

**Annual Comprehensive
Financial Report**

of the

Borough of South Bound Brook Board of Education

County of Somerset

South Bound Brook, New Jersey

For the Fiscal Year Ended June 30, 2022

Prepared by

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

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INTRODUCTORY SECTION

South Bound Brook Public Schools

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

February 21, 2023

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

Dear Board Members:

The Annual Comprehensive Financial Report of the South Bound Brook School District for the fiscal year ended June 30, 2022, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the South Bound Brook Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the district. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

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

1. REPORTING ENTITY AND ITS SERVICES

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

The South Bound Brook School District provides a full range of educational services appropriate to students in grades pre-k through 8. These services are provided for regular, as well as disadvantaged students. The South Bound Brook Board of Education and Bound Brook Board of Education have a sending/receiving agreement, with South Bound Brook sending its high school students in grades 9-12 to Bound Brook High School as tuition students. The budgeted cost for 2021-2022 was \$18,801 per student. Some of the district's students, grades 9-12, attend the Somerset County Vocational-Technical School District either part time or full time. There are also some disadvantaged students who are placed out of the district in order for them to receive an appropriate education. The district completed the 2021-2022 school year (June 30, 2022) with a PK-8 enrollment of 435 students. The following details the changes in the student enrollment of the district over the last five years:

AVERAGE DAILY ENROLLMENT

| <u>School Year</u> | <u>Prek-8 Enrollment</u> | <u>Students Sent Out of District</u> | <u>Total Resident Enrollment</u> | <u>Percent Change</u> |
|--------------------|--------------------------|--------------------------------------|----------------------------------|-----------------------|
| 2016-17 | 455 | 131 | 586 | (0.98%) |
| 2017-18 | 452 | 131 | 583 | (0.98%) |
| 2018-19 | 438 | 124 | 562 | (0.96%) |
| 2019-20 | 444 | 127 | 571 | 1.60% |
| 2019-20 | 444 | 127 | 571 | 1.60% |
| 2020-21 | 427 | 135 | 562 | (1.58%) |
| 2021-22 | 435 | 142 | 577 | 2.67% |

2. ECONOMIC CONDITION AND OUTLOOK

The Borough of South Bound Brook is the smallest municipality in Somerset County. It covers an area of .77 square miles. The business development is limited to a strip along both sides of Main Street. This area has completed streetscape improvements aimed at a revitalization of the business district. The borough has no large industry and has no land to pursue industrial growth. This absence of major industry has resulted in one of the higher tax rates in Somerset County. Retail development projects are planned for the downtown area which will result in higher tax revenues.

3. MAJOR INITIATIVES

The South Bound Brook School District continues to evaluate facilities in order to improve energy efficiency and maintain facilities in a prudent manner. To this end, the Board of Education continued to implement maintenance and improvements developed with the school's architect of record, Tokarski & Millemann. Projects in this year's budget included an upgrade for the electrical service in classrooms in the middle school to support technology needs and a renovation of the faculty/staff space. The technology office also was renovated to provide for more efficient operation and storage. In addition, the technology infrastructure was upgraded and more wireless access points were installed to improve internet access in all areas of the building.

Significant strides have been made in the school district's instructional program. The school continues to improve its technological capacities in order to accommodate NJSLA testing requirements and infuse technology into instruction at all levels. To this end, Google Chromebooks and other multimedia devices have been purchased for a 1 to 1 initiative in grades K through 8, and the district continues to improve infrastructure to meet additional demands. The district has also continued to refine in-classroom technology through the installation of casting devices and software in order to enable interactive classroom environments between students and staff.

Through expanded opportunities for professional development, improved curriculum materials, and increased device availability, the district successfully made strides in towards becoming a fully integrated Google School.

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

4. INTERNAL ACCOUNTING CONTROLS

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

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

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

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

5. BUDGETARY CONTROLS

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2022.

6. ACCOUNTING SYSTEM AND REPORTS

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

7. FINANCIAL INFORMATION AT FISCAL YEAR-END

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

You should review, in detail, the management's discussion and analysis for the fiscal year ended June 30, 2022 for Financial Summaries.

8. DEBT ADMINISTRATION

There were no bonds outstanding as of June 30, 2022.

9. CASH MANAGEMENT

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

10. RISK MANAGEMENT

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

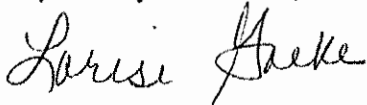
11. OTHER INFORMATION

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

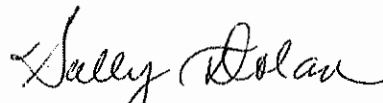
12. ACKNOWLEDGMENTS

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

Respectfully submitted,



Lorise A. Goeke, Ed. D.
Superintendent



Sally Bolan
Business Administrator

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

**ROSTER OF OFFICIALS
JUNE 30, 2022**

| <u>Members of the Board of Education</u> | <u>Term Expires</u> |
|---|----------------------------|
| Allison Lih-Thiessen – President | 2023 |
| Constance Conner – Vice-President | 2023 |
| Jennifer Dabrowski | 2022 |
| Sean Lambertz | 2024 |
| Edith Lima | 2024 |
| Nancy Santora | 2024 |
| Jennifer Trzepla | 2024 |

Other Officials

Dr. Lorise Goeke, Superintendent of Schools

Sally Dolan, Business Administrator/ Board Secretary

Joseph Marra, Treasurer of School Monies

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

Architect

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

Audit Firm

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

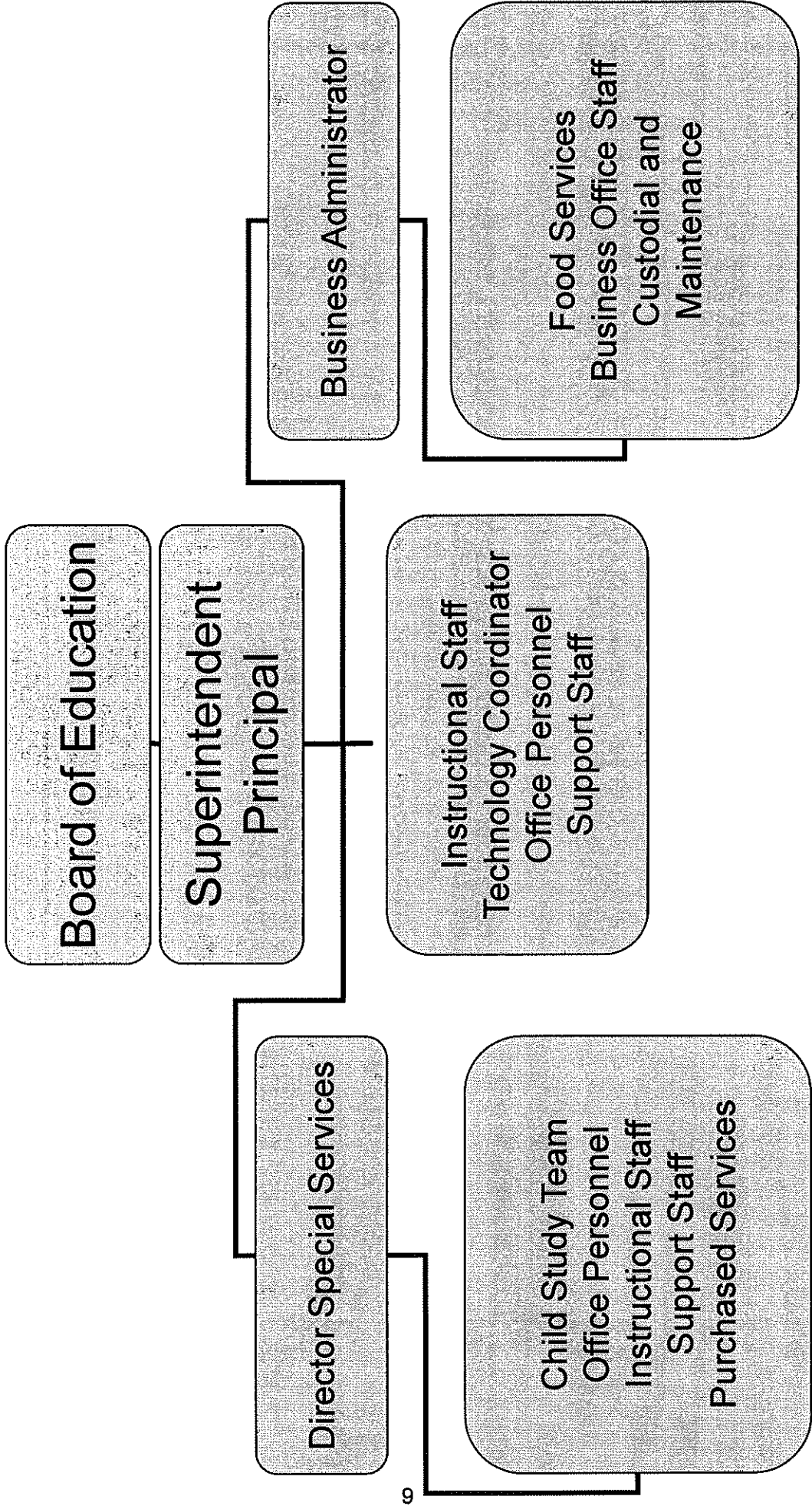
Attorney

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

Official Depository

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

South Bound Brook Schools



FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the South Bound Brook School District, in the County of Somerset, State of New Jersey (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 and each major fund of the District as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, 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 (the "Uniform Guidance") the audit requirements of State of New Jersey OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards and provisions are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

SUPLEE, CLOONEY & COMPANY

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, for the year ended June 30, 2022, the District adopted Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the Uniform Guidance, the State of New Jersey OMB Circular 15-08 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards the Uniform Guidance, the State of New Jersey OMB Circular 15-08 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

SUPLEE, CLOONEY & COMPANY

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information in Exhibit C-1 through C-3, the schedules related to accounting and reporting for pensions in Exhibit L-1 through L-4 and the schedules related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Exhibits M-1 and M-2 are presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information schedules and data such as the combining statements and individual fund financial statements, and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by the Uniform Guidance, New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual fund financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

SUPLEE, CLOONEY & COMPANY

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



CERTIFIED PUBLIC ACCOUNTANTS



PUBLIC SCHOOL ACCOUNTANT NO. 948

February 21, 2023

REQUIRED SUPPLEMENTARY INFORMATION – Part I

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
UNAUDITED**

This section of the South Bound Brook School District's Annual Comprehensive Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements-Management's Discussion and Analysis-for the State and Local Governments. Certain comparative information between the current fiscal year (2021-2022) and the prior fiscal year (2020-2021) is presented in the MD&A. In fiscal year 2022 the District implemented GASB Statement No. 87-Leases.

Financial Highlights

- Revenue from governmental activities accounted for \$14,547,885.00 or 98.04 percent of total school district revenue. The other 1.96 percent of revenue was generated by the business type activities.
- Governmental activities revenues exceeded expenditures by \$303,414.10.
- The District reduced its outstanding long-term debt by \$605,732.31, which includes \$295,000.00 of bonds payable and \$302,796.00 of net pension liability as actuarially determined by the State.

Overview of the Financial Statements

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
UNAUDITED**

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

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

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

District-wide Financial Statements

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
UNAUDITED**

Fund Financial Statements

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

The District maintains two financial funds:

- **Governmental Funds:** The District's activities reported in governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the government-wide Statement of Net Position and Statement of Activities) and governmental funds statements is reconciled in the financial statements.
- **Proprietary Funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flow.

Financial Analysis of the District as a Whole

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
UNAUDITED**

**Table 1
Condensed Statement of Net Position**

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

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

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Percentage |
|---------------------------------------|-------------------------|------------------------|--------------------------|--------------------|------------------------|------------------------|------------------|
| | FY 2022 | FY 2021 | FY 2022 | FY 2021 | FY 2022 | FY 2021 | Change |
| Current and Other Assets | \$3,554,129.13 | \$4,210,995.20 | \$128,225.81 | \$79,046.96 | \$3,682,354.94 | \$4,290,042.16 | (14.17%) |
| Capital Assets | 8,961,828.78 | 8,892,247.88 | 28,632.41 | 11,068.48 | 8,990,461.19 | 8,903,316.36 | 0.98% |
| Total Assets | 12,515,957.91 | 13,103,243.08 | 156,858.22 | 90,115.44 | 12,672,816.13 | 13,193,358.52 | (3.95%) |
| Deferred Outflows Related to Pensions | 544,079.00 | 695,940.00 | | | 544,079.00 | 695,940.00 | |
| Long-Term Liabilities | 1,119,505.69 | 1,430,238.00 | | | 1,119,505.69 | 1,430,238.00 | (21.73%) |
| Short-Term Liabilities | 189,055.84 | 978,739.80 | 24,911.78 | 14,752.84 | 213,967.62 | 993,492.64 | (78.46%) |
| Total Liabilities | 1,308,561.53 | 2,408,977.80 | 24,911.78 | 14,752.84 | 1,333,473.31 | 2,423,730.64 | (44.98%) |
| Deferred Inflows Related to Pensions | 783,900.00 | 726,044.00 | | | 783,900.00 | 726,044.00 | |
| Net Position: | | | | | | | |
| Net investment in Capital Assets | 8,961,828.78 | 8,597,247.88 | 28,632.41 | 11,068.48 | 8,990,461.19 | 8,608,316.36 | 4.44% |
| Restricted | 3,115,434.05 | 3,441,215.42 | | | 3,115,434.05 | 3,441,215.42 | (9.47%) |
| Unrestricted (Deficit) | (1,109,687.45) | (1,374,302.02) | 103,314.03 | 64,294.12 | (1,006,373.42) | (1,310,007.90) | (23.18%) |
| Total Net Position | \$10,967,575.38 | \$10,664,161.28 | \$131,946.44 | \$75,362.60 | \$11,099,521.82 | \$10,739,523.88 | 3.35% |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
UNAUDITED**

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

| | Governmental Activities | | Business-Type Activities | | Total School District | |
|---|----------------------------|----------------------|-----------------------------|--------------------|--------------------------|----------------------|
| | <u>FY 2022</u> | <u>FY 2021</u> | <u>FY 2022</u> | <u>FY 2021</u> | <u>FY 2022</u> | <u>FY 2021</u> |
| Revenue: | | | | | | |
| Program Revenue: | | | | | | |
| Charges for Services | \$15,319.81 | \$1,588.79 | \$16,036.30 | \$592.66 | \$31,356.11 | \$2,181.45 |
| Operating Grants and Contributions | 3,226,982.99 | 3,352,042.36 | 274,651.21 | 195,718.75 | 3,501,634.20 | 3,547,761.11 |
| General Revenue: | | | | | | |
| Property Taxes | 6,763,749.00 | 6,665,101.00 | | | 6,763,749.00 | 6,665,101.00 |
| Federal and State Aid not restricted | 4,466,922.00 | 3,873,883.00 | | | 4,466,922.00 | 3,873,883.00 |
| Other | 74,911.20 | 21,720.37 | | | 74,911.20 | 21,720.37 |
| Total Revenue | <u>14,547,885.00</u> | <u>13,914,335.52</u> | <u>290,687.51</u> | <u>196,311.41</u> | <u>14,838,572.51</u> | <u>14,110,646.93</u> |
| Expenses: | | | | | | |
| Instruction | 9,438,463.83 | 9,608,337.35 | | | 9,438,463.83 | 9,608,337.35 |
| Student & Instructional Support Services | 2,146,580.20 | 1,708,362.59 | | | 2,146,580.20 | 1,708,362.59 |
| Administrative and Business | 985,288.36 | 1,186,749.86 | | | 985,288.36 | 1,186,749.86 |
| Maintenance & Operations | 1,086,094.85 | 989,438.95 | | | 1,086,094.85 | 989,438.95 |
| Transportation | 372,780.00 | 157,374.64 | | | 372,780.00 | 157,374.64 |
| Other | 215,263.67 | 259,378.42 | 234,103.67 | 163,885.26 | 449,367.34 | 423,263.68 |
| Total Expenses | <u>14,244,470.90</u> | <u>13,909,641.81</u> | <u>234,103.67</u> | <u>163,885.26</u> | <u>14,478,574.57</u> | <u>14,073,527.07</u> |
| Increase/(Decrease) in Net Position | <u>\$303,414.10</u> | <u>\$4,693.71</u> | <u>\$56,583.84</u> | <u>\$32,426.15</u> | <u>\$359,997.94</u> | <u>\$37,119.86</u> |

Sources of Revenue

The District's total revenue for the 2021-2022 school year was \$14,838,572.51 as reflected in Table 3 below. Property taxes and state formula aid accounted for 75.69 percent of the total revenue with the other 24.31 percent consisting of other state and federal aid and grants, charges for services, and miscellaneous sources.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
UNAUDITED**

**Table 3
Sources of Revenue**

| <u>Sources of Revenue</u> | <u>FY 2022</u> | | <u>FY 2021</u> | |
|-----------------------------|------------------------|-------------------|------------------------|-------------------|
| | <u>Amount</u> | <u>Percentage</u> | <u>Amount</u> | <u>Percentage</u> |
| Property Taxes | \$6,763,749.00 | 45.58% | \$6,665,101.00 | 47.23% |
| State Formula Aid | 4,466,922.00 | 30.10% | 3,873,883.00 | 27.45% |
| Other State and Federal Aid | 3,501,634.20 | 23.60% | 3,547,761.11 | 25.14% |
| Charges for Services | 31,356.11 | 0.21% | 2,181.45 | 0.02% |
| Other | 74,911.20 | 0.50% | 21,720.37 | 0.15% |
| | <u>\$14,838,572.51</u> | <u>100.00%</u> | <u>\$14,110,646.93</u> | <u>100.00%</u> |

Expenses for Fiscal Years 2022 and 2021

The total expenditures for the 2021-2022 fiscal year for all programs and services were \$14,478,574.57. Table 4 below summarizes these program costs. The District's expenses are predominantly related to instructing, providing services and transporting students, grades kindergarten through eight, which accounts for 82.59 percent of the total District costs. Administrative and business expenses account for the costs of the office of the superintendent of schools, the business office, and the principal's office. Maintenance and operations account for the costs of keeping the school buildings and grounds safe, clean and in good operating condition, and includes all the utility costs related to the school facilities. Other costs include interest on long-term debt, unallocated depreciation expense and the costs of the business-type activities of the proprietary funds. It is important to note that depreciation expense on capital assets is included in expenses for the year under the new accounting reporting model; expenses therefore include \$466,632.86 for depreciation.

**Table 4
Expenses for Fiscal Years 2022 and 2021**

| <u>Expense Category</u> | <u>FY 2022</u> | | <u>FY 2021</u> | |
|--------------------------------|------------------------|-------------------|------------------------|-------------------|
| | <u>Amount</u> | <u>Percentage</u> | <u>Amount</u> | <u>Percentage</u> |
| Instruction | \$9,438,463.83 | 65.19% | \$9,608,337.35 | 68.27% |
| Student & Instruction Services | 2,146,580.20 | 14.83% | 1,708,362.59 | 12.14% |
| Administrative and Business | 985,288.36 | 6.81% | 1,186,749.86 | 8.43% |
| Maintenance & Operations | 1,086,094.85 | 7.50% | 989,438.95 | 7.03% |
| Transportation | 372,780.00 | 2.57% | 157,374.64 | 1.12% |
| Other | 449,367.34 | 3.10% | 423,263.68 | 3.01% |
| | <u>\$14,478,574.57</u> | <u>100.00%</u> | <u>\$14,073,527.07</u> | <u>100.00%</u> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
UNAUDITED**

Governmental Activities

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

**Table 5
Net Cost of Governmental Activities**

| <u>Expense Category</u> | <u>FY 2022</u> | | <u>FY 2021</u> | |
|--------------------------------|------------------------|-------------------|------------------------|-------------------|
| | <u>Amount</u> | <u>Percentage</u> | <u>Amount</u> | <u>Percentage</u> |
| Instruction | \$7,217,697.17 | 65.60% | \$7,127,081.05 | 67.52% |
| Student & Instruction Services | 1,369,233.68 | 12.45% | 1,132,042.79 | 10.72% |
| Administrative and Business | 844,262.16 | 7.67% | 1,008,722.22 | 9.56% |
| Maintenance & Operations | 1,047,478.42 | 9.52% | 939,964.95 | 8.90% |
| Transportation | 308,233.00 | 2.80% | 92,827.64 | 0.88% |
| Other | 215,263.67 | 1.96% | 255,372.00 | 2.42% |
| | <u>\$11,002,168.10</u> | <u>100.00%</u> | <u>\$10,556,010.66</u> | <u>100.00%</u> |

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

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

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

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

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

"Other" includes unallocated depreciation.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
UNAUDITED**

General Fund Budgeting Highlights

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

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

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

Capital Assets

During the fiscal year 2021-2022 the District had capital projects completed, causing a net increase of 0.98%. Table 6 reflects the comparative balances of capital assets net of depreciation. The detail of the changes in capital assets is reflected in Note 3 to the financial statements.

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

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Percentage Change |
|--|------------------------------|------------------------------|---------------------------|---------------------------|------------------------------|------------------------------|-------------------------------|
| | <u>FY 2022</u> | <u>FY 2021</u> | <u>FY 2022</u> | <u>FY 2021</u> | <u>FY 2022</u> | <u>FY 2021</u> | |
| Land | \$524,414.00 | \$524,414.00 | | | \$524,414.00 | \$524,414.00 | |
| Building and Building Improvements | 7,915,819.73 | 7,762,611.04 | | | 7,915,819.73 | 7,762,611.04 | 1.97% |
| Machinery and Equipment | <u>521,595.05</u> | <u>605,222.84</u> | <u>\$28,632.41</u> | <u>\$11,068.48</u> | <u>550,227.46</u> | <u>616,291.32</u> | <u>(10.72%)</u> |
| Total Assets | <u><u>\$8,961,828.78</u></u> | <u><u>\$8,892,247.88</u></u> | <u><u>\$28,632.41</u></u> | <u><u>\$11,068.48</u></u> | <u><u>\$8,990,461.19</u></u> | <u><u>\$8,903,316.36</u></u> | <u><u>0.98%</u></u> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
UNAUDITED**

Debt Administration

At June 30, 2022, the District had \$1,119,505.69 of outstanding long-term debt, consisting of compensated absences and net pension liability. The District will continue to pay down its debt, as the obligations are due. Table 7 reflects the comparison of outstanding debt for the past two fiscal years. More information of the District's long-term debt is presented in Note 4 to the financial statements.

**Table 7
Outstanding Long-term Debt**

| | Total School Debt | | Total Percentage Change |
|-------------------------------|-----------------------|-----------------------|----------------------------|
| | FY 2022 | FY 2021 | |
| Compensated Absences Payable | \$42,147.69 | \$50,084.00 | (15.85%) |
| Net Pension Liability Payable | 1,077,358.00 | 1,380,154.00 | (21.94%) |
| Bonds Payable | | 295,000.00 | (100.00%) |
| | <u>\$1,119,505.69</u> | <u>\$1,725,238.00</u> | <u>(35.11%)</u> |

The District's Future

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

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2022.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

| | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>TOTAL</u> |
|--|------------------------------------|-------------------------------------|------------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$734,615.17 | \$106,263.48 | \$840,878.65 |
| Receivables, net | 858,835.30 | 20,306.49 | 879,141.79 |
| Inventory | | 1,655.84 | 1,655.84 |
| Restricted assets: | | | |
| Restricted cash and cash equivalents | 2,364,665.16 | | 2,364,665.16 |
| Capital assets: | | | |
| Land and improvements | 524,414.00 | | 524,414.00 |
| Other capital assets, net | 8,437,414.78 | 28,632.41 | 8,466,047.19 |
| Total assets | <u>12,919,944.41</u> | <u>156,858.22</u> | <u>13,076,802.63</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Related to pensions | 544,079.00 | | 544,079.00 |
| Total Deferred Outflows of Resources | <u>544,079.00</u> | | <u>544,079.00</u> |
| LIABILITIES: | | | |
| Accounts payable | 545,503.61 | 22,576.62 | 568,080.23 |
| Payroll deductions payable | 47,212.33 | | 47,212.33 |
| Unearned revenue | 803.03 | 2,335.16 | 3,138.19 |
| Noncurrent liabilities: | | | |
| Due beyond one year: | | | |
| Net Pension Liability | 1,077,358.00 | | 1,077,358.00 |
| Compensated absences payable | 42,147.69 | | 42,147.69 |
| Total liabilities | <u>1,712,548.03</u> | <u>24,911.78</u> | <u>1,737,459.81</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Related to pensions | 783,900.00 | | 783,900.00 |
| Total Deferred Inflows of Resources | <u>783,900.00</u> | | <u>783,900.00</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 8,961,828.78 | 28,632.41 | 8,990,461.19 |
| Restricted for: | | | |
| Capital projects fund | 1,857,478.05 | | 1,857,478.05 |
| Special revenue fund | 34,567.11 | | 34,567.11 |
| Other purposes | 1,223,388.89 | | 1,223,388.89 |
| Unrestricted (deficit) | <u>(1,109,687.45)</u> | <u>103,314.03</u> | <u>(1,006,373.42)</u> |
| Total net position | <u>\$10,967,575.38</u> | <u>\$131,946.44</u> | <u>\$11,099,521.82</u> |

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

MAJOR FUND FINANCIAL STATEMENTS

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

| ASSETS AND OTHER DEBITS: | GENERAL FUND | SPECIAL REVENUE FUND | TOTAL GOVERNMENTAL FUNDS |
|--|-----------------------|----------------------------|--------------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$734,615.17 | \$34,567.11 | \$769,182.28 |
| Capital reserve account | 1,857,478.05 | | 1,857,478.05 |
| Maintenance reserve account | 472,620.00 | | 472,620.00 |
| Accounts receivable: | | | |
| Federal | | 433,361.49 | 433,361.49 |
| State | 425,950.44 | | 425,950.44 |
| Interfunds receivable | 403,986.50 | | 403,986.50 |
| Total assets | 3,894,650.16 | 467,928.60 | 4,362,578.76 |
| LIABILITIES AND FUND BALANCES: | | | |
| Liabilities: | | | |
| Accounts payable | 397,096.65 | 28,571.96 | 425,668.61 |
| Payroll deductions and withholdings payable | 47,212.33 | | 47,212.33 |
| Interfunds payable | | 403,986.50 | 403,986.50 |
| Unearned revenue | | 803.03 | 803.03 |
| Total liabilities | 444,308.98 | 433,361.49 | 877,670.47 |
| Fund balances: | | | |
| Restricted for: | | | |
| Capital reserve account | 1,857,478.05 | | 1,857,478.05 |
| Maintenance reserve account | 472,620.00 | | 472,620.00 |
| Excess surplus designated for subsequent years expenditures | 376,753.00 | | 376,753.00 |
| Excess surplus - current year | 374,015.89 | | 374,015.89 |
| Student activities | | 34,567.11 | 34,567.11 |
| Unassigned | 369,474.24 | | 369,474.24 |
| Total fund balances | 3,450,341.18 | 34,567.11 | 3,484,908.29 |
| Total liabilities and fund balances | \$3,894,650.16 | \$467,928.60 | \$4,362,578.76 |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

| | | |
|---|-----------------------|-------------------------------|
| Total Fund Balances (Brought Forward) | | \$3,484,908.29 |
| <p>Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p> | | |
| Cost of Assets | \$15,826,423.21 | |
| Accumulated Depreciation | <u>(6,864,594.43)</u> | 8,961,828.78 |
| <p>Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p> | | |
| Net pension liability | (1,077,358.00) | |
| Compensated absences payable | <u>(42,147.69)</u> | (1,119,505.69) |
| <p>Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.</p> | | |
| Pensions: | | |
| Deferred Outflows | | |
| Pension related | | 544,079.00 |
| Deferred Inflows: | | |
| Pension related | | (783,900.00) |
| <p>Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.</p> | | |
| Accounts payable - pension related | | <u>(119,835.00)</u> |
| Net Position of Governmental Activities | | <u><u>\$10,967,575.38</u></u> |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | GENERAL FUND | SPECIAL REVENUE FUND | CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL GOVERNMENTAL FUNDS |
|--|-----------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax levy | \$6,462,849.00 | | | \$300,900.00 | \$6,763,749.00 |
| Tuition from other LEA's within the state | 12,644.76 | | | | 12,644.76 |
| Miscellaneous | 62,266.44 | \$30,040.30 | | | 92,306.74 |
| Total revenues-local sources | 6,537,760.20 | 30,040.30 | | 300,900.00 | 6,868,700.50 |
| State sources | 6,307,837.01 | | | | 6,307,837.01 |
| Federal sources | | 989,795.49 | | | 989,795.49 |
| Total revenues | 12,845,597.21 | 1,019,835.79 | | 300,900.00 | 14,166,333.00 |
| EXPENDITURES: | | | | | |
| Current expense: | | | | | |
| Instruction: | | | | | |
| Regular | 2,498,699.41 | 470,153.99 | | | 2,968,853.40 |
| Special education | 629,819.59 | 24,964.00 | | | 654,783.59 |
| Other instruction | 291,259.29 | | | | 291,259.29 |
| Support services: | | | | | |
| Tuition | 2,736,465.39 | | | | 2,736,465.39 |
| Student and instruction related services | 1,226,713.84 | 484,085.07 | | | 1,710,798.91 |
| General administrative services | 150,844.32 | | | | 150,844.32 |
| School administrative services | 239,659.15 | | | | 239,659.15 |
| Central services | 286,010.57 | | | | 286,010.57 |
| Administration Information Technology | 101,237.76 | | | | 101,237.76 |
| Plant operations and maintenance | 779,196.12 | | | | 779,196.12 |
| Student transportation services | 372,780.00 | | | | 372,780.00 |
| Employee benefits | 2,944,328.18 | | | | 2,944,328.18 |
| Capital outlay | 497,597.33 | 38,616.43 | | | 536,213.76 |
| Capital outlay - debt assessment | 32,491.00 | | | | 32,491.00 |
| Charter Schools | 210,347.00 | | | | 210,347.00 |
| Debt service: | | | | | |
| Principal | | | | 295,000.00 | 295,000.00 |
| Interest | | | | 5,900.00 | 5,900.00 |
| Total expenditures | 12,997,448.95 | 1,017,819.49 | | 300,900.00 | 14,316,168.44 |
| Excess (deficiency) of revenues over (under) expenditures | (151,851.74) | 2,016.30 | | | (149,835.44) |
| Fund balances, July 1, 2021 | 3,602,192.92 | 32,550.81 | | | 3,634,743.73 |
| Fund balances, June 30, 2022 | <u>\$3,450,341.18</u> | <u>\$34,567.11</u> | <u>\$-0-</u> | <u>\$-0-</u> | <u>\$3,484,908.29</u> |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Total net change in fund balances - governmental funds (from B-2) (\$149,835.44)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

| | | |
|---------------------------------|--------------------|-----------|
| Depreciation expense | (\$466,632.86) | |
| Capital outlays | 568,704.76 | |
| Capital outlays not capitalized | <u>(32,491.00)</u> | 69,580.90 |

Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets and is not reported in the statements of activities. 295,000.00

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. 983.33

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

| | | |
|--------------------------------|--------------------|-----------|
| District pension contributions | 106,505.00 | |
| Add: Pension benefit | <u>(26,756.00)</u> | 79,749.00 |

In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). 7,936.31

Change in net position of governmental activities \$303,414.10

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

OTHER FUNDS

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2022

| | <u>BUSINESS-TYPE</u> <u>ACTIVITIES -</u> <u>ENTERPRISE FUND</u> <u>FOOD</u> <u>SERVICE</u> |
|----------------------------------|--|
| ASSETS: | |
| Current assets: | |
| Cash and cash equivalents | \$106,263.48 |
| Accounts receivable: | |
| State | 419.90 |
| Federal | 19,886.59 |
| Inventories | 1,655.84 |
| | 128,225.81 |
| Total current assets | 128,225.81 |
| Noncurrent assets | |
| Furniture, machinery & equipment | 103,758.44 |
| Less: Accumulated depreciation | (75,126.03) |
| | 28,632.41 |
| Total noncurrent assets | 28,632.41 |
| TOTAL ASSETS | 156,858.22 |
| LIABILITIES: | |
| Current liabilities: | |
| Accounts payable | 22,576.62 |
| Unearned revenue | 2,335.16 |
| | 24,911.78 |
| Total current liabilities | 24,911.78 |
| NET POSITION: | |
| Net investment in capital assets | 28,632.41 |
| Unrestricted | 103,314.03 |
| | 131,946.44 |
| TOTAL NET POSITION | \$131,946.44 |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | <u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE</u> |
|---|--|
| OPERATING REVENUES: | |
| Local sources: | |
| Daily sales-reimbursable programs: | |
| School lunch program | \$11,671.24 |
| Daily sales non-reimbursable programs | 4,365.06 |
| | 16,036.30 |
| Total operating revenue | 16,036.30 |
| OPERATING EXPENSES: | |
| Salaries | 66,775.05 |
| Employee benefits and taxes | 22,744.40 |
| Management fee | 14,745.00 |
| Supplies, materials and repairs | 31,140.05 |
| Depreciation | 1,406.07 |
| Cost of sales - reimbursable programs | 90,842.91 |
| Cost of sales - non-reimbursable programs | 6,450.19 |
| | 234,103.67 |
| Total operating expenses | 234,103.67 |
| Operating (loss) | (218,067.37) |
| Nonoperating revenues: | |
| State sources: | |
| State school lunch program | 5,524.29 |
| Federal sources: | |
| National school lunch program | 235,258.91 |
| National school breakfast program | 20,747.53 |
| National food distribution commodities | 12,492.48 |
| P-EBT Administrative Fee | 628.00 |
| | 274,651.21 |
| Total nonoperating revenues | 274,651.21 |
| Change in net position | 56,583.84 |
| Net position - July 1 | 75,362.60 |
| Net position - June 30 | \$131,946.44 |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | <u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE</u> |
|--|--|
| Cash flows from operating activities: | |
| Receipts from customers | \$16,512.80 |
| Payments to employees | (66,775.05) |
| Payments for employee benefits | (22,744.40) |
| Payments to suppliers | (133,819.56) |
| | (206,826.21) |
| Net cash (used) by operating activities | |
| Cash flows from noncapital financing activities: | |
| State sources | 5,934.42 |
| Federal sources | 296,554.37 |
| | 302,488.79 |
| Net cash (used) by noncapital financing activities | |
| Cash flows from capital and related financing activities: | |
| Purchases of capital assets | (18,970.00) |
| | (18,970.00) |
| Net cash provided (used) by capital and related financing activities | |
| | (18,970.00) |
| Net increase in cash and cash equivalents | 76,692.58 |
| Cash and cash equivalents, July 1 | 29,570.90 |
| Cash and cash equivalents, June 30 | \$106,263.48 |
| Operating income(loss) | (\$218,067.37) |
| Adjustments to reconcile operating income (loss) to cash provided by operating activities: | |
| Depreciation | 1,406.07 |
| Change in assets and liabilities: | |
| (Increase) Decrease in inventory | (323.85) |
| Increase (Decrease) in unearned revenue | (967.11) |
| Increase (Decrease) in accounts payable | 11,126.05 |
| | 11,126.05 |
| Net cash (used) by operating activities | (\$206,826.21) |

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

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

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

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

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

Basis of Accounting – Measurement Focus

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

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

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the April 2013 school Board election to the date of the November general election thereby eliminating the vote on the annual base budget. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. All budget amendments and transfers must be approved by School Board resolution. Budget amendments during the year ended June 30, 2022 totaled \$318,513.00, representing a reduction in state aid revenue. The over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

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

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

Interfunds

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

Inventories and Prepaid Expenses

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Compensated Absences

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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

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

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

Fund Equity

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

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

Unearned Revenue

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

Fund Balance

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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

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

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

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

Revenues – Exchange and Non-Exchange Transactions

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues – Exchange and Non-Exchange Transactions (Continued)

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

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

Proprietary Fund Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District enterprise funds are charges to customers for sales of food service. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Allocation of Indirect Expenses

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Extraordinary and Special Items

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

Management Estimates

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

Accounting and Financial Reporting for Pensions

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

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

Deferred Outflows/Inflows of Resources

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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

Recently Adopted Accounting Pronouncements

Beginning with the year ended June 30, 2022, the District has implemented GASB Statement 87, *Leases*. GASB Statement 87 establishes criteria for accounting and financial reporting for leases. It creates a single model for lease accounting and requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. A Lessee is required to recognize a lease liability and an intangible right to use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Deposits

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

The Borough of South Bound Brook School District had the following cash and cash equivalents at June 30, 2022:

| | <u>Cash in</u> <u>Bank</u> | <u>Additions</u> | <u>Reductions</u> | <u>Reconciled</u> <u>Balance</u> |
|--------------------|---|-------------------------|--------------------------|---|
| Governmental Funds | \$3,004,855.02 | \$596,941.77 | \$502,516.46 | \$3,099,280.33 |
| Proprietary Fund | 212,786.31 | | 59,310.50 | 153,475.81 |
| | <u>\$3,217,641.33</u> | <u>\$596,941.77</u> | <u>\$561,826.96</u> | <u>\$3,252,756.14</u> |

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2022, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$2,967,641.33 was covered under the provisions of NJ GUDPA.

Investments

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Investments (Continued)

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

As of June 30, 2022, the District had no investments outstanding. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the District is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 3: CHANGE IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

| | <u>Beginning Balance</u> | <u>Transfers/ Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land and Improvements | \$524,414.00 | | | \$524,414.00 |
| Total capital assets not depreciated | <u>524,414.00</u> | | | <u>524,414.00</u> |
| Capital assets being depreciated: | | | | |
| Site Improvements | 42,529.65 | | | 42,529.65 |
| Building and building improvements | 13,256,181.93 | \$536,213.76 | | 13,792,395.69 |
| Machinery and equipment | 1,467,083.87 | | | 1,467,083.87 |
| Total capital assets being depreciated | <u>14,765,795.45</u> | <u>536,213.76</u> | | <u>15,302,009.21</u> |
| Total gross assets | 15,290,209.45 | 536,213.76 | | 15,826,423.21 |
| Less: accumulated depreciation for: | | | | |
| Site Improvements | (42,529.65) | | | (42,529.65) |
| Building and building improvements | (5,493,570.89) | (383,005.07) | | (5,876,575.96) |
| Machinery and equipment | (861,861.03) | (83,627.79) | | (945,488.82) |
| | <u>(6,397,961.57)</u> | <u>(466,632.86)</u> | | <u>(6,864,594.43)</u> |
| Governmental activities capital assets, net | <u>\$8,892,247.88</u> | <u>\$69,580.90</u> | | <u>\$8,961,828.78</u> |
| Business type activities: | | | | |
| Machinery and equipment | \$84,788.44 | \$18,970.00 | | \$103,758.44 |
| Less: accumulated depreciation | <u>(73,719.96)</u> | <u>(1,406.07)</u> | | <u>(75,126.03)</u> |
| Business type activities capital assets, net | <u>\$11,068.48</u> | <u>\$17,563.93</u> | <u>-0-</u> | <u>\$28,632.41</u> |

Depreciation Expense was charged to governmental expenses as follows:

| | |
|--|---------------------|
| Instruction: | |
| Regular | \$135,070.13 |
| Support Services: | |
| Student and instruction related services | 20,411.46 |
| General Administration | 434.00 |
| Plant operations and maintenance | 310,717.27 |
| | <u>\$466,632.86</u> |

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 4: LONG-TERM LIABILITIES

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

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

At June 30, 2022, the District had no bonds or notes authorized but not issued.

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2022:

| | <u>Bonds Payable</u> | <u>Compensated Absences Payable</u> | <u>Net Pension Liability</u> | <u>Total</u> |
|--------------------------------|-----------------------------|--|-------------------------------------|------------------------------|
| Balance, July 1, 2021 | \$295,000.00 | \$50,084.00 | \$1,380,154.00 | \$1,725,238.00 |
| Reductions | <u>295,000.00</u> | <u>7,936.31</u> | <u>302,796.00</u> | <u>605,732.31</u> |
| Balance, June 30, 2022 | <u><u>\$0.00</u></u> | <u><u>\$42,147.69</u></u> | <u><u>\$1,077,358.00</u></u> | <u><u>\$1,119,505.69</u></u> |
| Amounts Due Within One Year | <u><u>\$0.00</u></u> | | | <u><u>\$0.00</u></u> |

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 4: LONG-TERM DEBT (CONTINUED)

Under New Jersey Statutes the District may incur debt in an amount not to exceed 3% of the averaged equalized valuation basis of real property. For the fiscal year ended December 31, 2021, the District borrowing capacity under N.J.S. 18A:24-19 would be as follows:

| <u>Year</u> | <u>Equalized Valuation of Real Property</u> |
|--|---|
| 2021 | \$401,261,459.00 |
| 2020 | 381,081,991.00 |
| 2019 | 375,312,001.00 |
| | <u>\$1,157,655,451.00</u> |
| Average equalized valuation of property | \$385,885,150.33 |
| School borrowing margin (3% of average equalized valuation of property) | 11,576,554.51 |
| Net bonded school debt as of December 31, 2021 | <u>0.00</u> |
| School borrowing power available | <u>\$11,576,554.51</u> |

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 5: PENSION PLANS

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

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

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

Pension Plan Design Changes

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

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2020 actuarial valuation (July 1, 2019 for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 5: PENSION PLANS (CONTINUED)

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

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

PERS Contribution Requirements

Three-Year Trend Information for PERS

| <u>Year Funding</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------------------|---|---|--|
| 6/30/2022 | \$106,505.00 | 100% | \$106,505.00 |
| 6/30/2021 | \$92,585.00 | 100% | \$92,585.00 |
| 6/30/2020 | \$90,003.00 | 100% | \$90,003.00 |

During the fiscal years ended June 30, 2022, 2021 and 2020, the State of New Jersey contributed \$1,233,425.00, \$884,115.00 and \$686,864.00, respectively to the TPAF pension system on behalf of the District.

Also, in accordance with N.J.S.A. 18A:66-66, during the years ended June 30 2022, 2021 and 2020, the State of New Jersey reimbursed the District \$253,972.01, \$242,736.47 and \$230,347.02, respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Public Employees Retirement System (PERS) (Continued)

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

| <u>Year Ended</u> <u>June 30,</u> | <u>Amount</u> |
|--------------------------------------|------------------------------|
| 2022 | (\$195,649.00) |
| 2023 | (122,944.00) |
| 2024 | (65,194.00) |
| 2025 | (34,466.00) |
| 2026 | <u>58,597.00</u> |
| | <u><u>(\$359,656.00)</u></u> |

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which rolled forward to June 30, 2021. These actuarial valuations used the following assumptions:

| | |
|---------------------------|---------------------------|
| 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 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-2020.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

| <u>Assets Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------------|--------------------------|---|
| U.S. Equity | 27.00% | 8.09% |
| Non-U.S. Developed Market Equity | 13.50% | 8.71% |
| Emerging Market Equity | 5.50% | 10.96% |
| Private Equity | 13.00% | 11.30% |
| Real Estate Assets | 3.00% | 9.15% |
| Real Estate | 8.00% | 7.40% |
| High Yield | 2.00% | 3.75% |
| Private Credit | 8.00% | 7.60% |
| Investment Grade Credit | 8.00% | 1.68% |
| Cash Equivalents | 4.00% | 0.50% |
| U.S. Treasuries | 5.00% | 0.95% |
| Risk Mitigation Strategies | 3.00% | 3.35% |

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability as of June 30, 2021, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage-point higher than the current rate:

| | 1% Decrease <u>6.00%</u> | At Current Discount Rate <u>7.00%</u> | 1% Increase <u>8.00%</u> |
|--|--------------------------------|---|--------------------------------|
| District's proportionate share of the pension liability | \$1,467,143.00 | \$1,077,358.00 | \$746,570.00 |

Pension Plan Fiduciary Net Position

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Teachers Pensions and Annuity Fund (TPAF)

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

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2022 was as follows:

| | |
|---|----------------------------|
| Net Pension Liability: | |
| Districts proportionate share | -0- |
| State's proportionate share associated with the District | <u>\$14,348,863</u> |
| | <u><u>\$14,348,863</u></u> |

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 which was rolled forward to June 30, 2021. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2021, the proportion of the TPAF net pension liability associated with the District was .0298467124% which was a decrease of .0009171555 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized on-behalf pension expense and revenue of \$337,635.00 in the government-wide financial statements for contributions provided by the State. This pension expense and revenue was based on the pension plans June 30, 2021 measurement date.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. 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% |
| Thereafter | Based on Years of Service 2.75%-5.65% |
| | Based on Years of Service |
| Investment Rate of Return | 7.00% |

Mortality Rate

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 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-2021.

The actuarial assumptions used in the July 1, 2020 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 plan investments (7.00% at June 30, 2021) 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.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return (Continued)

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, 2021 are summarized in the following table:

| <u>Assets Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------------|--------------------------|---|
| U.S. Equity | 27.00% | 8.09% |
| Non-U.S. Developed Market Equity | 13.50% | 8.71% |
| Emerging Market Equity | 5.50% | 10.96% |
| Private Equity | 13.00% | 11.30% |
| Real Estate Assets | 3.00% | 9.15% |
| Real Estate | 8.00% | 7.40% |
| High Yield | 2.00% | 3.75% |
| Private Credit | 8.00% | 7.60% |
| Investment Grade Credit | 8.00% | 1.68% |
| Cash Equivalents | 4.00% | 0.50% |
| U.S. Treasuries | 5.00% | 0.95% |
| Risk Mitigation Strategies | 3.00% | 3.35% |

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

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

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

Pension Plan Fiduciary Net Position

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Plan Description and Benefits Provided

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

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Employees Covered by Benefit Terms

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

| | |
|--|----------------|
| Active Plan Members | 213,901 |
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 150,427 |
| Inactive Plan Members or Beneficiaries Not Yet Receiving Benefits | - 0 - |
| Total Plan Members | <u>364,328</u> |

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Total Nonemployer OPEB Liability

The portion of the total Non-Employer OPEB Liability that was associated with the District at June 30, 2022 was as follows:

| | |
|---|----------------------------|
| Total OPEB Liability: | |
| District's Proportionate Share | \$-0- |
| State's Proportionate Share associated with the District | <u>17,761,814</u> |
| | <u><u>\$17,761,814</u></u> |

The total Non-Employer OPEB Liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021.

The Total Non-Employer OPEB Liability was determined separately based on actual data of the District.

For the year ended June 30, 2022, the District recognized on-behalf post-employment expense and revenue of \$1,028,493.00 in the government-wide financial statements for contributions provided by the State. This expense and revenue was based on the plans June 30, 2021 measurement date.

At June 30, 2021, the District's proportion was 0.0295992490 percent, which was a decrease of .0017951674 from its proportion measured as of June 30, 2020.

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Actuarial Assumptions and Other Inputs

The total Non-Employer OPEB liability that was associated with the District as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. 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:

| | <u>June 30, 2021</u> | | |
|------------------|----------------------|-------------|----------------|
| | <u>TPAF/ABP</u> | <u>PERS</u> | <u>PFRS</u> |
| Inflation – 2.5% | | | |
| Salary Increases | | | |
| Through 2026 | 1.55-4.45%* | 2.00-6.00%* | 3.25-15.25%* |
| Thereafter | 2.75-5.65%* | 3.00-7.00%* | Not Applicable |

*- Based on Years of Service

Preretirement 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-2021. Postretirement 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-2021. 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-2021 for current disabled retirees. Future disabled retirees was based on the Pub-2010 "Safety" (PFRS), "General" (PERS), and "Teachers" (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies for the periods July 1, 2015— June 30, 2018, July 1, 2014 — June 30, 2018, and July 1, 2013 - June 30, 2018 for TPAF, PERS and PFRS, respectively.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.50% long-term trend rate after seven years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rates for fiscal year 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreases to 4.50% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreases to 4.5% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2021 and June 30, 2020 was 2.16% and 2.21% respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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.

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Changes in the Total Non-Employer OPEB Liability

Shown below are details regarding The Total OPEB non-employer Liability associated with the District for the measurement period from June 30, 2020 to June 30, 2021.

| | | |
|--|-------------|--------------|
| Balance at 6/30/20 | | \$21,288,542 |
| Changes for the year: | | |
| Service cost | \$979,795 | |
| Interest | 460,760 | |
| Changes of Benefit Terms | (18,905) | |
| Differences between expected and actual experience | (4,614,730) | |
| Changes in assumptions or other inputs | 17,523 | |
| Membership Contributions | 11,779 | |
| Benefit payments - Net | (362,950) | |
| Net changes | | (3,526,728) |
| Balance at 6/30/21 | | \$17,761,814 |

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate

The following presents the total Non-Employer OPEB liability associated with the District as of June 30, 2021, calculated using the discount rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1-percentage point higher than the current rate:

| | June 30, 2021 | | |
|---|---------------------------|-----------------------------|---------------------------|
| | 1.00% Decrease (1.16%) | At Discount Rate (2.16%) | 1.00% Increase (3.16%) |
| State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the District | \$21,275,865 | \$17,761,814 | \$14,994,710 |

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

Sensitivity of the Total Non-Employer OPEB Liability to Changes in Healthcare Trends

The following presents the total Non-Employer OPEB liability associated with the District as of June 30, 2021, calculated using the healthcare trend rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

| | 1.00% | June 30, 2021 Healthcare Cost Trend Rate | 1.00% |
|---|-----------------|--|-----------------|
| | <u>Decrease</u> | | <u>Increase</u> |
| State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the District | \$14,378,246 | \$17,761,814 | \$22,305,696 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Non-Employer OPEB Liability

At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's Non-Employer OPEB Liability associated with the District from the following sources:

| | <u>Deferred Outflow of Resources</u> | | <u>Deferred Inflow of Resources</u> |
|---|--|----|---|
| Differences between expected and actual experience | \$ 2,677,515 | \$ | 5,330,636 |
| Changes of assumptions | 3,013,066 | | 1,905,677 |
| Changes in proportion | 703,466 | | 1,170,182 |
| | \$ 6,394,047 | \$ | 8,406,495 |

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Non-Employer OPEB Liability (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total Non-Employer OPEB Liability associated with the District will be recognized in OPEB expense as follows:

| Measurement Period Ended <u>June 30,</u> | <u>Amount</u> |
|--|-----------------------------|
| 2022 | (\$443,296) |
| 2023 | (\$443,296) |
| 2024 | (\$443,296) |
| 2025 | (\$443,296) |
| 2026 | (\$342,155) |
| Total Thereafter | <u>\$102,892</u> |
| | <u><u>(\$2,012,448)</u></u> |

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

State Health Benefit Local Education Retired Employee Plan Information

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 8: LITIGATION

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

NOTE 9: CONTINGENCIES

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2021-2022 fiscal year were subject to the Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$750,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

NOTE 10: RISK MANAGEMENT

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

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

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

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made. The following interfund balances remained on the balance sheet at June 30, 2022:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|----------------------|---------------------------------|------------------------------|
| General Fund | \$403,986.50 | |
| Special Revenue Fund | | \$403,986.50 |
| | <u>\$403,986.50</u> | <u>\$403,986.50</u> |

NOTE 12: CALCULATION OF EXCESS SURPLUS- BUDGETARY BASIS

In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2004,c.73 (S1701), the Restricted Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. Based on this calculation, the South Bound Brook School District has \$374,015.89 excess fund balance resulting from the year ended June 30, 2022.

| | |
|--|-----------------|
| General Fund Expenditures Fiscal Year Ended June 30, 2022 | \$12,997,448.95 |
| Less: | |
| On-behalf TPAF Pension and Social Security Reimbursement | 1,776,368.01 |
| Adjusted General Fund Expenditures | 11,221,080.94 |
| Excess Surplus Percentage | 4.00% |
| 4% of Adjusted 2021-22 General Fund Expenditures | 448,843.24 |
| Greater of line above of \$250,000.00 | 448,843.24 |
| Add: Allowable Adjustments | 333,496.00 |
| Maximum Unreserved/Unassigned Fund Balance | 782,339.24 |
| Actual Unreserved/Unassigned Fund Balance | 1,156,355.13 |
| Excess Surplus | \$374,015.89 |

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 13: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1)— Of the \$3,450,341.18 General Fund fund balance at June 30, 2022, \$1,857,478.05 is restricted in the capital reserve account; \$472,620.00 is restricted in the maintenance reserve account; \$750,768.89 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7, of which \$376,753.00 has been appropriated and included as anticipated revenue for the year ending June 30, 2023; \$369,474.24 is unassigned.

NOTE 14: DEFERRED COMPENSATION

The District offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the District does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2022.

NOTE 15: MAINTENANCE RESERVE

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

The activity of the maintenance reserve for the year ending June 30, 2022 is as follows:

| | |
|---------------------------------|---------------------|
| Beginning balance, July 1, 2021 | \$472,620.00 |
| Ending balance, June 30, 2022 | <u>\$472,620.00</u> |

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 16: CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the year ending June 30, 2022 is as follows:

| | |
|--|-----------------------|
| Beginning balance, July 1, 2021 | \$1,990,675.21 |
| Add: Transfer from Fund Balance - Unassigned | 350,000.00 |
| Add: Unappropriated Funds | 40,315.84 |
| Less: Withdrawals - Adopted Budget | (205,000.00) |
| Less: Withdrawals - Board Resolution dated 5/11/22 | (318,513.00) |
| Ending balance, June 30, 2022 | <u>\$1,857,478.05</u> |

Borough of South Bound Brook School District
Notes to the Financial Statements
June 30, 2022

NOTE 17: TAX ABATEMENTS

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

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

NOTE 18: INVENTORY

Inventory in the Food Service Fund at June 30, 2022 consisted of the following:

| | |
|-------------------|-------------------|
| Food and Supplies | <u>\$1,655.84</u> |
|-------------------|-------------------|

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Act of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

NOTE 19: SUBSEQUENT EVENTS

The Board of Education has evaluated subsequent events occurring after the financial statement date through February 21, 2023 which is the date the financial statements were available to be issued. Based upon this evaluation, the District has determined that no subsequent events needed to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION - Part II

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2022

| | ORIGINAL BUDGET | BUDGET TRANSFERS AMENDMENTS | FINAL BUDGET | ACTUAL | VARIANCE FINAL TO ACTUAL |
|--|------------------------|--------------------------------|------------------------|------------------------|-----------------------------|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax levy | \$6,462,849.00 | | \$6,462,849.00 | \$6,462,849.00 | |
| Tuition from other LEA's within the state | 16,926.00 | | 16,926.00 | 12,644.76 | (\$4,281.24) |
| Miscellaneous | 21,000.00 | | 21,000.00 | 62,266.44 | 41,266.44 |
| Interest earned on Maintenance Reserve | 100.00 | | 100.00 | 100.00 | (100.00) |
| Interest earned on Capital Reserve | 100.00 | | 100.00 | 100.00 | (100.00) |
| Total revenues-local sources | 6,500,975.00 | | 6,500,975.00 | 6,537,760.20 | 36,785.20 |
| State sources: | | | | | |
| Equalization aid | 3,579,750.00 | | 3,579,750.00 | 3,579,750.00 | |
| Categorical special education aid | 342,553.00 | | 342,553.00 | 342,553.00 | |
| Extraordinary aid | 80,000.00 | | 80,000.00 | 413,496.00 | 333,496.00 |
| Categorical security aid | 174,283.00 | | 174,283.00 | 174,283.00 | |
| Categorical transportation aid | 64,547.00 | | 64,547.00 | 64,547.00 | |
| On-behalf TPAF non-contributory medical pension (non-budgeted) | | | | 288,178.00 | 288,178.00 |
| On-behalf TPAF pension (non-budgeted) | | | | 17,160.00 | 17,160.00 |
| On-behalf TPAF long term disability insurance (non-budgeted) | | | | 1,216,265.00 | 1,216,265.00 |
| Reimbursed TPAF social security cont. (non-budgeted) | | | | 793.00 | 793.00 |
| | | | | 253,972.01 | 253,972.01 |
| Total - state sources | 4,241,133.00 | | 4,241,133.00 | 6,350,987.01 | 2,109,854.01 |
| Total revenues | \$10,742,108.00 | | \$10,742,108.00 | \$12,888,757.21 | \$2,146,649.21 |
| EXPENDITURES | | | | | |
| CURRENT EXPENSE: | | | | | |
| Regular programs - Instruction: | | | | | |
| Salaries of teachers: | | | | | |
| Preschool | \$32,179.00 | \$630.00 | \$32,809.00 | \$32,782.40 | \$26.60 |
| Kindergarten | 219,586.00 | 3,649.00 | 223,235.00 | 220,334.29 | 2,900.71 |
| Grades 1-5 | 1,262,258.00 | (29,664.26) | 1,232,593.74 | 1,232,593.51 | 0.23 |
| Grades 6-8 | 623,786.00 | 61,101.75 | 684,887.75 | 684,887.51 | 0.24 |
| Regular programs - home instruction: | | | | | |
| Salaries of teachers | 5,000.00 | | 5,000.00 | 800.00 | 4,200.00 |
| Regular programs - undistributed instruction: | | | | | |
| Other salaries | 43,487.00 | 1,900.00 | 45,387.00 | 45,381.40 | 5.60 |
| Other purchased services | 192,310.00 | (44,357.00) | 147,953.00 | 144,394.60 | 3,558.40 |
| General supplies | 150,200.00 | (95,294.00) | 114,906.00 | 100,749.65 | 14,156.45 |
| Textbooks | 30,000.00 | (11,998.00) | 18,002.00 | 17,883.93 | 118.07 |
| Other objects | 60,000.00 | (40,300.00) | 19,700.00 | 18,892.22 | 807.78 |
| Total regular programs | \$2,618,786.00 | (\$94,332.51) | \$2,524,453.49 | \$2,498,699.41 | \$25,754.08 |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2022

| | ORIGINAL BUDGET | BUDGET TRANSFERS/ AMENDMENTS | FINAL BUDGET | ACTUAL | VARIANCE FINAL TO ACTUAL |
|---|--------------------|---------------------------------|-----------------|-------------|-----------------------------|
| Special education: | | | | | |
| Learning and/or language disabilities: | | | | | |
| Salaries of teachers | \$61,100.00 | \$61,100.00 | \$61,100.00 | \$61,050.00 | \$50.00 |
| Other salaries for instruction | 24,400.00 | 24,400.00 | 24,400.00 | 6,864.54 | 17,535.46 |
| General supplies | 100.00 | 100.00 | 100.00 | 100.00 | 0.00 |
| Total learning and/or language disabilities | 85,600.00 | 85,600.00 | 85,600.00 | 67,914.54 | 17,685.46 |
| Behavioral disabilities: | | | | | |
| Salaries of teachers | \$65,000.00 | (65,000.00) | | | |
| Purchased Professional-Educational Services | 55,000.00 | (55,000.00) | | | |
| General supplies | 100.00 | (100.00) | | | |
| Total behavioral disabilities | 120,100.00 | (120,100.00) | | | |
| Multiple disabilities: | | | | | |
| Salaries of teachers | 60,728.00 | 1,632.00 | 62,360.00 | 62,360.00 | 0.00 |
| Other salaries for instruction | 248,651.00 | (198,275.08) | 50,375.92 | 50,151.40 | 224.52 |
| Purchased professional-educational services | | 55,000.00 | 55,000.00 | 55,000.00 | 0.00 |
| General supplies | 200.00 | 200.00 | 200.00 | 200.00 | 0.00 |
| Total multiple disabilities | 309,579.00 | (141,643.08) | 167,935.92 | 167,711.40 | 224.52 |
| Resource room/resource center: | | | | | |
| Salaries of teachers | 299,087.00 | 2,268.00 | 301,355.00 | 301,355.00 | 0.00 |
| Other purchased services (400-500 series) | 450.00 | 450.00 | 450.00 | 450.00 | 0.00 |
| General supplies | 800.00 | 800.00 | 800.00 | 505.25 | 294.75 |
| Total resource room/center | 300,337.00 | 2,268.00 | 302,605.00 | 301,860.25 | 744.75 |
| Preschool disabilities - part time: | | | | | |
| Salaries of teachers | 32,179.00 | 605.00 | 32,784.00 | 32,782.40 | 1.60 |
| Other salaries for instruction | 56,573.00 | 1,000.00 | 57,573.00 | 57,551.00 | 22.00 |
| Purchased professional-educational services | 3,000.00 | (1,000.00) | 2,000.00 | 2,000.00 | 0.00 |
| Other purchased services | 150.00 | 150.00 | 150.00 | 150.00 | 0.00 |
| Total preschool disabilities - part time | 91,902.00 | 605.00 | 92,507.00 | 92,333.40 | 173.60 |
| Total special education | 821,916.00 | (\$173,270.08) | 648,647.92 | 629,819.59 | 18,828.33 |
| Basic skills/remedial: | | | | | |
| Salaries of teachers | 79,506.00 | | 79,506.00 | 76,040.04 | 3,465.96 |
| Total basic skills/remedial | \$79,506.00 | | \$79,506.00 | \$76,040.04 | \$3,465.96 |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2022

| | ORIGINAL BUDGET | BUDGET TRANSFERS/ AMENDMENTS | FINAL BUDGET | ACTUAL | VARIANCE FINAL TO ACTUAL |
|---|--------------------|---------------------------------|-----------------|--------------|-----------------------------|
| Bilingual education: | | | | | |
| Salaries of teachers | \$119,294.00 | \$2,052.00 | \$121,346.00 | \$120,608.80 | \$737.20 |
| Purchased services (400-500 series) | 200.00 | | 200.00 | 200.00 | 0.00 |
| General supplies | 100.00 | | 100.00 | 68.45 | 31.55 |
| Total bilingual education | 119,594.00 | 2,052.00 | 121,646.00 | 120,677.25 | 968.75 |
| School sponsored cocurricular activities: | | | | | |
| Salaries | 60,000.00 | 34,405.00 | 94,405.00 | 94,405.00 | 0.00 |
| Purchased services | 5,000.00 | | 5,000.00 | | 5,000.00 |
| Supplies and Materials | 4,000.00 | | 4,000.00 | | 4,000.00 |
| Total school sponsored cocurricular activities | 69,000.00 | 34,405.00 | 103,405.00 | 94,405.00 | 9,000.00 |
| Before/After School Programs | | | | | |
| Purchased Professional and Technical Services | | 2,000.00 | 2,000.00 | 137.00 | 1,863.00 |
| Total Before/After School Programs | | 2,000.00 | 2,000.00 | 137.00 | 1,863.00 |
| Total other instructional programs | 268,100.00 | 38,457.00 | 306,557.00 | 291,259.29 | 15,297.71 |
| Total - instruction | 3,708,804.00 | (229,145.99) | 3,479,658.41 | 3,419,778.29 | 59,880.12 |
| Undistributed expenditures: | | | | | |
| Instruction: | | | | | |
| Tuition to Other LEAs Within the State-Regular | 1,595,040.00 | | 1,595,040.00 | 1,595,040.00 | 0.00 |
| Tuition to Other LEAs Within the State-Special | 1,059,734.00 | (28,500.00) | 1,031,234.00 | 1,013,870.95 | 17,363.05 |
| Tuition to county vocational school district - regular | 62,000.00 | (10,000.00) | 52,000.00 | 49,700.00 | 2,300.00 |
| Tuition to private schools for handicapped within the state | 55,000.00 | 38,500.00 | 93,500.00 | 77,854.44 | 15,645.56 |
| Total undistributed expenditures - instruction | 2,771,774.00 | | 2,771,774.00 | 2,736,465.39 | 35,308.61 |
| Attendance & Social Work: | | | | | |
| Salaries | 63,650.00 | (2,525.00) | 61,125.00 | 55,717.98 | 5,407.02 |
| Other purchased services (400-500 series) | 8,300.00 | | 8,300.00 | 7,925.00 | 375.00 |
| Total attendance & social work | 71,950.00 | (2,525.00) | 69,425.00 | 63,642.98 | 5,782.02 |
| Health services: | | | | | |
| Salaries | 77,000.00 | | 77,000.00 | 75,860.00 | 1,140.00 |
| Purchased professional technical services | 7,000.00 | | 7,000.00 | 6,000.00 | 1,000.00 |
| Supplies and Materials | 5,000.00 | | 5,000.00 | 4,411.78 | 588.22 |
| Other objects | 400.00 | | 400.00 | 136.50 | 263.50 |
| Total health services | \$89,400.00 | | \$89,400.00 | \$86,408.28 | \$2,991.72 |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2022

| | ORIGINAL BUDGET | BUDGET TRANSFERS/ AMENDMENTS | FINAL BUDGET | ACTUAL | VARIANCE FINAL TO ACTUAL |
|---|--------------------|---------------------------------|--------------------|--------------------|-----------------------------|
| Other support services - students-related services: | | | | | |
| Salaries | \$61,789.00 | \$1,189.00 | \$62,978.00 | \$62,977.50 | \$0.50 |
| Purchased professional educational services | 60,000.00 | (60,000.00) | | | |
| Supplies and Materials | 500.00 | | 500.00 | 224.60 | 275.40 |
| Total other support services - students-related services | 122,289.00 | (58,811.00) | 63,478.00 | 63,202.10 | 275.90 |
| Related services - extraordinary services: | | | | | |
| Salaries | | 171,156.08 | 171,156.08 | 160,810.38 | 10,345.70 |
| Purchased professional - Educational Services | 112,500.00 | 75,500.00 | 188,000.00 | 185,595.62 | 2,434.38 |
| Supplies and Materials | 220.00 | | 220.00 | 220.00 | |
| Total related services - extraordinary services: | 112,720.00 | 246,656.08 | 359,376.08 | 346,596.00 | 12,780.08 |
| Other support services - students-regular: | | | | | |
| Salaries of other professional staff | 63,575.00 | 1,503.00 | 65,078.00 | 64,839.17 | 238.83 |
| Supplies and materials | 300.00 | | 300.00 | 300.00 | |
| Total other support services - students-regular | 63,875.00 | 1,503.00 | 65,378.00 | 65,139.17 | 238.83 |
| Other support services - students - special services: | | | | | |
| Salaries of other professional staff | | 985.00 | 46,660.00 | 46,659.90 | 0.10 |
| Salaries of secretarial and clerical assistants | 45,675.00 | | 1,850.00 | 894.52 | 955.48 |
| Other Salaries | | 1,850.00 | 261,500.00 | 261,500.00 | |
| Purchased services - special | 261,500.00 | 2,000.00 | 5,200.00 | 5,144.47 | 55.53 |
| Supplies and materials | 3,200.00 | | | | |
| Total other support services - students - special services | 310,375.00 | 4,835.00 | 315,210.00 | 314,198.89 | 1,011.11 |
| Improvement of instructional services: | | | | | |
| Salaries of Supervisor/instructor | 101,764.00 | 1,000.00 | 102,764.00 | 102,751.92 | 12.08 |
| Salaries of other professional staff | 41,042.00 | 1,810.00 | 42,852.00 | 42,697.58 | 154.42 |
| Salaries of Secretaries and Clerical Assistants | | 43,305.00 | 43,305.00 | 43,302.00 | 3.00 |
| Other Salaries | 42,630.00 | (35,130.00) | 7,500.00 | 6,820.41 | 679.59 |
| Total improvement of instructional services | 185,436.00 | 10,985.00 | 196,421.00 | 195,571.91 | 849.09 |
| Educational media services / school library | | | | | |
| Salaries | 92,964.00 | (15,281.00) | 77,673.00 | 77,672.96 | 0.04 |
| Supplies and materials | 4,500.00 | (1,850.00) | 2,650.00 | 2,452.52 | 197.48 |
| Total Educational media services / school library | \$97,464.00 | (\$17,131.00) | \$80,323.00 | \$80,125.48 | \$197.52 |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2022

| | ORIGINAL BUDGET | BUDGET TRANSFERS/ AMENDMENTS | FINAL BUDGET | ACTUAL | VARIANCE FINAL TO ACTUAL |
|--|---------------------|---------------------------------|---------------------|---------------------|-----------------------------|
| Instructional staff training services: | | | | | |
| Purchased professional educational services | \$66,000.00 | (\$1,242.50) | \$44,757.50 | \$10,877.41 | \$33,880.09 |
| Other Purchased Services | 10,000.00 | | 10,000.00 | 951.62 | 9,048.38 |
| Total Instructional staff training services | 66,000.00 | (11,242.50) | 54,757.50 | 11,829.03 | 42,928.47 |
| Support services general administration: | | | | | |
| Salaries | 79,383.00 | 102.00 | 79,485.00 | 79,483.44 | 1.56 |
| Legal services | 20,500.00 | | 20,500.00 | 14,031.75 | 6,468.25 |
| Audit Fees | 20,500.00 | (1,500.00) | 19,000.00 | 18,850.00 | 150.00 |
| Other purchased professional services | 8,000.00 | (2,802.00) | 5,198.00 | 5,396.00 | 598.00 |
| Purchased technical services | 9,200.00 | | 9,200.00 | 8,105.00 | 995.00 |
| Other purchased services | 6,000.00 | (3,000.00) | 3,000.00 | 1,714.13 | 1,285.87 |
| Supplies and materials | 5,000.00 | (385.00) | 4,615.00 | | |
| Miscellaneous Expenditures | 15,000.00 | (1,823.40) | 13,176.60 | 13,176.60 | |
| BOE membership dues and fees | 5,500.00 | (491.60) | 5,008.40 | 5,008.40 | |
| Total support services general administration | 169,083.00 | (9,700.00) | 159,383.00 | 150,844.32 | 8,538.68 |
| Support services school administration: | | | | | |
| Salaries of principals/assistant principals | 172,032.00 | 4,796.00 | 176,828.00 | 176,827.44 | 0.56 |
| Salaries of secretarial and clerical assistants | 57,389.00 | | 57,389.00 | 56,816.12 | 572.88 |
| Other purchased services (400-500 series) | 1,350.00 | (500.00) | 850.00 | 850.00 | |
| Supplies and materials | 6,000.00 | (1,296.00) | 4,704.00 | 4,678.43 | 25.57 |
| Other objects | 500.00 | | 500.00 | 487.16 | 12.84 |
| Total support services school administration | 237,271.00 | 3,000.00 | 240,271.00 | 239,659.15 | 611.85 |
| Central Services: | | | | | |
| Salaries | 257,323.00 | 10,700.00 | 268,023.00 | 267,716.82 | 306.18 |
| Purchased professional services | 16,000.00 | 2,500.00 | 18,500.00 | 16,608.64 | 1,891.36 |
| Miscellaneous purchased services | 1,500.00 | (750.00) | 750.00 | 709.11 | 40.89 |
| Supplies and materials | 1,200.00 | (224.00) | 976.00 | 976.00 | |
| Total central services | 276,023.00 | 12,226.00 | 288,249.00 | 286,010.57 | 2,238.43 |
| Administration information technology: | | | | | |
| Salaries | 100,265.00 | 974.00 | 101,239.00 | 101,237.76 | 1.24 |
| Total administration information technology | \$100,265.00 | \$974.00 | \$101,239.00 | \$101,237.76 | \$1.24 |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2022

| | ORIGINAL BUDGET | BUDGET TRANSFERS/ AMENDMENTS | FINAL BUDGET | ACTUAL | VARIANCE FINAL TO ACTUAL |
|--|-----------------|---------------------------------|--------------|--------------|-----------------------------|
| Required maintenance for school facilities: | | | | | |
| Cleaning, repair and maint. services | \$118,711.50 | | \$118,711.50 | \$87,164.14 | \$31,547.36 |
| General supplies | 40,682.96 | (\$4,417.00) | 36,265.96 | 24,002.86 | 12,263.10 |
| Total required maintenance for school facilities | 159,394.46 | (4,417.00) | 154,977.46 | 111,167.00 | 43,810.46 |
| Other operations & maintenance of plant | | | | | |
| Salaries | 28,000.00 | 4,500.00 | 32,500.00 | 30,250.89 | 2,249.11 |
| Purchased professional and technical services | 32,000.00 | | 32,000.00 | 25,805.03 | 6,194.97 |
| Cleaning, repair and maint. services | 422,310.00 | (19,983.17) | 402,326.83 | 401,664.26 | 662.57 |
| Rental of land & building other than lease purchase | 3,000.00 | (1,000.00) | 2,000.00 | 63.29 | 1,936.71 |
| Other purchased property services | 5,500.00 | 10,000.00 | 15,500.00 | 9,500.00 | 6,000.00 |
| Insurance | 50,750.00 | 1,000.00 | 51,750.00 | 51,571.50 | 178.50 |
| Energy (Natural Gas) | 27,500.00 | 15,000.00 | 42,500.00 | 30,322.24 | 12,177.76 |
| Energy (Electricity) | 170,000.00 | 15,000.00 | 185,000.00 | 103,468.73 | 81,531.27 |
| Total undistributed expenditures- Custodial services | 739,060.00 | 24,516.83 | 763,576.83 | 652,585.94 | 110,990.89 |
| Security | | | | | |
| Salaries | 24,000.00 | | 24,000.00 | 15,443.18 | 8,556.82 |
| Total Security | 24,000.00 | | 24,000.00 | 15,443.18 | 8,556.82 |
| Total other operations & maintenance of plant | 922,454.46 | 20,099.83 | 942,554.29 | 779,196.12 | 163,358.17 |
| Student transportation services: | | | | | |
| Contracted services (between home and school) - joint agreements | 38,000.00 | (13,220.00) | 24,780.00 | 24,780.00 | |
| Contracted services (special education students) - vendors | 348,000.00 | 142,510.22 | 490,510.22 | 348,000.00 | 142,510.22 |
| Total student transportation services | 386,000.00 | 129,290.22 | 515,290.22 | 372,780.00 | 142,510.22 |
| Unallocated benefits: | | | | | |
| Social security contributions | 87,000.00 | 7,012.73 | 94,012.73 | 94,012.73 | |
| Other retirement contributions - regular | 94,000.00 | 12,505.00 | 106,505.00 | 106,505.00 | |
| Unemployment Compensation | 14,500.00 | 2,822.52 | 17,322.52 | 17,322.52 | |
| Workmen's compensation | 36,250.00 | (7,436.00) | 28,814.00 | 28,813.19 | 0.81 |
| Health benefits | 77,000.00 | 225.62 | 77,225.62 | 77,225.62 | |
| Other employee benefits | 9,500.00 | (6,755.81) | 2,744.19 | 744.19 | |
| Total unallocated benefits | \$318,250.00 | \$6,374.06 | \$324,624.06 | \$324,623.25 | \$0.81 |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2022

| | BUDGET | BUDGET TRANSFERS/ AMENDMENTS | FINAL BUDGET | ACTUAL | VARIANCE FINAL TO ACTUAL |
|---|-----------------|---------------------------------|-----------------|-----------------|-----------------------------|
| Allocated benefits: | | | | | |
| Regular programs - health benefits | \$541,373.00 | (\$128,114.77) | \$413,258.23 | \$338,143.42 | \$75,114.81 |
| Regular programs - tuition reimbursement | 10,000.00 | 757.50 | 10,757.50 | 10,734.50 | 23.00 |
| Special programs - health benefits | 355,009.00 | | 355,009.00 | 355,009.00 | |
| Improvement of instruction services - health benefits | 29,691.00 | | 29,691.00 | 29,691.00 | |
| Library services - health benefits | 24,391.00 | | 24,391.00 | 24,391.00 | |
| General administration - health benefits | 24,391.00 | | 24,391.00 | 24,391.00 | |
| School administration - health benefits | 24,391.00 | | 24,391.00 | 24,391.00 | |
| Central services - health benefits | 36,566.00 | | 36,566.00 | 36,566.00 | |
| Total allocated benefits | 1,045,832.00 | (127,357.27) | 918,474.73 | 843,336.92 | 75,137.81 |
| On-behalf TPAF post retirement medical pension (non-budgeted) | | | | 288,178.00 | (288,178.00) |
| On-behalf TPAF non-contributory insurance (non-budgeted) | | | | 17,160.00 | (17,160.00) |
| On-behalf TPAF pension (non-budgeted) | | | | 1,216,265.00 | (1,216,265.00) |
| On-behalf TPAF long term disability insurance (non-budgeted) | | | | 793.00 | (793.00) |
| Reimbursed TPAF social security contributions (non-budgeted) | | | | 253,972.01 | (253,972.01) |
| Total on-behalf contributions | | | | 1,776,368.01 | (1,776,368.01) |
| Total undistributed expenditures | 7,346,451.46 | 209,176.42 | 7,555,627.88 | 8,837,235.33 | (1,281,607.45) |
| General Current Expense: | 100.00 | | 100.00 | | 100.00 |
| Interest earned on maintenance reserve | | | | | |
| TOTAL EXPENDITURES - CURRENT EXPENSE | \$11,055,355.46 | (\$19,969.17) | \$11,035,386.29 | \$12,257,013.62 | (\$1,221,627.33) |
| CAPITAL OUTLAY: | | | | | |
| Interest deposit to capital reserve | 100.00 | | 100.00 | | 100.00 |
| Equipment: | | | | | |
| Undistributed Expenditures - Non-Inst. Serv. | | 14,400.17 | 14,400.17 | 4,208.60 | 10,191.57 |
| Total Equipment | | 14,400.17 | 14,400.17 | 4,208.60 | 10,191.57 |
| Facilities Acquisition and Construction Services | | | | | |
| Architectural/Engineering Services | 17,250.00 | 9,000.00 | 26,250.00 | 26,250.00 | |
| Infrastructure | 187,750.00 | 309,513.00 | 497,263.00 | 467,138.73 | 30,124.27 |
| Assessment for debt service on SDA funding | 32,481.00 | | 32,481.00 | 32,481.00 | |
| Total Facilities Acquisition and Const. Serv. | 237,481.00 | 318,513.00 | 556,004.00 | 525,879.73 | 30,124.27 |
| TOTAL CAPITAL OUTLAY | 237,581.00 | 332,913.17 | 570,504.17 | 530,088.33 | \$40,415.84 |
| CHARTER SCHOOLS: | | | | | |
| Transfer of funds to charter schools | \$204,778.00 | \$5,569.00 | \$210,347.00 | \$210,347.00 | |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2022

| | BUDGET | BUDGET TRANSFERS/ AMENDMENTS | FINAL BUDGET | ACTUAL | VARIANCE FINAL TO ACTUAL |
|--|-----------------|---------------------------------|------------------|-----------------|-----------------------------|
| SPECIAL SCHOOLS: | | | | | |
| Summer school-instruction: | | | | | |
| Salaries of teachers | \$13,500.00 | | \$13,500.00 | | \$13,500.00 |
| Other salaries for instruction | 4,500.00 | | 4,500.00 | | 4,500.00 |
| Total summer school-instruction | 18,000.00 | | 18,000.00 | | 18,000.00 |
| Total special schools | 18,000.00 | | 18,000.00 | | 18,000.00 |
| Total expenditures | \$11,515,724.46 | \$318,513.00 | \$11,834,237.46 | \$12,997,448.95 | (\$1,163,211.49) |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (\$773,616.46) | (318,513.00) | (\$1,092,129.46) | (\$108,691.74) | 983,437.72 |
| Fund balances, July 1 | 3,971,897.92 | | 3,971,897.92 | 3,971,897.92 | |
| Fund balances, June 30 | \$3,198,281.46 | (\$318,513.00) | \$2,879,768.46 | \$3,863,206.18 | \$983,437.72 |
| Reconciliation: | | | | | |
| Reserve for encumbrances | | | | \$1,857,478.05 | |
| Capital reserve | | | | 472,620.00 | |
| Maintenance reserve | | | | 376,753.00 | |
| Excess surplus - prior year | | | | 374,015.89 | |
| Excess surplus - current year | | | | 782,339.24 | |
| Unrestricted fund balance | | | | \$3,863,206.18 | |
| Reconciliation to government fund statements | | | | (412,865.00) | |
| Last state aid payment not recognized on GAAP basis | | | | \$3,450,341.18 | |
| Fund balance per governmental funds (GAAP) | | | | \$3,450,341.18 | |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | ORIGINAL BUDGET | BUDGET TRANSFERS/ AMENDMENTS | FINAL BUDGET | ACTUAL | VARIANCE FINAL TO ACTUAL |
|---|---------------------|------------------------------|-----------------------|---------------------|--------------------------|
| REVENUES: | | | | | |
| Federal sources | \$367,225.00 | \$1,176,835.58 | \$1,544,060.58 | \$895,009.31 | (\$649,051.27) |
| Other sources | 10,650.00 | 36,683.81 | 47,333.81 | 30,040.30 | (17,293.51) |
| Total revenues | 377,875.00 | 1,213,519.39 | 1,591,394.39 | 925,049.61 | (666,344.78) |
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries of teachers | 50,000.00 | 165,820.00 | 215,820.00 | 97,354.45 | 118,465.55 |
| Purchased professional & technical services | | 4,000.00 | 4,000.00 | 4,000.00 | |
| Other purchased services | 9,000.00 | (9,000.00) | | | |
| Tuition | 71,000.00 | 76,168.00 | 147,168.00 | 147,168.00 | |
| General supplies | 223,776.00 | 386,255.51 | 610,031.51 | 214,261.58 | 395,769.93 |
| Total instruction | 353,776.00 | 623,243.51 | 977,019.51 | 462,784.03 | 514,235.48 |
| Support services: | | | | | |
| Purchased professional & technical services | | 370,530.97 | 370,530.97 | 270,603.92 | 99,927.05 |
| Purchased professional & educational services | 11,899.00 | 79,758.00 | 91,657.00 | 88,978.75 | 2,678.25 |
| Personal services - employee benefits | 12,200.00 | 17,535.00 | 29,735.00 | 22,109.44 | 7,625.56 |
| Other purchased services | | 800.00 | 800.00 | 300.00 | 500.00 |
| Supplies and materials | | 50,484.67 | 50,484.67 | 26,337.23 | 24,147.44 |
| Student activities | | 32,550.81 | 32,550.81 | 13,303.51 | 19,247.30 |
| Total support services | 24,099.00 | 551,659.45 | 575,758.45 | 421,632.85 | 154,125.60 |
| Facilities acquisition & construction services: | | | | | |
| Instructional Equipment | | 38,616.43 | 38,616.43 | 38,616.43 | |
| Non-Instructional Equipment | | 38,616.43 | 38,616.43 | 38,616.43 | |
| Total facilities acquisition & construction services | | 77,232.86 | 77,232.86 | 77,232.86 | |
| Total expenditures | \$377,875.00 | \$1,213,519.39 | \$1,591,394.39 | \$923,033.31 | \$668,361.08 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | | | 2,016.30 | |
| Fund Balance, July 1 | | | | 32,550.81 | |
| Fund Balance, June 30 | | | | \$34,567.11 | |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | <u>GENERAL FUND</u> | <u>SPECIAL REVENUE FUND</u> |
|---|-------------------------|-------------------------------------|
| Sources/inflows of resources | | |
| Actual amounts (budgetary) "revenues" from the budgetary comparison schedules | \$12,888,757.21 | \$925,049.61 |
| Difference - budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and related revenue is recognized. | | 94,786.18 |
| State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes. | 369,705.00 | |
| State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year. | <u>(412,865.00)</u> | |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | <u>\$12,845,597.21</u> | <u>\$1,019,835.79</u> |
| Uses/outflows of resources | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules | \$12,997,448.95 | \$923,033.31 |
| Difference - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial purposes | | <u>94,786.18</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | <u>\$12,997,448.95</u> | <u>\$1,017,819.49</u> |

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

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

| Measurement Date Ending June 30. | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) | District's Covered-Employee Payroll | District's Proportion of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll | Plan Fiduciary Net Position as a percentage of the total Pension Liability |
|----------------------------------|--|---|-------------------------------------|---|--|
| 2013 | 0.0060734228% | \$ 1,160,752 | 375,757.00 | 308.91% | 48.72% |
| 2014 | 0.0055848866% | 1,045,644 | 340,333.00 | 307.24% | 52.08% |
| 2015 | 0.0047232171% | 1,060,268 | 350,749.00 | 302.29% | 47.92% |
| 2016 | 0.0050766237% | 1,503,550 | 357,861.00 | 420.15% | 40.14% |
| 2017 | 0.0061079896% | 1,421,842 | 461,918.00 | 307.81% | 48.09% |
| 2018 | 0.0071149700% | 1,400,902 | 552,954.00 | 253.35% | 53.60% |
| 2019 | 0.0092527498% | 1,667,205 | 541,396.00 | 307.95% | 56.27% |
| 2020 | 0.0084633701% | 1,380,154 | 661,490.00 | 208.64% | 58.32% |
| 2021 | 0.0090943151% | 1,077,358 | 674,625.00 | 159.70% | 70.33% |

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

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

| Fiscal Year Ending June 30. | Contributions in Relation to the | | Contributions in Excess of Contractual Requirements | District's Covered- Employee Payroll | Contributions as a Percentage of Covered- Employee Payroll |
|-----------------------------------|---|--|--|---|--|
| | Contractually Required Contribution | Contractually Required Contributions | | | |
| 2014 | \$ 46,041 | \$ 46,041 | \$ -0- | \$ 340,333.00 | 13.53% |
| 2015 | 40,607 | 40,607 | -0- | 350,749.00 | 11.58% |
| 2016 | 45,100 | 45,100 | -0- | 357,861.00 | 12.60% |
| 2017 | 56,867 | 56,867 | -0- | 461,918.00 | 12.31% |
| 2018 | 70,771 | 70,771 | -0- | 552,954.00 | 12.80% |
| 2019 | 90,003 | 90,003 | -0- | 541,396.00 | 16.62% |
| 2020 | 92,585 | 92,585 | -0- | 661,490.00 | 14.00% |
| 2021 | 106,505 | 106,505 | -0- | 674,625.00 | 15.79% |
| 2022 | 119,835 | 119,835 | -0- | 750,954.00 | 15.96% |

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

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

| Measurement Date Ending June 30, | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) | State's Proportionate Share of the Net Pension Liability Associated with the District | District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll | State's Proportionate Share of the Total Net Pension Liability Associated with the District as a percentage of the District's Covered-Employee Payroll | Plan Fiduciary Net Position as a percentage of the total Pension Liability |
|----------------------------------|--|---|---|--|--|--|
| 2013 | 0.0333448840% | \$ -0- | \$ 16,852,242.00 | 3,290,442.00 | 512.16% | 33.76% |
| 2014 | 0.0314054995% | -0- | 16,785,217.00 | 3,100,395.00 | 541.39% | 33.64% |
| 2015 | 0.0313036520% | -0- | 19,785,245.00 | 3,289,205.00 | 601.52% | 28.71% |
| 2016 | 0.0325020885% | -0- | 25,568,212.00 | 3,383,672.00 | 755.64% | 22.33% |
| 2017 | 0.0332436125% | -0- | 22,414,042.00 | 3,243,274.00 | 691.09% | 25.41% |
| 2018 | 0.0335073665% | -0- | 21,316,667.00 | 3,289,576.00 | 648.01% | 26.49% |
| 2019 | 0.0312103411% | -0- | 19,154,081.00 | 3,238,039.00 | 591.53% | 26.95% |
| 2020 | 0.0307638679% | -0- | 20,257,637.00 | 3,253,568.00 | 622.63% | 24.60% |
| 2021 | 0.0298467124% | -0- | 14,348,863.00 | 3,392,501.00 | 422.96% | 35.52% |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms:

None

Change in assumptions:

The following assumptions were used in calculating the net pension liability in their respective accounting periods:

| Measurement Date Ending <u>June 30,</u> | Discount <u>Rate</u> | Long-Term Expected Rate of <u>Return</u> | Actuarial Experience <u>Study Period</u> |
|---|-------------------------|---|--|
| 2021 | 7.00% | 7.00% | 07/01/14-06/30/18 |
| 2020 | 7.00% | 7.00% | 07/01/14-06/30/18 |
| 2019 | 6.28% | 7.00% | 07/01/14-06/30/18 |
| 2018 | 5.66% | 7.00% | 07/01/11-06/30/14 |
| 2017 | 5.00% | 7.00% | 07/01/11-06/30/14 |
| 2016 | 3.98% | 7.65% | 07/01/11-06/30/14 |
| 2015 | 4.90% | 7.90% | 07/01/08-06/30/11 |
| 2014 | 5.39% | 7.90% | 07/01/08-06/30/11 |
| 2013 | 5.55% | 7.90% | 07/01/08-06/30/11 |

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms:

None

Change in assumptions:

The following assumptions were used in calculating the net pension liability in their respective accounting periods:

| Measurement Date Ending <u>June 30,</u> | Discount <u>Rate</u> | Long-Term Expected Rate of <u>Return</u> | Actuarial Experience <u>Study Period</u> |
|---|-------------------------|---|--|
| 2021 | 5.40% | 7.00% | 07/01/15-06/30/18 |
| 2020 | 5.40% | 7.00% | 07/01/15-06/30/18 |
| 2019 | 5.60% | 7.00% | 07/01/15-06/30/18 |
| 2018 | 4.86% | 7.00% | 07/01/12-06/30/15 |
| 2017 | 4.25% | 7.00% | 07/01/12-06/30/15 |
| 2016 | 3.22% | 7.65% | 07/01/12-06/30/15 |
| 2015 | 4.13% | 7.90% | 07/01/09-06/30/12 |
| 2014 | 4.68% | 7.90% | 07/01/09-06/30/12 |
| 2013 | 4.95% | 7.90% | 07/01/09-06/30/12 |

REQUIRED SUPPLEMENTARY INFORMATION - PART IV

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

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

| | Measurement Date Ended June 30, | | | | |
|--|---------------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
| Total Non-Employer OPEB Liability - State's Proportionate Share of Total OPEB Liability Associated with the School District | | | | | |
| Balance at 6/30 | \$21,288,542 | \$12,595,951 | \$14,101,253 | \$16,318,818 | \$17,421,630 |
| Changes for the year: | | | | | |
| Service cost | 979,795 | 526,657 | 511,100 | 603,085 | 727,027 |
| Interest | 460,760 | 453,056 | 558,307 | 599,345 | 512,085 |
| Differences between expected and actual experience | (4,614,730) | 4,183,576 | (2,387,320) | (1,437,776) | |
| Changes in assumptions or other inputs | 17,523 | 3,888,685 | 187,807 | (1,618,189) | (1,977,864) |
| Membership Contributions | 11,779 | 11,233 | 11,462 | 13,032 | 13,918 |
| Benefit payments - Net | (362,950) | (370,616) | (386,658) | (377,062) | (377,978) |
| Net changes | <u>(3,526,728)</u> | <u>8,692,591</u> | <u>(1,505,302)</u> | <u>(2,217,565)</u> | <u>(1,102,812)</u> |
| Balance at 6/30 | <u>\$17,761,814</u> | <u>\$21,288,542</u> | <u>\$12,595,951</u> | <u>\$14,101,253</u> | <u>\$16,318,818</u> |
| Covered Employee Payroll | 4,067,126 | 3,915,058 | 3,794,964 | 3,842,530 | 3,705,192 |
| District's Proportionate Share of the Total Non-Employer OPEB Liability as a percentage of the District's Covered Employee Payroll | -0- | -0- | -0- | -0- | -0- |
| State's Proportionate Share of the Total Non-Employer OPEB Liability associated with the District as a percentage of the District's Covered Employee Payroll | 436.72% | 543.76% | 331.91% | 366.98% | 440.43% |

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PART IV
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Change in benefit terms: None

Change in assumptions:

The following assumptions were used in calculating the net OPEB liability in their respective accounting periods:

| Measurement Date Ending <u>June 30,</u> | Discount <u>Rate</u> |
|---|-------------------------|
| 2021 | 2.16% |
| 2020 | 2.21% |
| 2019 | 3.50% |
| 2018 | 3.87% |

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | TITLE I | TITLE I - S/A | TITLE I/A | TITLE III | TITLE III - IMMIGRANT | TITLE IV | IDEA BASIC | ARP IDEA | IDEA BASIC - PRESCHOOL |
|--|-------------|---------------|-------------|------------|-----------------------|-------------|--------------|-------------|------------------------|
| REVENUES: | | | | | | | | | |
| State sources | \$95,813.00 | \$12,617.00 | \$16,373.44 | \$6,707.68 | \$4,804.00 | \$10,227.00 | \$124,989.00 | \$24,063.00 | \$5,751.00 |
| Federal sources | | | | | | | | | |
| Other sources | | | | | | | | | |
| Total revenues | 95,813.00 | 12,617.00 | 16,373.44 | 6,707.68 | 4,804.00 | 10,227.00 | 124,989.00 | 24,063.00 | 5,751.00 |
| EXPENDITURES: | | | | | | | | | |
| Instruction: | | | | | | | | | |
| Salaries of teachers | 66,078.00 | | | 2,236.45 | | 2,000.00 | | | |
| Purchased professional & technical services | | 2,000.00 | | | | | 124,989.00 | 22,179.00 | |
| Tuition | | 10,617.00 | | 3,285.23 | | 8,227.00 | | 1,984.00 | 901.00 |
| General supplies | | | | | | | | | |
| Total instruction | 66,078.00 | 12,617.00 | | 5,521.68 | | 10,227.00 | 124,989.00 | 24,063.00 | 901.00 |
| Support services: | | | | | | | | | |
| Personal services - employee benefits | 29,735.00 | | | | | | | | |
| Purchased professional & technical services | | | 16,373.44 | 886.00 | | | | | 4,850.00 |
| Purchased professional & educational services | | | | 300.00 | | | | | |
| Other purchased services | | | | | | | | | |
| Supplies and materials | | | | | 4,804.00 | | | | |
| Total support services | 29,735.00 | | 16,373.44 | 1,186.00 | 4,804.00 | | | | 4,850.00 |
| Facilities acquisition & construction services: | | | | | | | | | |
| Non-Instructional Equipment | | | | | | | | | |
| Total facilities acquisition & construction services | | | | | | | | | |
| Total expenditures | 95,813.00 | 12,617.00 | 16,373.44 | 6,707.68 | 4,804.00 | 10,227.00 | 124,989.00 | 24,063.00 | 5,751.00 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses) | | | | | | | | | |
| Fund Balance, July 1 | | | | | | | | | |
| Fund balance, June 30 | | | | | | | | | |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | ESSER II | ARP - ESSER | ARP - ESSER ACCELERATED LEARNING | ARP - ESSER COMP. BEYOND THE SCHOOL DAY | ARP - ESSER MENTAL HEALTH | STUDENT ACTIVITY FUND | KEAN UNIVERSITY GRANT | SAFETY GRANT | TOTAL |
|--|--------------|--------------|----------------------------------|---|---------------------------|-----------------------|-----------------------|--------------|--------------|
| REVENUES: | | | | | | | | | |
| State sources | \$169,589.82 | \$406,000.66 | \$946.90 | \$5,726.81 | \$11,400.00 | \$15,319.81 | \$11,937.49 | \$2,783.00 | \$895,009.31 |
| Federal sources | | | | | | | | | 30,040.30 |
| Other sources | 169,589.82 | 406,000.66 | 946.90 | 5,726.81 | 11,400.00 | 15,319.81 | 11,937.49 | 2,783.00 | 925,049.61 |
| Total revenues | | | | | | | | | |
| | | | | | | | | | |
| EXPENDITURES: | | | | | | | | | |
| Instruction: | | | | | | | | | |
| Salaries of teachers | 23,900.00 | 5,140.00 | | | | | | | 97,354.45 |
| Purchased professional & technical services | | | | | | | | | 4,000.00 |
| Tuition | 23,839.21 | 144,113.94 | 946.90 | 5,726.81 | | | 11,937.49 | 2,783.00 | 147,168.00 |
| General supplies | | | | | | | | | 214,261.58 |
| Total instruction | 47,739.21 | 149,253.94 | 946.90 | 5,726.81 | | | 11,937.49 | 2,783.00 | 462,784.03 |
| Support services: | | | | | | | | | |
| Purchased professional & technical services | 77,575.75 | 240,868.92 | | | 11,400.00 | | | | 270,603.92 |
| Purchased professional & educational services | | | | | | | | | 88,978.75 |
| Personal services - employee benefits | | | | | | | | | 22,109.44 |
| Other purchased services | 5,655.43 | 15,877.80 | | | | | | | 300.00 |
| Supplies and materials | | | | | | | | | 26,337.23 |
| Student activities | | | | | | 13,303.51 | | | 13,303.51 |
| Total support services | 83,234.18 | 256,746.72 | | | 11,400.00 | 13,303.51 | | | 421,632.85 |
| Facilities acquisition & construction services: | | | | | | | | | |
| Non-Instructional Equipment | 38,616.43 | | | | | | | | 38,616.43 |
| Total expenditures | \$169,589.82 | \$406,000.66 | \$946.90 | \$5,726.81 | \$11,400.00 | \$13,303.51 | \$11,937.49 | \$2,783.00 | \$923,033.31 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses) | | | | | | 2,016.30 | | | 2,016.30 |
| Fund Balance, July 1 | | | | | | 32,550.81 | | | 32,550.81 |
| Fund Balance, June 30 | | | | | | \$34,567.11 | | | \$34,567.11 |

LONG-TERM DEBT SCHEDULES

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

EXHIBIT "I-1"

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2022

| <u>ISSUE</u> | <u>DATE OF</u> <u>ISSUE</u> | <u>AMOUNT OF</u> <u>ISSUE</u> | <u>ANNUAL MATURITIES</u> <u>DATE</u> | <u>INTEREST</u> <u>RATE</u> | <u>BALANCE</u> <u>JUNE 30, 2021</u> | <u>RETIRED</u> | <u>BALANCE</u> <u>JUNE 30, 2022</u> |
|---------------------------|--------------------------------|----------------------------------|---|--------------------------------|--|---------------------|--|
| School Refunding Bonds | 12/01/10 | \$2,865,000.00 | | | \$295,000.00 | \$295,000.00 | |
| | | | | | <u>\$295,000.00</u> | <u>\$295,000.00</u> | |

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
DEBT SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | 2022 | | |
|---|---------------|---------------------|-----------------|
| | <u>BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> |
| | | | <u>VARIANCE</u> |
| REVENUES: | | | |
| Local sources: | | | |
| Local tax levy | \$300,900.00 | \$300,900.00 | \$300,900.00 |
| Total revenues | 300,900.00 | 300,900.00 | 300,900.00 |
| EXPENDITURES: | | | |
| Regular debt service: | | | |
| Interest | 5,900.00 | 5,900.00 | 5,900.00 |
| Redemption of principal | 295,000.00 | 295,000.00 | 295,000.00 |
| Total regular debt service-expenditures | 300,900.00 | 300,900.00 | 300,900.00 |
| Excess (deficiency) of revenues over (under) expenditures | | | |
| Fund balance, July 1 | | | |
| Fund balance, June 30 | \$-0- | \$-0- | \$-0- |

STATISTICAL SECTION
(UNAUDITED)

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
STATISTICAL SECTION

| <u>Contents</u> | <u>Page</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 to J-4 |
| Revenue Capacity: | |
| These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax. | J-5 to J-9 |
| Debt Capacity: | |
| These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future. | J-10 to J-13 |
| Demographic and Economic Information: | |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place. | J-14 to J-15 |
| Operating Information: | |
| These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs. | J-16 to J-20 |

Sources

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

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$8,961,828.78 | \$8,597,247.88 | \$8,212,474.49 | \$7,654,392.52 | \$6,894,277.61 | \$6,704,871.80 | \$6,590,038.81 | \$5,843,661.23 | \$5,584,150.62 | \$5,070,810.77 |
| Restricted | 3,115,434.05 | 3,441,215.42 | 4,003,460.41 | 4,864,160.70 | 5,214,922.55 | 4,497,568.27 | 3,421,578.94 | 3,171,129.13 | 2,896,931.99 | 2,664,676.02 |
| Unrestricted (Deficit) | (1,109,687.45) | (1,374,302.02) | (1,594,969.92) | (1,491,527.93) | (1,395,168.00) | (1,338,550.23) | (1,310,024.04) | (1,314,340.71) | (159,714.90) | (93,491.06) |
| Total governmental activities net position | 10,967,575.38 | 10,664,161.28 | 10,620,964.98 | 11,027,025.29 | 10,714,032.16 | 9,863,889.84 | 8,701,593.71 | 7,700,449.65 | 8,321,367.71 | 7,641,995.73 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | 28,632.41 | 11,068.48 | 12,095.15 | 13,121.82 | 14,148.49 | 66,847.41 | 87,980.47 | 454.74 | 12,495.94 | 17,480.89 |
| Unrestricted | 103,314.03 | 64,294.12 | 30,841.30 | 53,543.92 | 61,447.49 | 66,847.41 | 87,980.47 | 63,179.16 | 61,822.24 | 43,833.75 |
| Total business-type activities net position | 131,946.44 | 75,362.60 | 42,936.45 | 66,665.74 | 75,595.98 | 66,847.41 | 87,980.47 | 63,633.90 | 74,318.18 | 61,314.64 |
| District-wide | | | | | | | | | | |
| Net investment in capital assets | 8,990,461.19 | 8,608,316.36 | 8,224,569.64 | 7,667,514.34 | 6,908,426.10 | 6,704,871.80 | 6,590,038.81 | 5,844,115.97 | 5,596,646.56 | 5,088,291.66 |
| Restricted | 3,115,434.05 | 3,441,215.42 | 4,003,460.41 | 4,864,160.70 | 5,214,922.55 | 4,497,568.27 | 3,421,578.94 | 3,171,129.13 | 2,896,931.99 | 2,664,676.02 |
| Unrestricted (deficit) | (1,006,373.42) | (1,310,007.90) | (1,564,128.62) | (1,437,984.01) | (1,333,720.51) | (1,271,702.82) | (1,222,043.57) | (1,251,161.55) | (97,892.66) | (49,657.31) |
| Total district net position | \$11,089,521.82 | \$10,739,523.88 | \$10,663,901.43 | \$11,093,691.03 | \$10,789,628.14 | \$9,930,737.25 | \$8,789,574.18 | \$7,764,083.55 | \$8,395,685.89 | \$7,703,310.37 |

Source: ACFR Schedule A-1

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| EXPENSES | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular | \$6,527,475.36 | \$6,966,967.68 | \$5,949,438.54 | \$5,710,658.30 | \$5,667,689.45 | \$5,543,821.62 | \$5,428,109.63 | \$5,334,014.50 | \$4,450,408.86 | \$4,428,284.37 |
| Special education | 2,371,689.25 | 2,312,852.87 | 2,156,123.90 | 1,814,382.28 | 2,208,608.47 | 1,844,991.27 | 1,770,978.12 | 1,793,790.61 | 1,552,289.23 | 1,517,667.67 |
| Other instruction | 539,289.21 | 328,516.84 | 322,915.54 | 335,219.53 | 338,050.87 | 295,397.15 | 247,180.10 | 201,401.25 | 178,939.03 | 139,432.10 |
| Support Services: | | | | | | | | | | |
| Student & instruction related services | 2,146,580.20 | 1,708,362.59 | 1,430,725.07 | 1,631,842.35 | 1,574,449.45 | 1,397,758.89 | 1,302,960.12 | 1,351,227.04 | 1,241,487.38 | 1,538,533.97 |
| General administrative services | 189,027.09 | 216,792.24 | 224,326.97 | 225,170.24 | 224,685.32 | 214,289.29 | 207,219.82 | 193,863.55 | 200,848.10 | 227,912.75 |
| School administrative services | 423,259.55 | 488,190.84 | 396,428.26 | 381,273.28 | 428,615.28 | 530,945.68 | 428,945.00 | 325,957.01 | 206,570.43 | 229,379.84 |
| Central services and information technology | 393,001.71 | 501,766.78 | 550,675.53 | 334,205.72 | 328,055.73 | 344,650.72 | 283,704.03 | 281,862.92 | 318,257.40 | 276,480.97 |
| Plant operations and maintenance | 1,086,084.85 | 989,438.95 | 1,165,043.80 | 1,181,351.10 | 901,199.86 | 892,768.35 | 893,797.90 | 859,374.20 | 797,220.05 | 737,783.20 |
| Student transportation services | 372,780.00 | 157,374.64 | 359,227.23 | 285,360.21 | 248,165.72 | 218,258.10 | 262,229.06 | 314,985.92 | 315,264.53 | 269,501.42 |
| Special & Charter schools | 210,347.00 | 242,578.42 | 201,898.52 | 139,645.81 | 71,759.18 | 51,583.09 | 73,367.95 | 58,255.89 | 116,688.92 | 98,632.50 |
| Interest on long-term debt | 4,916.67 | 16,800.00 | 28,883.33 | 41,186.67 | 53,400.00 | 64,212.50 | 73,300.00 | 82,175.00 | 89,625.00 | 94,408.33 |
| Total governmental activities expenses | 14,244,470.90 | 13,909,641.81 | 12,799,686.68 | 12,080,285.49 | 12,044,689.13 | 11,398,651.66 | 10,983,791.63 | 10,796,915.89 | 9,467,578.93 | 9,658,047.12 |
| Business-type activities: | | | | | | | | | | |
| Food Service | 234,103.67 | 163,885.26 | 190,550.94 | 226,381.62 | 221,019.13 | 223,860.23 | 182,624.94 | 221,380.93 | 196,421.01 | 191,971.03 |
| Total business-type activities expense | 234,103.67 | 163,885.26 | 190,550.94 | 226,381.62 | 221,019.13 | 223,860.23 | 182,624.94 | 221,380.93 | 196,421.01 | 191,971.03 |
| Total district expenses | 14,478,574.57 | 14,073,527.07 | 12,990,237.62 | 12,306,667.11 | 12,265,708.26 | 11,622,511.89 | 11,176,416.57 | 11,018,296.82 | 9,663,998.94 | 9,750,018.15 |
| PROGRAM REVENUES | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | 15,319.81 | 1,588.79 | | | | | | | | |
| Operating grants and contributions | 3,226,982.99 | 3,352,042.36 | 2,020,461.02 | 2,504,185.86 | 3,099,416.80 | 2,700,051.61 | 2,053,169.25 | 1,741,247.07 | 867,802.46 | 1,038,844.83 |
| Total governmental activities program revenues | 3,242,302.80 | 3,353,631.15 | 2,020,461.02 | 2,504,185.86 | 3,099,416.80 | 2,700,051.61 | 2,053,169.25 | 1,741,247.07 | 867,802.46 | 1,038,844.83 |
| Business-type activities: | | | | | | | | | | |
| Charges for services | 16,036.30 | 592.66 | 59,931.24 | 85,220.89 | 84,146.21 | 81,006.06 | 78,486.13 | 75,472.95 | 76,479.37 | 75,367.96 |
| Food Service | 274,651.21 | 195,718.75 | 106,890.41 | 132,230.49 | 136,986.13 | 130,356.47 | 138,402.67 | 144,730.55 | 132,945.18 | 114,595.54 |
| Operating grants and contributions | 290,687.51 | 196,311.41 | 166,821.65 | 217,451.38 | 221,132.34 | 211,362.53 | 216,888.80 | 220,203.50 | 209,424.55 | 189,963.50 |
| Total business-type activities program revenues | 3,532,990.31 | 3,549,942.56 | 2,187,282.67 | 2,721,617.24 | 3,320,549.14 | 2,911,414.14 | 2,270,058.05 | 1,961,450.57 | 1,077,227.01 | 1,228,808.33 |
| NET (EXPENSE)/REVENUE | (11,002,166.10) | (10,556,010.66) | (10,779,225.66) | (9,576,119.63) | (8,945,272.33) | (8,696,600.06) | (8,930,622.38) | (9,056,668.82) | (8,599,776.47) | (8,519,202.29) |
| Governmental activities | 56,583.84 | 32,426.15 | (23,729.29) | (8,930.24) | 119.21 | (12,497.70) | 24,263.86 | (1,177.43) | 13,003.54 | (2,007.53) |
| Business-type activities | (\$10,945,584.26) | (\$10,523,584.51) | (\$10,802,954.95) | (\$9,585,049.87) | (\$8,945,159.12) | (\$8,711,097.75) | (\$8,906,358.52) | (\$9,056,846.25) | (\$8,586,772.93) | (\$8,521,209.82) |

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| GENERAL REVENUES AND OTHER CHANGES IN NET POSITION | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes levied for general purposes | \$5,462,849.00 | \$6,347,301.00 | \$6,222,845.00 | \$6,149,056.00 | \$6,030,719.00 | \$5,913,220.00 | \$5,797,275.00 | \$5,683,604.00 | \$5,481,965.00 | \$5,380,122.00 |
| Taxes levied for debt service | 300,900.00 | 317,800.00 | 334,900.00 | 352,200.00 | 354,400.00 | 369,975.00 | 374,050.00 | 363,352.55 | 375,100.00 | 299,700.00 |
| Unrestricted grants and contributions | 4,466,922.00 | 3,873,883.00 | 3,704,899.00 | 3,605,163.00 | 3,485,915.00 | 3,415,755.00 | 3,391,966.00 | 3,379,161.00 | 3,375,534.00 | 3,355,805.00 |
| Capital Grants | | | | | | 32,601.53 | 297,400.02 | 56,760.00 | | |
| Miscellaneous income | 74,911.20 | 21,720.37 | 36,270.04 | 95,572.07 | 35,711.99 | 129,343.65 | 78,375.42 | 113,581.14 | 46,549.45 | 10,955.81 |
| Retirement of capital assets | | | | (128,829.13) | | | (7,300.00) | (955.93) | | |
| Total governmental activities | 11,305,582.20 | 10,560,704.37 | 10,298,914.04 | 10,073,361.94 | 9,906,745.99 | 9,860,896.18 | 9,931,766.44 | 9,595,502.76 | 9,279,148.45 | 9,016,582.81 |
| Business-type activities: | | | | | | | | | | |
| Miscellaneous Income | | | | | | | 82.71 | (9,506.55) | | 30.91 |
| Retirement of capital assets | | | | | | | | (9,506.55) | | |
| Total business-type activities | | | | | | | | | | |
| Total district-wide | 11,305,582.20 | 10,560,704.37 | 10,298,914.04 | 10,073,361.94 | 9,906,745.99 | 9,860,896.18 | 9,931,766.44 | 9,585,995.91 | 9,279,148.45 | 9,016,582.81 |
| CHANGE IN NET POSITION | | | | | | | | | | |
| Governmental activities | 303,414.10 | 4,693.71 | (480,311.62) | 497,242.31 | 961,473.66 | 1,162,296.13 | 1,001,144.06 | 539,833.94 | 679,371.96 | 497,380.52 |
| Business-type activities | 56,583.84 | 32,426.15 | (23,729.29) | (6,930.24) | 113.21 | (12,497.70) | 24,263.86 | (10,684.28) | 13,003.54 | (2,007.53) |
| Total district | \$359,997.94 | \$37,119.86 | (\$504,040.91) | \$488,312.07 | \$961,586.87 | \$1,149,798.43 | \$1,025,407.92 | \$529,149.66 | \$692,375.52 | \$495,372.99 |

Source: ACFR Schedule A-2

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|------------------------------------|----------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Restricted | \$3,080,866.94 | \$3,402,760.15 | \$4,003,460.41 | \$4,757,013.33 | \$4,977,088.80 | \$4,172,704.02 | \$3,253,859.91 | \$3,120,914.96 | \$2,783,793.87 | \$2,413,508.40 |
| Assigned | 369,474.24 | 5,904.46 | (96,136.00) | 107,147.37 | 181,421.67 | 29,104.00 | 378.00 | 377.59 | 1,004.50 | 26,022.14 |
| Unassigned (Deficit) | 3,450,341.18 | 193,528.31 | (96,136.00) | (109,519.00) | (91,295.00) | (82,436.00) | (79,853.00) | (75,772.00) | 35,506.00 | 208,585.00 |
| Total general fund | | <u>3,602,192.92</u> | <u>3,907,324.41</u> | <u>4,754,641.70</u> | <u>5,067,215.47</u> | <u>4,119,372.02</u> | <u>3,174,384.91</u> | <u>3,045,520.55</u> | <u>2,820,304.37</u> | <u>2,648,115.54</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Restricted | | | | | 60,445.41 | 142,595.39 | 173,136.86 | 56,760.00 | 9,547.45 | 9,547.45 |
| Total all other governmental funds | | | | | <u>\$60,445.41</u> | <u>\$142,595.39</u> | <u>\$173,136.86</u> | <u>\$56,760.00</u> | <u>\$9,547.45</u> | <u>\$9,547.45</u> |

Source: ACFR Schedule B-1

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues | | | | | | | | | | |
| Tax levy | \$6,665,101.00 | \$6,665,101.00 | \$5,557,745.00 | \$6,501,256.00 | \$6,385,119.00 | \$6,263,195.00 | \$6,171,325.00 | \$6,046,957.00 | \$5,857,065.00 | \$5,649,822.00 |
| Interest earnings - capital reserve fund | | | 8,841.70 | | | | | | | |
| Tuition from other LEAs within the state | 12,644.76 | 16,925.40 | 16,175.90 | | | 8,235.60 | 39,330.90 | 88,495.53 | 46,549.45 | 17,161.62 |
| Miscellaneous | 82,306.74 | 9,018.65 | 11,252.44 | 95,572.07 | 35,711.99 | 121,108.05 | 39,044.52 | 25,085.16 | 3,986,157.44 | 4,063,087.57 |
| State sources | 6,307,837.01 | 5,343,108.47 | 4,942,371.02 | 4,811,162.12 | 4,569,524.89 | 4,380,956.22 | 4,520,424.29 | 4,133,215.43 | 257,179.02 | 325,376.45 |
| Federal sources | 989,795.49 | 690,422.00 | 300,795.00 | 293,044.74 | 260,917.91 | 220,292.92 | 274,268.98 | 309,989.64 | 10,146,950.91 | 10,055,427.64 |
| Total revenue | 14,166,333.00 | 12,724,575.52 | 11,837,181.06 | 11,701,034.93 | 11,251,273.79 | 11,013,787.79 | 11,044,393.69 | 10,603,742.76 | 10,146,950.91 | 10,055,427.64 |
| Expenditures | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular | 2,968,853.40 | 2,562,717.47 | 2,648,884.74 | 2,577,238.55 | 2,313,344.41 | 2,430,879.63 | 2,261,385.32 | 2,221,726.64 | 2,193,867.22 | 2,213,600.62 |
| Special education | 654,783.59 | 897,572.68 | 922,234.52 | 756,757.11 | 776,327.61 | 618,481.75 | 732,839.37 | 713,530.82 | 730,862.93 | 675,705.13 |
| Other | 291,259.29 | 143,218.80 | 171,832.08 | 176,052.10 | 149,937.41 | 142,559.03 | 127,125.01 | 114,868.07 | 118,979.96 | 114,868.19 |
| Support Services: | | | | | | | | | | |
| Tuition | 2,736,465.39 | 2,907,262.57 | 2,300,106.66 | 1,667,397.70 | 1,879,073.40 | 1,898,984.68 | 2,063,717.27 | 2,295,356.27 | 2,073,393.46 | 1,967,142.59 |
| Student & instruction related services | 1,710,798.91 | 1,167,008.71 | 1,054,749.45 | 967,790.56 | 942,079.07 | 852,394.59 | 916,526.02 | 942,735.48 | 898,560.50 | 1,076,005.20 |
| General administrative services | 150,844.32 | 149,118.66 | 155,363.94 | 158,262.06 | 162,432.03 | 148,728.85 | 163,609.28 | 149,176.33 | 142,015.78 | 189,062.39 |
| School administrative services | 340,896.91 | 332,295.31 | 322,020.57 | 296,162.05 | 314,763.70 | 299,757.35 | 264,859.02 | 215,051.71 | 169,031.41 | 153,951.23 |
| Central services | 286,010.57 | 270,919.03 | 259,164.06 | 224,652.13 | 217,980.50 | 221,455.33 | 219,236.47 | 215,687.46 | 214,335.64 | 196,462.93 |
| Plant operations and maintenance | 779,196.12 | 697,548.82 | 795,652.11 | 916,125.91 | 667,989.85 | 657,109.24 | 673,823.58 | 644,257.78 | 595,100.01 | 553,430.13 |
| Student transportation services | 372,780.00 | 157,374.64 | 359,227.23 | 285,360.21 | 248,165.72 | 218,263.10 | 262,229.06 | 314,965.92 | 315,264.53 | 289,501.42 |
| Employee benefits | 2,944,328.18 | 2,610,403.23 | 2,371,181.42 | 2,330,134.48 | 2,163,489.13 | 1,807,834.73 | 1,845,957.73 | 1,756,828.77 | 1,458,939.59 | 1,648,086.29 |
| Capital outlay | 568,704.76 | 563,846.85 | 789,301.30 | 1,077,628.28 | 295,328.02 | 236,073.41 | 827,025.88 | 321,356.28 | 575,872.05 | 90,223.19 |
| Special schools | | 7,360.00 | 6,892.27 | 7,373.84 | 28,292.66 | 27,333.27 | 24,264.46 | 27,902.00 | 21,142.00 | 19,262.47 |
| Charter schools | | 231,212.00 | 193,088.00 | 130,290.00 | 30,175.00 | 11,314.00 | 42,504.00 | 22,950.50 | 92,297.00 | 75,190.00 |
| Debt service: | | | | | | | | | | |
| Principal | 295,000.00 | 300,000.00 | 305,000.00 | 310,000.00 | 300,000.00 | 305,000.00 | 300,000.00 | 290,000.00 | 285,000.00 | 175,000.00 |
| Interest and other charges | 5,900.00 | 17,800.00 | 29,900.00 | 42,200.00 | 54,400.00 | 64,975.00 | 74,050.00 | 82,900.00 | 90,100.00 | 94,700.00 |
| Total expenditures | 14,316,168.44 | 13,035,658.79 | 12,684,498.35 | 11,945,424.98 | 10,543,778.51 | 9,941,143.96 | 10,798,152.47 | 10,331,314.03 | 9,974,762.08 | 9,522,191.78 |
| Excess (Deficiency) of revenues over (under) expenditures | (149,835.44) | (311,083.27) | (847,317.29) | (244,390.05) | 707,495.28 | 1,072,643.83 | 245,241.22 | 272,428.73 | 172,188.83 | 533,235.86 |
| Other Financing sources (uses) | | | | | | | | | | |
| Capital leases (non-budgeted) | | | | | | | | | | |
| Transfers in | | | 648,324.91 | 811,183.72 | | 394,918.00 | | 110,000.00 | | |
| Transfers out | | | (648,324.91) | (811,183.72) | | (394,918.00) | | (110,000.00) | | |
| Canceled grants receivable | | | | (128,629.13) | | | | | | |
| Total other financing sources (uses) | | | | (128,629.13) | | | | | | |
| Net change in fund balances | (\$149,835.44) | (\$311,083.27) | (\$847,317.29) | (\$373,019.18) | \$707,495.28 | \$1,072,643.83 | \$245,241.22 | \$272,428.73 | \$172,188.83 | \$533,235.86 |
| Debt service as a percentage of noncapital expenditures | 2.19% | 2.55% | 2.82% | 3.24% | 3.46% | 3.81% | 3.75% | 3.73% | 3.99% | 2.86% |

Source: ACFR Schedule B-2

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

| <u>Fiscal Year</u> <u>Ended June 30,</u> | <u>Tuition</u> | <u>Canceled</u> <u>Accounts Payable</u> | <u>Interest on</u> <u>Investments</u> | <u>Miscellaneous</u> | <u>Total</u> |
|---|----------------|--|--|----------------------|--------------|
| 2022 | | \$28.50 | \$803.09 | \$61,434.85 | \$62,266.44 |
| 2021 | | 1,175.25 | 2,195.25 | 1,424.47 | 4,794.97 |
| 2020 | | | 5,764.94 | 2,596.16 | 8,361.10 |
| 2019 | \$67,978.10 | | 18,168.02 | 5,425.95 | 91,572.07 |
| 2018 | 14,888.35 | | 8,877.02 | 10,013.14 | 33,778.51 |
| 2017 | 7,847.60 | | 1,977.27 | 104,974.35 | 114,799.22 |
| 2016 | 14,732.40 | | 1,813.89 | 2,993.52 | 19,539.81 |
| 2015 | | 5,822.64 | 2,238.11 | 11,647.27 | 19,708.02 |
| 2014 | | 35,089.36 | 2,046.36 | 8,413.73 | 45,549.45 |
| 2013 | | 5,442.29 | 2,679.76 | 2,833.76 | 10,955.81 |

Source: District Records

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

| Fiscal Year Ended December 31, | Vacant Land | Residential | Farm | Commercial | Industrial | Apartment | Total Assessed Value | Less: Tax Exempt Property | Public Utilities (a) | Net Valuation Taxable | Est. Actual (County Equalized Value) | Total Direct School Tax Rate (b) |
|--------------------------------|--------------|------------------|------|-----------------|--------------|-----------------|----------------------|---------------------------|----------------------|-----------------------|--------------------------------------|----------------------------------|
| 2021 | \$683,200.00 | \$274,392,076.00 | | \$25,030,300.00 | \$387,500.00 | \$29,584,600.00 | \$330,077,676.00 | \$387,500.00 | \$931,562.00 | \$331,009,238.00 | \$386,519,241.00 | 2.021 |
| 2020 | 804,800.00 | 273,165,476.00 | | 25,030,300.00 | 387,500.00 | 29,104,600.00 | 328,492,676.00 | | 940,104.00 | 329,432,780.00 | 381,081,991.00 | 1.876 |
| 2019 | 873,200.00 | 272,936,276.00 | | 24,111,550.00 | 387,500.00 | 30,239,600.00 | 328,548,126.00 | | 979,567.00 | 329,527,693.00 | 375,312,001.00 | 1.990 |
| 2018 | 1,373,200.00 | 271,813,676.00 | | 23,942,800.00 | 387,500.00 | 28,999,600.00 | 326,516,776.00 | | 1,015,201.00 | 327,531,977.00 | 355,141,153.00 | 1.985 |
| 2017 | 1,170,200.00 | 271,641,576.00 | | 23,774,050.00 | 387,500.00 | 20,750,100.00 | 317,723,426.00 | | 1,029,502.00 | 318,752,928.00 | 332,973,618.00 | 2.004 |
| 2016 | 1,832,600.00 | 271,935,276.00 | | 24,801,500.00 | 387,500.00 | 20,532,100.00 | 319,488,976.00 | | 1,036,028.00 | 320,525,002.00 | 316,107,168.00 | 1.960 |
| 2015 | 1,707,600.00 | 272,815,976.00 | | 24,801,500.00 | 387,500.00 | 20,532,100.00 | 320,244,676.00 | | 1,029,781.00 | 321,274,437.00 | 301,319,139.00 | 1.920 |
| 2014 | 1,782,600.00 | 275,197,176.00 | | 25,225,500.00 | 387,500.00 | 20,532,100.00 | 323,124,876.00 | | 1,017,210.00 | 324,142,086.00 | 304,431,157.00 | 1.865 |
| 2013 | 2,005,200.00 | 279,004,176.00 | | 24,472,800.00 | 387,500.00 | 21,591,500.00 | 327,461,176.00 | | 1,057,824.00 | 324,142,086.00 | 305,063,068.00 | 1.782 |
| 2012 | 2,005,200.00 | 287,316,176.00 | | 24,690,400.00 | 387,500.00 | 23,144,600.00 | 337,543,876.00 | | 969,486.00 | 328,519,000.00 | 327,483,937.00 | 1.667 |

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

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

| Fiscal Year Ended Dec 31, | <u>Borough of South Bound Brook Board of Education</u> | | | <u>Overlapping Rates</u> | | Total Direct and Overlapping Tax Rate |
|---------------------------------|--|--|---|---|----------------------------|---|
| | <u>Basic Rate (a)</u> | <u>General Obligation Debt Service (b)</u> | <u>Total Direct School Tax Rate</u> | <u>Borough of South Bound Brook</u> | <u>Somerset County</u> | |
| 2021 | \$1.977 | \$0.044 | \$2.021 | \$1.004 | \$0.462 | \$3.487 |
| 2020 | 1.828 | 0.048 | 1.876 | 0.990 | 0.451 | 3.317 |
| 2019 | 1.939 | 0.051 | 1.990 | 0.976 | 0.437 | 3.403 |
| 2018 | 1.931 | 0.054 | 1.985 | 0.983 | 0.416 | 3.384 |
| 2017 | 1.948 | 0.056 | 2.004 | 0.962 | 0.406 | 3.372 |
| 2016 | 1.841 | 0.119 | 1.960 | 0.942 | 0.394 | 3.296 |
| 2015 | 1.820 | 0.100 | 1.920 | 0.922 | 0.367 | 3.209 |
| 2014 | 1.745 | 0.120 | 1.865 | 0.902 | 0.365 | 3.132 |
| 2013 | 1.697 | 0.085 | 1.782 | 0.863 | 0.343 | 2.988 |
| 2012 | 1.567 | 0.100 | 1.667 | 0.842 | 0.358 | 2.867 |

* revaluation

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

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

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

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

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

| Taxpayer | 2021 | | | 2012 | | |
|--|------------------------|-----------------|--|------------------------|-----------------|--|
| | Taxable Assessed Value | Rank [Optional] | % of Total District Net Assessed Value | Taxable Assessed Value | Rank [Optional] | % of Total District Net Assessed Value |
| Finchley Gardens | \$12,750,300.00 | 1 | 3.85% | \$10,058,400.00 | 1 | 3.06% |
| Towne Oaks | 9,365,000.00 | 2 | 2.83% | 7,566,000.00 | 2 | 2.30% |
| Gramercy 153 Realty LLC | 2,560,000.00 | 3 | 0.77% | | | |
| 41 Canal Street Association (Bldg) | 2,500,000.00 | 4 | 0.76% | 1,939,300.00 | 3 | 0.59% |
| Durling Realty, LLC | 1,600,000.00 | 5 | 0.48% | | | |
| Zehra Associates | 1,275,000.00 | 6 | 0.39% | 1,275,000.00 | 7 | 0.39% |
| J&M Associates | 1,275,000.00 | 7 | 0.39% | 1,617,200.00 | 4 | 0.49% |
| Wenstone, LLC Family Dollar | 1,125,000.00 | 8 | 0.34% | | | |
| Chafos, J & G | 1,106,100.00 | 9 | 0.33% | 1,106,100.00 | 8 | 0.34% |
| Ukrainian Orthodox Federal Credit Unio | 1,050,000.00 | 10 | 0.32% | 1,482,600.00 | 5 | 0.45% |
| 41 Canal Street Association | | | | 1,434,300.00 | 6 | 0.44% |
| Verizon | | | | 1,057,824.00 | 9 | 0.32% |
| Queens Bridge, LLC | | | | 1,000,000.00 | 10 | 0.30% |
| Total | \$34,606,400.00 | | 10.45% | \$28,536,724.00 | | 8.69% |

Source: Municipal Tax Assessor

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

| Fiscal Year Ended <u>June 30,</u> | Taxes Levied for the <u>Fiscal Year</u> | <u>Collected within the Fiscal Year of the Levy (a)</u> | | <u>Collections in Subsequent Years</u> |
|---|---|---|-------------------------------|--|
| | | <u>Amount</u> | <u>Percentage of Levy</u> | |
| 2022 | \$6,763,749.00 | \$6,763,749.00 | 100.00% | |
| 2021 | 6,665,101.00 | 6,665,101.00 | 100.00% | |
| 2020 | 6,557,745.00 | 6,557,745.00 | 100.00% | |
| 2019 | 6,501,256.00 | 6,501,256.00 | 100.00% | |
| 2018 | 6,385,119.00 | 6,385,119.00 | 100.00% | |
| 2017 | 6,283,195.00 | 6,283,195.00 | 100.00% | |
| 2016 | 6,171,325.00 | 6,171,325.00 | 100.00% | |
| 2015 | 6,046,957.00 | 6,046,957.00 | 100.00% | |
| 2014 | 5,857,065.00 | 5,857,065.00 | 100.00% | |
| 2013 | 5,649,822.00 | 5,649,822.00 | 100.00% | |

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

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

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

| Fiscal Year Ended June 30, | Governmental Activities | | | Business-Type Activities | | Total District | Percentage of Personal Income (a) | Per Capita (a) |
|----------------------------|------------------------------|-------------------------------|----------------|--------------------------|----------------|----------------|-----------------------------------|----------------|
| | General Obligation Bonds (b) | Certificates of Participation | Capital Leases | Bond Anticipation Notes | Capital Leases | | | |
| 2022 | | | | | | \$0.00 | | |
| 2021 | \$295,000.00 | | | | | 295,000.00 | 37.26% | \$65.29 |
| 2020 | 595,000.00 | | | | | 595,000.00 | 18.47% | 131.20 |
| 2019 | 900,000.00 | | | | | 900,000.00 | 12.21% | 197.28 |
| 2018 | 1,210,000.00 | | | | | 1,210,000.00 | 8.69% | 265.06 |
| 2017 | 1,510,000.00 | | | | | 1,510,000.00 | 6.57% | 334.37 |
| 2016 | 1,815,000.00 | | | | | 1,815,000.00 | 5.10% | 401.19 |
| 2015 | 2,115,000.00 | | | | | 2,115,000.00 | 4.18% | 466.37 |
| 2014 | 2,405,000.00 | | | | | 2,405,000.00 | 3.47% | 528.11 |
| 2013 | 2,690,000.00 | | | | | 2,690,000.00 | 2.92% | 590.56 |

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

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

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

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

| Fiscal Year Ended <u>June 30,</u> | General Bonded Debt Outstanding | | Net General Bonded Debt <u>Outstanding</u> | Percentage of Actual Taxable Value (a) of <u>Property</u> | <u>Per Capita (b)</u> |
|---|---------------------------------------|-------------------|--|--|-----------------------|
| | General Obligation <u>Bonds</u> | <u>Deductions</u> | | | |
| 2022 | | | \$0.00 | | |
| 2021 | \$295,000.00 | | 295,000.00 | 0.08912% | 65.29 |
| 2020 | 595,000.00 | | 595,000.00 | 0.18056% | 131.70 |
| 2019 | 900,000.00 | | 900,000.00 | 0.27312% | 197.72 |
| 2018 | 1,210,000.00 | | 1,210,000.00 | 0.37960% | 259.82 |
| 2017 | 1,510,000.00 | | 1,510,000.00 | 0.47372% | 327.48 |
| 2016 | 1,815,000.00 | | 1,815,000.00 | 0.56626% | 392.69 |
| 2015 | 2,115,000.00 | | 2,115,000.00 | 0.65832% | 457.50 |
| 2014 | 2,405,000.00 | | 2,405,000.00 | 0.74196% | 519.78 |
| 2013 | 2,690,000.00 | | 2,690,000.00 | 0.82988% | 582.88 |

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

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

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
UNAUDITED

Legal Debt Margin Calculation for Calendar Year 2021:

Equalized Valuation Basis

Calendar Year

| | |
|------|---------------------------|
| 2021 | \$401,261,459.00 |
| 2020 | 381,081,991.00 |
| 2019 | 375,312,001.00 |
| | <u>\$1,157,655,451.00</u> |

Average Equalized Valuation of Taxable Property

\$385,885,150.33

Debt Limit (3% (a) of average equalization value)

11,576,554.51

Total Net Debt Applicable to Limit

\$11,576,554.51

Legal Debt Margin

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt Limit | \$11,576,554.51 | \$11,115,351.45 | \$10,634,267.72 | \$10,432,559.24 | \$9,713,222.75 | \$9,386,505.86 | \$9,187,526.69 | \$9,077,688.44 | \$9,338,810.42 | \$9,714,292.61 |
| Total Net Debt Applicable To Limit | 295,000.00 | 595,000.00 | 900,000.00 | 1,210,000.00 | 1,510,000.00 | 1,815,000.00 | 2,115,000.00 | 2,405,000.00 | 2,690,000.00 | 2,690,000.00 |
| Legal Debt Margin | <u>\$11,576,554.51</u> | <u>\$10,820,351.45</u> | <u>\$10,039,267.72</u> | <u>\$9,532,559.24</u> | <u>\$8,503,222.75</u> | <u>\$7,876,505.86</u> | <u>\$7,372,526.69</u> | <u>\$6,962,688.44</u> | <u>\$6,933,810.42</u> | <u>\$7,024,292.61</u> |
| Total Net Debt Applicable to the Limit as a % of Debt Limit | 2.65% | 5.60% | 8.63% | 12.46% | 16.09% | 19.76% | 23.30% | 25.75% | 27.69% | |

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation (a) Limit set by N.J.S.A. 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

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

| <u>Year</u> | <u>Population (a)</u> | <u>Personal Income (b)</u> | <u>Per Capita Personal Income (c)</u> | <u>Unemployment Rate (d)</u> |
|-------------|-----------------------|----------------------------|---|----------------------------------|
| 2021 | 4,804 | * | * | 7.70% |
| 2020 | 4,518 | \$509,743,350.00 | \$112,825.00 | 11.90% |
| 2019 | 4,535 | 479,784,492.00 | 109,916.00 | 4.20% |
| 2018 | 4,562 | 453,074,216.00 | 106,194.00 | 4.30% |
| 2017 | 4,565 | 420,835,376.00 | 99,533.00 | 5.30% |
| 2016 | 4,516 | 398,723,550.00 | 92,248.00 | 5.20% |
| 2015 | 4,524 | 377,200,593.00 | 88,350.00 | 6.50% |
| 2014 | 4,535 | 355,589,784.00 | 83,433.00 | 7.60% |
| 2013 | 4,554 | 342,028,050.00 | 78,462.00 | 9.00% |
| 2012 | 4,555 | 325,311,850.00 | 75,171.00 | 12.80% |

Source:

- (a) Population information provided by the NJ Dept. of Labor and Workforce Development.
(b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
(c) Per capita personal income by municipality was computed using Census Bureau midyear population estimates.
Estimates for 2012-2021 reflect county population.
(d) Unemployment data provided by the NJ Dept. of Labor and Workforce Development.

* Not Available

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

| Employer | 2022 | | | 2013 | | |
|----------|----------------|-----------------|--------------------------------|----------------|-----------------|--------------------------------|
| | # of Employees | Rank (Optional) | Percentage of Total Employment | # of Employees | Rank (Optional) | Percentage of Total Employment |
| | | | | | | |
| | | | | | | |
| | | | | | | |

NOT AVAILABLE

Source: Municipal Records

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

| Function/Program | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2015 | 2014 | 2013 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Instruction: | | | | | | | | | |
| Regular | 33 | 34 | 35 | 33 | 32 | 30 | 29 | 28 | 28 |
| Special education | 11 | 11 | 10 | 10 | 10 | 7 | 7 | 7 | 7 |
| Support Services: | | | | | | | | | |
| Student & instruction related services | 18 | 17 | 18 | 19 | 18 | 21 | 20 | 19 | 22 |
| School administrative services | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 2 | 2 |
| Plant operations and maintenance | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Central services | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Administration information technology | 5 | 5 | 5 | 5 | 5 | 5 | 4 | 4 | 3 |
| Food Service | | | | | | | | | |
| Total | 74 | 75 | 76 | 75 | 73 | 71 | 67 | 64 | 66 |

Source: District Personnel Records

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
OPERATING STATISTICS
UNAUDITED

| Fiscal Year | Enrollment | Operating Expenditures (a) | Cost Per Pupil | % Change | Teaching Staff (b) | Teacher/Pupil Elementary/ Middle School | Average Daily Enrollment (c) | Average Daily Attendance (c) | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|----------------------------|----------------|----------|--------------------|---|------------------------------|------------------------------|--------------------------------------|-------------------------------|
| 2022 | 574 | \$12,997,448.95 | \$22,643.64 | 4.58% | 43 | 1/14 | 438 | 410 | 2.82% | 93.61% |
| 2021 | 555 | 12,017,261.33 | 21,652.72 | 1.93% | 44 | 1/14 | 426 | 409 | (4.05%) | 96.01% |
| 2020 | 539 | 11,449,936.92 | 21,242.93 | 16.20% | 43 | 1/14 | 444 | 430 | 1.37% | 96.85% |
| 2019 | 562 | 10,274,437.51 | 18,281.92 | 7.38% | 43 | 1/14 | 438 | 421 | (2.67%) | 96.12% |
| 2018 | 583 | 9,925,960.60 | 17,025.66 | 7.47% | 43 | 1/14 | 450 | 424 | 0.90% | 94.22% |
| 2017 | 586 | 9,283,323.04 | 15,841.85 | 1.27% | 42 | 1/14 | 446 | 431 | (1.55%) | 96.64% |
| 2016 | 596 | 9,323,217.61 | 15,642.98 | (5.53%) | 42 | 1/14 | 453 | 433 | (0.44%) | 95.58% |
| 2015 | 582 | 9,637,057.75 | 16,558.52 | 11.57% | 40 | 1/14 | 455 | 435 | (0.87%) | 95.60% |
| 2014 | 608 | 9,023,790.03 | 14,841.76 | (2.16%) | 40 | 1/15 | 459 | 438 | 2.00% | 95.42% |
| 2013 | 604 | 9,162,268.59 | 15,169.32 | (6.89%) | 42 | 1/14 | 450 | 429 | (2.81%) | 95.33% |

Sources: District records

Note: Enrollment based on annual October district count.

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

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

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

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
 SCHOOL BUILDING INFORMATION
 UNAUDITED

| District Building | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Elementary School/Middle School: Robert Morris School (2001) | 83,416 | 83,416 | 83,416 | 83,416 | 83,416 | 83,416 | 83,416 | 83,416 | 83,416 | 83,416 |
| Square Feet | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 |
| Capacity (students) | 574 | 555 | 539 | 562 | 583 | 586 | 596 | 582 | 608 | 604 |
| Enrollment | | | | | | | | | | |

Elementary/Middle School # 1

Source: District records

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

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

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

| School Facilities * Project #(s) | Robert Morris <u>School</u> |
|-------------------------------------|--------------------------------|
| 2022 | \$111,167.00 |
| 2021 | 101,567.98 |
| 2020 | 146,170.87 |
| 2019 | 135,896.45 |
| 2018 | 132,613.70 |
| 2017 | 79,552.45 |
| 2016 | 86,350.30 |
| 2015 | 104,833.89 |
| 2014 | 95,763.45 |
| 2013 | <u>88,206.83</u> |
| Total School Facilities | <u><u>\$1,082,122.92</u></u> |

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

Source: District records

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2022
UNAUDITED

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

Source: District Records

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SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Borough of South Bound Brook School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 21, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's control over financial reporting (internal control) 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 Borough of South Bound Brook School District's internal control.

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

SUPLEE, CLOONEY & COMPANY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*. We noted other matters that have been reported to the South Bound Brook Board of Education of the South Bound Brook School District in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated February 21, 2023.

Purpose of This Report

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



CERTIFIED PUBLIC ACCOUNTANTS



PUBLIC SCHOOL ACCOUNTANT NO. 948

February 21, 2023



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Borough of South Bound Brook School District, County of Somerset, State of New Jersey (the "District") compliance with the types of compliance requirements identified as subject to audit in the *Federal OMB Compliance Supplement* and the *New Jersey OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2022. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 year ended June 30, 2022.

Basis for Opinion on Each Major Federal and State Program

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 the *New Jersey OMB State Grant Compliance Supplement*. Our responsibilities under those standards, the Uniform Guidance and the New Jersey OMB State Grant Compliance Supplement are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and the New Jersey OMB State Grant Compliance Supplement will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal or state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and New Jersey OMB State Grant Compliance Supplement, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the New Jersey OMB State Grant Compliance Supplement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 and the New Jersey OMB State Grant Compliance Supplement. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS



PUBLIC SCHOOL ACCOUNTANT NO. 948

February 21, 2023

BOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| FEDERAL CFDA NUMBER | FEDERAL PROJECT NUMBER | FEDERAL FAIN NUMBER | GRANT OR STATE PROJECT NUMBER | AWARD AMOUNT | GRANT PERIOD | BALANCE AT JUNE 30, 2021 | ADJUSTMENT / CARRYOVER AMOUNT | CASH RECEIPTS | BUDGETARY EXPENDITURES | ADJUSTMENTS | REPAYMENT OF PRIOR YEAR BALANCES | SUBRECIPIENT BUDGETARY EXPENDITURES | (ACCOUNTS RECEIVABLE) | BALANCE AT JUNE 30, 2022 | UNEARNED REVENUE | DUPLICATE TO GRANTOR |
|---|------------------------|---------------------|-------------------------------|--------------|-------------------------|--------------------------|-------------------------------|---------------|------------------------|-------------|----------------------------------|-------------------------------------|-----------------------|--------------------------|------------------|----------------------|
| U.S. Department of Education | | | | | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | | | | | |
| N.C.L.B. | | | | | | | | | | | | | | | | |
| 84-010 | | 8010A210030 | ESEA485022 | 96,813.00 | 07/01/2021 - 09/30/2022 | | | \$95,813.00 | (895,813.00) | | | | | | | |
| 84-010 | | 8010A210030 | ESEA485022 | 14,852.00 | 07/01/2021 - 09/30/2022 | \$6,151.00 | | 12,617.00 | (12,617.00) | | (86,151.00) | | | | | |
| 84-010 | | 8010A210030 | ESEA485021 | 15,885.00 | 07/01/2020 - 09/30/2021 | (1,016.00) | | 1,016.00 | | | | | | | | |
| 84-367A | | 8365A200029 | ESEA485022 | 18,927.00 | 07/01/2021 - 09/30/2022 | (229.00) | | 14,481.00 | (18,373.44) | | | | | | | |
| 84-365 | | 8365A190030 | ESEA485021 | 19,471.00 | 07/01/2020 - 09/30/2021 | | | 229.00 | | | | | | | | |
| 84-365 | | 8365A200030 | ESEA485022 | 16,975.00 | 07/01/2021 - 09/30/2022 | | | 4,450.00 | (6,707.66) | | | | | | | |
| 84-365 | | 8365A200030 | ESEA485022 | 5,204.00 | 07/01/2021 - 09/30/2022 | | | 219.00 | (4,804.00) | | | | | | | |
| 84-424A | | 8424A200031 | ESEA485022 | 10,227.00 | 07/01/2021 - 09/30/2022 | 4,906.00 | | 10,227.00 | (10,227.00) | | (6,151.00) | | | | | |
| Total N.C.L.B. | | | | | | | | | | | | | | | | |
| 84-037 | | H037A210100 | IDEA485022 | 124,896.00 | 07/01/2021 - 09/30/2022 | | | 124,896.00 | (124,896.00) | | | | | | | |
| 84-037 | | H037A210100 | IDEA485021 | 24,179.00 | 07/01/2021 - 09/30/2022 | (2,952.00) | | 22,179.00 | (22,179.00) | | | | | | | |
| 84-173 | | H173A200114 | IDEA485021 | 11,305.00 | 07/01/2020 - 09/30/2021 | | | 2,952.00 | | | | | | | | |
| 84-173X | | H173A210114 | IDEA485022 | 5,751.00 | 07/01/2021 - 09/30/2022 | (2,952.00) | | 5,751.00 | (1,884.00) | | | | | | | |
| Total Education Cluster | | | | | | | | | | | | | | | | |
| Education Stabilization Fund: | | | | | | | | | | | | | | | | |
| 84-425D | | 8425D210027 | 21-5120-518 | 349,896.00 | 03/13/2020 - 09/30/2023 | (247,819.18) | | 349,896.00 | (101,839.82) | | | | | | | |
| 84-425D | | 8425D210027 | 21-5120-518 | 25,000.00 | 03/13/2020 - 09/30/2023 | | | 22,187.00 | (22,750.00) | | | | | | | |
| 84-425D | | 8425D210027 | 21-5120-518 | 45,000.00 | 03/13/2020 - 09/30/2023 | | | 45,000.00 | (45,000.00) | | | | | | | |
| 84-425U | | 8425U210027 | 21-5120-523 | 786,389.00 | 03/13/2020 - 09/30/2024 | | | | (406,000.66) | | | | | | | |
| 84-425U | | 8425U210027 | 21-5120-523 | 38,957.00 | 03/13/2020 - 09/30/2024 | | | 4,746.00 | (4,746.00) | | | | | | | |
| 84-425U | | 8425U210027 | 21-5120-523 | 4,000.00 | 03/13/2020 - 09/30/2024 | | | 1,578.80 | (1,578.80) | | | | | | | |
| 84-425U | | 8425U210027 | 21-5120-523 | 45,930.00 | 03/13/2020 - 09/30/2024 | | | 11,400.00 | (11,400.00) | | | | | | | |
| Total Education Stabilization Fund | | | | | | | | | | | | | | | | |
| Total Special Revenue Fund | | | | | | | | | | | | | | | | |
| U.S. Department of Agriculture | | | | | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | | | | | | | | | |
| 10-555 | | 211N304N1989 | N/A | 15,565.45 | 10/01/2020 - 09/30/2021 | 296.10 | | | (296.10) | | | | | | | |
| 10-555 | | 221N304N1989 | N/A | 87,713.85 | 10/01/2021 - 09/30/2022 | | | 12,713.85 | (12,196.38) | | | | | | | |
| 10-555 | | 211N304N1989 | N/A | 7,200.00 | 10/01/2020 - 09/30/2021 | | | 7,200.00 | | | | | | | | |
| 10-555 | | 221N304N1989 | N/A | 336,558.81 | 10/01/2021 - 09/30/2022 | (27,304.55) | | 217,013.47 | (235,258.91) | | | | | | | |
| 10-555 | | 211N304N1989 | N/A | 1,855.92 | 10/01/2020 - 09/30/2021 | | | 227.85 | | | | | | | | |
| 10-555 | | 211N304N1989 | N/A | 63,180.56 | 10/01/2020 - 09/30/2021 | (7,356.30) | | 7,356.30 | | | | | | | | |
| 10-555 | | 221N304N1989 | N/A | 20,747.53 | 10/01/2021 - 09/30/2022 | | | 19,106.38 | (20,747.53) | | | | | | | |
| 10-555 | | 212121H170341 | N/A | 12,425.34 | 10/01/2021 - 09/30/2022 | (12,425.34) | | 12,425.34 | | | | | | | | |
| Total Child Nutrition Cluster | | | | | | | | | | | | | | | | |
| 10-649 | | 202225900841 | N/A | 628.00 | 10/01/2021 - 10/1/2021 | (47,017.94) | | 628.00 | (628.00) | | | | | | | |
| Total U.S. Department of Agriculture | | | | | | | | | | | | | | | | |
| Total Expenditures of Federal Awards | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | \$-0- | \$-0- | \$517.47 | \$-0- |

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

SCOROUGH OF SOUTH BOUND BROOK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| STATE GRANTOR/PROGRAM TITLE | GRANT OR STATE PROJECT NUMBER | AWARD AMOUNT | GRANT PERIOD | BALANCE AT JUNE 30, 2021 | | BALANCE AT JUNE 30, 2022 | | MEMO | CUMULATIVE TOTAL EXPENDITURES |
|---|-------------------------------|----------------|-------------------------|---|----------------|---|----------------|--------------|-------------------------------|
| | | | | (ACCOUNTS RECEIVABLE)/ UNEARNED REVENUE | DUE TO GRANTOR | (ACCOUNTS RECEIVABLE)/ UNEARNED REVENUE | DUE TO GRANTOR | | |
| State Department of Education | | | | | | | | | |
| General Funds: | | | | | | | | | |
| State Aid Cluster: | | | | | | | | | |
| Equalization Aid | 22-485-034-5120-078 | \$3,579,750.00 | 07/01/2021 - 06/30/2022 | | | \$3,224,666.00 | | \$355,084.00 | \$3,579,750.00 |
| Special Education Aid | 22-485-034-5120-011 | 342,553.00 | 07/01/2021 - 06/30/2022 | | | 309,524.00 | | 33,029.00 | 342,553.00 |
| Categorical Security Aid | 22-485-034-5120-084 | 174,283.00 | 07/01/2021 - 06/30/2022 | | | 157,768.00 | | 16,515.00 | 174,283.00 |
| Total State Aid Cluster | | | | | | 3,691,958.00 | | 404,628.00 | 4,096,586.00 |
| Categorical Transportation Aid | | | | | | | | | |
| Extraordinary Aid | 22-485-034-5120-014 | 64,547.00 | 07/01/2021 - 06/30/2022 | | | 56,290.00 | | 8,257.00 | 64,547.00 |
| Extraordinary Aid | 21-100-034-5120-473 | 204,344.00 | 07/01/2020 - 06/30/2021 | | | 204,344.00 | | | 204,344.00 |
| Extraordinary Aid | 22-100-034-5120-473 | 413,496.00 | 07/01/2021 - 06/30/2022 | | | | (\$413,496.00) | | 413,496.00 |
| On-Behalf TPAF Pension Post Retirement Medical | 22-485-034-5094-001 | 288,178.00 | 07/01/2021 - 06/30/2022 | | | 288,178.00 | | | 288,178.00 |
| On-Behalf TPAF Non-Contributory Insurance | 22-485-034-5094-004 | 17,160.00 | 07/01/2021 - 06/30/2022 | | | 17,160.00 | | | 17,160.00 |
| On-Behalf TPAF Pension Contribution | 22-485-034-5094-002 | 1,216,265.00 | 07/01/2021 - 06/30/2022 | | | 1,216,265.00 | | | 1,216,265.00 |
| On-Behalf TPAF Long Term Disability Insurance | 22-485-034-5094-004 | 793.00 | 07/01/2021 - 06/30/2022 | | | 793.00 | | | 793.00 |
| Reimbursed TPAF social security contributions | 22-485-034-5094-003 | 253,972.01 | 07/01/2021 - 06/30/2022 | | | 241,517.57 | | (12,454.44) | 253,972.01 |
| Total General Funds | | | | | | 5,716,526.57 | | (423,950.44) | 6,255,341.01 |
| State Department of Agriculture | | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | | |
| State School Lunch Program | 21-100-010-3350-023 | 5,223.98 | 07/01/2020 - 06/30/2021 | | | 830.03 | | | 5,223.98 |
| State School Lunch Program | 22-100-010-3350-023 | 5,524.29 | 07/01/2021 - 06/30/2022 | | | 5,104.39 | | (419.90) | 5,524.29 |
| Total Child Nutrition Cluster | | | | | | 3,934.42 | | (419.90) | 10,748.27 |
| Total Enterprise Fund | | | | | | 5,834.42 | | (419.90) | 10,748.27 |
| Total State Financial Assistance | | | | | | \$5,722,459.99 | | \$412,865.00 | \$6,566,089.26 |
| Less: On-Behalf amounts not utilized for determination of Major Programs: | | | | | | | | | |
| On-Behalf TPAF Pension Post Retirement Medical | 22-485-034-5094-001 | | 07/01/2021 - 06/30/2022 | | | 288,178.00 | | | (288,178.00) |
| On-Behalf TPAF Non-Contributory Insurance | 22-485-034-5094-004 | | 07/01/2021 - 06/30/2022 | | | 17,160.00 | | | (17,160.00) |
| On-Behalf TPAF Pension Contribution | 22-485-034-5094-002 | | 07/01/2021 - 06/30/2022 | | | 1,216,265.00 | | | (1,216,265.00) |
| On-Behalf TPAF Long Term Disability Insurance | 22-485-034-5094-004 | | 07/01/2021 - 06/30/2022 | | | 793.00 | | | (793.00) |
| Total State Financial Assistance Subject to Single Audit Testing | | | | | | \$4,200,065.99 | | \$412,865.00 | \$4,854,125.30 |

See accompanying notes to schedules of expenditures of federal awards and state financial assistance

Borough of South Bound Brook School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2022

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

Borough of South Bound Brook School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2022

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$43,160.00) for the general fund and \$94,786.18 for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|--|-----------------------|-----------------------|-----------------------|
| General Fund | | \$6,307,837.01 | \$6,307,837.01 |
| Special Revenue Fund | \$989,795.49 | | 989,795.49 |
| Food Service Fund | 269,126.92 | 5,524.29 | 274,651.21 |
| GAAP Basis | <u>\$1,258,922.41</u> | <u>\$6,313,361.30</u> | <u>\$7,572,283.71</u> |
| Budgetary Adjustment | <u>(94,786.18)</u> | <u>43,160.00</u> | <u>(51,626.18)</u> |
| Total Awards & Financial Assistance | <u>\$1,164,136.23</u> | <u>\$6,356,521.30</u> | <u>\$7,520,657.53</u> |

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

Revenues and expenditures reported in the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF pension contributions, post-retirement medical benefits and long-term disability insurance represents the amount paid by the state on behalf of the district for the year ended June 30, 2022. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2022.

Borough of South Bound Brook School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Program(s) -

- | | | |
|-----|--|------------|
| (1) | Internal Control Over Major Federal Programs: | |
| | (a) Material weaknesses identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) | Type of Auditor’s Report issued on compliance for major federal Programs: | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516a of the Uniform Guidance | No |
| (4) | Identification of Major Federal Program(s): | |

| <u>Program</u> | <u>CFDA</u> |
|-------------------------------|-----------------|
| Education Stabilization Fund: | |
| ESSER II - ARP ESSER | 84.425D/84,425U |

- | | | |
|-----|--|--------------|
| (5) | Dollar Threshold used to distinguish between type A and Type B programs? | \$750,000.00 |
| (6) | Auditee qualified as a low-risk auditee under the Uniform Guidance? | No |

Borough of South Bound Brook School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

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

State Program(s) -

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

(4) Identification of Major State Program(s):

| <u>Program</u> | <u>Grant Number</u> |
|---|---------------------|
| State Aid Public Cluster: | |
| Special Education Categorical Aid | 22-495-034-5120-011 |
| Equalization Aid | 22-495-034-5120-078 |
| Categorical Security Aid | 22-495-034-5120-084 |
| Reimbursed TPAF Social Security Contributions | 22-495-034-5094-003 |

- (5) Program Threshold Determination:
 Type A State Program Threshold > \$750,000.00
 Type B State Program Threshold <= \$750,000.00
- (6) Auditee qualified as a low-risk auditee under N.J. OMB Circular 15-08? Yes

Borough of South Bound Brook School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

Section II – Financial Statement Audit – Reported Findings Under Government Auditing Standards

Internal Control Findings

None Reported

Compliance Findings

None Reported

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

Federal Programs – None Reported

State Programs – None Reported

Borough of South Bound Brook School District

Schedule of Prior Year Audit Findings

Not Applicable

