

**Comprehensive Annual
Financial Report**

of the

Somerville Borough School District

Somerville, New Jersey

For the Fiscal Year Ended June 30, 2020

Prepared by

Somerville Board of Education

SOMERVILLE BOROUGH SCHOOL DISTRICT

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020**

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INTRODUCTORY SECTION
(UNAUDITED)

Somerville Board of Education

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December 17, 2020

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

Dear Board Members:

The comprehensive annual financial report of the Somerville Borough School District (the "District") for the fiscal year ended June 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

1) REPORTING ENTITY AND ITS SERVICES:

The Somerville Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Somerville Borough Board of Education and all its schools constitute the District's reporting entity.

The Honorable President and Members of
the Board of Education
Somerville Borough School District
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1) REPORTING ENTITY AND ITS SERVICES (Cont'd):

The District provides a full range of educational services appropriate to grade levels Kindergarten through 12 for the students residing in Somerville Borough, and 9 through 12 for students residing in Branchburg Township. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2019-2020 fiscal year with an enrollment of 2,370 students, which is an increase of 34 students from the previous year's enrollment.

2) ECONOMIC CONDITION AND OUTLOOK:

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

3) MAJOR INITIATIVES:

District-Wide

The Global Pandemic that started in the United States completely altered the way districts, such as Somerville, usually operate. Fortunately, Somerville is uniquely positioned to come out of this pandemic as a success story. The district implemented a four-phase transition to on-line learning to be responsive to student needs and the initial uncertainty about Covid-19. This transition was facilitated due to extensive preparation in the area of technology integration, and the district's ability to communicate learning in an accessible format. We adopted many virtual learning platforms such as Pear Deck, Studies Weekly, Learning Ally, The Google Distance Learning Suite, EnVision Math, Ready Math, and American Reading Company in order to allow students to access learning materials virtually as needed.

In 2019, Somerville School District was one of eleven districts in the State designated as a Lighthouse District. The Lighthouse award winners are districts that demonstrate measurable progress across diverse groups of learners and are evaluated using multiple measures to assess the district's individualized support to students and school communities. The New Jersey Department of Education evaluated four years of district and school-level data to identify districts with the greatest academic improvement. Somerville was awarded this honor for academic growth and the closing of the achievement gap, along with the social and academic supports the district provides to all students.

Somerville was one of a few districts awarded the Computer Science Grant by the New Jersey Department of Education. This grant was awarded to Somerville based on its commitment to advancing technology access and instruction. The purpose of the grant was to further expand the district's Computer Science Initiatives. As part of the grant, Somerville conducted an Equity Audit of our STEM program, updated our computer Science Lab, and added additional computer science courses with a focus on recruiting under-represented members of our student population. The district has created three new computer science based courses and is working on a new course that integrates graphic arts and game design. We are also building off of the Equity Audit by opening access to Algebra in Middle School and working K-12 to delve deeper into our data to address equity initiatives.

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3) MAJOR INITIATIVES: (Cont'd)

District-Wide (Cont'd)

In Preschool-12, the district is working on an intensive three-year multi-faceted equity initiative. In Kindergarten-12, staff has created a district wide equity committee that will be facilitated by Dr. Edward Fergus from Temple University. The district committee will study our data and will return to our schools to lead building based equity initiatives. We have eight people being trained to be equity facilitators. We are also bringing in Denisha Jones, author and Sarah Lawrence College professor, to talk to core teachers about How to Talk about Race in the Classroom. This is coupled with our Restorative Practices initiative. We are working on root cause issues that should result in higher academic achievement.

In an effort to continue to support all learners, I&RS teams use the shared Digital Data Wall and other data sources to identify specific areas in need of support. Using a customized, student centered approach, classroom teachers are provided with specific intervention and classroom strategies that are based on an individual student needs profile. The process has been streamlined with the addition of electronic data collection forms that generate student specific reports. To further support the interventions, teachers have been getting trained with multi-sensory approaches to phonics through Foundations and other small group instructional supports provided by American Reading Company.

The district partners with Family ID and Realtime to post school forms requiring parent/guardian signatures online. This gives families the ability to digitally complete and sign important school documents including registration and field trip forms while giving the district the opportunity to provide an efficient, cost effective, and eco-friendly solution to generating, collecting, and reporting important student data. Realtime gives parents and students access to not only grades, but assignments and important district updates, as well. To further promote student data privacy, we have partnered with Clever for a single sign-on to programs that previously required individualized accounts. In a further effort to save costs and be economically conscious, we have reduced unnecessary mailing and printing of documents such as the program of study and training manuals.

Somerville High School

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

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3) MAJOR INITIATIVES: (Cont'd)

Somerville High School (Cont'd)

The district also utilizes Robert Wood Johnson University Hospital Somerset for the Somerville Medical Sciences Academy (SMSA). Students enrolled in the Somerville Medical Sciences Academy learn firsthand about the many health careers available and gain valuable knowledge, skills, and experiences by shadowing medical professionals in the hospital. The learning in this setting cannot be duplicated in a traditional high school classroom. The goal of the program is to challenge students academically while stimulating interest in health related professions and motivate students with an aptitude for math and science to pursue post-secondary education in this or a related field. This program is further supported by a new Medical Sciences Club that has over 90 students.

The Somerville Guidance Department is working to help all students find the right classes and the right path forward. In the High School, they use Naviance to allow students to make individualized learning plans. We have a college and career counselor dedicated to our specialty programs, and we have specific counselors assigned to students who may need additional community supports. The High School Guidance Department is also working with the Middle School Guidance Department to do interest and career surveying through NJCAN (New Jersey Career Assistance Navigator). Guidance and other related staff are regularly visiting the middle schools in Branchburg and Somerville to support students with their future choices.

This past year we adopted a Benchmark assessment at Somerville High School to allow our teachers to participate in data driven Professional Learning Communities that continue to focus on student achievement. The disciplinary teams meet monthly and look at student data and work samples in order to inform curriculum adjustments and needs. Somerville High School has also added new courses over the past two years. Somerville has its first New Jersey Department of Education approved Career and Technical Education Program in computer support. This new offering joins our new College Board AP Capstone diploma program and our Tomorrow's Teachers Program. As we look at the possibility of Block scheduling, we plan on creating a Freshman Seminar Course that will infuse academic success skills, such as Cornell Note Taking, and brain based research with service and financial literacy.

Somerville Middle School

Somerville Middle School continues to provide students access to options that will enrich their learning experience. The Middle School has created elective programs in areas such as the Arts, Language, Physical Education, and STEM. Students select the options that are of interest and schedules are arranged so students have access to at least one of their priority choices. Some of the newer choices include Media Literacy and coding. This reflects the belief that Middle School years should be a time to explore students' interests and passions. SMS rounds out the extracurricular experience by offering a model Middle School Band Program along with a variety of clubs and afterschool athletic programs.

Somerville Middle School continues to incorporate current 21st century learning resources to expand the learning opportunities that are provided throughout the course of the school day. Somerville Middle School is a "1-to-1 device" learning environment. Each student is assigned a Chromebook that is utilized throughout the school day. At the end of instruction, they take home the Chromebooks so they can access on-line synchronous learning in Spanish, Health, and Electives.

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3) MAJOR INITIATIVES: (Cont'd)

Somerville Middle School (Cont'd)

The school's focus on developing the talents of the whole child includes maximizing their academic potential to increase students' future success. As part of this work, there is a current focus on three curricular initiatives. SMS has adopted a highly rated 6-8 Mathematics program. The program is accompanied by the I-Ready diagnostic program that gives responsive learning experiences to help students remediate any misunderstandings. This program provides an adaptive learning program tailored to each individual student. In English Language Arts, the Writer's workshop model has been adopted in grades 6-8. This builds on the implementation of the writer's workshop model implemented in grades Kindergarten-5. With both the math and writing program, coaching and professional development supports have been added. The third curricular initiative increased the amount of Spanish instruction received in grades 6-8. Students get Spanish daily based on the understanding that to best master a language one must practice regularly.

Van Derveer Elementary School

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

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

Van Derveer Elementary School adopted an on-line, evidenced based reading and phonics program to help support all learners. American Reading Company, which was previously used as an intervention, has a strong on-line component and allows for more frequent assessments and data reporting. The program clearly delineates skills students need in order to advance more quickly in reading. Foundations is being utilized in Kindergarten-3 and coaching support has been provided throughout the school year.

The district instructional coach has been relocated to Van Derveer Elementary School and is working on maximizing the literacy block. The coach is available two and one half days a week and participates in a plan, teach, debrief model. In addition, a 4th grade teacher has been reallocated to serve as an interventionist and the Intervention and Referral Services coordinator. These two roles along with our Literacy Coaches ensure that the district can address a wide range of student learning needs.

Technology Programs

The students of Somerville Public Schools engage daily in connected learning experiences. With technology, they have opportunities to explore, communicate, and design. Somerville students learn how to become responsible technology users, contributors, and creators. The rigorous curricula and transformative practices give them the opportunities necessary to communicate, create, and thrive as connected citizens. With the regulations on occupancy due to the 2020 Global Pandemic, we have been able to offer students robust asynchronous and synchronous learning opportunities.

3) MAJOR INITIATIVES: (Cont'd)

Technology Programs (Cont'd)

Van Derveer Elementary School students enjoy connected learning experiences through the shared use of a variety of devices. Teachers and students utilize MacBooks, iPads and Chromebooks to connect wirelessly with the district's network and interact with 21st Century curricula such as GoMath, MyOn, American Reading Company, and other developmentally appropriate applications. Students in grades Kindergarten-12 participate in a 1:1 device initiative. Each classroom is also currently equipped with an interactive display. The STEM/Coding program for Kindergarten through Grade 5 students in Van Derveer Elementary School has fostered an interest in computer science for our youngest learners.

Somerville Middle School students are also participating in a 1:1 Chromebook initiative. Every student in Somerville Middle School has access to a personalized Chromebook to use in every classroom throughout the school day and at home. Google Apps for Education accounts provide students with the opportunity to collaborate with their teachers and classmates. In addition, educational applications and programs provide students with the curricula support they need to achieve successful academic growth outside of school. Students create videos, podcasts, multi-media presentations, and use technology to clearly synthesize and present information.

A 1:1 Chromebook initiative is also implemented at Somerville High School. Students use Chromebooks and their Google Apps for Education accounts to engage in collaborative 21st Century learning activities. Somerville High School has interactive displays available for students to use in all classrooms. Students have the option to participate in the video production studio and create newscasts for their peers. High School students also explore their creativity through 3D printing facilities, a music production computer lab, and an engineering lab. These course offerings are supported with additional courses in App Development, Computer Science and Programming.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments, and/or assignments of fund balance at June 30, 2020.

6) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) RISK MANAGEMENT:

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

9) OTHER INFORMATION:

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

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

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

Respectfully submitted,

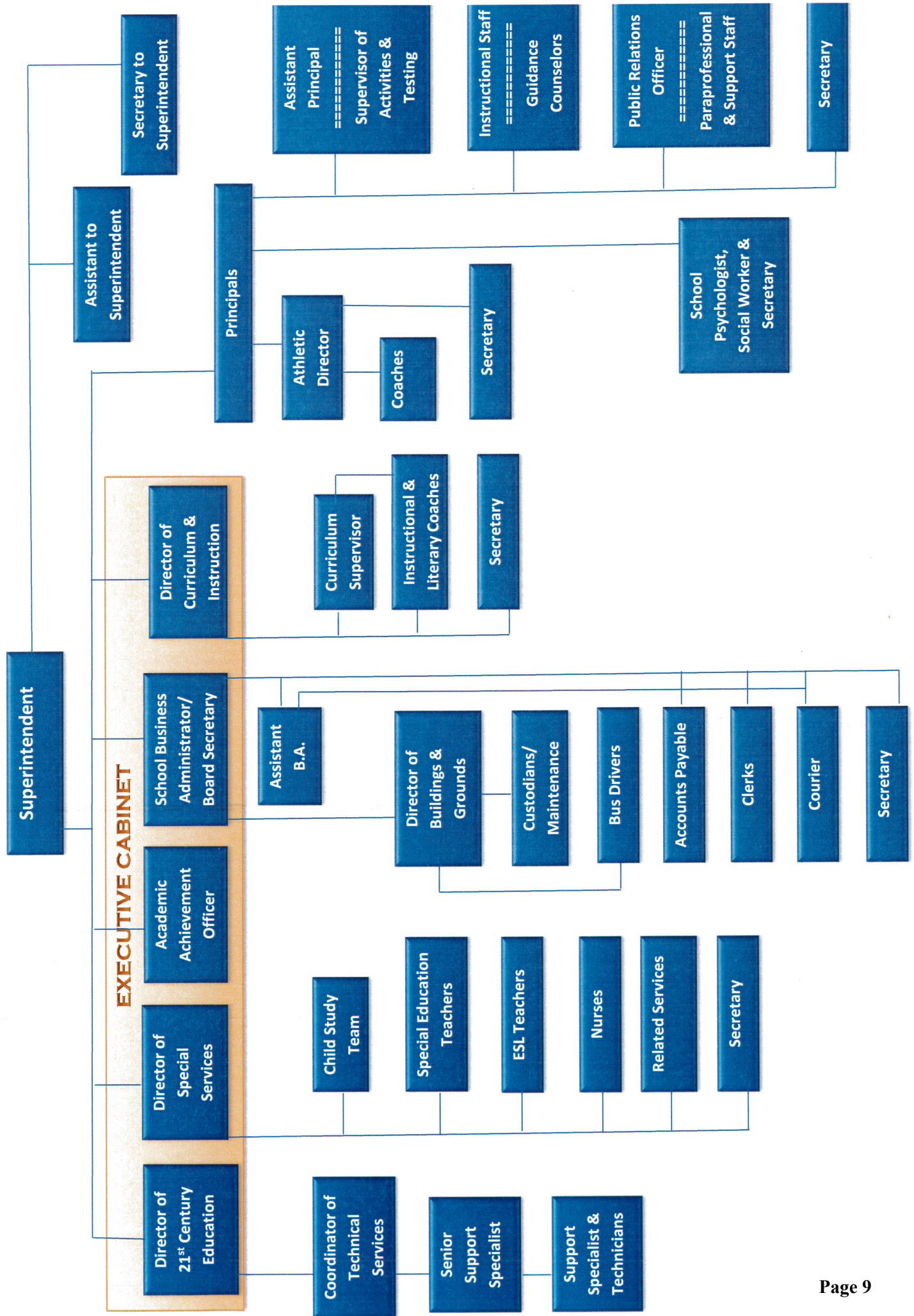
Dr. Timothy Teehan

Dr. Timothy Teehan
Superintendent

Bryan P. Boyce

Bryan P. Boyce
Business Administrator/Board Secretary

SOMERVILLE PUBLIC SCHOOLS — ORGANIZATIONAL CHART



**SOMERVILLE BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2020**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Derek J. Jess, President	2020
Lucien Sergile, Jr., Vice President	2022
Dan Carlson	2021
Daniel J. Puntillo, Jr.	2021
William Kimmick	2022
Linda Olson	2022
Melissa Sadin	2021
Denise Van Horn	2020
Candace Matthews	2020
Kristen Fabriczi *	2020

Other Officers

Timothy J. Teehan, Superintendent of Schools

Bryan P. Boyce, School Business Administrator/Board Secretary

* Branchburg Board of Education Member

SOMERVILLE BOROUGH SCHOOL DISTRICT
Consultants and Advisors

Architect

FVHD Architects and Planners
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Florham Park, NJ 07932

Audit Firm

Nisivoccia LLP CPAs
Mount Arlington Corporate Center
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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Somerville Borough School District (the "District") in the County of Somerset, as of and for the fiscal year ended June 30, 2020, 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 District as of June 30, 2020, 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 postemployment schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying 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 sections 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
Somerville Borough 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 December 17, 2020 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.

December 17, 2020
Mount Arlington, New Jersey

Nisiroccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

SOMERVILLE BOROUGH SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

This discussion and analysis of the Somerville Borough School District's financial performance provides an overall review of its financial activities for the fiscal year ended June 30, 2020. The intent of this is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Overview of the Financial Statements

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Reporting the School District as a Whole

District-Wide Statements

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

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

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Statement of Net Position and the Statement of Activities

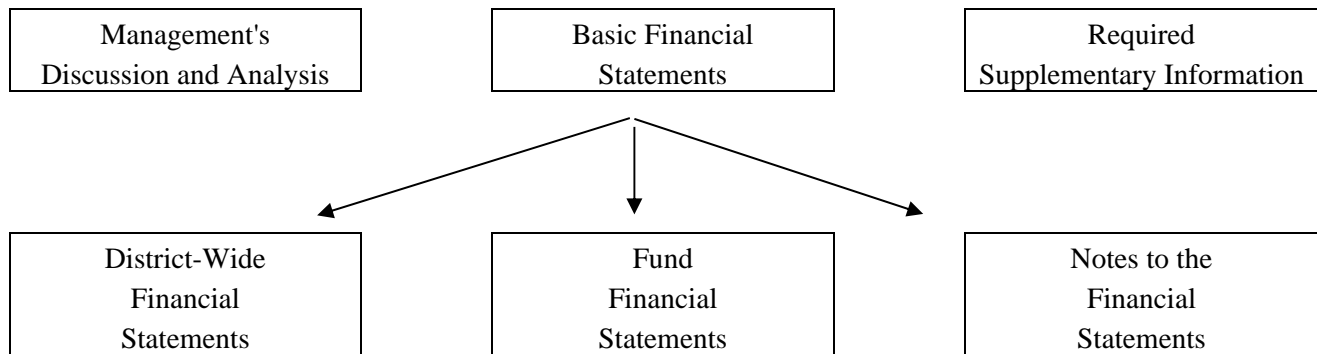
The two statements report the School District’s net position and changes in the net position. This change is important because it tells the reader that, for the School District as a whole, whether its financial position improved or diminished. The causes of this change may be the result of many factors.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

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by certain required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of Somerville Borough School District’s Financial Report**



**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	Statement of Net Position Statement of activities	Balance sheet Statement of revenue, expenditures, and changes in fund balances	Statement of Net Position Statement of revenue, expenses, and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Fund Financial Statements

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

Governmental Funds

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

Proprietary Fund

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net position as of June 30, 2020. The District's combined net position was \$31,397,097 on June 30, 2020, \$2,331,320 or 8.02% more than it was the year before. Net Investment in capital assets increased due to the acquisitions of district assets combined with the continued pay down of the school debt offset by depreciation expense. The increase in restricted net position is attributable to the increase in the capital reserve. The increase in unrestricted net position was primarily attributable to the changes in the net pension liability and pension related deferred inflows and outflows offset by increase in compensated absences.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Figure A-3

	Condensed Statement of Net Position						Percentage Change
	Government Activities		Business-Type Activities		Total School District		
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	
Current and Other Assets	\$ 13,671,887	\$ 13,321,943	\$ 80,737	\$ 143,727	\$ 13,752,624	\$ 13,465,670	
Capital Assets, Net	46,035,192	46,558,186	348,201	309,567	46,383,393	46,867,753	
Total Assets	<u>59,707,079</u>	<u>59,880,129</u>	<u>428,938</u>	<u>453,294</u>	<u>60,136,017</u>	<u>60,333,423</u>	-0.33%
Deferred Outflow of Resources	<u>2,500,363</u>	<u>3,797,109</u>			<u>2,500,363</u>	<u>3,797,109</u>	-34.15%
Other Liabilities	2,632,527	3,959,870	25,344	14,133	2,657,871	3,974,003	
Long-Term Liabilities	24,590,792	27,352,056			24,590,792	27,352,056	
Total Liabilities	<u>27,223,319</u>	<u>31,311,926</u>	<u>25,344</u>	<u>14,133</u>	<u>27,248,663</u>	<u>31,326,059</u>	-13.02%
Deferred Inflow of Resources	<u>3,990,620</u>	<u>3,738,696</u>			<u>3,990,620</u>	<u>3,738,696</u>	6.74%
Net Position							
Net Investment in Capital Assets	33,981,935	33,084,564	348,201	309,567	34,330,136	33,394,131	
Restricted	10,653,628	8,637,669			10,653,628	8,637,669	
Unrestricted/(Deficit)	<u>(13,642,060)</u>	<u>(13,095,617)</u>	<u>55,393</u>	<u>129,594</u>	<u>(13,586,667)</u>	<u>(12,966,023)</u>	
Total Net Position	<u>\$ 30,993,503</u>	<u>\$ 28,626,616</u>	<u>\$ 403,594</u>	<u>\$ 439,161</u>	<u>\$ 31,397,097</u>	<u>\$ 29,065,777</u>	8.02%

Changes in Net Position

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

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	
Revenue:							
Program Revenue:							
Charges for Services	\$ 11,052,723	\$ 10,514,258	\$ 305,697	\$ 441,360	\$ 11,358,420	\$ 10,955,618	
Operating Grants & Contributions	13,614,093	14,901,936	346,673	376,939	13,960,766	15,278,875	
Capital Grants & Contributions							
General Revenue:							
Property Taxes	24,398,906	24,246,211			24,398,906	24,246,211	
Unrestricted Federal and State Aid	6,465,298	5,579,957			6,465,298	5,579,957	
Other	448,419	592,150			448,419	592,150	
Total Revenue	<u>55,979,439</u>	<u>55,834,512</u>	<u>652,370</u>	<u>818,299</u>	<u>56,631,809</u>	<u>56,652,811</u>	-0.04%
Expenses:							
Instruction	33,429,137	33,429,766			33,429,137	33,429,766	
Pupil and Instruction Services	7,961,457	7,961,200			7,961,457	7,961,200	
Administrative and Business	5,628,108	5,662,778			5,628,108	5,662,778	
Maintenance and Operations	3,341,313	3,423,062			3,341,313	3,423,062	
Transportation	921,051	938,232			921,051	938,232	
Other	2,331,486	2,750,864	687,937	756,341	3,019,423	3,507,205	
Total Expenses	<u>53,612,552</u>	<u>54,165,902</u>	<u>687,937</u>	<u>756,341</u>	<u>54,300,489</u>	<u>54,922,243</u>	-1.13%
Increase/(Decrease) in Net Position	<u>\$ 2,366,887</u>	<u>\$ 1,668,610</u>	<u>\$ (35,567)</u>	<u>\$ 61,958</u>	<u>\$ 2,331,320</u>	<u>\$ 1,730,568</u>	34.71%

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Governmental Activities

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

Careful management of expenses remains essential for the District to sustain its financial health. Additional areas of shared services will be explored to minimize financial impact to the taxpayer. Among the many significant cost savings actions implemented/continued during the year were:

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

It is crucial that the District examine its expenses carefully. Figure A-5 presents the cost of six major District activities; instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions.

Figure A-5

Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2019/2020	2018/2019	2019/2020	2018/2019
Instruction	\$ 33,429,137	\$ 33,429,766	\$ 11,317,832	\$ 11,049,599
Pupil and Instruction Services	7,961,457	7,961,200	6,451,253	6,200,229
Administrative and Business	5,628,108	5,662,778	4,815,930	4,678,257
Maintenance and Operations	3,341,313	3,423,062	3,328,443	3,350,817
Transportation	921,051	938,232	700,792	719,942
Other	2,331,486	2,750,864	2,331,486	2,750,864
	<u>\$ 53,612,552</u>	<u>\$ 54,165,902</u>	<u>\$ 28,945,736</u>	<u>\$ 28,749,708</u>

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Business-Type Activities

Net position of the District's business-type activity decreased by \$35,567 (Refer to Figure A-4). Factors contributing to these results included:

- Decrease in business-type activity was a result of the Covid-19 Pandemic shutdown of the School District in March.

Financial Analysis of the District's Funds

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

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

General Fund Budgetary Highlights

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

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

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

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

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Capital Assets

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

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	
Land	\$ 20,079	\$ 20,079			\$ 20,079	\$ 20,079	
Construction in Progress	6,646,752	6,646,122			6,646,752	6,646,122	
Site Improvements	412,800	412,800			412,800	412,800	
Buildings and Building Improvements	36,970,882	37,266,977			36,970,882	37,266,977	
Machinery and Equipment	1,984,679	2,212,208	\$ 348,201	\$ 309,567	2,332,880	2,521,775	
Total Capital Assets (Net of Depreciation)	\$ 46,035,192	\$ 46,558,186	\$ 348,201	\$ 309,567	\$ 46,383,393	\$ 46,867,753	-1.03%

During the 2019/2020 school year the District continued work on the District's facilities related to various projects in the District.

Long-term Liabilities

At year-end, the District had \$12,415,000 in general obligation bonds as shown in Figure A-7.

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

	Total School District		Percentage Change
	2019/2020	2018/2019	
General Obligation Bonds (Financed with Property Taxes)	\$ 12,415,000	\$ 13,895,000	
Net Pension Liability	9,861,170	11,167,494	
Unamortized Bond Premiums	967,802	1,101,772	
Compensated Absences Payable	1,346,820	1,187,790	
	\$ 24,590,792	\$ 27,352,056	-10.10%

The District's long-term liabilities decreased 10.10% or \$2,761,264 primarily due to the decrease in net pension liability and the paydown of general obligation bonds.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Factor's Bearing on the District's Future

Everyone associated with the Somerville Borough Board of Education is grateful for the community support of the schools. However, due to the instability of the state's financial position that has resulted in the district receiving only 70% of state aid as calculated under SFRA, changes in budgeting laws without sufficient notice to plan for the long term impact of those changes and unfunded state mandates has necessitated an ever-increasing reliance on local property taxes to fund school district operations. Chapter 67 – Laws of 2018 (S2) was signed into legislation in June 2018, which if implemented, will shift aid from adjustment aid districts to underfunded districts like Somerville School District.

Future finances will be challenged even further with the continued effect of legislation that impacts the financial operation of the School District. S1701, adopted by the State of New Jersey on June 17, 2004, forced the District to cut its allowable unassigned general fund balance in half (from 6% to 3%), which was reduced to 2% at the end of the 2004/2005 school year. This leaves the District with very little protection in the event of costly emergencies. The 2% property tax CAP that was signed into law is without any vehicle to align existing contracts with local bargaining units to the new CAP. In addition, current budget laws do not provide relief to the 2% levy CAP for capital projects. As a result, the District has adopted a strategy to fund facility improvements on an ongoing annual basis to achieve a goal of keeping the buildings safe, systems functioning and operating efficiently, and appearances of the facilities presentable so that students are not distracted from learning. The District engaged a professional demographer to perform an enrollment projection in January 2019. The purpose of the projection was to determine if the District's current facilities are adequate to accommodate future enrollment attributed to several planned redevelopment projects. The report concluded that enrollment will not increase over the next five years. The District will continue to closely monitor enrollment as the redevelopment projects are completed. Perhaps the most significant factor bearing on the district's future is the decline in Branchburg student enrollment in Somerville High School. The percentage of Branchburg students enrolled in Somerville High School has dropped from 66% in 2013-2014 to under 57% in 2019-2020.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator at the Somerville Borough Board of Education, 51 West Cliff Street, Somerville, NJ 08876.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,042,304	\$ 46,775	\$ 2,089,079
Receivables from Federal Government	444,431	15,648	460,079
Receivables from State Government	548,506	2,056	550,562
Receivables from Other Governments	254,357		254,357
Other Receivables	6,457		6,457
Interfund Receivable	24,746		24,746
Inventory		16,258	16,258
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	8,122,532		8,122,532
Maintenance Reserve Account - Cash and Cash Equivalents	252,593		252,593
Tuition Reserve Account - Cash and Cash Equivalents	1,975,961		1,975,961
Capital Assets, Net			
Site (Land) and Construction in Progress	6,666,831		6,666,831
Depreciable Buildings and Buildings Improvements & Machinery and Equipment	39,368,361	348,201	39,716,562
Total Assets	59,707,079	428,938	60,136,017
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows Related to Pensions	2,138,620		2,138,620
Deferred Amount on the Refunding	361,743		361,743
Total Deferred Outflows of Resources	2,500,363		2,500,363
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,787,856		1,787,856
Accrued Interest Payable	193,020		193,020
Interfund Payable	100,000		100,000
Unearned Revenue	551,651	25,344	576,995
Noncurrent Liabilities:			
Due Within One Year	1,685,805		1,685,805
Due Beyond one Year	22,904,987		22,904,987
Total Liabilities	27,223,319	25,344	27,248,663
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	3,990,620		3,990,620
Total Deferred Inflows of Resources	3,990,620		3,990,620

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	\$ 33,981,935	\$ 348,201	\$ 34,330,136
Restricted for:			
Capital Projects	8,122,532		8,122,532
Maintenance Reserve	252,593		252,593
Tuition Reserve	1,975,961		1,975,961
Debt Service	4,793		4,793
Excess Surplus	297,749		297,749
Unrestricted/(Deficit)	<u>(13,642,060)</u>	<u>55,393</u>	<u>(13,586,667)</u>
Total Net Position	<u>\$ 30,993,503</u>	<u>\$ 403,594</u>	<u>\$ 31,397,097</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Regular Instruction	\$ 22,469,683	\$ 11,052,723	\$ 6,522,458	(4,894,502)	\$	(4,894,502)
Special Education Instruction	8,837,744		4,089,349	(4,748,395)		(4,748,395)
Other Special Instruction	932,967		213,147	(719,820)		(719,820)
Other Instruction	1,188,743		233,633	(955,110)		(955,110)
Support services:						
Tuition	1,286,272			(1,286,272)		(1,286,272)
Student & Instruction Related Services	6,675,185		1,510,200	(5,164,985)		(5,164,985)
General Administrative Services	888,163		2,077	(886,086)		(886,086)
School Administrative Services	3,427,941		803,335	(2,624,606)		(2,624,606)
Central Services	691,254		4,130	(687,124)		(687,124)
Administration Information Technology	620,750		2,635	(618,115)		(618,115)
Plant Operations and Maintenance	3,341,313		12,870	(3,328,443)		(3,328,443)
Pupil Transportation	921,051		220,259	(700,792)		(700,792)
Unallocated Depreciation	1,834,147			(1,834,147)		(1,834,147)
Interest on Long-Term Debt	403,501			(403,501)		(403,501)
Capital Outlay	93,838			(93,838)		(93,838)
Total Governmental Activities	53,612,552	11,052,723	13,614,093	(28,945,736)		(28,945,736)
Business-Type Activities:						
Food Service	687,937	305,697	346,673		\$ (35,567)	(35,567)
Total Business-Type Activities	687,937	305,697	346,673		(35,567)	(35,567)
Total Primary Government	\$ 54,300,489	\$ 11,358,420	\$ 13,960,766	(28,945,736)	(35,567)	(28,981,303)

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 22,781,548		\$ 22,781,548
Property Taxes Levied for Debt Service	1,617,358		1,617,358
Federal and State Aid not Restricted	6,465,298		6,465,298
Interest and Miscellaneous Income	448,419		448,419
Total General Revenues	31,312,623		31,312,623
Change in Net Position	2,366,887	\$ (35,567)	2,331,320
Net Position - Beginning	28,626,616	439,161	29,065,777
Net Position - Ending	\$ 30,993,503	\$ 403,594	\$ 31,397,097

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

FUND FINANCIAL STATEMENTS

SOMERVILLE BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,169,201	\$ 114,542	\$ 758,561		\$ 2,042,304
Interfund Receivable	24,746			\$ 4,793	29,539
Receivables from Federal Government	1,853	442,578			444,431
Receivables from State Government	493,859	54,647			548,506
Receivables from Other Governments	231,001	23,356			254,357
Other Receivables	6,457				6,457
Restricted Cash and Cash Equivalents	10,351,086				10,351,086
Total Assets	\$ 12,278,203	\$ 635,123	\$ 758,561	\$ 4,793	\$ 13,676,680
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 787,226	\$ 131,126	\$ 307,878		\$ 1,226,230
Interfund Payable	100,000		4,793		104,793
Payable to State Government		32,809			32,809
Unearned Revenue		551,651			551,651
Total Liabilities	887,226	715,586	312,671		1,915,483
Fund Balances:					
Restricted:					
Capital Reserve Account	8,122,532				8,122,532
Maintenance Reserve Account	252,593				252,593
Tuition Reserve Account	1,975,961				1,975,961
Excess Surplus -2021-2022	289,324				289,324
Excess Surplus -2020-2021	8,425				8,425
Debt Service Fund				\$ 4,793	4,793
Committed:					
Capital Projects Fund			445,890		445,890
Assigned:					
Year-End Encumbrances	127,666				127,666
Subsequent Year's Expenditures	275,590				275,590
Unassigned:					
General Fund	338,886				338,886
Special Revenue Fund/(Deficit)		(80,463)			(80,463)
Total Fund Balances/ (Deficit)	11,390,977	(80,463)	445,890	4,793	11,761,197
Total Liabilities and Fund Balances	\$ 12,278,203	\$ 635,123	\$ 758,561	\$ 4,793	\$ 13,676,680

SOMERVILLE BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

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

Total Fund Balances From Above	\$	11,761,197
Capital assets used in governmental activities are not financial resources and therefore not reported in the Funds.		46,035,192
Long-Term Liabilities, including bonds payable and compensated absences payable, are not due and payable in the current the current period and therefore are not reported as liabilities in the funds.		(13,761,820)
The deferred amount on the refunding is not reported as an expenditure in the governmental funds in the year of the expenditure.		361,743
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(193,020)
Bond premiums are not reported as expenditures in the governmental funds in the year of the expenditure.		(967,802)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.		(9,861,170)
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		1,609,803
Deferred Inflows		(3,990,620)
Net Position of Governmental Activities	\$	30,993,503

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 22,781,548			\$ 1,617,358	\$ 24,398,906
Tuition Charges- Other LEA's Within the State	10,834,073				10,834,073
Tuition Charges-Individuals	218,650				218,650
Transportation Fees From Other LEA's	34,386				34,386
Other Local Governments-Unrestricted	11,450				11,450
Rents and Royalties	65,844				65,844
Interest on Maintenance Reserve	3,806				3,806
Interest on Capital Reserve	80,881				80,881
Miscellaneous	247,259	\$ 31,279	\$ 4,793		283,331
Total - Local Sources	<u>34,277,897</u>	<u>31,279</u>	<u>4,793</u>	<u>1,617,358</u>	<u>35,931,327</u>
State Sources	14,590,849	1,380,473		209,988	16,181,310
Federal Sources	45,659	1,119,238			1,164,897
Total Revenues	<u>48,914,405</u>	<u>2,530,990</u>	<u>4,793</u>	<u>1,827,346</u>	<u>53,277,534</u>
EXPENDITURES					
Current:					
Regular Instruction	12,742,562	1,852,193			14,594,755
Special Education Instruction	4,940,454	688,956			5,629,410
Other Special Instruction	582,675				582,675
School Sponsored Instruction	804,782				804,782
Support Services and Undistributed Costs:					
Tuition	1,286,272				1,286,272
Student & Instruction Related Services	4,109,302				4,109,302
General Administrative Services	772,592				772,592
School Administrative Services	2,101,264				2,101,264
Central Services	561,264				561,264

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Support Services and Undistributed Costs (Cont'd):					
Administration Information Technology	\$ 530,171				\$ 530,171
Plant Operations and Maintenance	3,031,922				3,031,922
Pupil Transportation	802,040	\$ 13,412			815,452
Unallocated Benefits	13,175,248				13,175,248
Debt Service:					
Principal				\$ 1,480,000	1,480,000
Interest and Other Charges				502,020	502,020
Capital Outlay	1,646,051	4,150	\$ 630		1,650,831
Total Expenditures	47,086,599	2,558,711	630	1,982,020	51,627,960
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	1,827,806	(27,721)	4,163	(154,674)	1,649,574
OTHER FINANCING SOURCES/(USES)					
Transfers In		30,000		151,407	181,407
Transfers Out	(181,407)		(4,793)	4,793	(181,407)
Total Other Financing Sources/(Uses)	(181,407)	30,000	(4,793)	156,200	
Net Change in Fund Balances	1,646,399	2,279	(630)	1,526	1,649,574
Fund Balance/(Deficit) - July 1	9,744,578	(82,742)	446,520	3,267	10,111,623
Fund Balance/(Deficit) - June 30	\$ 11,390,977	\$ (80,463)	\$ 445,890	\$ 4,793	\$ 11,761,197

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Total net change in fund balances - governmental funds (from Exhibit B-2)	\$ 1,649,574
<p>Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation in the period.</p>	
Depreciation Expense	\$ (2,098,555)
Capital Outlays	<u>1,575,561</u>
	(522,994)

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

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

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

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

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

(159,030)

SOMERVILLE BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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	\$ 1,306,324
Change in Deferred Outflows	(1,233,582)
Change in Deferred Inflows	<u>(251,924)</u>
	<u>\$ (179,182)</u>
 Change in net position of governmental activities (Exhibit A-2)	 <u><u>\$ 2,366,887</u></u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u> <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 46,775
Accounts Receivable:	
Federal Government	15,648
State Government	2,056
Inventories	16,258
	80,737
Total Current Assets	
Non-Current Assets:	
Capital Assets:	
Machinery and Equipment	596,444
Less: Accumulated Depreciation	(248,243)
	348,201
Total Non-Current Assets	
	428,938
Total Assets	
LIABILITIES:	
Unearned Revenue - Donated Commodities	4,093
Unearned Revenue - Prepaid Sales	21,251
	25,344
Total Liabilities	
NET POSITION:	
Investment in Capital Assets	348,201
Unrestricted	55,393
	403,594
Total Net Position	\$ 403,594

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Daily Sales - Reimbursable Programs	\$ 186,475
Daily Sales - Non-Reimbursable Programs	119,222
Total Operating Revenue	305,697
Operating Expenses:	
Cost of Sales - Reimbursable Programs	217,885
Cost of Sales - Non Reimbursable Programs	139,303
Management Fee	20,400
Salaries, Benefits & Payroll Taxes	254,353
Other	44,458
Depreciation Expense	11,538
Total Operating Expenses	687,937
Operating (Loss)	(382,240)
Non-Operating Revenue:	
Federal Sources:	
School Breakfast Program	47,243
COVID 19 - Seamless Summer Option - Breakfast	21,859
National School Lunch Program	184,644
COVID 19 - Seamless Summer Option - Lunch	34,560
Food Distribution Program	50,685
State Sources:	
COVID 19 - Seamless Summer Option - Lunch	546
School Lunch Program	7,136
Total Non-Operating Revenue	346,673
Change in Net Position	(35,567)
Net Position - Beginning of Year	439,161
Net Position - End of Year	\$ 403,594

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 314,450
Payments to Employees	(254,353)
Payments to Suppliers	(378,266)
Net Cash Used for Operating Activities	(318,169)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Equipment	(50,172)
Net Cash Used for Capital and Related Financing Activities	(50,172)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal and State Reimbursements	298,757
Net Cash Provided by Noncapital Financing Activities	298,757
Net Decrease in Cash and Cash Equivalents	(69,584)
Cash and Cash Equivalents, July 1	116,359
Cash and Cash Equivalents, June 30	\$ 46,775
Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:	
Operating (Loss)	\$ (382,240)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	11,538
Federal Food Distribution Program	50,685
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	(9,363)
Increase/(Decrease) in Unearned Revenue - Donated Commodities	2,459
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	8,752
Net Cash Used for Operating Activities	\$ (318,169)

Non-Cash Investing, Capital and Financing Activities:

The District received USDA donated commodities valued at \$53,144 and used \$50,685 of those commodities during the fiscal year.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

JUNE 30, 2020

	<u>Unemployment Compensation Trust</u>	<u>Agency</u>
ASSETS:		
Cash and Cash Equivalents	\$ 215,005	\$ 551,736
Interfund Receivable	<u>256,779</u>	<u> </u>
Total Assets	<u>471,784</u>	<u>551,736</u>
 LIABILITIES:		
Payroll Deductions and Withholdings		71,105
Interfund Payable		181,525
Due to Student Groups		<u>299,106</u>
Total Liabilities		<u>551,736</u>
 NET POSITION:		
Held in Trust for Unemployment Claims	<u>471,784</u>	<u> </u>
Total Net Position	<u>\$ 471,784</u>	<u>\$ -0-</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employee State Unemployment Insurance Deductions	\$ 39,588
District Contributions	<u>100,000</u>
Total Contributions	<u>139,588</u>
Investment Earnings:	
Interest	<u>1,517</u>
Net Investment Earnings	<u>1,517</u>
Total Additions	<u>141,105</u>
Deductions:	
State of New Jersey Unemployment Agency Payments	<u>75,492</u>
Total Deductions	<u>75,492</u>
Change in Net Position	65,613
Net Position - Beginning of the Year	<u>406,171</u>
Net Position - End of the Year	<u><u>\$ 471,784</u></u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenue identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activity Fund, Payroll Agency Fund and the Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting:

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2020 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Budget amendments/transfers must be made by resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"	\$ 48,989,294	\$ 2,597,753
Difference - Budgetary to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances:		
Federal		(83,872)
Prior Year Encumbrances:		
State		9,000
Local		5,830
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	666,389	82,742
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(741,278)</u>	<u>(80,463)</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 48,914,405</u>	<u>\$ 2,530,990</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 47,086,599	\$ 2,627,753
Difference - Budgetary to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, not in the Year the Supplies are Received for Financial Reporting Purposes.		<u>(69,042)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 47,086,599</u>	<u>\$ 2,558,711</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

	Capital Projects Fund	
	Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per F-1)		\$ 606,783
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recognized on the GAAP Basis until Expended and Submitted for Reimbursement.		(160,893)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per B-2)	\$ -0-	\$ 445,890

E. Cash, Cash Equivalents, and Investments:

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

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

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

F. Interfund Transactions:

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

F. Interfund Transactions: (Cont'd):

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2020.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

K. Capital Assets: (Cont'd)

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

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	20 to 50 years
Site Improvements	10 to 20 years
Machinery, Equipment and Vehicles	5 to 15 years

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2020.

N. Compensated Absences:

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

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$11,390,977 General Fund fund balance at June 30, 2020, \$127,666 is assigned for year-end encumbrances; \$252,593 is restricted in the maintenance reserve account; \$8,122,532 is restricted in the capital reserve account; \$935,600 is restricted in the tuition reserve account for fiscal year ending June 30, 2021, \$1,040,361 is restricted in the tuition reserve account for fiscal year ending June 30, 2022; a total of \$297,749 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701); prior year excess surplus in the amount of \$8,425 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2021; current year excess surplus in the amount of \$289,324 will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2022; \$275,590 is assigned and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2021; and \$338,886 is unassigned which is \$741,278, less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments which are not recognized until the fiscal year ending June 30, 2021.

Special Revenue Fund: The deficit fund balance of \$80,463 in Special Revenue Fund at June 30, 2020 is unassigned. This deficit is due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2021.

Capital Projects Fund: Of the \$445,890 fund balance in the Capital Projects Fund at June 30, 2020, \$445,890 is committed which excludes \$160,892 of SDA grants receivable not recognized on a GAAP Basis.

Debt Service Fund: The District has \$4,793 of restricted fund balance in the Debt Service Fund at June 30, 2020.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus at June 30, 2020 as outlined above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$741,278 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

Q. Deficit Net Position/ Fund Balance:

The District has a deficit in unrestricted net position of \$13,642,060 in governmental activities, which is primarily a result of accrued interest payable, compensated absences payable, pension refunding bonds, net pension liability and the related deferred inflows and outflows. The District has a deficit in fund balance of \$80,463 in the Special Revenue Fund as of June 30, 2020 as a result of the last two state aid payments that are not recognized on a GAAP basis. These deficits do not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District has deferred outflows of resources at June 30, 2020 on the deferred amount on refunding of debt related to the District refunding bonds, and for pensions. The District has deferred inflows of resources at June 30, 2020 for pensions.

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

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

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

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

Fund balance restrictions have been established for excess surplus, a capital reserve, a tuition reserve, a maintenance reserve, and the debt service fund. The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the capital projects fund at June 30, 2020.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2020.

T. Revenue – Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

V. Management Estimates:

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools; or
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L.; 1977,c.281 (C.52:18A-90.4); or

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Investments (Cont'd)

- (8) Agreements for the repurchase of fully collateralized securities; if
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the “Local Authorities Fiscal Control Law,” P.L. 1983, c. 313 (C.40A:5A-1 et seq.) ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L.1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district’s funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2020, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents			
		Capital Reserve	Maintenance Reserve	Tuition Reserve	Total
Checking and Savings Accounts	\$ 2,855,820	\$ 8,122,532	\$ 252,593	\$ 1,975,961	\$ 13,206,906

The carrying amount of the Board's cash and cash equivalents at June 30, 2020, was \$13,206,906 and the bank balance was \$14,226,205. The District did not hold any investments during the fiscal year ended June 30, 2020.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 20,079			\$ 20,079
Construction in Progress	6,646,122	\$ 630		6,646,752
Total Capital Assets not Being Depreciated	6,666,201	630		6,666,831
Capital Assets Being Depreciated:				
Site Improvements	412,800			412,800
Buildings and Building Improvements	56,534,961	995,637		57,530,598
Machinery, Equipment and Vehicles	5,075,979	579,294		5,655,273
Total Capital Assets Being Depreciated	62,023,740	1,574,931		63,598,671
Governmental Activities Capital Assets	68,689,941	1,575,561		70,265,502
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(19,267,984)	(1,291,732)		(20,559,716)
Machinery, Equipment and Vehicles	(2,863,771)	(806,823)		(3,670,594)
Total Accumulated Depreciation	(22,131,755)	(2,098,555)		(24,230,310)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 46,558,186	\$ (522,994)	\$ -0-	\$ 46,035,192
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	546,272	50,172		596,444
Less Accumulated Depreciation	(236,705)	(11,538)		(248,243)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 309,567	\$ 38,634	\$ -0-	\$ 348,201

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 4. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$	67,414
Student & Instruction Related Services		80,461
General Administration		45,046
School Administration		3,568
Plant Operations and Maintenance		31,933
Pupil Transportation		35,986
Unallocated		1,834,147
		1,834,147
	\$	2,098,555

The District had active construction projects totaling \$606,783 as of June 30, 2020. These projects include a 5 classroom addition at the elementary school, roof replacement at the middle school, air conditioning at the elementary school and the high school, elementary school bathroom renovations, fire alarm project and a partial roof replacement. At year end, the District had \$11,643 in outstanding construction encumbrances.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2020, the District made transfers in various Capital Outlay accounts for equipment which do not require approval of the County Superintendent.

NOTE 6. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Somerville Borough School District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 6. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance at June 30, 2019		\$ 6,442,318
Increased by:		
Interest Earnings	\$ 80,881	
Transferred by Board Resolution	2,000,000	
Budget Appropriation	748,878	
Unexpended Balance from Capital Outlay	195,989	
		3,025,748
Decreased by:		
Budgeted Withdrawal		(1,345,534)
Ending Balance at June 30, 2020		\$ 8,122,532

The balance in the capital reserve account at June 30, 2020 does not exceed the LRFP balance of local support costs of uncompleted capital projects. The withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2020, the following changes occurred in liabilities reported in the District-wide financial statements:

	Balance June 30, 2019	Accrued	Retired	Balance June 30, 2020
Serial Bonds Payable	\$ 13,895,000		\$ 1,480,000	\$ 12,415,000
Net Pension Liability	11,167,494		1,306,324	9,861,170
Unamortized Bond Issuance Premium	1,101,772		133,970	967,802
Compensated Absences Payable	1,187,790	\$ 229,500	70,470	1,346,820
	\$ 27,352,056	\$ 229,500	\$ 2,990,764	\$ 24,590,792

A. Bonds Payable:

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

A. Bonds Payable: (Cont'd)

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

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

The District had bonds outstanding as of June 30, 2020 as follows:

<u>Purpose</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
School Refunding Bonds	7/15/2029	3.0-4.0%	\$ 7,375,000
School Refunding Bonds	2/15/2025	2.4-4.0%	5,040,000
			<u>\$ 12,415,000</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,540,000	\$ 442,420	\$ 1,982,420
2022	1,610,000	380,320	1,990,320
2023	1,670,000	315,420	1,985,420
2024	1,745,000	248,120	1,993,120
2025	1,810,000	194,500	2,004,500
2026-2030	4,040,000	326,200	4,366,200
	<u>\$ 12,415,000</u>	<u>\$ 1,906,980</u>	<u>\$ 14,321,980</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

B. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$133,970 and the long-term portion is \$833,832.

C. Bonds Authorized But Not Issued:

As of June 30, 2020, the Board had no bonds authorized but not issued.

D. Capital Leases Payable:

As of June 30, 2020, the Board had no capital leases payable.

E. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the long-term liabilities. The current portion of compensated absences liability at June 30, 2020 is \$11,835 and the long-term portion is \$1,334,985. Compensated absences will be liquidated by the General Fund.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2020, no liability existed for compensated absences in the Food Service Fund.

F. 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, 2020 is \$0- and the long-term portion is \$9,861,170 See Note 9 for further information on the PERS.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$50,000 was established by the Somerville Borough Board of Education on June 16, 2009. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building. Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year’s budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district’s school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year’s budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance at June 30, 2019	\$	248,787
Interest Earnings		3,806
Ending Balance at June 30, 2020	\$	252,593

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS

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

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/annual-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. The following represents the membership tiers for PERS:

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$570,491 for fiscal year 2020.

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

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

At June 30, 2020, the District reported a liability of \$9,861,170 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the District's proportion was 0.0547%, which was a decrease of 0.001% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized actual pension expense of \$771,525. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 26,061	
	2015	5.72	161,141	
	2016	5.57	797,472	
	2017	5.48		\$ (1,415,607)
	2018	5.63		(1,143,940)
	2019	5.21		(863,234)
				<u>984,674</u>
Changes in Proportion	2014	6.44	28,810	
	2015	5.72	70,266	
	2016	5.57	163,648	
	2017	5.48	185,410	
	2018	5.63		(4,383)
	2019	5.21		(364,232)
				<u>448,134</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5		
	2016	5		182,010
	2017	5		(218,423)
	2018	5		(151,931)
	2019	5		32,682
Difference Between Expected and Actual Experience	2015	5.72	44,708	
	2016	5.57	24,201	
	2017	5.48	42,100	
	2018	5.63		(43,562)
	2019	5.21		
				<u>65,986</u>
			<u>176,995</u>	<u>(43,562)</u>
District Contribution Subsequent to the Measurement Date	2019	1	528,817	
			<u>\$ 2,138,620</u>	<u>\$ (3,990,620)</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (284,745)
2021	(923,709)
2022	(824,819)
2023	(387,295)
2024	(39,768)
	\$ (2,460,336)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. 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, 2019) 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2019 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, 2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
District's proportionate share of the of the Net Pension Liability	\$ 12,542,915	\$ 9,861,170	\$ 7,727,828

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/annual-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. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2020, 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 2020, the State of New Jersey contributed \$3,680,564 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$6,179,972.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2020, the State's proportionate share of the net pension liability associated with the District was \$104,776,054. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the District's proportion was 0.170%, which was a decrease of .001% from its proportion measured as of June 30, 2018.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>104,776,054</u>
Total	\$	<u>104,776,054</u>

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the District in the amount of \$6,179,972 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2020 financial statements.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 768,874,621	
	2015	8.3	2,351,172,865	
	2016	8.3	5,609,216,856	
	2017	8.3		\$ 8,483,527,374
	2018	8.29		5,172,258,445
	2019	8.04		3,507,345,617
				8,729,264,342
Difference Between Expected and Actual Experience	2014	8.5		7,323,009
	2015	8.3	145,211,243	
	2016	8.3		69,755,412
	2017	8.3	150,939,884	
	2018	8.29	907,352,137	
	2019	8.04		136,265,890
				1,203,503,264
Net Difference Between Projected and Actual	2016	5		(431,855,192)
Investment Earnings on Pension Plan Investments	2017	5		452,016,524
	2018	5		288,091,115
	2019	5		(144,882,771)
				163,369,676
			\$ 9,932,767,606	\$ 17,539,845,423

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
2020	\$ (272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	(2,402,153,865)
	\$ (7,607,077,817)

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55 – 4.45% based on years of service
Thereafter	2.75 – 5.65% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

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, 2019) 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, 2019 are summarized in the following table:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 70% of the actuarially determined contributions for the State. 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 2054. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability 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, 2019 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, 2019		
	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
Total Net Pension Liability	\$ 123,554,158	\$ 104,776,054	\$ 89,196,157

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 \$27,968 for the fiscal year ended June 30, 2020. Employee contributions to DCRP amounted to \$51,574 for the fiscal year ended June 30, 2020.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 10. RISK MANAGEMENT

Property, Liability and Health Benefits

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health benefit coverage through Horizon Blue Cross/Blue Shield.

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

The District is a member of the New Jersey Schools Insurance Group (the “Group”). This public entity risk management pool provides insurance coverage for property, liability, student accident, surety bonds and workers’ compensation for the District. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

As a member of this Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group’s liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The June 30, 2020 audit was not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2019 is as follows:

	New Jersey Schools Insurance Group (NJSIG)
Total Assets	\$ 359,852,548
Net Position	\$ 107,824,596
Total Revenue	\$ 140,293,549
Total Expenses	\$ 115,049,808
Change in Net Position	\$ 25,243,741
Member Dividends	\$ - 0 -

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

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

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

New Jersey Unemployment Compensation Insurance

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ 50,000	\$ 38,427	\$ 1,727	\$ 40,366	\$ 387,055
2018-2019	50,000	38,034	2,564	71,482	406,171
2019-2020	100,000	39,588	1,517	75,492	471,784

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances existed as at June 30, 2020:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 24,746	\$ 100,000
Capital Projects Fund		4,793
Debt Service	4,793	
Unemployment Compensation Trust	256,779	
Student Activities		24,746
Payroll Agency Fund		156,779
	<u>\$ 286,318</u>	<u>\$ 286,318</u>

The interfund between the Capital Projects Fund and the Debt Service Fund represents interest earned in the Capital Projects Fund which was not turned over to the Debt Service Fund before year end. The interfund Receivable in the Unemployment Compensation Trust due from General Fund is the Board contribution and also the prior year balance not turned over and current year payroll deductions, and the interfund Payable in the Payroll Agency is part of the agency balance due to Unemployment Trust. The Interfund Payable from Student Activities Account was for the remaining balance in the Student Activity Fund to be turned over to the General Fund.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 12. DEFERRED COMPENSATION

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

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

NOTE 13. TAX CALENDAR

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

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

NOTE 14. ECONOMIC DEPENDENCY

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

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The District is periodically involved in claims and lawsuits arising from operations. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance is unknown and cannot be determined at this time.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 15. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2020, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 127,666	\$ 83,872	\$ 11,643	\$ 223,181

On the District's Governmental Funds Balance Sheet as of June 30, 2020, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$83,872 less than the actual year-end encumbrances on a budgetary basis of which \$5,830 is for local grants. 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 \$11,643 of year-end encumbrances in the Capital Projects are included in the committed fund balance amount on the Governmental Funds Balance Sheet as of June 30, 2020.

NOTE 16. TUITION RESERVE ACCOUNT

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

As of June 30, 2020 the District has \$1,975,961 in the tuition reserve for which \$935,600 and \$1,040,361 will be used to pay for any tuition adjustments for the fiscal years ending June 30, 2021 and 2022, respectively.

NOTE 17. ACCOUNTS PAYABLE

	Governmental Funds			District Contribution Subsequent to the	Total
	General Fund	Special Revenue Fund	Capital Projects Fund	Measurement Date	Governmental Activities
Vendors	\$ 787,226	\$ 131,126	\$ 307,878		\$ 1,226,230
Due to State of New Jersey		32,809		\$ 528,817	561,626
	\$ 787,226	\$ 163,935	\$ 307,878	\$ 528,817	\$ 1,787,856

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB 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 Education 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, 2018, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	\$ 148,051
Active Plan Members	216,892
Total	\$ 364,943

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. 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, 2018.

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 - 3.05% based on service years	2.00 - 6.00% based on service years
Thereafter	1.55 - 3.05% based on service years	3.00 - 7.00% based on service years

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2014 - June 30, 2018 for TPAF and PERS, respectively.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District

	Total OPEB Liability
Balance at June 30, 2017	\$ 63,961,223
Changes for Year:	
Service Cost	2,687,917
Interest on the Total OPEB Liability	2,545,318
Changes of Assumptions	888,051
Differences between Expected and Actual Experience	(8,747,939)
Gross Benefit Payments by the State	(1,828,328)
Contributions from Members	54,197
Net Changes	(4,400,784)
Balance at June 30, 2018	\$ 59,560,439

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, 2019, 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, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
Total OPEB Liability Attributable to the District	\$ 70,364,415	\$ 59,560,439	\$ 50,978,353

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019, 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, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 49,075,147	\$ 59,560,439	\$ 73,440,813

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

For the fiscal year ended June 30, 2020 the District recognized OPEB expense of \$1,592,393 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, 2019 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		\$ 6,934,039
	2018	9.51		5,964,212
	2019	9.29	\$ 792,459	
			792,459	12,898,252
Differences Between Expected and Actual Experience	2018	9.51		5,638,037
	2019	9.29		9,327,286
				14,965,322
Changes in Proportion	N/A	N/A		2,486,177
			\$ 792,459	\$ 30,349,751

N/A - Not Available

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (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
2020	\$ (3,634,690)
2021	(3,634,690)
2022	(3,634,690)
2023	(3,634,690)
2024	(3,634,690)
Thereafter	(8,897,664)
	\$ (27,071,115)

NOTE 19. OPERATING LEASE

During the year, the District entered an operating lease payable for the purchase of Chromebooks.

<u>Fiscal Year Ending</u>	<u>Amount</u>
2021	\$ 113,333
2022	113,333
2023	113,333
2024	113,333
Total future minimum lease payments	\$ 453,332

NOTE 20. SUBSEQUENT EVENT

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the District's normal financial operations. Though the impact on the District's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund other than state aid and the local tax levy. The District's state aid in the General Fund was reduced after their budget was adopted due to the reduction of state aid provided to certain school districts by the State of New Jersey. Also, there have been additional operating expenses in the General Fund not planned for or expected at the time of the adoption of the District's 2020-21 budget related to COVID-19.

Additionally, the District's cash flow in the Governmental Funds may be affected by the timing of the collection of the District's tax levy as well as certain State aid payments.

The District's Food Service Enterprise Fund likely will be impacted by COVID-19 for the fiscal year ending June 30, 2021

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 21. 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 Somerville recognized revenue in the amount of \$612,912 from one payment in lieu of taxes ("PILOT") agreement. The taxes which would have been paid on this property for 2019 without the abatement would have been \$1,248,651 of which \$260,718 would have been for the local school tax.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.0490458605%	0.0519459671%	0.0548689596%	0.0567481496%	0.0005671801%	0.0005472808%
District's proportionate share of the net pension liability	\$ 9,182,726	\$ 11,660,829	\$ 16,250,612	\$ 13,210,062	\$ 11,167,494	\$ 9,861,170
District's covered employee payroll	\$ 3,478,144	\$ 3,675,028	\$ 3,843,946	\$ 3,876,762	\$ 3,825,748	\$ 3,566,610
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	264.01%	317.30%	422.76%	340.75%	291.90%	276.49%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%

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

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 404,327	\$ 446,596	\$ 492,461	\$ 559,987	\$ 598,548	\$ 570,491
Contributions in relation to the contractually required contribution	(404,327)	(446,596)	(492,461)	(559,987)	(598,548)	(570,491)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 3,675,028	\$ 3,843,946	\$ 3,876,762	\$ 3,825,748	\$ 3,566,610	\$ 4,037,208
Contributions as a percentage of covered employee payroll	11.00%	11.62%	12.70%	14.64%	16.78%	14.13%

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

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
State's proportion of the net pension liability attributable to the District	0.1703588325%	0.1722106861%	0.1665277727%	0.1679416150%	0.1722765513%	0.1707258308%
State's proportionate share of the net pension liability attributable to the District	\$ 91,051,251	\$ 108,844,508	\$ 131,001,349	\$ 113,232,293	\$ 109,598,642	\$ 104,776,054
District's covered employee payroll	\$ 16,634,801	\$ 16,820,295	\$ 17,622,689	\$ 18,022,261	\$ 17,899,833	\$ 18,034,210
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	547.35%	647.10%	743.37%	628.29%	612.29%	580.98%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%

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

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 4,899,412	\$ 6,645,937	\$ 9,842,929	\$ 7,844,160	\$ 6,389,218	\$ 6,179,972
Contributions in relation to the contractually required contribution	(931,034)	(1,333,286)	(1,822,962)	(2,537,026)	(3,357,764)	(3,680,564)
Contribution deficiency/(excess)	<u>\$ 3,968,378</u>	<u>\$ 5,312,651</u>	<u>\$ 8,019,967</u>	<u>\$ 5,307,134</u>	<u>\$ 3,031,454</u>	<u>\$ 2,499,408</u>
District's covered employee payroll	\$ 16,820,295	\$ 17,622,689	\$ 18,022,261	\$ 17,899,833	\$ 18,034,210	\$ 19,687,965
Contributions as a percentage of covered employee payroll	5.54%	7.57%	10.12%	14.17%	18.62%	18.69%

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF TOTAL
OPEB LIABILITY ASSOCIATED WITH THE DISTRICT AND RELATED RATIOS
LAST THREE FISCAL YEARS

	Fiscal Years Ending June 30,		
	2017	2018	2019
Total OPEB Liability			
Service Cost	\$ 3,784,731	\$ 3,124,493	\$ 2,687,917
Interest Cost	2,457,659	2,842,543	2,545,318
Changes in Assumptions	(10,730,828)	(7,339,870)	888,051
Difference Between Expected and Actual Experiences		(10,109,229)	(8,747,939)
Member Contributions	65,753	59,111	54,197
Gross Benefit Payments	<u>(1,785,672)</u>	<u>(1,710,300)</u>	<u>(1,828,328)</u>
Net Change in Total OPEB Liability	(6,208,357)	(13,133,252)	(4,400,784)
Total OPEB Liability - Beginning	<u>83,302,832</u>	<u>77,094,475</u>	<u>63,961,223</u>
Total OPEB Liability - Ending	<u>\$ 77,094,475</u>	<u>\$ 63,961,223</u>	<u>\$ 59,560,439</u>
District's Covered Employee Payroll *	\$ 20,495,323	\$ 21,466,635	\$ 21,899,023
Total OPEB Liability as a Percentage of Covered Employee Payroll	376%	298%	272%

* - Covered payroll for the fiscal years ending June 30, 2017, June 30, 2018 and June 30, 2019 are based on the payroll on the June 30, 2016, June 30, 2017 and June 30, 2018 census data.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%.

The inflation rate was 2.25% as of June 30, 2018. As of June 30, 2019, the inflation rate was as follows – Price – 2.75% and Wage – 3.25%. The salary increases as of June 30, 2018 were as follows: Through 2026 – 1.65% - 4.15% based on age and Thereafter – 2.65% - 5.15% based on age. The salary increases as of June 30, 2019 are as follows: Through 2026 – 2.00% - 6.00% based on years of service and Thereafter – 3.00% - 7.00% based on years of service.

The July 1, 2017 actuarial valuation utilized the following mortality rate assumptions:

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 plan actuary's modified MP-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 July 1, 2018 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%. The inflation rate as of June 30, 2018 was 2.25%. The inflation rate as of June 30, 2019 was as follows: Price – 2.75% and Wage – 3.25%.

The salary increases in the July 1, 2018 valuation were as follows: Through 2026 - 1.55 – 4.45% based on years of service and thereafter - 2.75 – 5.65% based on years of service. The salary increases in the July 1, 2017 valuation were as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

The mortality rates utilized in the July 1, 2018 valuation were as follows: Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%.

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

The mortality rates in the valuation as of June 30, 2019 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

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.

The health care trend rates in the valuation as of June 30, 2019 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

BUDGETARY COMPARISON SCHEDULES

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 22,781,548		\$ 22,781,548	\$ 22,781,548	\$ 87,375
Tuition From Other LEAs Within the State	10,746,698		10,746,698	10,834,073	178,650
Tuition from Individuals	40,000		40,000	218,650	34,386
Transportation Fees From Other LEA's				34,386	11,450
Other Local Governments - Unrestricted	30,000		30,000	65,844	35,844
Rents and Royalties				3,806	3,806
Interest on Maintenance Reserve	2,000		2,000	80,881	78,881
Interest on Capital Reserve	40,001		40,001	247,259	207,258
Miscellaneous					
Total - Local Sources	33,640,247		33,640,247	34,277,897	637,650
State Sources:					
Equalization Aid	5,463,172		5,463,172	5,463,172	
Special Education Categorical Aid	1,448,667		1,448,667	1,448,667	
Security Aid	443,956		443,956	443,956	
Transportation Aid	204,865		204,865	204,865	
Extraordinary Aid	100,000		100,000	371,483	271,483
Homeless Tuition				51,031	51,031
On-Behalf TPAF Pension Contributions (Non-Budgeted)				3,680,564	3,680,564
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				65,970	65,970
On-Behalf Post Retirement Benefit Contributions (Non-Budgeted)				1,389,895	1,389,895
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				3,850	3,850
Reimbursed TPAF FICA Contributions (Non-Budgeted)				1,542,285	1,542,285
Total State Sources	7,660,660		7,660,660	14,665,738	7,005,078

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources:					
Medicaid Reimbursement	\$ 59,425		\$ 59,425	\$ 45,659	\$ (13,766)
Total Federal Sources	59,425		59,425	45,659	(13,766)
TOTAL REVENUES	41,360,332		41,360,332	48,989,294	7,628,962
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	538,745	\$ (40,000)	498,745	457,835	40,910
Grades 1-5 - Salaries of Teachers	3,278,110		3,278,110	3,170,432	107,678
Grades 6-8 - Salaries of Teachers	2,005,544		2,005,544	1,860,352	145,192
Grades 9-12 - Salaries of Teachers	6,284,763	(21,000)	6,263,763	6,061,628	202,135
Regular Programs - Home Instruction:					
Salaries of Teachers	30,000		30,000	8,703	21,297
Purchased Professional - Educational Services	50,000		50,000	18,430	31,570
Other Purchased Services (400-500 series)	200		200		200
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	85,802		85,802	79,015	6,787
Purchased Professional - Educational Services	69,445		69,445	58,220	11,225
Purchased Technical Services	47,224	300	47,524	29,154	18,370
Other Purchased Services (400-500 series)	486,722	(4,829)	481,893	405,440	76,453
General Supplies	789,379	(110,147)	679,232	555,347	123,885
Textbooks	35,166	5,276	40,442	32,898	7,544
Other Objects	13,715	(3,837)	9,878	5,108	4,770
Total Regular Programs - Instruction	13,714,815	(174,237)	13,540,578	12,742,562	798,016

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	\$ 335,936		\$ 335,936	\$ 311,897	\$ 24,039
Other Salaries for Instruction	88,859	\$ (15,301)	73,558	42,508	31,050
Other Purchased Services (400-500 series)	2,800		2,800	2,075	725
General Supplies	1,000	1,925	2,925	2,847	78
Total Learning and/or Language Disabilities	428,595	(13,376)	415,219	359,327	55,892
Multiple Disabilities:					
Salaries of Teachers	395,416	600	396,016	389,246	6,770
Other Salaries for Instruction	532,570	(69,548)	463,022	461,625	1,397
Other Purchased Services (400-500 series)		700	700	700	
General Supplies	17,311	2,975	20,286	15,486	4,800
Total Multiple Disabilities	945,297	(65,273)	880,024	867,057	12,967
Resource Room/Resource Center:					
Salaries of Teachers	2,341,499	18,148	2,359,647	2,338,617	21,030
Other Salaries for Instruction	420,633	71,800	492,433	478,648	13,785
General Supplies	24,237	(1,085)	23,152	17,331	5,821
Textbooks	3,880		3,880	303	3,577
Other Objects	15,000	(10,700)	4,300	3,664	636
Total Resource Room/Resource Center	2,805,249	78,163	2,883,412	2,838,563	44,849

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part-Time:					
Salaries of Teachers	\$ 69,166	\$ 1,735	\$ 70,901	\$ 69,576	\$ 1,325
Other Salaries for Instruction	74,561	19,737	94,298	94,298	
Other Purchased Services (400-500 series)	1,000	6,150	7,150	7,020	130
Total Preschool Disabilities - Part-Time	144,727	27,622	172,349	170,894	1,455
Preschool Disabilities - Full-Time:					
Salaries of Teachers	198,813	100,465	299,278	291,448	7,830
Other Salaries for Instruction	396,112	9,564	405,676	405,675	1
Other Purchased Services (400-500 series)	500	(312)	188	188	
General Supplies	500	7,112	7,612	7,490	122
Total Preschool Disabilities - Full-Time	595,925	116,829	712,754	704,613	8,141
Total Special Education Instruction	4,919,793	143,965	5,063,758	4,940,454	123,304
Basic Skills/Remedial - Instruction:					
Purchased Professional Educational Services	18,000		18,000	16,000	2,000
Total Basic Skills/Remedial - Instruction	18,000		18,000	16,000	2,000
Bilingual Education - Instruction:					
Salaries of Teachers	313,543		313,543	300,923	12,620
Other Purchased Services (400-500 series)		150	150	150	
General Supplies	2,800	(150)	2,650	2,311	339
Total Bilingual Education - Instruction	316,343		316,343	303,384	12,959

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 267,503	\$ 1,775	\$ 269,278	\$ 231,376	\$ 37,902
Purchased Services (300-500 series)	14,948	(1,248)	13,700	3,005	10,695
Supplies and Materials	47,200	(3,935)	43,265	26,432	16,833
Other Objects	4,800	(1,877)	2,923	2,478	445
Total School-Sponsored Cocurricular Activities - Instruction	334,451	(5,285)	329,166	263,291	65,875
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	600,281		600,281	571,863	28,418
Purchased Services (300-500 series)	181,905	1,248	183,153	131,890	51,263
Supplies and Materials	112,800	(13,626)	99,174	67,450	31,724
Other Objects	28,560	(450)	28,110	20,106	8,004
Total School-Sponsored Cocurricular Athletics - Instruction	923,546	(12,828)	910,718	791,309	119,409
Before/After School Programs - Instruction:					
Other Salaries for Instruction	40,000		40,000	12,579	27,421
Total Before/After School Programs - Instruction	40,000		40,000	12,579	27,421
Summer School - Instruction:					
Salaries of Teacher Tutors	6,000		6,000	894	5,106
Total Summer School - Instruction	6,000		6,000	894	5,106
Total Instruction	20,272,948	(48,385)	20,224,563	19,070,473	1,154,090

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	\$ 161,928	\$ (136,279)	\$ 25,649	\$ 213,071	\$ 25,649
Tuition to Other LEAs Within the State - Special	150,792	75,179	225,971	14,575	12,900
Tuition to County Vocational School District - Regular	69,100	27,000	69,100	27,000	54,525
Tuition to County Vocational School District - Special	203,670	(129,516)	74,154	43,200	30,954
Tuition to CSSD and Regular Day Schools	1,046,198		1,046,198	983,926	62,272
Tuition to Private Schools for the Disabled - Within the State	4,500		4,500	4,500	
Tuition - State Facilities	1,636,188	(163,616)	1,472,572	1,286,272	186,300
Total Undistributed Expenditures - Instruction:					
Undistributed Expenditures - Attendance and Social Work Services:					
Salaries	62,292	2,000	64,292	64,206	86
Other Purchased Services (400-500 series)	300		300	287	13
Total Undistributed Expenditures - Attendance and Social Work Services	62,592	2,000	64,592	64,493	99
Undistributed Expenditures - Health Services:					
Salaries	320,416		320,416	316,773	3,643
Purchased Professional and Technical Services	19,000		19,000	14,521	4,479
Supplies and Materials	18,000	(6,902)	11,098	10,125	973
Other Objects	1,000	(548)	452	432	20
Total Undistributed Expenditures - Health Services	358,416	(7,450)	350,966	341,851	9,115
Undistributed Expenditures - Speech, OT, PT and Related Services:					
Salaries	654,073	22,987	677,060	677,056	4
Purchased Professional - Educational Services	25,000	(7,644)	17,356	17,355	1
Supplies and Materials	4,200	2,297	6,497	6,330	167
Total Undistributed Expenditures - Speech, OT, PT and Related Services	683,273	17,640	700,913	700,741	172

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Other Support Services - Students - Extraordinary	\$ 85,819	\$ 59,000	\$ 144,819	\$ 133,339	\$ 11,480
Salaries	150,000	70,000	220,000	116,870	103,130
Purchased Professional - Educational Services					
Total Undistributed Expenditures - Other Support Services - Students - Extraordinary	235,819	129,000	364,819	250,209	114,610
Undistributed Expenditures - Guidance:					
Salaries of Other Professional Staff	1,005,338	(5,527)	999,811	926,127	73,684
Salaries of Secretarial and Clerical Assistants	117,599	5,527	123,126	123,125	1
Other Purchased Professional and Technical Services	34,635	(10)	34,625	29,759	4,866
Other Purchased Services (400-500 series)	375		375	354	21
Supplies and Materials	5,331		5,331	3,894	1,437
Total Undistributed Expenditures - Guidance	1,163,278	(10)	1,163,268	1,083,259	80,009
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	655,519	20,093	675,612	675,612	
Salaries of Secretarial and Clerical Assistants	69,050		69,050	68,367	683
Other Purchased Professional and Technical Services	60,500	(15,093)	45,407	30,948	14,459
Other Purchased Services (400-500 Series)	9,000	(9,000)			
Miscellaneous Purchased Services (400-500 Series Other Than Residence Costs)		9,075	9,075	7,080	1,995
Supplies and Materials	10,000	(769)	9,231	8,876	355
Other Objects		219	219	218	1
Total Undistributed Expenditures - Child Study Teams	804,069	4,525	808,594	791,101	17,493

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	\$ 465,974	\$ (9,554)	\$ 456,420	\$ 411,704	\$ 44,716
Salaries of Other Professional Staff	15,900		15,900	12,420	3,480
Salaries of Secretarial and Clerical Assistants	70,378	4,554	74,932	74,931	1
Unused Vacation Payment to Terminated/Retired Staff					
Other Purchased Services (400-500)	16,500		16,500	7,949	8,551
Supplies and Materials	8,000	1,000	9,000	6,147	2,853
Other Objects	6,000		6,000	5,339	661
Total Undistributed Expenditures - Improvement of Instructional Services	582,752	(4,000)	578,752	518,490	60,262
Undistributed Expenditures - Educational Media Services/School Library:					
Salaries	201,866		201,866	151,709	50,157
Salaries of Technology Coordinator	218,777	(77,200)	141,577	141,488	89
Other Purchased Services (400-500 series)	13,134	18	13,152	13,152	
Supplies and Materials	9,253	(18)	9,235	2,931	6,304
Total Undistributed Expenditures - Educational Media Services/School Library	443,030	(77,200)	365,830	309,280	56,550
Undistributed Expenditures - Instructional Staff Training Services:					
Salaries of Other Professional Staff	6,000		6,000	963	5,037
Purchased Professional - Educational Services	45,000	44,000	89,000	20,275	68,725
Purchased Technical Services	15,000		15,000	11,316	3,684
Other Purchased Services (400-500 series)	18,600	3,000	21,600	16,649	4,951
Supplies and Materials	6,020		6,020		6,020
Other Objects	1,000		1,000	675	325
Total Undistributed Expenditures - Instructional Staff Training Services	91,620	47,000	138,620	49,878	88,742

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Support Services - General Administration:					
Salaries	\$ 258,515	\$ 7,596	\$ 266,111	\$ 266,111	
Legal Services	145,000	20,000	165,000	157,331	\$ 7,669
Audit Fees	37,500	1,000	38,500	38,500	
Architectural/Engineering Services	10,851	21,557	32,408	27,806	4,602
Other Purchased Professional Services	7,500	(7,500)			
Purchased Technical Services	10,000	(8,355)	1,645	1,645	
Communications/Telephone	60,000	(11,702)	48,298	38,629	9,669
Board of Education Other Purchased Services	5,200		5,200	3,325	1,875
Miscellaneous Purchased Services (400-500 series)	198,815	(66)	198,749	196,337	2,412
General Supplies	9,000	(7,596)	1,404	488	916
Judgements Against the School District		15,000	15,000	12,850	2,150
Miscellaneous Expenditures	17,000		17,000	10,860	6,140
Board of Education Membership Dues and Fees	19,300		19,300	18,710	590
Total Undistributed Expenditures - Support Services - General Administration	778,681	29,934	808,615	772,592	36,023
Undistributed Expenditures - Support Services - School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	1,517,112		1,517,112	1,473,567	43,545
Salaries of Other Professional Staff	8,000		8,000	2,475	5,525
Salaries of Secretarial and Clerical Assistants	548,024		548,024	533,529	14,495
Purchased Professional and Technical Services		5,000	5,000		5,000
Other Purchased Services (400-500 series)	14,220		14,220	11,731	2,489
Supplies and Materials	42,983	950	43,933	39,655	4,278
Other Objects	50,140	3,424	53,564	40,307	13,257
Total Undistributed Expenditures - Support Services - School Administration	2,180,479	9,374	2,189,853	2,101,264	88,589

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Central Services:					
Salaries	\$ 523,791	\$ 5,247	\$ 529,038	\$ 529,037	\$ 1
Unused Vacation Payment to Terminated/Retired Staff		2,632	2,632	2,631	1
Other Purchased Services (400-500 series)	19,800	1,750	21,550	20,621	929
Supplies and Materials	9,456	(1,750)	7,706	6,915	791
Other Objects	2,600		2,600	2,060	540
Total Undistributed Expenditures - Central Services	555,647	7,879	563,526	561,264	2,262
Undistributed Expenditures - Administration Information Technology:					
Salaries	262,025	75,721	337,746	337,532	214
Purchased Technical Services	255,085	(53,000)	202,085	129,800	72,285
Other Purchased Services (400-500 series)		58,848	58,848	58,848	
Supplies and Materials	12,500	(5,848)	6,652	3,991	2,661
Other Objects	9,500		9,500		9,500
Total Undistributed Expenditures - Administration Information Technology	539,110	75,721	614,831	530,171	84,660
Undistributed Expenditures - Required Maintenance of School Facilities:					
Salaries	284,249	11,422	295,671	295,671	
Unused Vacation Payment to Terminated/Retired Staff		5,130	5,130	5,130	
Cleaning, Repair and Maintenance Services	298,199	(22,408)	275,791	265,124	10,667
General Supplies	110,297	54,000	164,297	161,055	3,242
Other Objects	4,000	2,500	6,500	4,689	1,811
Total Undistributed Expenditures - Required Maintenance of School Facilities	696,745	50,644	747,389	731,669	15,720

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Custodial Services:					
Salaries	\$ 612,462	\$ (8,422)	\$ 604,040	\$ 567,934	\$ 36,106
Salaries of Non-Instructional Aides	237,180	(95,966)	141,214	133,570	7,644
Purchased Professional and Technical Services	10,000		10,000	5,875	4,125
Cleaning, Repair and Maintenance Services	500,000	(19,300)	480,700	463,148	17,552
Rental of Land and Buildings Other Than Lease Purchase Agreements	5,600	(700)	4,900	2,175	2,725
Other Purchased Property Services	36,500		36,500	34,144	2,356
Insurance	78,739	(16,079)	62,660	62,660	
Miscellaneous Purchased Services	900		900		900
General Supplies	95,000	162,000	257,000	249,336	7,664
Energy (Natural Gas)	183,600	(24,549)	159,051	129,799	29,252
Energy (Electricity)	565,000	(155,000)	410,000	331,979	78,021
Other Objects	1,000		1,000	205	795
Total Undistributed Expenditures - Custodial Services	2,325,981	(158,016)	2,167,965	1,980,825	187,140
Undistributed Expenditures - Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	60,900	33,498	94,398	89,647	4,751
General Supplies	14,333	(11,551)	2,782	2,781	1
Total Undistributed Expenditures - Care and Upkeep of Grounds	75,233	21,947	97,180	92,428	4,752
Undistributed Expenditures - Security:					
Salaries	128,869		128,869	119,815	9,054
Purchased Professional and Technical Services	60,026		60,026	57,526	2,500
Cleaning, Repair, & Maintenance Services		21,371	21,371	20,370	1,001
General Supplies	40,071		40,071	29,289	10,782
Total Undistributed Expenditures - Security	228,966	21,371	250,337	227,000	23,337

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures - Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 61,000	\$ 60,000	\$ 121,000	\$ 75,337	\$ 45,663
Salaries for Pupil Transportation:					
Between Home and School - Special Education	128,200	19,910	148,110	140,842	7,268
Other Than Between Home and School	72,000		72,000	46,490	25,510
Other Purchased Professional and Technical Services	2,000		2,000	968	1,032
Cleaning, Repair and Maintenance Services	25,000		25,000	22,201	2,799
Contracted Services:					
Other than Between Home and School - Vendors	141,200		141,200	77,010	64,190
Special Education Students - Joint Agreements	20,300	(20,300)			
Special Education Students - ESCs & CTSA's	410,000	72,897	482,897	393,488	89,409
Miscellaneous Purchased Services - Transportation	24,414	2,493	26,907	26,907	
Transportation Supplies	33,000	(500)	32,500	18,225	14,275
Miscellaneous Expenditures	500	500	1,000	572	428
Total Undistributed Expenditures - Student Transportation Services	917,614	135,000	1,052,614	802,040	250,574
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	630,000		630,000	569,550	60,450
Other Retirement Contributions - PERS	674,000		674,000	570,491	103,509
Other Retirement Contributions - Regular	30,000		30,000	27,968	2,032
Unemployment Compensation	25,000	75,000	100,000	100,000	
Workmen's Compensation	159,443	16,145	175,588	160,955	14,633
Health Benefits	5,562,093	(385,715)	5,176,378	4,883,093	293,285
Tuition Reimbursement	185,000		185,000	114,313	70,687
Other Employee Benefits	74,500	(21,320)	53,180	51,314	1,866
Unused Vacation Payment to Terminated/Retired Staff		65,000	65,000	15,000	50,000
Total Unallocated Benefits	7,340,036	(250,890)	7,089,146	6,492,684	596,462

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
On-Behalf TPAF Pension Contributions (non-budgeted)				\$ 3,680,564	\$ (3,680,564)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				65,970	(65,970)
On-Behalf Post Retirement Benefit Contributions (non-budgeted)				1,389,895	(1,389,895)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				3,850	(3,850)
Reimbursed TPAF FICA Contributions (non-budgeted)				1,542,285	(1,542,285)
Total On-Behalf Benefits				6,682,564	(6,682,564)
Total Personal Services - Employee Benefits	\$ 7,340,036	\$ (250,890)	\$ 7,089,146	13,175,248	(6,086,102)
Total Undistributed Expenditures	21,699,529	(109,147)	21,590,382	26,370,075	(4,779,693)
TOTAL GENERAL CURRENT EXPENSE	41,972,477	(157,532)	41,814,945	45,440,548	(3,625,603)
CAPITAL OUTLAY					
Equipment:					
Grades 1-5	32,000	61,206	93,206	93,205	1
Grades 6-8	11,250	42,480	53,730	52,040	1,690
Grades 9-12	40,000	24,635	64,635	64,634	1
Required Maintenance for School Facilities		2,106	2,106	2,106	
School-Sponsored and Other Instructional Programs	90,000	19,269	109,269	109,269	
Support Services - Related & Extraordinary		4,360	4,360	3,834	526
School Administration		3,465	3,465	3,465	
Care and Upkeep of Grounds		2,602	2,602	2,601	1
Security	12,056		12,056	12,056	
Non-Instructional Equipment		5,302	5,302	5,302	
School Buses- Special	210,000	(4,438)	205,562	205,562	
Total Equipment	395,306	160,987	556,293	554,074	2,219

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Legal Services	\$ 6,000		\$ 6,000	\$ 738	\$ 5,262
Architectural/Engineering Services	90,882		90,882	52,400	38,482
Construction Services	1,089,840		1,089,840	945,000	144,840
Assessment for Debt Service SDA Funding	93,839		93,839	93,839	
Other Objects	9,500		9,500		9,500
Total Facilities Acquisition and Construction Services	<u>1,290,061</u>		<u>1,290,061</u>	<u>1,091,977</u>	<u>198,084</u>
TOTAL CAPITAL OUTLAY	<u>1,685,367</u>	<u>\$ 160,987</u>	<u>1,846,354</u>	<u>1,646,051</u>	<u>200,303</u>
TOTAL EXPENDITURES	<u>43,657,844</u>	<u>3,455</u>	<u>43,661,299</u>	<u>47,086,599</u>	<u>(3,425,300)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(2,297,512)</u>	<u>(3,455)</u>	<u>(2,300,967)</u>	<u>1,902,695</u>	<u>4,203,662</u>
Other Financing Sources/(Uses):					
Transfer to Special Revenue Fund - PreK - Inclusion	(30,000)		(30,000)	(30,000)	
Transfer to Debt Service Fund from Capital Reserve	(150,302)	(1,105)	(151,407)	(151,407)	
Total Other Financing Sources/(Uses)	<u>(180,302)</u>	<u>(1,105)</u>	<u>(181,407)</u>	<u>(181,407)</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing (Uses)	<u>(2,477,814)</u>	<u>(4,560)</u>	<u>(2,482,374)</u>	<u>1,721,288</u>	<u>4,203,662</u>
Fund Balance, July 1	<u>10,410,967</u>		<u>10,410,967</u>	<u>10,410,967</u>	
Fund Balance, June 30	<u>\$ 7,933,153</u>	<u>\$ (4,560)</u>	<u>\$ 7,928,593</u>	<u>\$ 12,132,255</u>	<u>\$ 4,203,662</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Analysis of Balance:					
Restricted Fund Balance:					
Capital Reserve				\$ 8,122,532	
Maintenance Reserve				252,593	
Excess Surplus - 2021-2022				289,324	
Excess Surplus - 2020-2021				8,425	
Tuition Reserve - 2020-2021				935,600	
Tuition Reserve - 2021-2022				1,040,361	
Assigned Fund Balance:					
Year-End Encumbrances				127,666	
Designated for Subsequent Year's Expenditures				275,590	
Unassigned Fund Balance				<u>1,080,164</u>	
Fund Balance per Governmental Funds (Budgetary Basis)				<u>12,132,255</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Less: Last state aid payments not recognized on a GAAP basis				<u>741,278</u>	
Fund Balance per Governmental Funds (GAAP)				<u><u>\$ 11,390,977</u></u>	

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 47,553	\$ 47,553	\$ 25,448	\$ (22,105)
State Sources	\$ 1,577,065	38,370	1,615,435	1,369,194	(246,241)
Federal Sources	752,227	959,259	1,711,486	1,203,111	(508,375)
Total Revenues	2,329,292	1,045,182	3,374,474	2,597,753	(776,721)
Other Financing Sources:					
Transfer In - Board Contribution - General Fund	30,000		30,000	30,000	
Total Revenues and Other Financing Sources	2,359,292	1,045,182	3,404,474	2,627,753	(776,721)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	597,619	227,940	825,559	799,829	25,730
Other Salaries for Instruction	225,455		225,455	199,900	25,555
Purchased Professional and Technical Services	484,397	198,733	683,130	636,504	46,626
Other Purchased Services	365,889	(317,395)	48,494	48,494	
General Supplies	58,614	33,855	92,469	92,469	
Textbooks	42,346	(3,130)	39,216	39,188	28
Other Objects	1,000	11,996	12,996	3,107	9,889
Total Instruction	1,775,320	151,999	1,927,319	1,819,491	107,828

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Support Services:					
Personal Services - Salaries		\$ 132,965	\$ 132,965	40,854	\$ 92,111
Salaries of Supervisors of Instruction	\$ 17,348	20,098	37,446	37,446	
Salaries of Program Directors	37,446	9,264	46,710	17,348	29,362
Salaries of Other Professional Staff	39,075		39,075	34,297	4,778
Salaries of Secretaries and Clerical Assistants	55,187		55,187	50,898	4,289
Other Salaries	24,547		24,547	23,621	926
Salaries of Community Parent Involvement Specialist	70,000		70,000		70,000
Salaries of Master Teachers		60,977	60,977	33,537	27,440
Personal Services – Employee Benefits	150,743	108,053	258,796	230,855	27,941
Purchased Professional Educational Services	42,026	194,076	236,102	182,562	53,540
Cleaning, Repair & Maintenance Service	15,000		15,000		15,000
Rentals	10,000	136,901	146,901		146,901
Other Purchased Services	119,100	197,024	316,124	119,619	196,505
Supplies and Materials	3,500	30,971	34,471	34,471	
Other Objects		2,754	2,754	2,754	
Total Support Services	583,972	893,083	1,477,055	808,262	668,793
Facilities Acquisition and Construction Services:					
Instructional Equipment		100	100		100
Total Facilities Acquisition and Construction Services		100	100		100
Total Expenditures	\$ 2,359,292	\$ 1,045,182	\$ 3,404,474	\$ 2,627,753	\$ 776,721

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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"	\$ 48,989,294	\$ 2,597,753
Difference - Budgetary to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances:		
Federal		(83,872)
Prior Year Encumbrances:		
State		9,000
Local		5,830
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	666,389	82,742
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(741,278)	(80,463)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 48,914,405	\$ 2,530,990
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 47,086,599	\$ 2,627,753
Differences - Budgetary to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, not in the Year the Supplies are Received for Financial Reporting Purposes.		(69,042)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 47,086,599	\$ 2,558,711

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ending June 30, 2020, was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	McKinley Vento Grant	Elementary and Secondary Education Act		
		Title I	Title II Part A	Title III
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 324	\$ 348,269	\$ 39,982	\$ 15,725
Total Revenue	324	348,269	39,982	15,725
OTHER FINANCING SOURCES:				
Transfer In - Board Contribution - General Fund				
Total Revenue and Other Financing Sources		348,269	39,982	15,725
EXPENDITURES:				
Instruction:				
Salaries of Teachers	324	225,430		10,000
Other Salaries for Instruction				
Purchased Professional and Technical Services				
Other Purchased Services		12,302		
General Supplies		4,495		
Textbooks				
Other Objects				
Total Instruction	324	242,227		10,000
Support Services:				
Personal Services - Salaries		18,922	2,486	486
Salaries of Supervisors of Instruction				
Salaries of Program Directors				
Salaries of Other Professional Staff				
Salaries of Secretaries and Clerical Assistants				
Other Salaries				
Salaries of Master Teachers				
Personal Services – Employee Benefits		70,825		3,599
Purchased Professional Educational Services		14,745	33,750	1,500
Other Purchased Services			3,746	
Supplies and Materials		1,550		
Other Objects				140
Total Support Services		106,042	39,982	5,725
Total Expenditures	\$ 324	\$ 348,269	\$ 39,982	\$ 15,725

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	COVID-19 CARES Emergency Relief Grant	Elementary and Secondary Education Act Title III Immigrant	Title IV	Advanced Computer Science Competitive
REVENUE:				
Local Sources				
State Sources				\$ 27,734
Federal Sources	\$ 86,082	\$ 3,211	\$ 20,563	
Total Revenue	<u>86,082</u>	<u>3,211</u>	<u>20,563</u>	<u>27,734</u>
OTHER FINANCING SOURCES:				
Transfer In - Board Contribution - General Fund				
Total Revenue and Other Financing Sources	<u>86,082</u>	<u>3,211</u>	<u>20,563</u>	<u>27,734</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers		1,272		4,660
Other Salaries for Instruction				
Purchased Professional and Technical Services			4,311	
Other Purchased Services	5,638		15,252	1,890
General Supplies	41,599			728
Textbooks				
Other Objects				
Total Instruction	<u>47,237</u>	<u>1,272</u>	<u>19,563</u>	<u>7,278</u>
Support Services:				
Personal Services - Salaries				2,751
Salaries of Supervisors of Instruction				
Salaries of Program Directors				
Salaries of Other Professional Staff				
Salaries of Secretaries and Clerical Assistants				
Other Salaries				
Salaries of Master Teachers				
Personal Services – Employee Benefits		97		
Purchased Professional Educational Services			1,000	11,550
Other Purchased Services	9,503			6,155
Supplies and Materials	29,342	1,842		
Other Objects				
Total Support Services	<u>38,845</u>	<u>1,939</u>	<u>1,000</u>	<u>20,456</u>
Total Expenditures	<u>\$ 86,082</u>	<u>\$ 3,211</u>	<u>\$ 20,563</u>	<u>\$ 27,734</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>IDEA Part B</u>		<u>Nonpublic</u>	
	<u>Preschool</u>	<u>Basic</u>	<u>Technology Aid</u>	<u>Textbook Aid</u>
REVENUE:				
Local Sources				
State Sources			\$ 25,638	\$ 39,188
Federal Sources	\$ 3,025	\$ 685,930		
Total Revenue	<u>3,025</u>	<u>685,930</u>	<u>25,638</u>	<u>39,188</u>
OTHER FINANCING SOURCES:				
Transfer In - Board Contribution - General Fund				
Total Revenue and Other Financing Sources	<u>3,025</u>	<u>685,930</u>	<u>25,638</u>	<u>39,188</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers		56,875		
Other Salaries for Instruction				
Purchased Professional and Technical Services		511,488		
Other Purchased Services				
General Supplies			25,638	
Textbooks				39,188
Other Objects				
Total Instruction		<u>568,363</u>	<u>25,638</u>	<u>39,188</u>
Support Services:				
Personal Services - Salaries		16,209		
Salaries of Supervisors of Instruction				
Salaries of Program Directors				
Salaries of Other Professional Staff				
Salaries of Secretaries and Clerical Assistants				
Other Salaries				
Salaries of Master Teachers				
Personal Services – Employee Benefits		5,591		
Purchased Professional Educational Services	3,025	95,767		
Other Purchased Services				
Supplies and Materials				
Other Objects				
Total Support Services	<u>3,025</u>	<u>117,567</u>		
Total Expenditures	<u>\$ 3,025</u>	<u>\$ 685,930</u>	<u>\$ 25,638</u>	<u>\$ 39,188</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Nonpublic</u>		<u>Preschool</u>
	<u>Nursing</u> <u>Services</u>	<u>Security</u> <u>Aid</u>	<u>Education</u> <u>Aid</u>
REVENUE:			
Local Sources			
State Sources	\$ 64,137	\$ 97,449	\$ 873,615
Federal Sources			
Total Revenue	<u>64,137</u>	<u>97,449</u>	<u>873,615</u>
OTHER FINANCING SOURCES:			
Transfer In - Board Contribution - General Fund			30,000
Total Revenue and Other Financing Sources	<u>64,137</u>	<u>97,449</u>	<u>903,615</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers			312,615
Other Salaries for Instruction			199,900
Purchased Professional and Technical Services	64,137		
Other Purchased Services			
General Supplies			16,426
Textbooks			
Other Objects			
Total Instruction	<u>64,137</u>		<u>528,941</u>
Support Services:			
Personal Services - Salaries			
Salaries of Supervisors of Instruction			37,446
Salaries of Program Directors			17,348
Salaries of Other Professional Staff			34,297
Salaries of Secretaries and Clerical Assistants			50,898
Other Salaries			23,621
Salaries of Master Teachers			33,537
Personal Services – Employee Benefits			150,743
Purchased Professional Educational Services			21,225
Other Purchased Services		97,449	2,766
Supplies and Materials			1,737
Other Objects			1,056
Total Support Services		<u>97,449</u>	<u>374,674</u>
Total Expenditures	<u>\$ 64,137</u>	<u>\$ 97,449</u>	<u>\$ 903,615</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Nonpublic Handicapped Services</u>		
	<u>Corrective Speech</u>	<u>Examination & Classification</u>	<u>Supplementary Instruction</u>
REVENUE:			
Local Sources			
State Sources	\$ 31,899	\$ 55,368	\$ 52,778
Federal Sources			
Total Revenue	<u>31,899</u>	<u>55,368</u>	<u>52,778</u>
OTHER FINANCING SOURCES:			
Transfer In - Board Contribution - General Fund			
Total Revenue and Other Financing Sources	<u>31,899</u>	<u>55,368</u>	<u>52,778</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	31,899		52,778
Other Salaries for Instruction			
Purchased Professional and Technical Services		55,368	
Other Purchased Services			
General Supplies			
Textbooks			
Other Objects			
Total Instruction	<u>31,899</u>	<u>55,368</u>	<u>52,778</u>
Support Services:			
Personal Services - Salaries			
Salaries of Supervisors of Instruction			
Salaries of Program Directors			
Salaries of Other Professional Staff			
Salaries of Secretaries and Clerical Assistants			
Other Salaries			
Salaries of Master Teachers			
Personal Services – Employee Benefits			
Purchased Professional Educational Services			
Other Purchased Services			
Supplies and Materials			
Other Objects			
Total Support Services			
Total Expenditures	<u>\$ 31,899</u>	<u>\$ 55,368</u>	<u>\$ 52,778</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Nonpublic Auxiliary Services		
	<u>Compensatory Education Aid</u>	<u>Home Instruction</u>	<u>ESL</u>
REVENUE:			
Local Sources			
State Sources	\$ 79,578	\$ 7,571	\$ 827
Federal Sources			
Total Revenue	<u>79,578</u>	<u>7,571</u>	<u>827</u>
OTHER FINANCING SOURCES:			
Transfer In - Board Contribution - General Fund			
Total Revenue and Other Financing Sources	<u>79,578</u>	<u>7,571</u>	<u>827</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	79,578	7,571	827
Other Salaries for Instruction			
Purchased Professional and Technical Services			
Other Purchased Services			
General Supplies			
Textbooks			
Other Objects			
Total Instruction	<u>79,578</u>	<u>7,571</u>	<u>827</u>
Support Services:			
Personal Services - Salaries			
Salaries of Supervisors of Instruction			
Salaries of Program Directors			
Salaries of Other Professional Staff			
Salaries of Secretaries and Clerical Assistants			
Other Salaries			
Salaries of Master Teachers			
Personal Services – Employee Benefits			
Purchased Professional Educational Services			
Other Purchased Services			
Supplies and Materials			
Other Objects			
Total Support Services			
Total Expenditures	<u>\$ 79,578</u>	<u>\$ 7,571</u>	<u>\$ 827</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Nonpublic Auxiliary Services		
	Transportation Aid	Local Grants	Totals
REVENUE:			
Local Sources		\$ 25,448	\$ 25,448
State Sources	\$ 13,412		1,369,194
Federal Sources			1,203,111
Total Revenue	13,412	25,448	2,597,753
OTHER FINANCING SOURCES:			
Transfer In - Board Contribution - General Fund			30,000
Total Revenue and Other Financing Sources	13,412	25,448	2,627,753
EXPENDITURES:			
Instruction:			
Salaries of Teachers		16,000	799,829
Other Salaries for Instruction			199,900
Purchased Professional and Technical Services		1,200	636,504
Other Purchased Services	13,412		48,494
General Supplies		3,583	92,469
Textbooks			39,188
Other Objects		3,107	3,107
Total Instruction	13,412	23,890	1,819,491
Support Services:			
Personal Services - Salaries			40,854
Salaries of Supervisors of Instruction			37,446
Salaries of Program Directors			17,348
Salaries of Other Professional Staff			34,297
Salaries of Secretaries and Clerical Assistants			50,898
Other Salaries			23,621
Salaries of Master Teachers			33,537
Personal Services – Employee Benefits			230,855
Purchased Professional Educational Services			182,562
Other Purchased Services			119,619
Supplies and Materials			34,471
Other Objects		1,558	2,754
Total Support Services		1,558	808,262
Total Expenditures	\$ 13,412	\$ 25,448	\$ 2,627,753

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

District-Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 323,883	\$ 312,615	\$ 11,268
Other Salaries for Instruction	225,455	199,900	25,555
General Supplies	17,308	16,426	882
Other Objects	1,000		1,000
Total Instruction	<u>567,646</u>	<u>528,941</u>	<u>38,705</u>
Support Services:			
Salaries of Program Directors	17,348	17,348	
Salaries of Supervisors of Instruction	37,446	37,446	
Salaries of Other Professional Staff	39,075	34,297	4,778
Salaries of Secretaries and Clerical Assistants	55,187	50,898	4,289
Other Salaries	24,547	23,621	926
Salaries of Community Parent Involvement Spec.	70,000		70,000
Salaries of Master Teachers	60,977	33,537	27,440
Personal Services – Employee Benefits	150,743	150,743	
Purchased Professional Educational Services	24,060	21,225	2,835
Cleaning, Repair, and Maintenance Services	15,000		15,000
Other Purchased Services	10,000	2,766	7,234
Supplies and Materials	3,500	1,737	1,763
Other Objects	2,858	1,056	1,802
Total Support Services	<u>510,741</u>	<u>374,674</u>	<u>136,067</u>
Total Expenditures	<u>\$ 1,078,387</u>	<u>\$ 903,615</u>	<u>\$ 174,772</u>

CALCULATION OF BUDGET & CARRYOVER

Total Revised 2019-2020 Preschool Education Aid Allocation	\$ 820,680
Add: Actual PEA Carryover (June 30, 2019)	468,607
Add: Budgeted Transfer from General Fund	30,000
Total Preschool Education Aid Funds Available for 2019-2020 Budget	<u>1,319,287</u>
Less: 2019-2020 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	<u>(1,078,387)</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2020	<u>240,900</u>
Add: June 30, 2020 Unexpended Preschool Education Aid	174,772
2019-2020 Carryover - Preschool Education Aid	<u>\$ 415,672</u>
Budgeted for Preschool Programs in 2020-2021	<u>\$ 415,672</u>

CAPITAL PROJECTS FUND

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES,
PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Revenue and Other Financing Sources:	
Interest Earned	\$ 4,793
Total Revenue and Other Financing Sources	<u>4,793</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	630
Operating Transfers Out - General Fund	<u>4,793</u>
Total Expenditures and Other Financing Uses	<u>5,423</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under)	
Expenditures and Other Financing Uses	(630)
Fund Balance - Beginning Balance	<u>607,413</u>
Fund Balance - Ending Balance	<u>\$ 606,783</u>
<u>Recapitulation:</u>	
Committed Fund Balance:	
Year-End Encumbrances	
Prior Year	\$ 11,643
Committed Fund Balance - Other Purposes	<u>595,140</u>
Total Committed Fund Balance	606,783
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	<u>(160,893)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 445,890</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER SCHOOL FIVE CLASSROOM ADDITION
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Additional Project Information:

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE MIDDLE SCHOOL ROOF REPLACEMENT ANNEX AND MEDIA CENTER
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 306,454		\$ 306,454	\$ 306,454
Transfer from Capital Outlay	725,000		725,000	725,000
Total Revenues and Other Financing Sources	<u>1,031,454</u>		<u>1,031,454</u>	<u>1,031,454</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	63,766		63,766	78,211
Construction Services	729,149		729,149	953,243
Total Expenditures Other Financing Uses	<u>792,915</u>		<u>792,915</u>	<u>1,031,454</u>
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	<u>\$ 238,539</u>	<u>\$ -0-</u>	<u>\$ 238,539</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	4820-055-10-1004
Grant Date:	01/12/11
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 691,234
Additional Authorized Cost:	\$ 340,220
Revised Authorized Cost:	<u>\$ 1,031,454</u>
Percentage Increase over Original Authorized Cost:	32.98%
Percentage Completion:	76.87%
Original Target Completion Date:	September 2011
Revised Target Completion Date:	December 2017

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER ELEMENTARY SCHOOL HVAC REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 451,817		\$ 451,817	\$ 451,817
Transfer from Capital Reserve	1,121,267		1,121,267	1,121,267
Total Revenues and Other Financing Sources	<u>1,573,084</u>		<u>1,573,084</u>	<u>1,573,084</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	119,438	\$ 315	119,753	84,200
Construction Services	1,332,265		1,332,265	1,488,884
Total Expenditures Other Financing Uses	<u>1,451,703</u>	<u>315</u>	<u>1,452,018</u>	<u>1,573,084</u>
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	<u>\$ 121,381</u>	<u>\$ (315)</u>	<u>\$ 121,066</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	4820-090-14-1004
Grant Date:	01/06/14
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 987,500
Transfer from Capital Reserve	\$ 585,584
Revised Authorized Cost:	<u>\$ 1,573,084</u>
Percentage Increase over Original Authorized Cost:	59.30%
Percentage Completion:	92.30%
Original Target Completion Date:	June 2015
Revised Target Completion Date:	June 2021

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE HIGH SCHOOL HVAC UPGRADES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 352,646		\$ 352,646	\$ 352,646
Transfer from Capital Reserve	1,172,810		1,172,810	1,172,810
Total Revenues and Other Financing Sources	<u>1,525,456</u>		<u>1,525,456</u>	<u>1,525,456</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	84,516	\$ 315	84,831	82,304
Construction Services	1,321,873		1,321,873	1,443,152
Total Expenditures Other Financing Uses	<u>1,406,389</u>	<u>315</u>	<u>1,406,704</u>	<u>1,525,456</u>
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	<u>\$ 119,067</u>	<u>\$ (315)</u>	<u>\$ 118,752</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	4820-050-14-1006
Grant Date:	01/06/14
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 770,750
Transfer from Capital Reserve	\$ 754,706
Revised Authorized Cost:	<u>\$ 1,525,456</u>
Percentage Increase over Original Authorized Cost:	97.92%
Percentage Completion:	92.22%
Original Target Completion Date:	June 2016
Revised Target Completion Date:	June 2021

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER ELEMENTARY SCHOOL BATHTHOOMS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 364,145		\$ 364,145	\$ 364,145
Total Revenues and Other Financing Sources	<u>364,145</u>		<u>364,145</u>	<u>364,145</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	41,249		41,249	42,861
Construction Services	321,284		321,284	321,284
Total Expenditures Other Financing Uses	<u>362,533</u>		<u>362,533</u>	<u>364,145</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ 1,612</u>	<u>\$ -0-</u>	<u>\$ 1,612</u>	<u>\$ -0-</u>

Additional Project Information:

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER ELEMENTARY SCHOOL FIRE ALARM
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 105,000		\$ 105,000	\$ 105,000
Total Revenues and Other Financing Sources	<u>105,000</u>		<u>105,000</u>	<u>105,000</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	4,811		4,811	10,000
Construction Services	17,918		17,918	95,000
Total Expenditures Other Financing Uses	<u>22,729</u>		<u>22,729</u>	<u>105,000</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ 82,271</u>	<u>\$ -0-</u>	<u>\$ 82,271</u>	<u>\$ -0-</u>

Additional Project Information:

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER ELEMENTARY SCHOOL PARTIAL ROOF REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 373,000		\$ 373,000	\$ 373,000
Total Revenues and Other Financing Sources	<u>373,000</u>		<u>373,000</u>	<u>373,000</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	25,784		25,784	25,784
Construction Services	327,532		327,532	347,216
Total Expenditures Other Financing Uses	<u>353,316</u>		<u>353,316</u>	<u>373,000</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>\$ 19,684</u>	<u>\$ -0-</u>	<u>\$ 19,684</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	N/A
Grant Date:	N/A
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	<u>\$ 373,000</u>
Revised Authorized Cost:	<u>\$ 373,000</u>
Percentage Decrease over Original Authorized Cost	0.00%
Percentage Completion:	94.72%
Original Target Completion Date:	September 2018

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE HIGH SCHOOL ROOF REPAIRS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 44,000		\$ 44,000	\$ 44,000
Total Revenues and Other Financing Sources	<u>44,000</u>		<u>44,000</u>	<u>44,000</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	3,683		3,683	6,000
Construction Services	32,826		32,826	38,000
Total Expenditures Other Financing Uses	<u>36,509</u>		<u>36,509</u>	<u>44,000</u>
Excess/(Deficit) of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses	<u>\$ 7,491</u>	<u>\$ -0-</u>	<u>\$ 7,491</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:	N/A
Grant Date:	N/A
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	<u>\$ 44,000</u>
Revised Authorized Cost:	<u>\$ 44,000</u>
Percentage Increase over Original Authorized Cost:	0.00%
Percentage Completion:	82.98%
Original Target Completion Date:	September 2018

PROPRIETARY FUNDS

SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 46,775
Accounts Receivable:	
Federal Government	15,648
State Government	2,056
Inventories	<u>16,258</u>
 Total Current Assets	 <u>80,737</u>

Non-Current Assets:

Capital Assets	596,444
Less: Accumulated Depreciation	<u>(248,243)</u>
 Total Non-Current Assets	 <u>348,201</u>

Total Assets	<u>428,938</u>
--------------	----------------

LIABILITIES:

Unearned Revenue - Donated Commodities	4,093
Unearned Revenue - Prepaid Sales	<u>21,251</u>
 Total Liabilities	 <u>25,344</u>

NET POSITION:

Investment in Capital Assets	348,201
Unrestricted	<u>55,393</u>
 Total Net Position	 <u>\$ 403,594</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Operating Revenue:	
Daily Sales - Reimbursable Programs	\$ 186,475
Daily Sales - Non-Reimbursable Programs	119,222
	<hr/>
Total Operating Revenue	305,697
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	217,885
Cost of Sales - Non Reimbursable Programs	139,303
Management Fee	20,400
Salaries, Benefits & Payroll Taxes	254,353
Other	44,458
Depreciation Expense	11,538
	<hr/>
Total Operating Expenses	687,937
	<hr/>
Operating (Loss)	(382,240)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
School Breakfast Program	47,243
COVID 19 - Seamless Summer Option - Breakfast	21,859
National School Lunch Program	184,644
COVID 19 - Seamless Summer Option - Lunch	34,560
Food Distribution Program	50,685
State Sources:	
COVID 19 - Seamless Summer Option - Lunch	546
School Lunch Program	7,136
	<hr/>
Total Non-Operating Revenue	346,673
	<hr/>
Change in Net Position	(35,567)
	<hr/>
Net Position - Beginning of Year	439,161
	<hr/>
Net Position - End of Year	\$ 403,594
	<hr/> <hr/>

SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 314,450
Payments to Employees	(254,353)
Payments to Suppliers	<u>(378,266)</u>
Net Cash Used for Operating Activities	<u>(318,169)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Equipment	<u>(50,172)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(50,172)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal and State Reimbursements	<u>298,757</u>
Net Cash Provided by Noncapital Financing Activities	<u>298,757</u>
Net Decrease in Cash and Cash Equivalents	(69,584)
Cash and Cash Equivalents, July 1	<u>116,359</u>
Cash and Cash Equivalents, June 30	<u>\$ 46,775</u>
Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:	
Operating (Loss)	\$ (382,240)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	11,538
Federal Food Distribution Program	50,685
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	(9,363)
Increase/(Decrease) in Unearned Revenue - Donated Commodities	2,459
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	<u>8,752</u>
Net Cash Used for Operating Activities	<u>\$ (318,169)</u>

Non-Cash Investing, Capital and Financing Activities:

The District received USDA donated commodities valued at \$53,144 and used \$50,685 of those commodities during the fiscal year.

FIDUCIARY FUNDS

SOMERVILLE BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Agency</u>			<u>Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>	<u>Unemployment Compensation Trust</u>
ASSETS:				
Cash and Cash Equivalents	\$ 323,852	\$ 227,884	\$ 551,736	\$ 215,005
Interfund Receivable				256,779
Total Assets	<u>323,852</u>	<u>227,884</u>	<u>551,736</u>	<u>471,784</u>
LIABILITIES:				
Payroll Deductions and Withholdings		71,105	71,105	
Interfund Payable	24,746	156,779	181,525	
Due to Student Groups	299,106		299,106	
Total Liabilities	<u>323,852</u>	<u>227,884</u>	<u>551,736</u>	
NET POSITION:				
Held in Trust for Unemployment Claims				<u>471,784</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 471,784</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employee State Unemployment Insurance Deductions	\$ 39,588
District Contributions	<u>100,000</u>
Total Contributions	<u>139,588</u>
Investment Earnings:	
Interest	<u>1,517</u>
Net Investment Earnings	<u>1,517</u>
Total Additions	<u>141,105</u>
Deductions:	
State of New Jersey Unemployment Agency Payments	<u>75,492</u>
Total Deductions	<u>75,492</u>
Change in Net Position	65,613
Net Position—Beginning of the Year	<u>406,171</u>
Net Position—End of the Year	<u>\$ 471,784</u>

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

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
ASSETS:				
Cash and Cash Equivalents	\$ 290,431	\$ 247,126	\$ 213,705	\$ 323,852
Total Assets	<u>\$ 290,431</u>	<u>\$ 247,126</u>	<u>\$ 213,705</u>	<u>\$ 323,852</u>
 LIABILITIES:				
Due to General Fund		\$ 24,746		\$ 24,746
Due to Student Groups	\$ 290,431	222,380	\$ 213,705	299,106
Total Liabilities	<u>\$ 290,431</u>	<u>\$ 247,126</u>	<u>\$ 213,705</u>	<u>\$ 323,852</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2019</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2020</u>
Van Derveer Elementary School	\$ 62,630	\$ 28,159	\$ 25,851	\$ 64,938
Somerville Middle School	37,481	29,988	33,965	33,504
Somerville High School	<u>190,320</u>	<u>188,979</u>	<u>153,889</u>	<u>225,410</u>
Total All Schools	<u>\$ 290,431</u>	<u>\$ 247,126</u>	<u>\$ 213,705</u>	<u>\$ 323,852</u>

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
ASSETS:				
Cash and Cash Equivalents	\$ 118,026	\$ 15,499,387	\$ 15,389,529	\$ 227,884
Total Assets	<u>\$ 118,026</u>	<u>\$ 15,499,387</u>	<u>\$ 15,389,529</u>	<u>\$ 227,884</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 835	\$ 15,459,799	\$ 15,389,529	\$ 71,105
Interfund Payable	<u>117,191</u>	<u>39,588</u>	<u></u>	<u>156,779</u>
Total Liabilities	<u>\$ 118,026</u>	<u>\$ 15,499,387</u>	<u>\$ 15,389,529</u>	<u>\$ 227,884</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance June 30, 2019	Retired or Matured	Balance June 30, 2020
			Date	Outstanding June 30, 2020 Amount				
School Refunding Bonds	4/30/2013	\$ 9,240,000	02/15/21	\$ 925,000	4.000%	\$ 5,925,000	\$ 885,000	\$ 5,040,000
			02/15/22	970,000	4.000%			
			02/15/23	1,005,000	4.000%			
			02/15/24	1,055,000	2.400%			
			02/15/25	1,085,000	4.000%			
School Refunding Bonds	4/15/2016	9,265,000	07/15/20	615,000	4.000%	7,970,000	595,000	7,375,000
			07/15/21	640,000	4.000%			
			07/15/22	665,000	4.000%			
			07/15/23	690,000	4.000%			
			07/15/24	725,000	4.000%			
			07/15/25	755,000	4.000%			
			07/15/26	785,000	4.000%			
			07/15/27	810,000	3.000%			
			07/15/28	830,000	3.000%			
07/15/29	860,000	3.000%						
						\$ 13,895,000	\$ 1,480,000	\$ 12,415,000

SOMERVILLE BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOT APPLICABLE

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,617,358		\$ 1,617,358	\$ 1,617,358	
State Sources:					
Debt Service Aid Type II	209,988		209,988	209,988	
Total Revenues	<u>1,827,346</u>		<u>1,827,346</u>	<u>1,827,346</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	502,020		502,020	502,020	
Redemption of Principal	1,480,000		1,480,000	1,480,000	
Total Regular Debt Service	<u>1,982,020</u>		<u>1,982,020</u>	<u>1,982,020</u>	
Total Expenditures	<u>1,982,020</u>		<u>1,982,020</u>	<u>1,982,020</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(154,674)</u>		<u>(154,674)</u>	<u>(154,674)</u>	
Other Financing Sources/(Uses)					
Operating Transfers In - General Fund - Capital Reserve	151,407		151,407	151,407	
Operating Transfers In - Capital Projects Fund				4,793	\$ 4,793
Total Other Financing Sources/(Uses)	<u>151,407</u>		<u>151,407</u>	<u>156,200</u>	<u>4,793</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>(3,267)</u>	-0-	<u>(3,267)</u>	1,526	4,793
Fund Balance, July 1	3,267	-0-	3,267	3,267	-0-
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,793</u>	<u>\$ 4,793</u>
Recapitulation:					
Restricted Fund Balance				<u>\$ 4,793</u>	<u>\$ 4,793</u>

STATISTICAL SECTION

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

Contents

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

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

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

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Net Investment in Capital Assets	\$ 15,869,670	\$ 19,929,605	\$ 22,785,085	\$ 24,519,577	\$ 26,525,104	\$ 30,303,213	\$ 33,327,721	\$ 32,963,384	\$ 33,084,564	\$ 33,981,935
Restricted	4,986,233	5,105,023	4,522,430	4,060,067	5,647,393	5,746,020	5,437,484	6,643,576	8,637,669	10,653,628
Unrestricted/(Deficit)	(154,516)	(145,481)	321,331	(6,495,713)	(7,722,300)	(10,131,781)	(12,998,198)	(12,648,954)	(13,095,617)	(13,642,060)
Total Governmental Activities Net Position	\$ 20,701,387	\$ 24,889,147	\$ 27,628,846	\$ 22,083,931	\$ 24,450,197	\$ 25,917,452	\$ 25,767,007	\$ 26,958,006	\$ 28,626,616	\$ 30,993,503
Business-Type Activities:										
Investment in Capital Assets	\$ 106,583	\$ 120,158	\$ 106,443	\$ 120,756	\$ 107,596	\$ 106,516	\$ 100,354	\$ 83,606	\$ 309,567	\$ 348,201
Unrestricted	97,872	99,291	133,556	106,816	160,482	209,467	218,182	293,597	129,594	55,393
Total Business-Type Activities Net Position	\$ 204,455	\$ 219,449	\$ 239,999	\$ 227,572	\$ 268,078	\$ 315,983	\$ 318,536	\$ 377,203	\$ 439,161	\$ 403,594
District-Wide:										
Net Investment in Capital Assets	\$ 15,976,253	\$ 20,049,763	\$ 22,891,528	\$ 24,640,333	\$ 26,632,700	\$ 30,409,729	\$ 33,428,075	\$ 33,046,990	\$ 33,394,131	\$ 34,330,136
Restricted	4,986,233	5,105,023	4,522,430	4,060,067	5,647,393	5,746,020	5,437,484	6,643,576	8,637,669	10,653,628
Unrestricted/(Deficit)	(56,644)	(46,190)	454,887	(6,388,897)	(7,561,818)	(9,922,314)	(12,780,016)	(12,355,357)	(12,966,023)	(13,586,667)
Total District Net Position	\$ 20,905,842	\$ 25,108,596	\$ 27,868,845	\$ 22,311,503	\$ 24,718,275	\$ 26,233,435	\$ 26,085,543	\$ 27,335,209	\$ 29,065,777	\$ 31,397,097

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental Activities:										
Instruction	\$ 24,042,184	\$ 24,084,529	\$ 25,449,684	\$ 25,453,035	\$ 29,277,713	\$ 31,363,497	\$ 33,964,538	\$ 35,570,845	\$ 33,429,766	\$ 33,429,137
Support Services:										
Tuition	1,836,656	1,973,771	2,081,521	1,864,473	1,636,448	1,664,099	1,580,061	1,236,416	1,066,970	1,286,272
Student & Instruction Related Services	3,905,097	4,250,272	4,789,418	4,743,399	5,305,703	6,010,893	7,190,300	7,602,396	6,894,230	6,675,185
General Administrative Services	677,996	1,034,397	798,512	711,104	806,049	811,495	868,335	814,187	824,228	888,163
School Administrative Services	2,144,127	2,063,933	2,088,203	2,117,831	2,865,374	3,088,245	3,581,115	3,657,553	3,514,864	3,427,941
Central Services	539,778	555,433	532,911	557,222	635,172	644,566	679,156	712,161	687,560	691,254
Administration Information Technology	441,476	503,046	538,827	674,007	656,588	580,861	659,426	538,882	636,126	620,750
Plant Operations And Maintenance	2,572,196	2,617,512	2,588,691	2,587,776	2,798,045	3,219,038	3,166,642	3,210,892	3,423,062	3,341,313
Pupil Transportation	913,937	899,933	908,718	1,029,868	1,147,465	908,332	888,193	857,415	938,232	921,051
Interest On Long-Term Debt	1,067,482	1,093,390	983,201	869,222	850,781	823,623	501,148	509,003	535,751	403,501
Unallocated Depreciation	211,594	616,168	637,815	606,616	611,931	611,931	2,095,024	2,095,432	2,121,274	1,834,147
Capital Outlay		49,184	78,645	93,839	200,765	93,839	93,839	93,839	93,839	93,838
Transfer to Charter School	31,300	19,054	17,231							
Total Governmental Activities Expenses	38,383,823	39,760,622	41,493,377	41,308,392	46,792,034	49,820,419	55,267,777	56,899,020	54,165,902	53,612,552
Business-Type Activities:										
Food Service	619,463	667,946	617,778	643,605	595,302	663,033	725,406	710,791	756,341	687,937
Total Business-Type Activities Expense	619,463	667,946	617,778	643,605	595,302	663,033	725,406	710,791	756,341	687,937
Total District Expenses	39,003,286	40,428,568	42,111,155	41,951,997	47,387,336	50,483,452	55,993,183	57,609,811	54,922,243	54,300,489
Program Revenues:										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	10,566,778	10,273,503	10,454,978	10,602,699	10,930,843	10,941,121	10,499,776	10,197,918	10,514,258	11,052,723
Operating Grants and Contributions	5,913,137	6,369,807	6,843,376	6,581,343	10,979,485	12,613,093	16,021,400	17,930,182	14,901,936	13,614,093
Capital Grants and Contributions	817,741	471,767	579,558	336,782	146,411	472,099	151,172	643,570		
Total Governmental Activities Program Revenues	17,297,656	17,115,077	17,877,912	17,520,824	22,056,739	24,026,313	26,672,348	28,771,670	25,416,194	24,666,816
Business-Type Activities:										
Charges For Services:										
Food Service	304,032	322,611	296,745	279,406	323,756	365,734	387,991	435,333	441,360	305,697
Operating Grants and Contributions	319,442	361,370	341,583	351,772	312,052	345,204	339,968	372,701	376,939	346,673
Total Business Type Activities Program Revenues	623,474	683,981	638,328	631,178	635,808	710,938	727,959	808,034	818,299	652,370
Total District Program Revenues	17,921,130	17,799,058	18,516,240	18,152,002	22,692,547	24,737,251	27,400,307	29,579,704	26,234,493	25,319,186
Net (Expense)/Revenue:										
Governmental Activities	(21,086,167)	(22,645,545)	(23,615,465)	(23,787,568)	(24,735,295)	(25,794,106)	(28,595,429)	(28,127,350)	(28,749,708)	(28,945,736)
Business-Type Activities	4,011	16,035	20,550	(12,427)	40,506	47,905	2,553	97,243	61,958	(35,567)
Total District-Wide Net Expense	(21,082,156)	(22,629,510)	(23,594,915)	(23,799,995)	(24,694,789)	(25,746,201)	(28,592,876)	(28,030,107)	(28,687,750)	(28,981,303)

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 19,188,561	\$ 19,476,385	\$ 19,710,100	\$ 20,371,582	\$ 20,473,440	\$ 20,882,908	\$ 21,450,566	\$ 22,185,150	\$ 22,628,853	\$ 22,781,548
Taxes Levied for Debt Service	1,901,440	1,901,440	1,989,439	1,752,268	1,752,268	1,342,800	1,617,358	1,617,358	1,617,358	1,617,358
Unrestricted Grants and Contributions	3,578,463	4,098,408	4,503,683	4,730,049	4,780,164	4,806,051	4,840,817	5,155,537	5,579,957	6,465,298
Interest and Miscellaneous Income	148,943	150,985	151,942	340,762	95,689	229,602	536,243	360,304	592,150	448,419
Total Governmental Activities	24,817,407	25,627,218	26,355,164	27,194,661	27,101,561	27,261,361	28,444,984	29,318,349	30,418,318	31,312,623
Total District-Wide	24,817,407	25,627,218	26,355,164	27,194,661	27,101,561	27,261,361	28,444,984	29,318,349	30,418,318	31,312,623
Change in Net Position										
Governmental Activities	3,731,240	2,981,673	2,739,699	3,407,093	2,366,266	1,467,255	(150,445)	1,190,999	1,668,610	2,366,887
Business-Type Activities	4,011	16,035	20,550	(12,427)	40,506	47,905	2,553	97,243	61,958	(35,567)
Total District	\$ 3,735,251	\$ 2,997,708	\$ 2,760,249	\$ 3,394,666	\$ 2,406,772	\$ 1,515,160	\$ (147,892)	\$ 1,288,242	\$ 1,730,568	\$ 2,331,320

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

UNAUDITED
 (modified accrual basis of accounting)

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved/Restricted	\$ 4,483,954	\$ 5,008,027	\$ 4,204,422	\$ 3,783,789	\$ 5,372,621	\$ 5,733,360	\$ 5,418,706	\$ 6,640,309	\$ 8,634,402	\$ 10,648,835
Assigned	1,280,056	1,098,508	461,319	1,217,868	438,870	774,869	325,045	605,477	888,445	403,256
Unassigned	380,238	351,136	300,773	292,467	299,674	340,838	374,273	323,474	221,731	338,886
Total General Fund	\$ 6,144,248	\$ 6,457,671	\$ 4,966,514	\$ 5,294,124	\$ 6,111,165	\$ 6,849,067	\$ 6,118,024	\$ 7,569,260	\$ 9,744,578	\$ 11,390,977
All Other Governmental Funds/(Deficit)										
Reserved/Restricted	\$ 232,574	\$ 96,996	\$ 668,851	\$ 276,278	\$ 274,772	\$ 12,660	\$ 18,778	\$ 3,267	\$ 3,267	\$ 4,793
Committed	322,401	183,039	739,951	2,366,287	2,105,564	1,632,195	262,141	812,067	446,520	445,890
Unassigned/(Deficit)	(52,696)	(60,052)	(59,226)	(60,536)	(53,994)	(63,372)	(50,661)	(83,772)	(82,742)	(80,463)
Total All Other Governmental Funds	\$ 502,279	\$ 219,983	\$ 1,349,576	\$ 2,582,029	\$ 2,326,342	\$ 1,581,483	\$ 230,258	\$ 731,562	\$ 367,045	\$ 370,220
Total All Government Funds	\$ 6,646,527	\$ 6,677,654	\$ 6,316,090	\$ 7,876,153	\$ 8,437,507	\$ 8,430,550	\$ 6,348,282	\$ 8,300,822	\$ 10,111,623	\$ 11,761,197

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Tax Levy	\$ 21,090,001	\$ 21,377,825	\$ 21,699,539	\$ 22,123,850	\$ 22,225,708	\$ 22,225,708	\$ 23,067,924	\$ 23,802,508	\$ 24,246,211	\$ 24,398,906
Tuition Changes	10,566,778	10,273,503	10,471,936	10,602,699	10,922,882	10,941,121	10,499,776	10,197,918	10,514,258	11,052,723
Interest Earnings	800	219	394	1,621	822	4,859	13,444	23,693	76,765	150,469
Miscellaneous	217,210	212,940	227,696	366,501	115,140	668,448	368,483	388,415	549,936	329,229
State Sources	8,877,333	9,504,635	10,957,015	10,266,765	10,724,555	11,010,910	11,875,396	13,645,892	14,755,060	16,181,310
Federal Sources	1,362,941	1,373,173	876,496	1,354,049	1,194,273	1,132,007	1,132,091	1,302,047	1,223,378	1,164,897
Total Revenue	42,115,063	42,742,295	44,233,076	44,715,485	45,183,380	45,983,053	46,957,114	49,360,473	51,365,608	53,277,534
Expenditures										
Regular Instruction	17,776,273	18,011,856	18,693,897	18,906,836	18,835,269	19,514,024	19,514,032	20,279,330	20,947,770	21,611,622
Support Services:										
Tuition	1,836,656	1,973,771	2,081,521	1,864,473	1,636,448	1,664,099	1,580,061	1,236,416	1,066,970	1,286,272
Student & Instruction Related Services	2,810,853	3,042,475	3,360,018	3,411,150	3,639,209	3,634,260	3,923,835	4,068,119	4,080,210	4,109,302
General Administrative Services	623,696	961,730	699,272	607,077	694,092	692,263	735,842	684,397	696,659	772,592
School Administrative Services	1,479,224	1,472,972	1,465,406	1,471,985	1,744,542	1,819,473	1,924,038	1,950,443	2,083,990	2,101,264
Central Services	418,789	421,988	445,612	441,608	501,025	521,575	524,880	570,901	523,644	561,264
Administration Information Technology	373,836	435,508	471,474	599,667	582,688	485,923	570,707	452,221	531,860	530,171
Plant Operations And Maintenance	2,507,571	2,548,105	2,402,197	2,608,189	2,711,624	2,807,934	2,834,129	2,867,952	3,019,991	3,031,922
Pupil Transportation	656,880	653,842	643,288	741,853	837,422	825,518	779,223	756,696	822,381	815,452
Unallocated Benefits	8,398,444	8,587,819	9,369,802	9,136,034	9,586,604	10,211,525	10,690,368	11,539,751	12,563,237	13,175,248
Capital Outlay	2,686,586	2,213,130	2,568,341	985,265	1,524,532	1,492,402	3,833,455	748,062	1,242,975	1,650,831
Debt Service:										
Principal	1,215,000	1,275,000	1,335,000	1,510,000	1,455,000	1,520,000	1,765,000	1,650,000	1,425,000	1,480,000
Interest And Other Charges	1,146,295	1,093,918	1,041,581	871,284	873,571	809,134	562,785	603,645	551,020	502,020
Transfer to Charter School	31,300	19,054	17,231							
Total Expenditures	41,961,403	42,711,168	44,594,640	43,155,421	44,622,026	45,998,130	49,238,355	47,407,933	49,554,807	51,627,960
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	153,660	31,127	(361,564)	1,560,064	561,354	(15,077)	(2,281,241)	1,952,540	1,810,801	1,649,574
Other Financing Sources (Uses)										
Cancellation of Prior Year Accounts Payable							198,973			
Transfers In	1,541,855	503,795	2,350,000	2,173,012	1,054,436	1,754,338	2,185,825	898,578	188,730	181,407
Transfers Out	(1,541,855)	(503,795)	(2,350,000)	(2,173,012)	(1,054,436)	(1,754,338)	(2,185,825)	(898,578)	(188,730)	(181,407)
Total Other Financing Sources (Uses)							198,973			
Net Change In Fund Balances	\$ 153,660	\$ 31,127	\$ (361,564)	\$ 1,560,064	\$ 561,354	\$ (15,077)	\$ (2,082,268)	\$ 1,952,540	\$ 1,810,801	\$ 1,649,574
Debt Service As A Percentage Of Noncapital Expenditures	6.01%	5.85%	5.65%	5.65%	5.40%	5.23%	5.13%	4.83%	4.09%	3.97%

Source: School District Financial Reports

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Rentals- Use of Facilities	Prior Year Refunds	Other	Total
2011	\$ 4,646	\$ 10,566,778	\$ 19,144		\$ 124,509	\$ 10,715,077
2012	607	10,273,503	11,649		138,592	10,424,351
2013	394	10,445,978	15,723	\$ 11,796	131,339	10,605,230
2014	1,621	10,602,699	7,131	34,723	297,278	10,943,452
2015	4,416	10,922,882	8,983	4,400	98,163	11,038,844
2016	17,626	10,499,776	50,900	9,072	147,650	10,725,024
2017	41,009	10,499,776	60,520	2,370	229,316	10,832,991
2018	49,924	10,197,918	73,375	19,942	172,376	10,513,535
2019	76,765	10,514,258	76,490		430,467 *	11,097,980
2020	150,469	11,052,723	65,844	55,707	171,606 *	11,496,349

* - Includes the cancelation of prior year accounts payable and the sale of District assets

Source: Somerville Borough School District records

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

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2010	\$ 3,263,100	\$ 395,574,700	\$ 204,521,850	\$ 9,937,900	\$ 40,468,500	\$ 653,766,050	\$ 255,490,400	\$ 5,665,501	\$ 659,431,551	\$ 3.20	\$ 1,399,556,602
2011	* 9,120,400	740,887,600	367,607,750	21,167,200	93,501,100	1,232,284,050	414,585,900	11,806,377	1,244,090,427	1.71	1,328,047,945
2012	23,385,600	739,999,700	324,527,100	20,144,200	83,404,700	1,191,461,300	421,421,600	10,006,498	1,201,467,798	1.79	1,265,162,946
2013	23,183,500	722,754,500	316,096,600	19,730,500	82,760,000	1,164,525,100	419,865,300	8,695,054	1,173,220,154	1.87	1,221,366,079
2014	24,636,000	720,768,100	316,826,900	19,730,500	80,544,200	1,162,505,700	433,993,200	7,763,347	1,170,269,047	1.90	1,201,186,258
2015	26,134,800	719,526,100	313,428,300	18,401,100	80,143,500	1,157,633,800	434,215,500	7,681,438	1,165,315,238	1.91	1,214,671,438
2016	26,174,800	718,279,200	312,902,000	18,401,100	80,143,500	1,155,900,600	434,371,700	8,298,912	1,164,199,512	1.98	1,220,096,561
2017	29,360,000	718,292,800	305,232,300	16,853,200	80,043,500	1,149,781,800	442,016,700	8,230,482	1,158,012,282	2.02	1,246,639,756
2018	30,768,400	720,813,900	304,992,800	16,782,400	80,043,500	1,153,401,000	458,354,300	8,015,843	1,161,416,843	2.07	1,275,768,096
2019	33,161,500	722,901,200	303,963,200	16,282,400	80,043,500	1,156,351,800	458,565,200	8,374,803	1,164,726,603	2.09	1,289,651,036

* - A revaluation was effective in this year.

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Year Ended December 31,	Somerville Borough School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Somerville	Somerset County	
2010	\$ 2.910	\$ 0.288	\$ 3.198	\$ 1.653	\$ 0.626	\$ 5.478
2011*	1.555	0.152	1.707	0.889	0.380	2.976
2012	1.629	0.164	1.793	0.955	0.386	3.134
2013	1.713	0.155	1.868	0.982	0.391	3.241
2014	1.749	0.150	1.899	0.982	0.404	3.285
2015	1.792	0.115	1.907	1.015	0.411	3.333
2016	1.843	0.139	1.981	1.017	0.416	3.414
2017	1.886	0.138	2.024	1.069	0.429	3.522
2018	1.930	0.139	2.069	1.086	0.441	3.596
2019	1.949	0.139	2.088	1.086	0.441	3.615

* - A revaluation was effective in this year.

Source: Municipal Tax Collector and School Business Administrator

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

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

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

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

BOROUGH OF SOMERVILLE

	2020		2011			
	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer		Taxable Assessed Value
Brookside at Somerville, LLC		\$ 36,634,800	3.15%	Brookside Invest Assoc.	\$ 48,384,700	7.34%
Welltower Inc.		13,720,400	1.18%	De Sapio Properties #10, LLC	14,610,400	2.22%
Route #22, LLC		11,546,500	0.99%	Health Care REIT, Inc.	13,720,400	2.08%
Somerset Station Urban Renewal LLC		10,966,100	0.94%	Somerville TIC I LLC	11,017,500	1.67%
NJ Bell Telephone		9,823,192	0.85%	Route #22 LLC	10,988,700	1.67%
De Sapio Properties #10, LLC		9,000,000	0.77%	De Sapio Properties #7, LLC	9,363,200	1.42%
Somerville 50 Division Street LLC		8,500,000	0.73%	Individual Taxpayer #1	7,258,900	1.10%
Warren Street Partners, LLC		7,605,700	0.65%	DGM Management	7,105,800	1.08%
Veterans Memorial Associates		6,465,200	0.56%	Pine View Gardens	6,060,400	0.92%
De Sapio Properties #7, LLC		5,940,000	0.51%	Main Associates	5,912,400	0.90%
		<u>\$ 120,201,892</u>	<u>10.35%</u>		<u>\$ 134,422,400</u>	<u>20.40%</u>

Source: Municipal Tax Assessor

SOMERVILLE BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2011	\$ 21,090,001	\$ 21,090,001	100.00%	-0-
2012	21,377,825	21,377,825	100.00%	-0-
2013	21,699,539	21,699,539	100.00%	-0-
2014	22,123,850	22,123,850	100.00%	-0-
2015	22,225,708	22,225,708	100.00%	-0-
2016	22,225,708	22,225,708	100.00%	-0-
2017	23,067,924	23,067,924	100.00%	-0-
2018	23,802,508	23,802,508	100.00%	-0-
2019	24,246,211	24,246,211	100.00%	-0-
2020	24,398,906	24,398,906	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Capital Leases			
2011	\$ 26,627,000	\$ - 0 -	\$ 26,627,000	3.07%	\$ 2,193
2012	25,352,000	- 0 -	25,352,000	2.78%	2,088
2013	23,870,000	- 0 -	23,870,000	2.51%	1,970
2014	22,360,000	- 0 -	22,360,000	2.12%	1,850
2015	20,905,000	- 0 -	20,905,000	1.97%	1,738
2016	18,735,000	- 0 -	18,735,000	1.69%	1,562
2017	16,970,000	- 0 -	16,970,000	1.40%	1,390
2018	15,320,000	- 0 -	15,320,000	1.19%	1,260
2019	13,895,000	- 0 -	13,895,000	1.08%	1,152
2020	12,415,000	- 0 -	12,415,000	0.97%	1,029

Source: School District Financial Reports

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds ^c	Deductions	Net General Bonded Debt Outstanding		
2011	\$ 26,627,000	-0-	\$ 26,627,000	4.038%	\$ 2,193
2012	25,352,000	-0-	25,352,000	2.038% *	2,088
2013	23,870,000	-0-	23,870,000	1.987%	1,970
2014	22,360,000	-0-	22,360,000	1.906%	1,850
2015	20,905,000	-0-	20,905,000	1.786%	1,738
2016	18,735,000	-0-	18,735,000	1.608%	1,562
2017	16,970,000	-0-	16,970,000	1.458%	1,390
2018	15,320,000	-0-	15,320,000	1.323%	1,260
2019	13,895,000	-0-	13,895,000	1.196%	1,152
2020	12,415,000	-0-	12,415,000	1.066%	1,029

* Revaluation was effective in 2012

Source: School District Financial Reports

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

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

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

c Includes ERIP bonds.

SOMERVILLE BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2019
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Borough of Somerville	\$ 21,346,635	100.00%	\$ 21,346,635
Somerset County General Obligation Debt	231,912,535	2.19%	5,072,925
Somerset County Improvement Authority Debt	131,377,563	2.19%	<u>2,873,792</u>
Subtotal, Overlapping Debt			29,293,352
Somerville Borough School District Direct Debt			<u>13,300,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 42,593,352</u></u>

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

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

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Somerville Borough 's equalized property value that is within the Somerset County's boundaries and dividing it by Somerset County's total equalized property value.

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

<u>Legal Debt Margin Calculation for Fiscal Year 2020</u>	
	<u>Somerville</u>
Equalized Valuation Basis	Borough
2017	\$ 1,254,672,414
2018	1,267,752,253
2019	1,281,276,233
	<u>\$ 3,803,700,900</u>
Average Equalized Valuation of Taxable Property	
	<u>\$ 1,267,900,300</u>
Debt Limit ^a (4% of average equalization value)	
	\$ 50,716,012
Net Bonded School Debt as of June 30, 2020	
	12,415,000
Legal Debt Margin	
	<u>\$ 38,301,012</u>

	<u>Fiscal Year</u>									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 56,030,656	\$ 54,055,736	\$ 52,091,637	\$ 49,341,903	\$ 48,206,377	\$ 47,604,631	\$ 48,044,807	\$ 48,782,772	\$ 49,850,374	\$ 50,716,012
Total Net Debt Applicable to Limit	26,627,000	25,352,000	23,870,000	22,360,000	20,905,000	18,735,000	16,970,000	15,320,000	13,895,000	12,415,000
Legal Debt Margin	<u>\$ 29,403,656</u>	<u>\$ 28,703,736</u>	<u>\$ 28,221,637</u>	<u>\$ 26,981,903</u>	<u>\$ 27,301,377</u>	<u>\$ 28,869,631</u>	<u>\$ 31,074,807</u>	<u>\$ 33,462,772</u>	<u>\$ 35,955,374</u>	<u>\$ 38,301,012</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	50.70%	47.52%	46.90%	45.82%	43.37%	39.36%	35.32%	31.40%	27.87%	24.48%

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

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

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

Year	Population ^a	Personal Income ^b	Somerset County Per Capita Personal Income ^c	Unemployment Rate ^d
2011	12,141	\$ 867,474,450	\$ 71,450	6.09%
2012	12,140	912,575,940	75,171	11.00%
2013	12,118	950,802,516	78,462	7.50%
2014	12,084	1,056,540,372	87,433	5.60%
2015	12,030	1,062,850,500	88,350	4.90%
2016	11,997	1,106,699,256	92,248	4.20%
2017	12,210	1,215,297,930	99,533	3.90%
2018	12,161	1,291,425,234	106,194	3.70%
2019	12,063	1,281,018,222 *	106,194 *	3.40%
2020	12,063 **	1,281,018,222 *	106,194 *	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.

N/A - Information Unavailable

Source: School District Reports

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

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

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

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

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

Employer	2020			
	Employees	Rank	Percentage of Total Employment	
Verizon Business	3,500	*	1	N/A
Sanofi US	2,150	*	2	N/A
Janssen Reasearch & Development LLC	2,000	*	3	N/A
Ortho Meneil 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	2011			
	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			

N/A - Not Available

*-Latest Somerset County principal employers available (2017) was used.

Source: Somerset County Business Partnership Website

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

<u>Function/Program</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>	<u>2020</u>
Instruction										
Regular	164.0	164.0	163.0	163.0	162.0	163.0	163.0	162.0	162.0	162.0
Special Education	51.0	52.0	62.5	65.5	72.0	78.0	78.0	74.0	75.0	81.5
Support Services:										
Student & Instruction Related Services	40.0	40.0	39.5	43.5	49.5	50.5	50.5	52.0	56.0	56.0
School Administrative Services	17.0	17.0	17.0	17.4	18.0	19.0	19.0	19.5	20.0	19.0
General and Business Administrative Services	10.0	10.0	12.5	12.5	12.5	13.5	15.0	7.5	7.5	7.5
Plant Operations and Maintenance	13.0	13.0	13.0	13.0	16.5	17.0	17.0	20.5	20.5	20.5
Pupil Transportation	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Other Support Services	3.0	3.0	5.5	5.5						
Total	301.0	302.0	316.0	323.4	333.5	344.0	345.5	338.5	344.0	349.5

Source: District Personnel Records

SOMERVILLE BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^e	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School	High School				
2011	2,401	\$ 36,913,522	\$ 15,374.23	-5.21%	218	1:12.0	1:8.0	1:11.7	2,401	2,283	3.27%	95.09%
2012	2,419	38,129,120	15,762.35	2.52%	219	1:12.0	1:8.0	1:11.7	2,419	2,291	0.75%	94.71%
2013	2,473	39,649,718	16,033.04	1.72%	225	1:12.3	1:8.0	1:11.4	2,473	2,325	2.23%	94.02%
2014	2,398	39,788,872	16,592.52	3.49%	228	1:14.3	1:9.2	1:13.1	2,398	2,260	-3.03%	94.25%
2015	2,386	40,768,923	17,086.72	2.98%	202	1:12.7	1:9.6	1:12.0	2,386	2,295	-0.50%	96.19%
2016	2,404	42,176,594	17,544.34	2.68%	204	1:12.0	1:9.2	1:12.8	2,404	2,307	0.75%	95.97%
2017	2,353	43,077,115	18,307.32	4.35%	199	1:9.0	1:10.0	1:8.0	2,353	2,251	-2.12%	95.68%
2018	2,347	44,406,226	18,920.42	3.35%	196	1:8.0	1:9.0	1:8.0	2,347	2,219	-0.26%	94.55%
2019	2,336	46,335,812	19,835.54	4.84%	197	1:8.0	1:9.0	1:8.0	2,336	2,225	-0.47%	95.25%
2020	2,370	47,995,109	20,251.10	2.10%	197	1:8.0	1:9.0	1:8.0	2,292	2,223	-1.88%	96.99%

Source: Somerville Borough School District records

Note: Enrollment based on annual average daily enrollment

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

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

<u>District Building</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Van Derveer School										
Square Feet	86,792	86,792	93,192	97,192	97,192	97,192	97,192	97,192	97,192	97,192
Capacity (students)	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175
Enrollment	861	926	945	913	910	885	852	823	800	809
Somerville Middle School										
Square Feet	97,350	97,350	97,350	97,350	97,350	97,350	97,350	97,350	97,350	97,350
Capacity (students)	1,600	1,600	501	501	501	501	501	501	501	501
Enrollment	318	308	333	323	347	357	378	381	373	386
Somerville High School										
Square Feet	153,250	153,250	153,250	153,250	153,250	153,250	153,250	153,250	153,250	153,250
Capacity (students)	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Enrollment	1,222	1,185	1,195	1,162	1,129	1,162	1,123	1,143	1,163	1,175

Number of Schools at June 30, 2020

Elementary = 1

Middle School = 1

High School = 1

Note: Enrollment is based on the average daily enrollment

Source: Somerville Borough School District Facilities Office

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

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

School Facilities	Project #	Fiscal Year Ended June 30,									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Van Derveer School	N/A	\$ 109,455	\$ 99,814	\$ 124,137	\$ 142,144	\$ 156,302	\$ 354,162	\$ 305,424	\$ 322,618	\$ 342,670	\$ 149,566
Somerville Middle School	N/A	157,372	161,471	159,443	158,545	174,336	193,668	191,469	206,023	218,063	144,607
Somerville High School	N/A	449,097	326,238	269,703	246,018	270,522	147,580	206,051	205,387	218,063	437,497
Total School Facilities		<u>\$ 715,924</u>	<u>\$ 587,523</u>	<u>\$ 553,283</u>	<u>\$ 546,707</u>	<u>\$ 601,160</u>	<u>\$ 695,410</u>	<u>\$ 702,944</u>	<u>\$ 734,028</u>	<u>\$ 778,796</u>	<u>\$ 731,669</u>

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

Source: Somerville Borough School District records

SOMERVILLE BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2020
UNAUDITED

	Coverage	Deductible
<u>Commercial Package Policy - NJ School Insurance Group</u>		
Property - Blanket Buildings and Contents **	\$ 500,000,000	\$ 5,000
Boiler and Machinery	Included	5,000
Crisis Response	1,000,000	
Includes coverage such as:		
Extra Expense	50,000,000	5,000
Valuable Papers	10,000,000	5,000
Electronic Data Processing	1,000,000	1,000
Computer Fraud	100,000	1,000
Forgery & Alteration	100,000	1,000
Money & Securities	100,000	1,000
General Liability	16,000,000	Each Occurrence
Employee Benefits Program Liability	16,000,000	Each Employee 1,000
	160,000,000	Annual NJSIG Aggregate
Automobile Liability	16,000,000	CSL
Comprehensive		1,000
Collision		1,000
School Leaders Errors and Omissions	16,000,000	
Claims Made		15,000
Surety Bond - Selective Insurance Company		
Business Administrator	500,000	

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

Source: Somerville Board of Education

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Somerville Borough School District, in the County of Somerset (the "District") as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2020.

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) as a basis for designing 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.

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

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.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

December 17, 2020
Mount Arlington, New Jersey

Nisiroccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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

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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Somerville Borough School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2020. 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, 2020.

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

Report on Internal Control Over Compliance

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

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

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

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

December 17, 2020
Mount Arlington, New Jersey

Nisivoccia LLP

NISIVOCCIA LLP

Valerie A. Dolan

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or Federal Project Number	Grant Period	Award Amount	Balance at June 30, 2019			Balance June 30, 2020			
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Amounts Provided to Subrecipients
General Fund:											
U.S. Department of Health and Human Services											
Passed-Through State Department of Human Services:											
Medicaid Cluster:											
Medicaid Assistance Program	93.778	N/A	7/1/18-6/30/19	\$ 41,680	\$ 1,144	\$ 1,144	\$ 1,144	\$ 43,806	\$ (45,659)	\$ 1,853	
Medicaid Assistance Program	93.778	N/A	7/1/19-6/30/20	45,659				44,950	(45,659)	1,853	
Total U.S. Department of Health and Human Services/Medicaid Cluster					1,144			44,950	(45,659)	1,853	
Total General Fund											
Special Revenue Fund:											
U.S. Department of Education											
Passed-through State Department of Education:											
Elementary and Secondary Education Act Consolidated:											
Title I	84.010A	ESE/A4820-20	7/1/19-9/30/20	383,628				183,957	(348,269)	164,312	
Title I	84.010A	ESE/A4820-19	7/1/18-9/30/19	425,956				124,844	(348,269)	164,312	
Subtotal Title I					124,844			308,801			
Title II - Part A	84.367A	ESE/A4820-20	7/1/19-9/30/20	61,146				18,554	(39,982)	21,428	
Title II - Part A	84.367A	ESE/A4820-19	7/1/18-9/30/19	61,935				20,900			
Subtotal Title II					20,900			39,454	(39,982)	21,428	
Title III	84.365A	ESE/A4820-20	7/1/19-9/30/20	18,194				10,050	(15,725)	5,675	
Title III	84.365A	ESE/A4820-19	7/1/18-9/30/19	21,513				11,153			
Title III Immigrant	84.365A	ESE/A4820-20	7/1/19-9/30/20	6,033				2,249	(3,211)	962	
Title III Immigrant	84.365A	ESE/A4820-19	7/1/18-9/30/19	14,924				1,542			
Subtotal Title III					12,695			24,994	(18,936)	6,637	
Title IV	84.424A	ESE/A4820-20	7/1/19-9/30/20	24,646				17,802	(20,563)	2,761	
Title IV	84.424A	ESE/A4820-19	7/1/18-9/30/19	31,294				2,799			
Subtotal Title IV					2,799			20,601	(20,563)	2,761	
Special Education Cluster:											
ID.E.A. Part B - Basic	84.027	IDEA4820-20	7/1/19-9/30/20	888,553				526,277	(685,930)	159,653	
ID.E.A. Part B - Basic	84.027	IDEA4820-19	7/1/18-9/30/19	956,074				146,514			
ID.E.A. Part B - Preschool	84.173	IDEA4820-20	7/1/19-9/30/20	33,281				1,320	(3,025)	1,705	
ID.E.A. Part B - Preschool	84.173	IDEA4820-19	7/1/18-9/30/19	33,231				811			
Total Special Education Cluster					147,325			674,922	(688,955)	161,358	
COVID 19 - CARES Emergency Relief Grant	84.425D	ESE/A4820-20	3/13/20-9/30/22	294,645					(86,082)	86,082	
McKinney-Vento Education for Homeless Children and Youth Program	84.196	N/A	7/1/19-9/30/20	1,400				324	(324)		
Total Special Revenue Fund and U.S. Department of Education					469,801			1,462,946	(1,203,111)	442,578	

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or Federal Project Number	Grant Period	Award Amount	Balance at June 30, 2019			Balance June 30, 2020			
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Amounts Provided to Subrecipients
Enterprise Fund:											
U.S. Department of Agriculture Passed-through State Department of Agriculture:											
Child Nutrition Cluster:											
Food Distribution Program	10.555	N/A	7/1/19-6/30/20	\$ 53,144	\$	53,144	\$	(49,051)	\$	4,093	
Food Distribution Program	10.555	N/A	7/1/18-6/30/19	51,456	\$	1,634		(1,634)			
School Breakfast Program	10.553	N/A	7/1/19-6/30/20	47,243				(47,243)	\$	6,061	
School Breakfast Program	10.553	N/A	7/1/18-6/30/19	36,568	\$	2,274		2,274			
COVID 19 - Seamless Summer Option - Breakfast	10.553	N/A	3/18/20-6/30/20	21,859				(21,859)			
National School Lunch Program	10.555	N/A	7/1/19-6/30/20	184,644				(184,644)			
National School Lunch Program	10.555	N/A	7/1/18-6/30/19	282,045		17,714		17,714			
COVID 19 - Seamless Summer Option - Lunch	10.553	N/A	3/18/20-6/30/20	34,560				(34,560)		9,587	
Child Nutrition Cluster Subtotal					19,988	1,634	345,790	(338,991)	15,648	4,093	
Total Enterprise Fund and U.S. Department of Agriculture					19,988	1,634	345,790	(338,991)	15,648	4,093	
Total Federal Financial Awards					\$ 490,933	\$ 1,634	\$ 1,853,686	\$ (1,587,761)	\$ 460,079	\$ 4,093	\$ -0-

N/A - Not Available/Applicable

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2019			Balance at June 30, 2020			MEMO		
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	GAAP Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor
New Jersey Department of Education												
General Fund:												
Equalization Aid	19-495-034-5120-078	7/1/18 - 6/30/19	\$ 4,722,811	\$ 461,450		\$	461,450					\$ 4,722,811
Special Education Aid	19-495-034-5120-089	7/1/18 - 6/30/19	1,448,667	141,544			141,544					1,448,667
Security Aid	19-495-034-5120-084	7/1/18 - 6/30/19	443,956	43,378			43,378					443,956
Transportation Aid	19-495-034-5120-014	7/1/18 - 6/30/19	204,865	20,017			20,017					204,865
Extraordinary Special Education Costs	19-495-034-5120-044	7/1/18 - 6/30/19	218,995	218,995			218,995					218,995
Reimbursed TPAF Social Security Contributions	19-495-034-5095-003	7/1/18 - 6/30/19	1,318,838	64,630			64,630					1,318,838
Homeless Tuition Reimbursement	19-495-034-5120-005	7/1/18 - 6/30/19	23,415	23,415			23,415					23,415
Equalization Aid	20-495-034-5120-078	7/1/19 - 6/30/20	5,463,172	1,448,667			4,927,540	\$ (5,463,172)			\$	5,463,172
Special Education Aid	20-495-034-5120-089	7/1/19 - 6/30/20	1,448,667	1,448,667			1,306,634	(1,448,667)				1,448,667
Security Aid	20-495-034-5120-084	7/1/19 - 6/30/20	443,956	443,956			400,429	(443,956)				443,956
Transportation Aid	20-495-034-5120-014	7/1/19 - 6/30/20	204,865	204,865			184,779	(204,865)				204,865
Extraordinary Special Education Costs	20-495-034-5120-044	7/1/19 - 6/30/20	371,483	371,483				(371,483)				371,483
Homeless Tuition Reimbursement	20-495-034-5120-005	7/1/19 - 6/30/20	51,031	51,031				(51,031)				51,031
Reimbursed TPAF Social Security Contributions	20-495-034-5095-003	7/1/19 - 6/30/20	1,542,285	1,542,285			1,471,240	(1,542,285)				1,542,285
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-001	7/1/19 - 6/30/20	1,389,895	1,389,895			1,389,895	(1,389,895)				1,389,895
On-Behalf Long Term Disability Insurance Contributions	20-495-034-5094-004	7/1/19 - 6/30/20	3,850	3,850			3,850	(3,850)				3,850
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19 - 6/30/20	3,680,564	3,680,564			3,680,564	(3,680,564)				3,680,564
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19 - 6/30/20	65,970	65,970			65,970	(65,970)				65,970
Total General Fund State Aid			973,429	973,429			14,404,330	(14,665,738)			493,559	1,234,837
Special Revenue Fund:												
New Jersey Nonpublic Aid:												
Textbook Aid	19-100-034-5120-064	7/1/18 - 6/30/19	42,346							\$ 250		42,096
Nursing Aid	19-100-034-5120-070	7/1/18 - 6/30/19	77,018							6,463		70,555
Technology	19-100-034-5120-373	7/1/18 - 6/30/19	28,548							1,937		26,611
Security Aid	19-100-034-5120-509	7/1/18 - 6/30/19	119,100							20,038		99,062
Textbook Aid	20-100-034-5120-064	7/1/19 - 6/30/20	39,216								\$ 28	39,188
Nursing Aid	20-100-034-5120-070	7/1/19 - 6/30/20	72,168								8,031	64,137
Technology	20-100-034-5120-373	7/1/19 - 6/30/20	26,784									25,638
Security Aid	20-100-034-5120-509	7/1/19 - 6/30/20	111,600								14,151	97,449
New Jersey Nonpublic Auxiliary Services:												
Compensatory Education	19-100-034-5120-067	7/1/18 - 6/30/19	90,525							6,768		83,757
English as a Second Language	19-100-034-5120-067	7/1/18 - 6/30/19	3,451							2,588		863
Home Instruction	19-100-034-5120-067	7/1/18 - 6/30/19	7,397									7,397
Compensatory Education	20-100-034-5120-067	7/1/19 - 6/30/20	79,578								8,474	79,578
English as a Second Language	20-100-034-5120-067	7/1/19 - 6/30/20	2,482									827
Transportation	20-100-034-5120-067	7/1/19 - 6/30/20	13,412								1,341	13,412
Home Instruction	20-100-034-5120-067	7/1/19 - 6/30/20	7,571								7,571	7,571
New Jersey Nonpublic Handicapped:												
Corrective Speech	19-100-034-5120-066	7/1/18 - 6/30/19	33,926							2,678		31,248
Examination and Classification	19-100-034-5120-066	7/1/18 - 6/30/19	63,521							7,639		55,882
Supplemental Instruction	19-100-034-5120-066	7/1/18 - 6/30/19	56,300							4,758		51,542
Corrective Speech	20-100-034-5120-066	7/1/19 - 6/30/20	31,899								3,325	31,899
Examination and Classification	20-100-034-5120-066	7/1/19 - 6/30/20	63,166								6,583	55,368
Supplemental Instruction	20-100-034-5120-066	7/1/19 - 6/30/20	52,778								5,498	52,778
Advanced Computer Science Competitive												
Preschool Education Aid	18-495-034-5120-086	7/1/17 - 6/30/20	846,846							219,578		850,180
Preschool Education Aid	20-495-034-5120-086	7/1/18 - 6/30/20	820,680							249,029		846,846
Total Special Revenue Fund			138,582	468,607	53,119		1,352,541	(1,369,194)		53,119	54,646	3,066,626
												\$ -415,672
												80,463
												135,109
												21,854
												27,734
												850,180
												846,846
												405,008

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2019				Balance at June 30, 2020				MEMO		
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	GAAP Accounts Receivable	Budgetary Unearned Revenue		Due to Grantor	Budgetary Accounts Receivable
Debt Service Fund:														
Debt Service Aid Type II	20-100-034-5120-125	7/1/19 - 6/30/20	\$ 209,988				\$ 209,988	\$ (209,988)						\$ 209,988
Total Debt Service Fund							209,988	(209,988)						209,988
Capital Projects Fund:														
New Jersey School Development Authority:														
Educational Financing Capital	4820-050-10-1001	1/1/14 - 12/31/19	352,646	70,529										282,117
High School HVAC Upgrades	4820-050-10-1004	1/1/14 - 12/31/19	451,817	90,364										361,453
VDV HVAC Upgrades														
Total Capital Projects Fund				160,893										643,570
Enterprise Fund														
State Department of Agriculture:														
State School Lunch Program	19-100-010-3350-023	7/1/18 - 6/30/19	7,932	485			485							7,932
COVID 19 - Seamless Summer Option	20-100-010-3350-023	3/18/20-6/30/20	546				546	(546)						546
State School Lunch Program	20-100-010-3350-023	7/1/19 - 6/30/20	7,136				5,080	(7,136)						7,136
Total Enterprise Fund				485			6,111	(7,682)						15,614
Total State Financial Awards				\$ 1,273,389	\$ 468,607	\$ 53,119	\$ 15,972,970	\$ (16,252,602)	\$ 53,119	\$ 530,261	\$ 415,672	\$ 32,809	\$ 1,532,895	\$ 26,983,083
Less: On-Behalf TPAF Pension System Contributions:														
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-001	7/1/19 - 6/30/20	(1,389,895)					1,389,895						
On-Behalf Long Term Disability Insurance Contributions	20-495-034-5094-004	7/1/19 - 6/30/20	(3,850)					3,850						
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19 - 6/30/20	(3,680,564)					3,680,564						
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19 - 6/30/20	(65,970)					65,970						
Subtotal - On-Behalf TPAF Pension System Contributions								5,140,279						
Total State Awards - for Major Program Determination								\$ (11,112,323)						

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of Borough of Somerville School District under programs of the federal and state governments for the fiscal year ended June 30, 2020. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97 (A3521). For GAAP purposes, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The special revenue fund also does not recognize the June state aid payments in the current year. Grant revenue in the Capital Projects Fund is recognized on the budgetary basis in the year of award while on a GAAP basis revenue is recognized based on grant expenditures and when reimbursement requests are submitted.

The net adjustment to reconcile revenue from the budgetary basis to the GAAP basis is (\$74,889) for the General Fund, (\$66,763) for the Special Revenue for which \$5,830 is for local projects, and \$-0- for the Capital Projects Fund. See Exhibit C-3 and F-1 for a reconciliation of revenue from the budgetary basis to the GAAP basis of accounting for the General, Special Revenue and Capital Projects Funds.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
 (Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 45,659	\$ 14,590,849	\$ 14,636,508
Special Revenue Fund	1,119,238	1,380,473	2,499,711
Debt Service Fund		209,988	209,988
Proprietary Fund	<u>338,991</u>	<u>7,682</u>	<u>346,673</u>
 Total Financial Assistance	 <u>\$ 1,503,888</u>	 <u>\$ 16,188,992</u>	 <u>\$ 17,692,880</u>

NOTE 5 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

Somerville Borough School District had no loan balances outstanding at June 30, 2020.

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

The District has active grants awarded in the amount of \$804,463 from the School Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2020 \$643,570 has been expended and drawn down on a GAAP Basis. The District will continue to realize the grant revenue in the Capital Projects Fund on a GAAP Basis as it is expended and submitted for reimbursement.

NOTE 8. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2020. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance*
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The single audit thresholds identified in the Uniform Guidance and New Jersey's OMB Circular 15-08 were \$750,000.
- The thresholds used for distinguishing between Type A and Type B federal and State programs was \$750,000.
- The District was determined to be a "low-risk" auditee for both federal and state programs.
- The District's programs tested as major federal and state programs for the current fiscal year consisted of the following:

Federal Program	CFDA Number	Grant Period	Award Amount	Budgetary Expenditures
Special Education Cluster:				
I.D.E.A. Part B - Basic	84.027	7/1/19-9/30/20	\$ 888,553	\$ 685,930
I.D.E.A. Part B - Preschool	84.173	7/1/19-9/30/20	33,281	3,025
Preschool Education Aid	20-495-034-5120-086	7/1/19-6/30/20	820,680	405,008
Preschool Education Aid	19-495-034-5120-086	7/1/18-6/30/20	846,846	249,029
Preschool Education Aid	18-495-034-5120-086	7/1/17-6/30/20	850,180	219,578
Reimbursed TPAF				
Social Security Contributions	20-495-034-5094-003	7/1/19-6/30/20	1,542,285	1,542,285

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Status of Prior Year Findings:

There were no prior year findings.