587,167	678,151
Unallocated Benefits	5,709,500	6,520,465	6,799,458	7,086,206	7,840,625

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Expenditures:					
Charter School	\$ 67,096	\$ 81,656	\$ 66,431	\$ 51,406	\$ 35,736
Capital Outlay	4,038,194	7,966,549	9,422,194	5,837,879	4,137,447
Debt Service:					
Principal	485,000	980,000	995,000	1,050,000	1,095,000
Interest and Other Charges	59,961	962,160	876,863	843,963	809,263
Total Expenditures	<u>31,808,114</u>	<u>38,721,844</u>	<u>40,384,580</u>	<u>36,996,397</u>	<u>39,231,157</u>
Excess/(Deficit) of Revenues					
Over/(Under) Expenditures	<u>(4,197,505)</u>	<u>(8,734,880)</u>	<u>(8,766,488)</u>	<u>(4,553,052)</u>	<u>(1,960,052)</u>
Other Financing Sources/(Uses)					
Capital Leases (Non-budgeted)					
Bond Proceeds	\$ 27,140,000				
Transfers in					
Transfers out	(49,481)	\$ (630)	\$ (13,701)	\$ 225	\$ 384
Insurance Reimbursement due to Losses from Hurricane Sandy					
Total Other Financing Sources/(Uses)	<u>27,090,519</u>	<u>(630)</u>	<u>(13,701)</u>	<u>225</u>	<u>384</u>
Net Change in Fund Balances	<u>\$ 22,893,014</u>	<u>\$ (8,735,510)</u>	<u>\$ (8,780,189)</u>	<u>\$ (4,552,827)</u>	<u>\$ (1,959,668)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>1.96%</u>	<u>6.31%</u>	<u>6.05%</u>	<u>6.08%</u>	<u>5.43%</u>

Source: School District Financial Reports

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition Revenue	Transportation	Miscellaneous	Total
2010	\$ 14,981	\$ 1,376,405	\$ 53,861	\$ 131,171	\$ 1,576,418
2011	8,483	1,192,531	31,864	86,413	1,319,291
2012	5,954	1,508,356	14,162	165,009	1,693,481
2013	8,883	1,392,846	34,458	107,151	1,543,338
2014	2,419	1,578,544	39,719	116,083	1,736,765
2015	44	1,603,297	40,877	227,539	1,871,757
2016	2,660	1,560,159	51,222	89,332	1,703,373
2017	2,843	1,462,346	50,575	139,056	1,654,820
2018	9,479	1,333,378	30,751	107,263	1,480,871
2019	29,370	1,180,927	27,904	261,201	1,499,402

Source: School District of the Borough of Bound Brook records

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

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2009	* \$ 8,740,100	\$ 657,399,000	\$ 138,026,200	\$ 1,881,600	\$ 45,839,400	\$ 851,886,300	\$ 8,160,111	\$ 860,046,411	\$ 1.437	\$ 1,019,642,469
2010	8,862,900	655,580,700	136,924,900	1,881,600	45,839,400	849,089,500	7,937,422	857,026,922	1.445	936,106,441
2011	8,921,000	647,153,900	134,746,700	1,881,600	45,437,300	838,140,500	9,023,902	847,164,402	1.466	876,640,196
2012	9,176,600	645,090,400	133,356,800	1,881,600	41,904,400	831,409,800	7,787,477	839,197,277	1.510	817,400,787
2013	9,192,600	643,132,400	131,615,200	1,881,600	41,679,400	827,501,200	6,857,917	834,359,117	1.535	803,165,739
2014	* 7,310,100	518,149,900	109,205,740	1,779,600	38,429,700	674,875,040	6,135,212	681,010,252	1.937	707,372,316
2015	8,766,700	532,596,800	123,755,040	2,822,340	38,877,600	706,818,480	6,142,505	712,960,985	1.841	726,357,795
2016	8,434,300	541,941,300	127,818,640	1,529,000	43,093,500	722,816,740	6,616,694	729,433,434	1.914	739,845,280
2017	10,358,200	531,968,700	131,774,340	1,579,000	47,604,800	723,285,040	6,737,547	730,022,587	1.943	813,165,287
2018	11,818,500	549,295,500	135,118,240	1,599,000	48,061,700	745,892,940	6,904,888	752,797,828	1.869	786,589,320

\* Revaluation Year

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

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

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

Source: Municipal Tax Assessor

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

LAST TEN YEARS

UNAUDITED

(Rate per \$100 of Assessed Value)

Year Ended December 31,	School District of the Borough of Bound Brook Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Municipality	County	
2009	* \$ 1.392	\$ 0.045	\$ 1.437	\$ 0.743	\$ 0.393	\$ 2.573
2010	1.403	0.042	1.445	0.822	0.363	2.630
2011	1.422	0.044	1.466	0.819	0.367	2.652
2012	1.466	0.044	1.510	0.845	0.357	2.712
2013	1.490	0.045	1.535	0.881	0.363	2.779
2014	* 1.881	0.056	1.937	1.084	0.407	3.428
2015	1.790	0.051	1.841	1.069	0.401	3.311
2016	1.863	0.051	1.914	1.068	0.404	3.386
2017	1.870	0.073	1.943	1.065	0.403	3.411
2018	1.798	0.071	1.869	1.052	0.412	3.333

\* Revaluation Year

Note:

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

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

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

Source: Municipal Tax Collector and School Business Administrator

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

	<u>2017*</u>		<u>2009</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Bound Brook LLC	\$ 24,963,000	3.42%	\$ 23,520,000	2.73%
Middle Brook Center LLC	19,019,000	2.61%	18,127,600	2.11%
Garfield Park Assoc., LLC	4,350,000	0.60%	4,260,000	0.77%
Tomar Realty LLC	3,712,300	0.51%	6,585,900	0.50%
Bragg-Norton LLC	3,210,000	0.44%	4,011,800	0.47%
Somerset Savings & Loan Assoc.	3,012,500	0.41%	3,107,500	0.36%
Tomur Realty LLC	2,874,600	0.39%		
Bound Brook Holdings LLC	2,300,000	0.32%	2,808,000	0.33%
JP Morgan Chase			2,159,500	0.25%
Bound Brook Supercenter			1,344,600	0.16%
East High Street Properties Inc/	2,235,000	0.31%		
Bound Brook Invst. Inc	2,176,500	0.30%		
Total	<u>\$ 67,852,900</u>	<u>9.29%</u>	<u>\$ 65,924,900</u>	<u>7.68%</u>

\* - 2017 was the last available information from the Borough of Bound Brook.

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>	
		Amount	Percentage of Levy
2010	\$ 12,633,422	\$ 12,633,422	100.00%
2011	12,429,898	12,429,898	100.00%
2012	12,694,170	12,694,170	100.00%
2013	12,947,987	12,947,987	100.00%
2014	12,951,182	12,951,182	100.00%
2015	13,215,312	13,215,312	100.00%
2016	13,829,069	13,829,069	100.00%
2017	14,439,069	14,439,069	100.00%
2018	14,217,109	14,217,109	100.00%
2019	14,217,109	14,217,109	100.00%

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

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



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

Fiscal Year Ended June 30,	Governmental Activities										Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Obligations Under		Bond Anticipation Notes (BANs)	Business-Type Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>			
			Lease-Purchase Agreement	Lease-Purchase Agreement		Capital Leases	Leases						
2010	\$ 2,310,000	\$ 1,030,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,340,000	0.46%	\$ 48.29		
2011	2,095,000	845,000	\$ 3,267	-	-	-	-	-	2,943,267	0.39%	41.26		
2012	1,870,000	650,000	-	-	-	-	-	-	2,520,000	0.32%	33.65		
2013	1,640,000	445,000	-	-	-	-	-	-	2,085,000	0.26%	26.75		
2014	1,395,000	230,000	-	-	-	-	-	-	1,625,000	0.19%	19.65		
2015	28,280,000	-	-	-	-	-	-	-	28,280,000	3.11%	323.14		
2016	27,300,000	-	-	-	-	-	-	-	27,300,000	2.91%	300.19		
2017	26,305,000	-	500,000	-	-	-	-	-	26,805,000	2.69%	277.63		
2018	25,255,000	-	398,814	-	-	-	-	-	25,653,814	2.54%	265.71		
2019	24,160,000	-	-	-	-	-	-	-	24,160,000	2.43%	250.24		

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

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

Source: School District Financial Reports

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation <sup>a</sup> Taxable	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2010	\$ 2,310,000	\$ - 0 -	\$ 2,310,000	0.27%	\$ 218.61
2011	2,095,000	- 0 -	2,095,000	0.24%	200.31
2012	1,870,000	- 0 -	1,870,000	0.22%	178.49
2013	1,640,000	- 0 -	1,640,000	0.20%	156.73
2014	1,395,000	- 0 -	1,395,000	0.17%	133.80
2015	28,280,000	- 0 -	28,280,000	4.15%	2,725.78
2016	27,300,000	- 0 -	27,300,000	3.83%	2,642.02
2017	26,305,000	- 0 -	26,305,000	3.61%	2,550.91
2018	25,255,000	- 0 -	25,255,000	3.46%	2,412.59
2019	24,160,000	- 0 -	24,160,000	3.21%	2,348.14

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

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

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

Source: School District Financial Reports

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2018  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Borough of Bound Brook	\$ 22,053,691	100.00%	\$ 22,053,691
Somerset County General Obligation Debt	206,591,021	1.27%	<u>2,632,575</u>
Subtotal, Overlapping Debt			24,686,266
Bound Brook School District Direct Debt			<u>24,160,000</u>
Total Direct and Overlapping Debt			<u>\$ 48,846,266</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2019

		Equalized valuation basis
	2016	\$ 733,228,586
	2017	806,427,740
	2018	806,427,740
		<u>\$ 2,346,084,066</u>
Average Equalized Valuation of Taxable Property		\$ 782,028,022
Debt Limit (4% of average equalization value)	a	31,281,121
Net Direct School Debt		24,160,000
Legal Debt Margin		<u>\$ 7,121,121</u>

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt Limit	\$ 34,988,727	\$ 37,425,653	\$ 34,857,678	\$ 33,121,740	\$ 31,070,746
Total Net Debt Applicable to Limit	<u>3,340,000</u>	<u>2,940,000</u>	<u>2,520,000</u>	<u>2,085,000</u>	<u>1,625,000</u>
Legal Debt Margin	<u>\$ 31,648,727</u>	<u>\$ 34,485,653</u>	<u>\$ 32,337,678</u>	<u>\$ 31,036,740</u>	<u>\$ 29,445,746</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	9.55%	7.86%	7.23%	6.29%	5.23%

	Fiscal Year				
	2015	2016	2017	2018	2019
Debt Limit	\$ 29,950,683	\$ 29,201,843	\$ 29,312,284	\$ 30,402,241	\$ 31,281,121
Total Net Debt Applicable to Limit	<u>28,280,000</u>	<u>27,300,000</u>	<u>26,305,000</u>	<u>25,255,000</u>	<u>24,160,000</u>
Legal Debt Margin	<u>\$ 1,670,683</u>	<u>\$ 1,901,843</u>	<u>\$ 3,007,284</u>	<u>\$ 5,147,241</u>	<u>\$ 7,121,121</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	94.42%	93.49%	89.74%	83.07%	77.24%

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

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

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

Year	Population <sup>a</sup>	Borough of Bound Brook Personal Income <sup>b</sup>	Somerset County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2010	10,567	\$ 730,929,957	\$ 69,171	11.10%
2011	10,459	746,071,847	71,333	10.9%
2012	10,477	784,570,145	74,885	11.4%
2013	10,464	815,721,120	77,955	8.5%
2014	10,426	862,115,514	82,689	5.1%
2015	10,375	907,968,125	87,515	4.7%
2016	10,333	939,693,353	90,941	4.3%
2017	10,312	995,602,976	96,548	4.3%
2018	10,289	993,382,372	96,548 *	4.1%
2019	10,289 **	993,382,372 ***	96,548 *	N/A

\* - Latest Somerset County per capita personal income available (2017) was used for calculation purposes.

\*\* - Latest population data available (2018) was used for calculation purposes.

\*\*\* - Latest Borough personal income available (2017) and latest population data available (2018) were used for calculation purposes.

N/A - Not Available

Source:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

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

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

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

Employer	2019		
	Employees	Rank	Percentage of Total Employment
Verizon Wireless	3,500 *	1	N/A
Sanofi US	2,150 *	2	N/A
Janssen Research & Development LLC	2,000 *	3	N/A
Ortho Mcneil Pharmaceutical	1,800 *	4	N/A
Federal Insurance Co	1,800 *	5	N/A
Robert Wood Johnson University Hospital	1,500 *	6	N/A
Bloomberg LP	1,381 *	7	N/A
Met Life	1,200 *	8	N/A
Johnson & Johnson	1,200 *	9	N/A
Ethicon Us LLC	1,200 *	10	N/A
Memorial Sloan Kettering	1,000 *		
	15,231		
Employer	2010		
	Employees	Rank	Percentage of Total Employment
A&T	3,000	1	N/A
Verizon Wireless	930	2	N/A
Dendrite	700	3	N/A
Fiddlers Elbow Country Club	210	4	N/A
Trump National	400	5	N/A
Falrion Technologies	200	6	N/A
Hamilton Farm	175	7	N/A
Kings	120	8	N/A
Bedminster Township Board of Education	100	9	N/A
Loral Skynet	80	10	N/A
	5,915		

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

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Instruction										
Regular	86.3	83.8	92.1	89.2	101.7	102.2	108.9	114.6	102.4	105.7
Special education	17.3	18.2	20.2	18.6	21.0	22.4	26.6	28.2	29.0	32.8
Other special education	10.5	13.5	14.0	12.0	10.6	7.5	10.1	9.6	10.0	0.0
Other instruction	10.5	10.9	9.6	10.6	13.4	15.6	16.5	16.2	14.7	20.6
Support Services:										
Student and instruction related services	27.5	25.5	25.0	29.8	30.0	42.0	40.4	33.3	28.3	34.3
General administrative services	2.0	2.0	2.0	2.3	2.5	2.5	4.0	4.0	4.0	4.0
School administrative services	12.0	10.0	10.0	15.4	9.9	12.2	14.2	14.7	13.7	15.7
Business administrative services	5.0	5.3	5.3	5.3	7.3	7.3	5.6	6.8	7.3	9.0
Plant operations and maintenance	16.0	15.0	17.8	19.8	18.8	18.5	22.0	22.0	10.3	12.3
Pupil transportation	3.5	4.0	4.0	4.3	3.7	4.2	3.4	3.4	3.4	3.0
<b>Total</b>	<u>190.6</u>	<u>188.2</u>	<u>200</u>	<u>207.3</u>	<u>218.9</u>	<u>234.4</u>	<u>251.7</u>	<u>252.8</u>	<u>223.1</u>	<u>237.4</u>

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

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

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle/High				
2010	1,513	\$ 24,481,716	16,181	8.02%	114	1:17.5	1:10.7	1,492.9	1,413.9	-1.28%	94.71%
2011	1,532	22,044,748	14,390	-11.07%	113	1:15.9	1:11.8	1,492.9	1,417.6	0.00%	94.96%
2012	1,535	23,659,691	15,413	7.12%	122	1:13.6	1:11.7	1,524.0	1,453.1	2.08%	95.35%
2013	1,606	23,824,520	14,835	-3.76%	115	1:15.0	1:12.9	1,611.2	1,530.3	5.72%	94.98%
2014	1,710	26,811,393	15,679	5.69%	128	1:14.2	1:12.6	1,681.6	1,598.3	4.37%	95.05%
2015	1,800	27,224,959	15,125	-3.53%	134	1:13.3	1:13.6	1,802.8	1,716.1	7.21%	95.19%
2016	1,832	28,813,135	15,728	3.98%	142	1:12.2	1:13.7	1,835.9	1,754.3	1.84%	95.56%
2017	1,888	29,090,523	15,408	-2.03%	152	1:11.9	1:12.6	1,879.6	1,783.8	2.38%	94.90%
2018	1,883	29,264,555	15,541	0.87%	145	1:12.3	1:14.1	1,884.1	1,789.3	0.24%	94.97%
2019	1,893	32,184,653	17,002	9.40%	159	1:10.9	1:13.1	1,904.7	1,806.6	1.09%	94.85%

Note: Enrollment based on annual October district count.

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

Source: Borough of Bound Brook District Records



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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>District Building</u>										
<u>Elementary</u>										
LaMonte Elementary (1913)										
Square Feet	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800
Capacity (students)	139	139	139	139	139	139	139	139	139	139
Enrollment	159	150	140	133	169	238	186	155	149	154
LaMonte Annex (2006)										
Square Feet	30,240	30,240	30,240	30,240	30,240	30,240	30,240	30,240	20,240	20,240
Capacity (students)	256	256	256	256	256	256	256	256	256	256
Enrollment	284	304	307	344	333	340	218	234	238	243
Lafayette Elementary (1962)										
Square Feet	39,640	39,640	39,640	39,640	39,640	39,640	39,640	39,640	39,640	39,640
Capacity (students)	226	226	226	226	266	266	266	266	866	866
Enrollment	320	323	361	353	378	327	264	293	282	263
Smalley Elementary School (1957)										
Square Feet	42,877	42,877	42,877	42,877	42,877	42,877	42,877	42,877	42,877	42,877
Capacity (students)	356	356	356	356	356	356	356	356	356	356
Enrollment	255	270	262	293	321	358	373	373	377	397
<u>Middle School</u>										
Community Middle School (2014) *										
Square Feet							44,937	44,937	44,937	44,937
Capacity (students)							335	335	335	335
Enrollment							227	240	251	255
<u>High School</u>										
Bound Brook High School (1907)										
Square Feet	118,025	118,025	118,025	118,025	118,025	118,025	119,595	119,595	119,595	119,595
Capacity (students)	869	869	869	869	869	869	869	869	869	869
Enrollment	495	485	465	483	510	537	564	593	586	581
<u>Board of Education Administrative Office</u>										
Square Feet								1,649	1,649	1,649
Number of Schools at June 30, 2019										
Elementary = 4										
Middle School = 1										
Senior High School = 1										

Source: District Facilities Office

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

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

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

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

Fiscal Year Ended June 30,	Bound	Lafayette	LaMonte	Smalley	LaMonte	Community	Administration Building	Total
	Brook High School	Elementary School	Elementary School	Elementary School	School Annex	Middle School		
2010	\$ 449,584	\$ 160,128	\$ 95,586	\$ 150,442	\$ 92,617		\$	948,357
2011	421,404	131,206	133,411	142,114	69,332			897,467
2012	427,132	178,873	133,536	155,374	73,796			968,711
2013	395,335	86,384	127,866	112,644	87,019			809,248
2014	440,379	114,226	75,390	142,252	73,469			845,716
2015	297,520	83,389	95,994	100,054	52,520			629,477
2016	184,406	52,251	39,385	87,808	38,526	\$ 53,963		456,339
2017	136,508	57,740	63,970	52,618	50,855	73,623	\$ 6,594	441,908
2018	138,566	58,283	53,793	58,793	29,412	51,170	5,455	395,472
2019	166,400	60,396	45,814	60,695	45,185	62,739	5,503	446,732

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
INSURANCE SCHEDULE  
AS OF JUNE 30, 2019  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
New Jersey Schools Insurance Group		
Package Policy:		
Blanket Real and Personal Property	\$ 81,896,878	\$ 5,000
Comprehensive General Liability	11,000,000	
Computer Equipment	1,873,737	1,000
Energy Systems	100,000,000	5,000
Crime Coverage:		
Faithful Performance	1,000,000	1,000
Money and Securities	50,000	1,000
Automobile	11,000,000	1,000
School Board Legal Liability	11,000,000	25,000
Workers Compensation	2,000,000	
Supplemental Indemnity (Chubb Insurance Company)	1,750/ week	
Flood: (Selective Insurance Company)		
330 W 2nd Street	500,000	1,000
High St & Lafayette	500,000	1,000
2nd St. & Vosseler	500,000	1,000
120 E. 2nd Street	500,000	1,200
Catastrophe Umbrella (Firemans Fund)	50,000,000	
Environmental Liability (each incident/total aggregate)	1 mil/ 3 mil	25,000
Student Accident Insurance (Bollinger)	1,000,000	
New Jersey Schools Insurance Group		
Surety Bonds:		
Board Secretary/Business Administrator	350,000	
Treasurer of School Moneys	350,000	
Environmental (add'l mold)	1mil/1mil	10,000
Beazley		

Source: District's Records

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Bound Brook School District, in the County of Somerset (the "District") as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2019.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

November 8, 2019  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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



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

Independent Auditors' Report

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

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

We have audited the Board of Education of the Borough of Bound Brook School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2019. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal and State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2019.

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

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

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

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

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

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

November 8, 2019  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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



BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018			Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2019		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue					Budgetary Accounts Receivable	Budgetary Unearned Revenue	
U.S. Department of Education Passed-through State Department of Education:													
Special Revenue Fund:													
Elementary and Secondary Education Act													
Title I	84.010A	ESEA049018	7/1/17-6/30/18	\$ 850,823	\$ (163,262)	\$ 163,261	\$ 163,261	\$ (926,599)	\$ 1	\$ (211,566)			
Title I	84.010A	ESEA049019	7/1/18-6/30/19	928,787		715,033	715,033	(5,184)					
Title I, SIA	84.010A	ESEA049019	7/1/18-6/30/19	9,976		5,184	5,184	(34,260)					
Title I, Reallocation	84.010A	ESEA049019	7/1/18-6/30/19	41,824		5,456	5,456	(28,804)					
Title II, Part A	84.367A	ESEA049018	7/1/17-6/30/18	92,079	(2,266)	2,266	2,266						
Title II, Part A	84.367A	ESEA049019	7/1/18-6/30/19	98,797		34,456	34,456	(44,786)					
Title III	84.365A	ESEA049018	7/1/17-6/30/18	79,798	(5,997)	5,997	5,997	(589)					
Title III	84.365A	ESEA049019	7/1/18-6/30/19	69,628		37,517	37,517						
Title III - Immigrant	84.365A	ESEA049018	7/1/17-6/30/18	16,313	(7,200)	7,200	7,200						
Title III - Immigrant	84.365A	ESEA049019	7/1/18-6/30/19	15,586		2,707	2,707	(2,707)					
Title IV	84.186A	ESEA049019	7/1/18-6/30/19	10,117		2,836	2,836	(2,836)					
Preschool Expansion Aid	84.419B	N/A	7/1/17-6/30/18	486,715	(82,228)	78,525	78,525		3,703	(111,280)			
Preschool Expansion Aid	84.419B	N/A	7/1/18-6/30/19	469,925		344,161	344,161	(455,441)					
Emergency Impact Aid	84.938C	N/A	7/1/17-6/30/18	50,250	(50,250)	50,250	50,250						
Special Education Cluster:													
I.D.E.A. Part B, Basic	84.027	IDEA184019	7/1/18-6/30/19	491,991		468,248	468,248	(489,133)			(20,885)		
I.D.E.A. Part B, Preschool	84.173	IDEA184019	7/1/18-6/30/19	17,760		17,134	17,134	(17,143)			(9)		
Total Special Education Cluster													
Total U.S. Department of Education					(311,203)	1,940,231	1,940,231	(2,016,195)	3,704	(383,463)			
U.S. Department of Health and Human Services:													
Medicaid Assistance Program	93.778	N/A	7/1/18-6/30/19	31,228		31,228	31,228	(31,228)					
Total U.S. Department of Health and Human Services													
U.S. Department of Agriculture Passed Through State Department of Agriculture:													
Child Nutrition Cluster:													
Food Distribution Program	10.555	N/A	7/1/17-6/30/18	89,040		7,611	7,611	(7,611)					
Food Distribution Program	10.555	N/A	7/1/18-6/30/19	86,664		86,664	86,664	(79,794)			\$ 6,870		
School Breakfast Program	10.553	N/A	7/1/17-6/30/18	406,789	(32,597)	32,597	32,597						
School Breakfast Program	10.553	N/A	7/1/18-6/30/19	395,831		329,001	329,001	(395,831)			(66,830)		
After School Snack Program	10.555	N/A	7/1/18-6/30/19	10,707		10,707	10,707	(10,707)					
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	655,017	(40,747)	40,747	40,747						
National School Lunch Program	10.555	N/A	7/1/18-6/30/19	668,665		559,030	559,030	(668,665)			(109,635)		
Summer Food Service Program	10.559	N/A	7/1/18-6/30/19	21,044		21,044	21,044	(21,044)					
Total U.S. Department of Agriculture					(73,344)	7,611	1,079,790	(1,183,652)			(176,465)		
Total Federal Awards					(384,547)	7,611	3,051,249	(3,231,075)	3,704	(559,928)	\$ 6,870		
N/A - Not Applicable/Available													

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

**BOROUGH OF BOUND BROOK SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018		Cash Received	Budgetary Expenditures	Balance at June 30, 2019		MEMO
				Budgetary Accounts Receivable	Budgetary Unearned Revenue			GAAP Accounts Receivable	Budgetary Unearned Revenue	
New Jersey Department of Education										
General Fund:										
Categorical Special Education Aid	18-495-034-5120-089	7/1/17 - 6/30/18	\$ 903,401	\$ (89,540)	\$	\$ 89,540			\$	903,401
Equalization Aid	18-495-034-5120-078	7/1/17 - 6/30/18	7,852,318	(778,276)		778,276				7,852,318
Categorical Security Aid	18-495-034-5120-084	7/1/17 - 6/30/18	141,353	(14,011)		14,011				141,353
Categorical Transportation Aid	18-495-034-5120-014	7/1/17 - 6/30/18	27,646	(2,740)		2,740				27,646
School Choice Aid	18-495-034-5120-068	7/1/17 - 6/30/18	440,703	(43,679)		43,679				440,703
Under Adequacy Aid	18-495-034-5120-085	7/1/17 - 6/30/18	282,395	(27,989)		27,989				282,395
Additional Adjustment Aid	18-495-034-5120-088	7/1/17 - 6/30/18	51,096	(5,064)		5,064				51,096
PARCC Readiness Aid	18-495-034-5120-098	7/1/17 - 6/30/18	16,070	(1,593)		1,593				16,070
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17 - 6/30/18	16,070	(1,593)		1,593				16,070
Professional Learning Communication Aid	18-495-034-5120-101	7/1/17 - 6/30/18	17,440	(1,729)		1,729				17,440
Host District	18-495-034-5120-102	7/1/17 - 6/30/18	7,647	(758)		758				7,647
Extraordinary Aid	18-495-034-5120-044	7/1/17 - 6/30/18	97,577	(97,577)		97,577				97,577
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17 - 6/30/18	868,571	(42,898)		42,898				868,571
Categorical Special Education Aid	19-495-034-5120-089	7/1/18 - 6/30/19	1,574,377		\$	1,417,562	\$ (1,574,377)	\$	(156,815)	1,574,377
Equalization Aid	19-495-034-5120-078	7/1/18 - 6/30/19	10,797,482			9,721,998	(10,797,482)		(1,075,484)	10,797,482
Categorical Security Aid	19-495-034-5120-084	7/1/18 - 6/30/19	784,650			706,494	(784,650)		(78,156)	784,650
Categorical Transportation Aid	19-495-034-5120-014	7/1/18 - 6/30/19	124,699			112,278	(124,699)		(12,421)	124,699
School Choice Aid	19-495-034-5120-068	7/1/18 - 6/30/19	514,710			463,443	(514,710)		(51,267)	514,710
Extraordinary Aid	19-495-034-5120-044	7/1/18 - 6/30/19	175,557				(175,557)	\$ (175,557)		175,557
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18 - 6/30/19	1,304,514			1,029,504	(1,034,514)	(5,010)	(5,010)	1,304,514
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18 - 6/30/19	1,045,367			1,045,367	(1,045,367)			1,045,367
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18 - 6/30/19	2,257,356			2,257,356	(2,257,356)			2,257,356
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18 - 6/30/19	47,252			47,252	(47,252)			47,252
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18 - 6/30/19	4,275			4,275	(4,275)			4,275
Total General Fund				(1,107,447)		17,912,976	(18,360,239)	(180,567)	(1,554,710)	29,743,244
Special Revenue Fund										
Preschool Education Aid	18-495-034-5120-025	7/1/17 - 6/30/18	719,882	(71,350)	\$	71,350	(228,330)			719,882
Preschool Education Aid	19-495-034-5120-025	7/1/18 - 6/30/19	719,882			648,178	(402,873)	\$ 317,009	(71,704)	629,145
Total Special Revenue Fund				(71,350)		719,528	(631,203)	317,009	(71,704)	1,349,027
Debt Service Fund:										
School Building Aid	19-495-034-5120-017	7/1/18 - 6/30/19	935,887			935,887	(935,887)			935,887
Total Debt Service Fund						935,887	(935,887)			935,887
Total New Jersey Department of Education				(1,178,797)		19,568,391	(19,927,329)	(180,567)	(1,626,414)	32,028,158

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018		Cash Received	Budgetary Expenditures	Balance at June 30, 2019		MEMO		
				Budgetary Accounts Receivable	Budgetary Unearned Revenue			GAAP Accounts Receivable	Budgetary Unearned Revenue	Budgetary Accounts Receivable	Cumulative Total Expenditures	
New Jersey Department of Agriculture:												
Enterprise Fund:												
State School Lunch Program	18-100-010-3350-023	7/1/17 - 6/30/18	\$ 12,854	\$ (797)	\$ 797	\$	\$ (13,086)	\$ (2,134)	\$	\$	\$ 12,854	
State School Lunch Program	19-100-010-3350-023	7/1/18 - 6/30/19	13,086	(797)	10,952						13,086	
Total New Jersey Department of Agriculture					11,749		(13,086)	(2,134)		(2,134)	25,940	
Total State Awards Subject to Single Audit Determination				\$ (1,179,594)	\$ 19,580,140	\$ 228,330	\$ (19,940,415)	\$ (182,701)	\$ 317,009	\$ (1,628,548)	\$ 32,054,098	
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18 - 6/30/19	(1,045,367)				\$ 1,045,367					
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18 - 6/30/19	(2,257,356)				2,257,356					
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18 - 6/30/19	(47,252)				47,252					
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18 - 6/30/19	(4,275)				4,275					
Subtotal - On-Behalf TPAF Pension System Contribution							3,354,250					
Total State Awards Subject to Single Audit Major Program Determination							\$ (16,586,165)					

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Borough of Bound Brook School District under programs of the federal and state governments for the fiscal year ended June 30, 2019. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$407,171) for the general fund and (\$34,654) for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and the special revenue funds.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 31,228	\$ 17,953,068	\$ 17,984,296
Special Revenue Fund	1,984,901	627,843	2,612,744
Debt Service Fund		935,887	935,887
Food Service Fund	<u>1,183,652</u>	<u>13,086</u>	<u>1,196,738</u>
Total Awards	<u>\$ 3,199,781</u>	<u>\$ 19,529,884</u>	<u>\$ 22,729,665</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2019.

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Summary of Auditors' Results:

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

	<u>C.F.D.A. Number/ State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Child Nutrition Cluster:				
Food Distribution Program	10.555	7/1/18-6/30/19	\$ 86,664	\$ 79,794
Food Distribution Program	10.555	7/1/17-6/30/18	89,040	7,611
School Breakfast Program	10.553	7/1/18-6/30/19	395,831	395,831
After School Snack Program	10.555	7/1/18-6/30/19	10,707	10,707
National School Lunch Program	10.555	7/1/18-6/30/19	668,665	668,665
Summer Food Service Program	10.559	7/1/18-6/30/19	21,044	21,044
<u>State:</u>				
General Fund State Aid:				
Categorical Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	1,574,377	1,574,377
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	10,797,482	10,797,482
Categorical Security Aid	19-495-034-5120-084	7/1/18-6/30/19	784,650	784,650
School Choice Aid	19-495-034-5120-068	7/1/18-6/30/19	514,710	514,710
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	1,034,514	1,034,514

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

Summary of Auditors' Results: (Cont'd)

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

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

BOROUGH OF BOUND BROOK SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

Status of Prior Year Findings:

The District had no prior year findings.