

**WATCHUNG BOROUGH
SCHOOL DISTRICT**

**Watchung Borough School District
Watchung, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

WATCHUNG BOROUGH SCHOOL DISTRICT

Watchung, New Jersey

For the Fiscal Year Ended June 30, 2019

Watchung Borough School District

**Watchung Borough School District Board of Education
Business Office**

WATCHUNG BOROUGH SCHOOL DISTRICT
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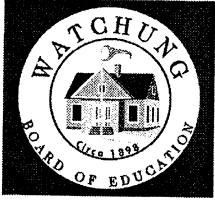
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INTRODUCTORY SECTION



Watchung Borough Board of Education

One Dr. Parenty Way, Watchung, NJ 07069
Phone: 908-755-8536 Fax: 908-755-6946

November 13, 2019

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

Dear Board Members and Citizens:

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

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter (designed to complement Management's discussion and analysis and should be read in conjunction with it), the District's organizational chart, and a list of principal officials. The financial section includes the basic 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, as well as special education for handicapped students. The District completed the 2018-2019 fiscal year with an enrollment of 741 students, which is 18 more students than the previous year's enrollment.

2. ECONOMIC CONDITION AND OUTLOOK: The Borough of Watchung was organized on April 20, 1926 and covers an area of approximately 6.2 square miles. Watchung was settled in the early eighteenth century and grew slowly until recent years. In 1960 the population was 3,312 and in 2010 it was 5,801. Watchung Borough is primarily a suburban residential community with 1,943 residential structures. The Borough also has a number of substantial commercial ratables principally located on State Highway 22 on the outskirts of the Borough.

The Watchung Square Mall, a 750,000 square foot shopping center was completed and is currently assessed for over \$128 million. Crystal Ridge, 280-unit apartment complex has also been completed adjacent to the shopping center. This portion of the project is assessed at over \$40 million. These units could potentially generate 100 students if fully occupied. Currently we have 90 students from Avalon in our Pre-K through 8 system.

The district's strong fund balance position and the ability to guarantee the adoption of prudent budgets, will enable the District to continue to provide its students with a high-quality educational program while still remaining within the limits of a 2% tax levy cap that has been imposed by the State.

3. MAJOR INITIATIVES: The Watchung Borough School District has continued to provide excellence in education for all students (PreK - 8). The District maintains a tuition-based, integrated preschool program for 3 and 4 year old children. A full-day academic Kindergarten is offered to students who reach age 5 by October 1. Spanish is offered to students in grades K-4. Spanish and French are offered to students in grades 5-8. Mathematics in middle school includes accelerated geometry and algebra. A state-of-the-art STEM Lab was opened in September 2019. All Students take a half-year program following a standards-based model that delivers technology literacy in a STEM context. Award-winning vocal and instrumental music, arts, and performing arts opportunities abound in our schools. SOAR, the District's program for gifted and talented students, is offered to students identified as eligible in grades K-8. Guidance Counselors in both schools assist teachers and administrators in assessing and meeting the academic, social, and emotional needs of the students. Peer Mediation is offered at both schools. An Autism Class for students ages 5-8 is held in the Bayberry Elementary School. A Preschool Disabled Program is available for students beginning at age 3. Resource Center and In-Class Support Programs are available in both schools.

Several successful initiatives were completed during the 2018-2019 school year. The following are some examples of program enhancements and District improvements:

Comprehensive Curriculum Development in English Language Arts and Mathematics for grades K-4 were completed during the summer of 2019. A link to the public portal for parents to view District Curriculum is available through Rubicon Atlas, a software program. A Five-Year Curriculum Cycle was developed and approved by the Board of Education. Curriculum articulation occurs with other Sending Districts and Watchung Hills Regional High School. Teacher training was focused on Integrated Language Arts and Mathematics during the 2018-2019 school year. In addition, teachers continue to expand their knowledge of the Readers and Writers Workshop model in order to support students in the reading and writing content areas. The District has an ESL Program that serves students in grades K-8.

Report Cards are distributed on a trimester basis at Bayberry Elementary School. Middle School students have acquired PowerSchool access to self-monitor their academic progress.

The District's Safety and Security plan was revised and updated during the 2018-2019 school year to ensure that all students and staff safety issues are addressed.

Valley View Middle School Band and Chorus earned Gold for their performances in the Adjudication Competition. The annual Middle School Play, *Aladdin*, was a successful event. Students also participated in a wide range of activities that included, but not limited to, class trips, assemblies, fundraisers, concerts, art shows, science fairs, spelling bees, book author visits, before and after-school clubs, and grade-level plays/skits. Camp Mason continues to be a favorite trip.

Winning seasons were posted in Girls' Basketball, Boys' Basketball, and Softball. Track and Field contestants earned medals in the Sending District Meet and medals in the Rotary Meet.

The District entered into a Shared Services agreement with Northern Regional Educational Services Commission to meet its Technology requirements and staffing needs. In addition to the Districts' Chromebooks Initiative, eReaders, iPads, Smart Boards, and Distance Learning equipment are available to all students. Chromebooks are distributed to all Middle School students to use at School and at home. On-line assessments, and computer literacy skills help to advance students' competencies for NJSLA Assessments. The District's Chromebook initiative occurs at grades 2, 3, and 4. Students in grades K-1 have access to classroom sets of iPads.

A District Web-site offers a user-friendly format including Quick Links. Apps for the website were developed and are available for iPhone Android users. PowerSchool continues to be used as the District's web-based student information system (SIS) with robust tools for viewing, storing, and retrieving data. A free PowerSchool for Parents app may be downloaded from the iTunes store.

The District adopted and implemented the Danielson's Framework for Teaching and the OnCourse platform in Compliance with the State's evaluation requirements. The Marshall's Rubric was adopted to evaluate Administrators. Mandated training for staff is conducted through Safe Schools' On-Line Professional Development Service.

The Somerset County Youth Service Commission provided grants that sponsored spring and fall programs for Valley View Girls on Track. These self-esteem building after-school running programs are designed to help girls develop self-confidence, determination, and focus on goal setting and cooperation. In addition, grants have supported the TREP\$ (Entrepreneur) Program. This innovative program encourages students to create marketable items and to develop a marketing plan for their creations. A new Middle School program, The Pursuit of Excellence, provides students with tutoring in the Language Arts and Mathematics program.

The school programs are further enhanced by parent involvement in the Parent Teacher Organization and community groups, such as the Watchung Hills Municipal Alliance, and the Watchung Police Department's D.A.R.E. program.

The Watchung Education Foundation is an organization that was established to raise money for Bayberry and Valley View Schools to provide an ongoing centralized source of additional funds and resources to assist the Watchung Borough School District. Funds contributed by the Foundation help to maintain and enhance the quality of education in Watchung Borough District Schools.

At Valley View, through the generous funding of the Bisignano family and the WEF, a state-of-the-art STEM lab was constructed. Students take a half-year course designed to inspire critical and creative thinking and provide opportunities for problem-solving. They also enjoy broadcasting the daily announcements through the new television studio.

Bayberry Elementary was grateful to receive funding through the Watchung Education Foundation from the Bisignano Family, as well as donations from Stern Sports and the Nancy Lieberman Foundation to renovate the playground. Renovations included improved drainage, installation of a sports court, removal of the old infield, a new playground structure, a rock wall, pour-in-place ground covering, a large walkway, and relocation of Project Fit equipment. A ribbon-cutting was held in June, and the students and residents of the community have been enjoying countless hours of fun and fitness in the space.

Through a grant from the PTO, Bayberry School was able to purchase a new laminator for staff, sensory hallways for students to enjoy, a Buddy Bench for the playground, and an expansion of extra-curricular opportunities for students. In addition, they provided funding for several assemblies focused on character development.

Bayberry Elementary School also implemented the AAA School Safety Patrol Program for students in grade 4. The students were selected based on a brief essay they wrote about respect. Students were 'sworn in' by the Watchung Police Department and wore their safety belts with pride throughout the year. The students served as Kindergarten Helpers, Bus Safeties, BEST Times Helpers, or Parent Pick-Up Helpers. The program serves as a way for students to act as role models for Bayberry Elementary School.

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

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal awards 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 Board. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section and the analysis of the results thereon is reported in the Management's Discussion and Analysis (MD&A) section of this report.

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

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

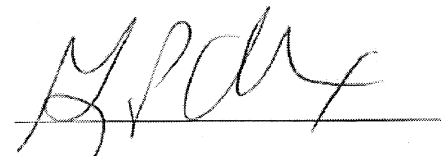
7. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under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

8. RISK MANAGEMENT: The Board carries various forms of insurance that includes, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on J-20.

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

10. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Watchung Borough 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 our Business Office staff.

Respectfully submitted by,

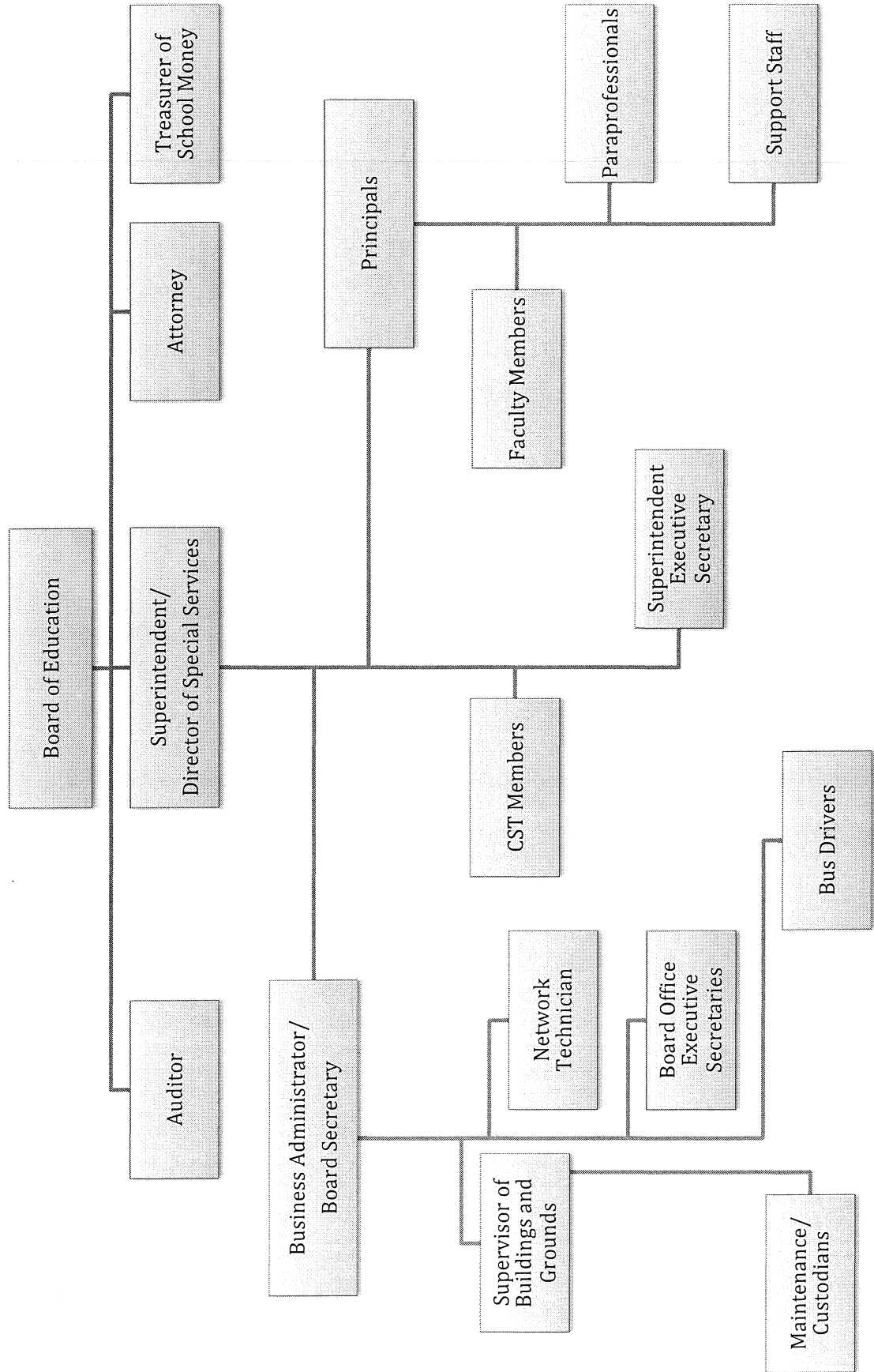


Superintendent



Business Administrator

Watchung Borough Board of Education Organizational Chart Unit Control



WATCHUNG BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2019

Members of the Board of Education

Term Expires

Tina Kelly, President	2020
Georgia Glasser-Nehls, Vice President	2019
Dennis Bakos	2019
Richard Buccarelli	2021
Joseph Barbella	2019
Dorie Harvey	2021
Jessica Ingrassia	2021
Ellyn Margulies	2020
Joseph Mattiassi	2020

Other Officials

Stephanie Bilenker, Interim Assistant Superintendent
Valery Petrone, Interim School Business Administrator/Board Secretary
Mary Nunn, Valley View School Principal
Jill Dobrowansky, Bayberry School Principal
William J. Hance, Treasurer
Sciarrillo, Cornell, Merlino, McKeever & Osborne, LLC. - Legal Counsel

**WATCHUNG BOROUGH SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Nisivoccia LLP
Mount Arlington Corporate Center
200 Valley Road Suite 300
Mount Arlington, NJ 07856
and
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Attorney at Law

Sciarrillo, Cornell, Merlino, McKeever & Osborne, LLC.
238 St. Paul Street
Westfield, NJ 070910

Architect

Parette Somjen Architects
439 Route 46 East
Rockaway, NJ 07866

Benefit Advisor

Brown & Brown Benefit Advisors
24 Arnett Avenue Suite 200
Lambertville, NJ 08530

Property Insurance

Willis
350 Mt. Kemble Avenue
P.O. Box 1959
Morristown, NJ 07962

Official Depository

Investors Bank
1153 Valley Road
Stirling, NJ 07980

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the operating effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 13, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis
(Unaudited)

This section of Watchung Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

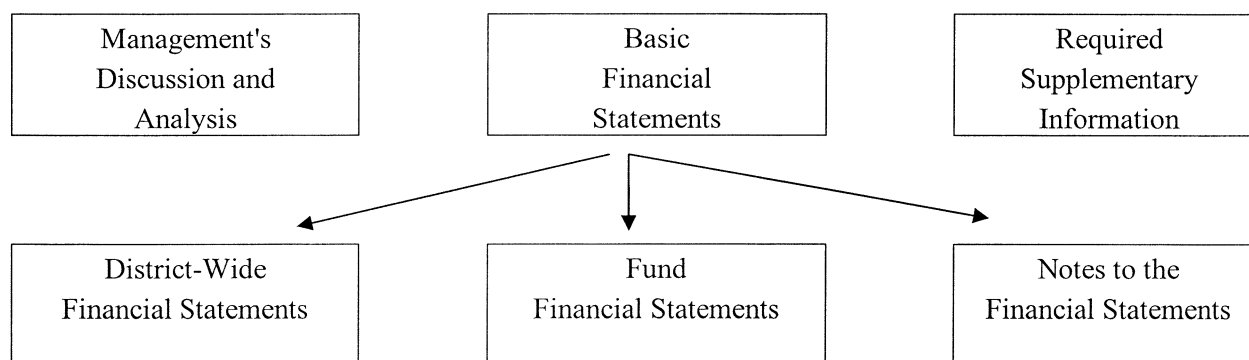
Overview of the Financial Statements

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

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

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

Figure A-1



WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis
(Unaudited)

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis
(Unaudited)

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis
(Unaudited)

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

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position decreased \$266,899. Net position from governmental activities decreased by \$267,348 and net position from business activities increased by \$449. Net investment in capital assets increased by \$223,455, restricted net position decreased by \$633,756 and unrestricted net position increased by \$143,402.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
Current and Other Assets	\$ 2,519,164	\$ 3,189,132	\$ 5,281	\$ 5,221	\$ 2,524,445	\$ 3,194,353	
Capital Assets, Net	14,179,082	13,956,016	7,621	7,232	14,186,703	13,963,248	
Total Assets	16,698,246	17,145,148	12,902	12,453	16,711,148	17,157,601	-2.60%
Deferred Outflows of Resources	587,422	874,324			587,422	874,324	-32.81%
Other Liabilities	162,927	198,728			162,927	198,728	
Long-Term Liabilities	2,783,079	3,422,524			2,783,079	3,422,524	
Total Liabilities	2,946,006	3,621,252			2,946,006	3,621,252	-18.65%
Deferred Inflows of Resources	1,116,764	907,974			1,116,764	907,974	23.00%
Net Position:							
Investment in Capital Assets							
Assets	14,179,082	13,956,016	7,621	7,232	14,186,703	13,963,248	
Restricted	2,067,169	2,700,925			2,067,169	2,700,925	
Unrestricted/(Deficit)	(3,023,353)	(3,166,695)	5,281	5,221	(3,018,072)	(3,161,474)	
Total Net Position	\$ 13,222,898	\$ 13,490,246	\$ 12,902	\$ 12,453	\$ 13,235,800	\$ 13,502,699	-1.98%

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

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis
(Unaudited)

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
Revenue:							
Program Revenue:							
Tuition	\$ 136,020	\$ 176,427			\$ 136,020	\$ 176,427	
Charges for Services			\$ 6,797	\$ 6,046	6,797	6,046	
Operating Grants & Contributions	4,420,694	4,719,114	4,138	5,157	4,424,832	4,724,271	
General Revenue:							
Property Taxes	11,151,041	10,887,059			11,151,041	10,887,059	
Unrestricted Federal & State Aid	216,199	64,714			216,199	64,714	
Other	82,728	75,752	157	112	82,885	75,864	
Total Revenue	<u>16,006,682</u>	<u>15,923,066</u>	<u>11,092</u>	<u>11,315</u>	<u>16,017,774</u>	<u>15,934,381</u>	0.52%
Expenses:							
Instruction	9,822,048	10,085,748			9,822,048	10,085,748	
Pupil and Instruction Services	2,680,390	2,477,207			2,680,390	2,477,207	
Administrative and Business	1,607,776	1,826,043			1,607,776	1,826,043	
Maintenance and Operations	1,539,005	1,315,847			1,539,005	1,315,847	
Transportation	573,894	576,507			573,894	576,507	
Other	50,917	47,138	10,643	13,733	61,560	60,871	
Total Expenses	<u>16,274,030</u>	<u>16,328,490</u>	<u>10,643</u>	<u>13,733</u>	<u>16,284,673</u>	<u>16,342,223</u>	-0.35%
Increase/(Decrease) in Net Position	<u>\$ (267,348)</u>	<u>\$ (405,424)</u>	<u>\$ 449</u>	<u>\$ (2,418)</u>	<u>\$ (266,899)</u>	<u>\$ (407,842)</u>	34.56%

Governmental Activities

As discussed, the financial position of the District remains strong. Maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

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

- Participation in a joint insurance fund operated by Diploma Joint Insurance Fund resulting in low cost property, liability and workers compensation insurance.
- Participation in Joint Transportation Agreements.
- Participation in Joint Purchasing Agreements.
- Participation in shared services for on-site IT technicians and network administration
- Participation in e-Rate Programs.

The District will continue to examine its expenses carefully to sustain its financial health while satisfying increasing new educational programs and activities.

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis
(Unaudited)

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

Figure A-5
Net Cost of Governmental Activities

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2018/2019</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2017/2018</u>
Instruction	\$ 9,822,048	\$ 10,085,748	\$ 6,317,802	\$ 6,358,280
Pupil and Instruction Services	2,680,390	2,477,207	2,563,292	1,928,345
Administrative and Business	1,607,776	1,826,043	1,363,290	1,428,228
Maintenance and Operations	1,539,005	1,315,847	1,433,204	1,128,191
Transportation	573,894	576,507	558,236	542,767
Other	50,917	47,138	(518,508)	47,138
	<u>\$ 16,274,030</u>	<u>\$ 16,328,490</u>	<u>\$ 11,717,316</u>	<u>\$ 11,432,949</u>

Business-Type Activities

Net position from the District's business-type activity increased by \$449 (Refer to Figure A-4). Factors contributing to these results included:

- Food service operating revenues decreased by \$268 and non-operating revenue increased by \$45 combined with a decrease in the operating expenses of \$3,090. The decrease in operating expenses is due to a decrease in miscellaneous expenses paid by the General Fund on behalf of the Food Service Fund.

Financial Analysis of the District's Funds

The District's financial position has been in a decline for the last few years. This is a result of significant changes in the student clientele and difficult economic times.

In an effort to return special education students to the District, the District has increased classroom teaching staff, special education aides and special transportation. The savings realized from the reduction in out of district placements, however, has largely offset the cost of these additional teachers and special education aides. Fringe benefit costs for all staff have increased significantly in the past several years.

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

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis
(Unaudited)

General Fund Budgetary Highlights

Over the course of the fiscal year, the District revised the annual operating budget between budgetary line items for changes in school-based needs. Special education instruction and extraordinary services for special education increased \$91,331 and \$103,353, respectively above budgeted amounts due to the needs of incoming students. Student support services decreased \$11,155 over budgeted amounts. The District had a budgeted withdrawal of \$40,000 from the Capital Reserve for the replacement of two HVAC systems at Valley View Middle School and an additional withdrawal of \$118,600 from Capital Reserve for the same project. The District also had a withdrawal from the Maintenance Reserve of \$365,190 for testing and remediation of mold in the Bayberry Elementary School.

Capital Asset and Long-Term Liabilities

Current year capital additions were \$710,364 and annual depreciation was \$472,544 (\$469,951 from governmental activities and \$2,593 from business-type activities). (More information on the District’s capital assets is presented in Note 6 to the financial statements.)

Figure A-6
Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
Land	\$ 411,364	\$ 411,364			\$ 411,364	\$ 411,364	
Building and Building Improvements	12,693,023	13,018,663			12,693,023	13,018,663	
Machinery and Equipment	1,074,695	525,989	\$ 7,621	\$ 7,232	1,082,316	533,221	
Total Capital Assets (Net of Depreciation)	<u>\$14,179,082</u>	<u>\$13,956,016</u>	<u>\$ 7,621</u>	<u>\$ 12,418</u>	<u>\$14,186,703</u>	<u>\$13,963,248</u>	<u>1.60%</u>

Long-Term Liabilities

At year-end, the District no longer has general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.)

Figure A-7
Outstanding Long-Term Liabilities

	Total School District		Percentage Change
	2018/2019	2017/2018	
Compensated Absences	\$ 170,987	\$ 233,329	
Net Pension Liability	2,612,092	3,189,195	
	<u>\$ 2,783,079</u>	<u>\$ 3,422,524</u>	<u>-18.68%</u>

- Compensated absences payable decreased by a net amount of \$62,342.
- The net pension liability decreased by \$577,103 from the prior year.

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis
(Unaudited)

Factors Bearing on the District's Future

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

- Tax Levy - The Board opted to prepare its 2019-2020 budget with a 5.9% tax increase utilizing much of the available banked CAP. The unrestricted fund balance is limited to 2% of our expenditures as per the New Jersey Department of Education regulations. Looking ahead to the development of the 2020-2021 budget, it will be important to prepare a budget that will closely reflect actual expenditures since the unrestricted fund will not permit much flexibility.
- Personnel – Fortunately, we settled our contract in June which will expire in June 2022. This settlement will be extremely helpful in determining salary costs going forward.
- Special Education Costs - These costs continue to rise and impacts our budget quite heavily. We continue to work to provide services in a cost effective manner.

The District is proud of its community support of our public schools. A major concern is our reliance on property taxes.

In conclusion, Watchung Borough School District has committed itself to continue its system of financial planning, budgeting and internal controls to meet the challenges of the future.

Request for Information

This financial report is designed to provide a general overview of the Watchung Borough School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to School Business Administrator/Board Secretary, at the Board of Education Office at One Dr. Parenty Way, Watchung, NJ 07069.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 611,283	\$ 11,475	\$ 622,758
Interfund Receivable	4,730		4,730
Internal Balances	7,038	(7,038)	
Receivable from State Government	220,085		220,085
Receivable from Federal Government	2,691	844	3,535
Other Accounts Receivable	5,304		5,304
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,668,033		1,668,033
Capital Assets:			
Sites (Land)	411,364		411,364
Depreciable Buildings and Building Improvements and Machinery and Equipment	13,767,718	7,621	13,775,339
Total Assets	<u>16,698,246</u>	<u>12,902</u>	<u>16,711,148</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	587,422		587,422
Total Deferred Outflows of Resources	<u>587,422</u>		<u>587,422</u>
LIABILITIES			
Accounts Payable	154,138		154,138
Unearned Revenue	8,789		8,789
Noncurrent Liabilities:			
Due Within One Year	6,134		6,134
Due Beyond One Year	2,776,945		2,776,945
Total Liabilities	<u>2,946,006</u>		<u>2,946,006</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	1,116,764		1,116,764
Total Deferred Inflows of Resources	<u>1,116,764</u>		<u>1,116,764</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Investment in Capital Assets	\$ 14,179,082	\$ 7,621	\$ 14,186,703
Restricted for:			
Capital Projects	1,668,033		1,668,033
Excess Surplus	399,136		399,136
Unrestricted/(Deficit)	(3,023,353)	5,281	(3,018,072)
Total Net Position	\$ 13,222,898	\$ 12,902	\$ 13,235,800

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

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

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 7,895,450	\$ 136,020	\$ 2,322,788		\$ (5,572,662)	\$	\$ (5,572,662)
Special Education	1,583,897		813,047		(634,830)		(634,830)
Other Special Instruction	233,819		66,275		(167,544)		(167,544)
School-Sponsored Other Instruction	108,882		30,096		(78,786)		(78,786)
Support Services:							
Tuition	289,162				(289,162)		(289,162)
Student & Instruction Related Services	2,391,228		253,118		(2,138,110)		(2,138,110)
General Administrative Services	547,496		127,884		(419,612)		(419,612)
School Administrative Services	748,723		83,208		(665,515)		(665,515)
Central Services	274,535		33,394		(241,141)		(241,141)
Administrative Information Technology	37,022				(37,022)		(37,022)
Plant Operations and Maintenance	1,539,005		105,801		(1,433,204)		(1,433,204)
Pupil Transportation	573,894		15,658		(558,236)		(558,236)
Capital Outlay	50,917			\$ 569,425	518,508		518,508
Total Governmental Activities	16,274,030	136,020	3,851,269	569,425	(11,717,316)		(11,717,316)

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

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities: Food Service	\$ 10,643	\$ 6,797	\$ 4,138		\$ 292	\$ 292	\$ 292
Total Business-Type Activities	10,643	6,797	4,138		292	292	292
Total Primary Government	\$ 16,284,673	\$ 142,817	\$ 3,855,407	\$ 569,425	\$ (11,717,316)	292	(11,717,024)
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net Federal and State Aid not Restricted		\$ 11,151,041			\$ 11,151,041	\$ 11,151,041	\$ 11,151,041
Miscellaneous Income		216,199			216,199	216,199	216,199
		82,728			\$ 157	82,885	82,885
Total General Revenue		11,449,968			157	11,450,125	11,450,125
Change in Net Position		(267,348)			449	(266,899)	(266,899)
Net Position - Beginning		13,490,246			12,453	13,502,699	13,502,699
Net Position - Ending		\$ 13,222,898			\$ 12,902	\$ 13,235,800	\$ 13,235,800

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

FUND FINANCIAL STATEMENTS

WATCHUNG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 603,394	\$ 7,889	\$ 611,283
Receivables From Federal Government		2,691	2,691
Receivables From State Government	220,085		220,085
Other Receivables		5,304	5,304
Interfund Receivables	11,768		11,768
Restricted Cash and Cash Equivalents	1,668,033		1,668,033
Total Assets	\$ 2,503,280	\$ 15,884	\$ 2,519,164
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 13,161	\$ 9,295	\$ 22,456
Unearned Revenue	2,200	6,589	8,789
Total Liabilities	15,361	15,884	31,245
Fund Balances:			
Restricted:			
Capital Reserve Account	1,668,033		1,668,033
Excess Surplus Designated for Subsequent Year's Expenditures	243,851		243,851
Excess Surplus	155,285		155,285
Assigned:			
Encumbrances	36,962		36,962
Designated for Subsequent Year's Expenditures	49,800		49,800

WATCHUNG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
Fund Balances:			
Unassigned:			
General Fund	\$ 333,988		\$ 333,988
Total Fund Balances	2,487,919		2,487,919
Total Liabilities and Fund Balances	\$ 2,503,280	\$ 15,884	

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

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. \$ 14,179,082

The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds. (2,612,092)

Other Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds. (170,987)

Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.

Deferred Outflows

Deferred Inflows

455,740
(1,116,764)

Net Position of Governmental Activities

\$ 13,222,898

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 11,151,041			\$ 11,151,041
Tuition from Individuals	136,020			136,020
Interest Earned on Capital Reserve Funds	23,738			23,738
Miscellaneous	58,990	\$ 107,896		166,886
Total - Local Sources	<u>11,369,789</u>	<u>107,896</u>		<u>11,477,685</u>
State Sources	2,479,781			2,479,781
Federal Sources		176,067		176,067
Total Revenue	<u>13,849,570</u>	<u>283,963</u>		<u>14,133,533</u>
EXPENDITURES				
Current:				
Regular Instruction	4,081,799	143,886		4,225,685
Special Education Instruction	937,602	132,805		1,070,407
Other Special Instruction	125,489			125,489
School Sponsored/Other Instruction	59,687			59,687
Support Services and Undistributed Costs:				
Tuition	289,162			289,162
Student & Instruction Related Services	1,891,139	7,272		1,898,411
General Administrative Services	420,548			420,548
School Administrative Services	440,764			440,764
Central Services	182,466			182,466

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
EXPENDITURES				
Administrative Information Technology	\$ 37,022			\$ 37,022
Plant Operations and Maintenance	1,208,747			1,208,747
Pupil Transportation	516,379			516,379
Allocated and Unallocated Benefits	4,107,395			4,107,395
Capital Outlay	185,077		\$ 3,779	188,856
Total Expenditures	14,483,276	\$ 283,963	3,779	14,771,018
Excess/(Deficit) of Revenue over/(under) Expenditures	(633,706)		(3,779)	(637,485)
OTHER FINANCING SOURCES/(USES)				
Transfers In	141,446			141,446
Transfers Out			(141,446)	(141,446)
Total Other Financing Sources/(Uses)	141,446		(141,446)	
Net Change in Fund Balances	(492,260)		(145,225)	(637,485)
Fund Balance—July 1	2,980,179		145,225	3,125,404
Fund Balance—June 30	\$ 2,487,919	\$ - 0 -	\$ - 0 -	\$ 2,487,919

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

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

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (637,485)

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

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

	Depreciation Expense	\$ (469,951)
Disposal of Capital Assets with Carrying Value		(14,347)
Donated Capital Assets		569,425
Capital Outlays		137,939
		223,066

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

Change in Net Pension Liability	577,103
Change in Deferred Inflows	(195,321)
Change in Deferred Outflows	(297,053)
	84,729

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

Change in Net Position of Governmental Activities (Exhibit A-2) 62,342

\$ (267,348)

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

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

	Business-type Activities - Enterprise Funds
	Food Service
	Non-Major Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 11,475
Intergovernmental Accounts Receivable:	
Federal	844
Total Current Assets	12,319
Non-Current Assets:	
Capital Assets	38,342
Less: Accumulated Depreciation	(30,721)
Total Non-Current Assets	7,621
Total Assets	19,940
LIABILITIES:	
Current Liabilities:	
Interfund Payable	7,038
Total Current Liabilities	7,038
NET POSITION:	
Investment in Capital Assets	7,621
Unrestricted	5,281
Total Net Position	\$ 12,902

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

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

	Business-type Activities - Enterprise Funds
	Food Service
	Non-Major Fund
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 6,797
Total Operating Revenue	6,797
Operating Expenses:	
Cost of Sales- Reimbursable Programs	7,672
Miscellaneous Expenses	378
Depreciation Expense	2,593
Total Operating Expenses	10,643
Operating Loss	(3,846)
Non-Operating Revenue:	
Local Sources:	
Interest Income	157
Federal Sources:	
Special Milk Program	4,138
Total Non-Operating Revenue	4,295
Change in Net Position	449
Net Position - Beginning of Year	12,453
Net Position - End of Year	\$ 12,902

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

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

	Business-type Activities - Enterprise Funds
	Food Service
	Non-Major Fund
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 6,797
Payments to Milk Vendor	(7,672)
Other Costs	(378)
	(1,253)
Net Cash Used for Operating Activities	
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	157
	157
Net Cash Provided by Investing Activities	
Cash Flows from Noncapital Financing Activities:	
Local Sources:	
General Fund - Interfund	3,689
Federal Sources:	
Special Milk Program	3,724
	7,413
Net Cash Provided by Noncapital Financing Activities	
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	(2,982)
	(2,982)
Net Cash Used for Capital and Related Financing Activities	
Net Increase in Cash and Cash Equivalents	3,335
Cash and Cash Equivalents, July 1	8,140
Cash and Cash Equivalents, June 30	\$ 11,475
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (3,846)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	2,593
	(1,253)
Net Cash Used for Operating Activities	\$ (1,253)

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

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

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 234,288	\$ 18,719	\$ 36,817
Total Assets	<u>234,288</u>	<u>18,719</u>	<u>36,817</u>
LIABILITIES:			
Net Payroll	2,000		
Accrued Salaries and Wages Payable	166,886		
Due to Student Groups	63,926		
Payroll Deductions and Withholdings	1,476		
Interfund Payable - General Fund		4,730	
Total Liabilities	<u>234,288</u>	<u>4,730</u>	
NET POSITION:			
Held in Trust for Flexible Spending Claims		13,989	
Held in Trust for Unemployment Claims			36,817
Total Net Position	<u>\$ -0-</u>	<u>\$ 13,989</u>	<u>\$ 36,817</u>

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

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

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Employee Contributions	\$ 39,288	\$ 16,699
Total Contributions	<u>39,288</u>	<u>16,699</u>
Investment Earnings:		
Interest	401	448
Net Investment Earnings	<u>401</u>	<u>448</u>
Total Additions	<u>39,689</u>	<u>17,147</u>
Deductions		
Unemployment Compensation Claims		16,129
Flexible Spending Claims	44,412	
Total Deductions	<u>44,412</u>	<u>16,129</u>
Change in Net Position	(4,723)	1,018
Net Position - Beginning of the Year	<u>18,712</u>	<u>35,799</u>
Net Position - End of the Year	<u>\$ 13,989</u>	<u>\$ 36,817</u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

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

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd):

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

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

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

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Budgets/Budgetary Control:

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

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

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 13,853,423	\$ 303,316
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(19,353)
Prior Year State Aid Payments Recognized for GAAP Statements	39,936	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(43,789)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 13,849,570	\$ 283,963

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

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,483,276	\$ 303,316
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(19,353)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 14,483,276	\$ 283,963

E. Cash and Cash Equivalents:

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

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

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

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

F. Interfund Transactions:

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

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

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

F. Interfund Transactions (Cont'd)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

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

K. Capital Assets:

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

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

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

K. Capital Assets (Cont'd)

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

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

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2019, the amount earned by these employees but not yet disbursed was \$166,886.

N. Compensated Absences:

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

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

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

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,487,919 General Fund fund balance at June 30, 2019, \$1,668,033 is restricted in the capital reserve account; \$243,851 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2020; \$155,285 is restricted for current year excess surplus in accordance with N.J.S.A.18A:7F-7 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2021; \$36,962 is assigned for year-end encumbrances; \$49,800 is assigned and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2020; and \$333,988 in unassigned fund balance, which is \$43,789 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2020.

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

Unassigned fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of \$43,789 as of June 30, 2019 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Fund Balance Restrictions, Commitments and Assignments:

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

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

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

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

to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for a capital reserve and excess surplus at year end.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has \$0 of committed resources at June 30, 2019.

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

R. Net Position:

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

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

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

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

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

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

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

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

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

S. Deficit Net Position:

The District has a deficit in unrestricted net position in its governmental activities, which is due to unassigned General Fund balance, assigned fund balance and deferred outflows of resources related to pensions; offset by net pension liability, compensated absences payable and deferred inflows of resources related to pensions. This deficit does not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions

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

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

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

Deposits:

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

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

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

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

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

Investments (Cont'd)

- (9) Deposit of funds in accordance with the following conditions:
- (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

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

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents Capital Reserve Account</u>	<u>Total</u>
Checking Accounts	\$ 912,582	\$ 1,668,033	\$ 2,580,615
	<u>\$ 912,582</u>	<u>\$ 1,668,033</u>	<u>\$ 2,580,615</u>

During the period ended June 30, 2019, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2019, was \$2,580,615 and the bank balance was \$3,028,412.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account in the amount of \$15,000 was established by Board resolution on October 15, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line item appropriations or

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

(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2018	\$	1,802,895
Interest Earnings		23,738
		<u>1,826,633</u>
Less:		
Budgeted Withdrawal	\$	40,000
Withdrawal by Board Resolution		<u>118,600</u>
		<u>(158,600)</u>
Ending Balance, June 30, 2019	\$	<u><u>1,668,033</u></u>

The balance in the capital reserve account at June 30, 2019 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan. The withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$100,000 was established by the Borough of Watchung School District during the year ended June 30, 2010. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring assigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

Balance July 1, 2018	\$	365,190
Less: Withdrawal by Board Resolution		<u>(365,190)</u>
Balance June 30, 2019	\$	<u><u>-0-</u></u>

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

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 411,364			\$ 411,364
Total Capital Assets Not Being Depreciated	411,364			411,364
Capital Assets Being Depreciated:				
Buildings and Building Improvements	19,159,257			19,159,257
Machinery and Equipment	1,465,252	\$ 707,364	\$ (37,632)	2,134,984
Total Capital Assets Being Depreciated	20,624,509	707,364	(37,632)	21,294,241
Governmental Activities Capital Assets	21,035,873	707,364	(37,632)	21,705,605
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(6,140,594)	(325,640)		(6,466,234)
Machinery and Equipment	(939,263)	(144,311)	23,285	(1,060,289)
	(7,079,857)	(469,951)	23,285	(7,526,523)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 13,956,016	\$ 237,413	\$ (14,347)	\$ 14,179,082
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 35,360	\$ 2,982		\$ 38,342
Less Accumulated Depreciation	(28,128)	(2,593)		(30,721)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 7,232	\$ 389	\$ - 0 -	\$ 7,621

Depreciation expense was charged to governmental functions as follows:

General Administration	\$ 22,202
Maintenance / Operations	38,549
Student & Instruction Related Services	5,517
Regular Instruction	387,353
Special Education Instruction	16,330
	<u>\$ 469,951</u>

NOTE 7: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2019, the District transferred funds to the capital outlay accounts of \$80,508 which required the approval of the County Superintendent.

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

NOTE 8. LONG-TERM LIABILITIES

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

	Beginning Balance	Accrued	Retired	Ending Balance
Compensated Absences Payable	\$ 233,329	\$ 15	\$ 62,357	\$ 170,987
Net Pension Liability	3,189,195		577,103	2,612,092
	\$ 3,422,524	\$ 15	\$ 639,460	\$ 2,783,079

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are liquidated through the Debt Service Fund. The District had no bonds payable.

B. Bonds Authorized But Not Issued:

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

C. Capital Leases Payable:

As of June 30, 2019, the District had no capital leases payable.

D. Unamortized Bond Premium:

The District had no unamortized bond premium as of June 30, 2019.

E. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance for compensated absences is \$164,853. The current portion of compensated absences payable is \$6,134. This compensated absences payable will be liquidated through the General Fund.

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

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2019 is \$-0- and the long-term portion is \$2,612,092. See Note 9 for further information on the PERS.

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

NOTE 9. PENSION PLANS

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

A. Public Employees’ Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$132,313 for fiscal year 2019.

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

Pension Liabilities and Pension Expense

At June 30, 2018, the District reported a liability of \$2,612,092 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.0133%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2017.

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

NOTE 9. PENSION PLANS (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$47,228. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 20,675	
	2015	5.72	93,314	
	2016	5.57	316,440	
	2017	5.48		\$ 481,519
	2018	5.63		353,689
			<u>430,429</u>	<u>835,208</u>
Changes in Proportion	2014	6.44		19,971
	2015	5.72		30,262
	2016	5.57		90,915
	2017	5.48		46,474
	2018	5.63		80,465
				<u>268,087</u>
Net Difference Between Projected and Actual				
Investment Earnings on Pension Plan Investments	2015	5	15,784	
	2016	5	88,240	
	2017	5	(79,421)	
	2018	5	(49,105)	
			<u>(24,502)</u>	
Difference Between Expected and Actual Experience	2015	5.72	25,890	
	2016	5.57	9,603	
	2017	5.48	14,320	
	2018	5.63		13,469
			<u>49,813</u>	<u>13,469</u>
District Contribution Subsequent to the Measurement Date	2018	1	131,682	
			<u>\$ 587,422</u>	<u>\$ 1,116,764</u>

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

NOTE 9. PENSION PLANS (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the District Contribution Subsequent to the Measurement Date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2019	\$ 18,129
2020	(25,100)
2021	(179,990)
2022	(156,017)
2023	(49,959)
	\$ (392,937)

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

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

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

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

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate

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

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

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

	June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
District's proportionate share of the Net Pension Liability	\$ 3,284,405	\$ 2,612,092	\$ 2,048,065

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division).

For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.shtml.

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

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided

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

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

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

Contributions

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

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

NOTE 9. PENSION PLANS (Cont'd)

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

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2019, the State of New Jersey contributed \$931,425 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,802,444.

The employee contribution rate was 7.50% effective July 1, 2018. Subsequent increases after October 1, 2011 were being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2019, the State's proportionate share of the net pension liability associated with the District was \$30,918,566. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.049%, which was an increase of 0.001% from its proportion measured as of June 30, 2017.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		30,918,566
Total	\$	30,918,566

For the fiscal year ended June 30, 2019, the State recognized pension expense on behalf of the District in the amount of \$1,802,444 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 financial statements.

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

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

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

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

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

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Actuarial Assumptions

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

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

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

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

Long Term Expected Rate of Return

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

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

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 50% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

	June 30, 2018		
	At 1% Decrease (3.86%)	At Current Discount Rate (4.86%)	At 1% Increase (5.86%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 36,545,158	\$ 30,918,566	\$ 26,254,259

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$3,801 for the fiscal year ended June 30, 2019. Employee contributions to DCRP amounted to \$5,096 for the year ended June 30, 2019.

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

(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

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

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

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

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

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

Employees Covered by Benefit Terms

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

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

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

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 which was rolled forward to June 30, 2017.

Actuarial Assumptions and Other Inputs

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

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

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

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

Mortality Rates

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

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

(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Health Care Trend Assumptions

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

Discount Rate

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

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

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 20,607,119
Changes for Year:	
Service Cost	878,584
Interest on the Total OPEB Liability	761,302
Difference between Expected and Actual Experiences	(2,608,820)
Changes of Assumptions	(1,975,836)
Gross Benefit Payments by the State	(460,399)
Contributions from Members	<u>15,912</u>
Net Changes	<u>(3,389,257)</u>
Balance at June 30, 2018	<u>\$ 17,217,862</u>

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

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

	June 30, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB Liability Attributable to the District	\$ 20,355,018	\$ 17,217,862	\$ 14,724,147

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

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

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 14,231,566	\$ 17,217,862	\$ 21,167,353

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

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$875,041 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

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

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

	<u>Deferral Year</u>	<u>Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	↙ 2017	9.54		\$ (2,437,121)
Changes in Assumptions	2018	9.51		(1,422,351)
				<u>(3,859,472)</u>
Differences Between Expected and Actual Experience	↙ 2018	9.51		(1,671,378)
Changes in Proportion	↙ 2017	N/A		
Changes in Proportion	↙ 2018	N/A	\$ 77,378	(578,304)
			<u>\$ 77,378</u>	<u>\$ (6,109,154)</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2019	\$ (681,540)
2020	(681,540)
2021	(681,540)
2022	(681,540)
2023	(681,540)
Thereafter	<u>(2,123,151)</u>
	<u>\$ (5,530,850)</u>

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

NOTE 11. 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. Health benefits are provided through Horizon Blue Cross/Blue Shield.

Property and Liability Insurance

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

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

The financial information for Fund year ended June 30, 2019 is not available. Selected, summarized financial information for the Fund as of June 30, 2018 is as follows:

	<u>Diploma Joint Insurance Fund</u>
Total Assets	<u>\$ 14,236,343</u>
Net Position	<u>\$ 6,081,142</u>
Total Revenue	<u>\$ 6,419,195</u>
Total Expenses	<u>\$ 6,721,544</u>
Change in Net Position	<u>\$ (302,349)</u>
Members Dividends	<u>\$ -0-</u>

Financial statements for the Fund are available at the Fund’s Executive Director’s Office:
Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

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

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019	-0-	\$ 17,147	\$ 16,129	\$ 36,817
2018	-0-	10,655	18,246	35,799
2017	-0-	10,291	31,353	43,390

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2019:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 11,768	
Food Service Fund		\$ 7,038
Fiduciary Funds		4,730
	<u>\$ 11,768</u>	<u>\$ 11,768</u>

The interfund between the General Fund and the Fiduciary Funds represents prior year unclaimed flexible spending balances that are due to the General Fund but not turned over as of June 30, 2019. The interfund between General Fund and Food Service Fund represents expenses that were paid by the General Fund on behalf of the Food Service Fund.

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

NOTE 14. DEFERRED COMPENSATION

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

The plan administrators are as follows:

- AIG (V.A.L.I.C.)
- AXA Equitable Life Assurance
- Metropolitan Life Insurance Company
- Lincoln Investment Planning, Inc.

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The District estimates that the potential claims against it resulting from litigation not covered by insurance would not materially affect the financial position of the District.

Encumbrances

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

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
\$ 36,962	\$ 19,353	\$ 56,315

On the District's Governmental Funds Balance Sheet as of June 30, 2019, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$19,353 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

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

NOTE 16. ACCOUNTS PAYABLE

At June 30, 2019, there were accounts payable as detailed below in the governmental funds. All of the governmental funds are considered to be major funds.

	<u>Governmental Funds</u>		District Contribution Subsequent to Measurement Date	Total Governmental Activities
	<u>General Fund</u>	<u>Special Revenue Fund</u>		
Vendors	\$ 13,161	\$ 9,295		\$ 22,456
State of New Jersey			\$ 131,682	131,682
	<u>\$ 13,161</u>	<u>\$ 9,295</u>	<u>\$ 131,682</u>	<u>\$ 154,138</u>

NOTE 17. TAX CALENDAR

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

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

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.015550733000%	0.015027942400%	0.014035907800%	0.013700230100%	0.000132664200%
District's proportionate share of the net pension liability	\$ 2,911,523	\$ 3,373,472	\$ 4,157,033	\$ 3,189,195	\$ 2,612,092
District's covered employee payroll	\$ 1,006,888	\$ 952,957	\$ 955,122	\$ 923,519	\$ 946,298
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	289.16%	354.00%	435.24%	345.33%	276.03%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 128,198	\$ 129,200	\$ 124,693	\$ 128,417	\$ 132,313
Contributions in relation to the contractually required contribution	(128,198)	(129,200)	(124,693)	(128,417)	(132,313)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 986,750	\$ 1,006,888	\$ 952,957	\$ 955,122	\$ 923,519
Contributions as a percentage of covered employee payroll	12.99%	12.83%	13.08%	13.45%	14.33%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
State's proportion of the net pension liability attributable to the District	0.0459199119%	0.0452895715%	0.0459795512%	0.0478369854%	0.0486004563%
State's proportionate share of the net pension liability attributable to the District	\$ 24,922,223	\$ 28,624,943	\$ 36,170,443	\$ 32,253,421	\$ 30,918,566
District's covered employee payroll	\$ 4,674,455	\$ 4,807,187	\$ 4,951,413	\$ 5,048,273	\$ 4,839,145
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	533.16%	595.46%	730.51%	638.90%	638.93%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 1,341,050	\$ 1,747,808	\$ 2,717,705	\$ 2,234,354
Contributions in relation to the contractually required contribution	<u>(244,852)</u>	<u>(368,130)</u>	<u>(519,258)</u>	<u>(715,713)</u>
Contribution deficiency/(excess)	<u>\$ 1,096,198</u>	<u>\$ 1,379,678</u>	<u>\$ 2,198,447</u>	<u>\$ 1,518,641</u>
District's covered employee payroll	\$ 4,674,455	\$ 4,807,187	\$ 4,951,413	\$ 5,048,273
Contributions as a percentage of covered employee payroll	28.69%	36.36%	54.89%	44.26%
				37.25%
				<u>\$ 871,019</u>
				<u>\$ 1,802,444</u>
				<u>(931,425)</u>

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

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2017</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 1,062,895	\$ 878,584
Interest Cost	653,827	761,302
Changes in Assumptions	(2,756,523)	(1,975,836)
Differences between Expected and Actual Experience		(2,608,820)
Member Contributions	17,576	15,912
Gross Benefit Payments	<u>(477,305)</u>	<u>(460,399)</u>
Net Change in Total OPEB Liability	(1,499,530)	(3,389,257)
Total OPEB Liability - Beginning	<u>22,106,649</u>	<u>20,607,119</u>
Total OPEB Liability - Ending	<u>\$ 20,607,119</u>	<u>\$ 17,217,862</u>
District's Covered Employee Payroll *	\$ 5,904,370	\$ 6,003,395
Total OPEB Liability as a Percentage of Covered Employee Payroll	349%	287%

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

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal y

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

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

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

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

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

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)

B. TEACHERS' PENSION AND ANNUITY FUND

Changes of Actuarial Assumptions (Cont'd)

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

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

C. STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

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

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

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

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)

C. STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

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

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

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

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

BUDGETARY COMPARISON SCHEDULES

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 11,151,041		\$ 11,151,041	\$ 11,151,041	\$ 5,575
Tuition from Individuals	130,445		130,445	136,020	8,738
Interest Earned on Capital Reserve Funds	15,000		15,000	23,738	33,992
Interest Earned on Investments				33,992	16,352
Miscellaneous	8,646		8,646	24,998	64,657
Total - Local Sources	11,305,132		11,305,132	11,369,789	
State Sources:					
Transportation Aid	160,229		160,229	160,229	
Special Education Aid	375,176		375,176	375,176	
Security Aid	12,631		12,631	12,631	
Extraordinary Aid	80,816		80,816	192,258	111,442
Nonpublic Transportation Aid				11,310	11,310
On-Behalf TPAF Pension Contribution (Non-Budgeted)				931,425	931,425
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				19,497	19,497
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				431,336	431,336
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				752	752
TPAF Social Security (Reimbursed - Non-Budgeted)				349,020	349,020
Total State Sources	628,852		628,852	2,483,634	1,854,782
TOTAL REVENUES	11,933,984		11,933,984	13,853,423	1,919,439

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 64,996	\$ 78,743	\$ 143,739	\$ 143,739	
Kindergarten - Salaries of Teachers	281,843	13,738	295,581	295,581	
Grades 1-5 - Salaries of Teachers	1,668,304	257,207	1,925,511	1,925,511	
Grades 6-8 - Salaries of Teachers	1,452,856	(22,851)	1,430,005	1,430,005	
Regular Programs - Home Instruction:					
Salaries of Teachers	40,000	(12,561)	27,439	27,439	
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	110,000	(46,948)	63,052	63,052	
Other Purchased Services (400-500 series)	86,200	(8,534)	77,666	77,666	
General Supplies	104,648	(14,567)	90,081	90,027	\$ 54
Textbooks	80,000	(55,221)	24,779	24,779	
Other Objects	5,700	(1,700)	4,000	4,000	
Total Regular Programs - Instruction	3,894,547	187,306	4,081,853	4,081,799	54
Special Education:					
Multiple Disabilities:					
Salaries of Teachers	53,790		53,790	53,790	
Purchased Professional - Educational Services	50,000	29,625	79,625	79,625	
Total Multiple Disabilities	103,790	29,625	133,415	133,415	

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 486,022	\$ 45,116	\$ 531,138	\$ 531,138	
Purchased Professional - Educational Services	255,459	16,590	272,049	272,049	
General Supplies	1,000		1,000	1,000	
Total Resource Room/Resource Center	742,481	61,706	804,187	804,187	
Total Special Education Instruction	846,271	91,331	937,602	937,602	
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	126,000	(35,709)	90,291	90,291	
Total Basic Skills/Remedial - Instruction	126,000	(35,709)	90,291	90,291	
Bilingual Education - Instruction:					
Salaries of Teachers		35,198	35,198	35,198	
Total Bilingual Education - Instruction		35,198	35,198	35,198	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	41,000	(3,000)	38,000	38,000	
Total School-Sponsored Cocurricular Activities - Instruction	41,000	(3,000)	38,000	38,000	

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 28,000	\$ (9,013)	\$ 18,987	\$ 18,987	
Purchased Services (300-500 series)	5,000	(5,000)			
Supplies and Materials	3,300	(600)	2,700	2,700	
Total School-Sponsored Cocurricular Athletics - Instruction	36,300	(14,613)	21,687	21,687	
Community Services Programs/Operations:					
Other Objects	4,000	(4,000)			
Total Community Services Programs/Operations	4,000	(4,000)			
Total Instruction	4,948,118	256,513	5,204,631	5,204,577	\$ 54
Undistributed Expenditures:					
Instruction:					
Tuition to Private Schools for the Handicapped - Within State	394,078	(104,916)	289,162	289,162	
Total Undistributed Expenditures - Instruction	394,078	(104,916)	289,162	289,162	
Health Services:					
Salaries	138,350	5,318	143,668	143,668	
Purchased Professional and Technical Services	7,300	(4,800)	2,500	2,500	
Other Purchased Services (400-500 series)	500	(362)	138	138	
Supplies and Materials	5,700	295	5,995	5,993	2
Other Objects	300		300	225	75
Total Health Services	152,150	451	152,601	152,524	77

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	\$ 271,216	\$ 2,706	\$ 2,706	\$ 2,706	
Purchased Professional - Educational Services	1,000	(13,827)	257,389	257,389	
Supplies and Materials		(34)	966	966	
Total Other Support Services - Speech, OT, PT and Related Services	272,216	(11,155)	261,061	261,061	
Other Support Services - Students - Extra Services:					
Salaries	98,450	(1)	98,449	98,449	
Purchased Professional - Educational Services	275,000	103,354	378,354	378,354	
Total Other Support Services - Students - Extra Services	373,450	103,353	476,803	476,803	
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	173,075	(81,375)	91,700	91,700	
Other Purchased Services (400-500)	700		700	700	
Supplies and Materials	300		300	300	
Total Other Support Services - Students - Guidance	174,075	(81,375)	92,700	92,700	
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	195,788	30,686	226,474	226,474	
Salaries of Secretarial and Clerical Assistants	37,980		37,980	37,980	
Purchased Professional - Educational Services	25,123	244,664	269,787	266,998	\$ 2,789
Other Objects	1,000	(1,000)			
Other Purchased Professional - Technical Services	15,000	760	15,760	15,760	
Misc. Purchased Services (400-500 series) Other Than Residential Costs	450	(330)	120	80	40
Supplies and Materials	16,000	10,269	26,269	26,269	
Total Other Support Services - Students - Child Study Teams	291,341	285,049	576,390	573,561	2,829

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Improvement of Instructional Services:					
Other Salaries	\$ 30,000	\$ (14,421)	\$ 15,579	\$ 15,579	
Purchased Professional - Educational Services	60,000	(3,404)	56,596	56,596	
Other Purchased Services (400-500)	17,300	(300)	17,000	16,355	\$ 645
Supplies and Materials	1,000	(1,000)			
Total Improvement of Instructional Services	108,300	(19,125)	89,175	88,530	645
Educational Media Services/School Library:					
Salaries	148,983	(1,293)	147,690	147,690	
Purchased Professional and Technical Services	93,000	(11,452)	81,548	81,548	
Other Purchased Services (400-500)	13,000	(7,328)	5,672	5,672	
Supplies and Materials	14,750	(9,548)	5,202	5,202	
Total Educational Media Services/School Library	269,733	(29,621)	240,112	240,112	
Instructional Staff Training Services:					
Salaries of Other Professional Staff	9,000	(9,000)			
Other Salaries	1,200	1,550	2,750	2,750	
Purchased Professional - Educational Services	57,190	(56,590)	600	600	
Other Purchased Services (400-500 series)	5,000	(3,102)	1,898	1,898	
Other Objects	700	(88)	612	600	12
Total Instructional Staff Training Services	73,090	(67,230)	5,860	5,848	12

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration:					
Salaries	\$ 231,983	\$ (1,691)	\$ 230,292	\$ 230,292	
Legal Services	20,000	89,749	109,749	109,749	
Audit Fees	14,716	4,284	19,000	19,000	
Other Purchased Professional Services	3,000	(165)	2,835	2,835	
Communications/Telephone	42,400	(2,184)	40,216	39,628	\$ 588
BOE Other Purchased Services	4,000	(2,308)	1,692	1,676	16
Miscellaneous Purchased Services (400-500 series)	7,200	304	7,504	7,504	
General Supplies	3,500	(1,993)	1,507	1,504	3
BOE In-House Training/Meeting Supplies	1,500	(342)	1,158	1,158	
Miscellaneous Expenditures	3,000	(1,595)	1,405	1,405	
BOE Membership Dues and Fees	6,000	(203)	5,797	5,797	
Total Support Services - General Administration	337,299	83,856	421,155	420,548	607
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	276,723	18,330	295,053	295,053	
Salaries of Secretarial and Clerical Assistants	142,511	(1,329)	141,182	141,182	
Other Purchased Services (400-500 series)	1,300	(912)	388	388	
Supplies and Materials	5,000	(2,679)	2,321	2,321	
Other Objects	2,000	(180)	1,820	1,820	
Total Support Services - School Administration	427,534	13,230	440,764	440,764	

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - Central Services:					
Salaries	\$ 205,159	\$ (30,081)	\$ 175,078	\$ 175,078	
Purchased Professional Services	3,700	54	3,754	3,754	
Miscellaneous Purchased Services (400-500 series)	2,200	313	2,513	2,513	
Supplies and Materials	2,500	(1,579)	921	921	
Miscellaneous Expenditures	1,500	(1,300)	200	200	
Total Support Services - Central Services	215,059	(32,593)	182,466	182,466	
Support Services - Administrative Information Technology:					
Purchased Professional Services	23,500	12,801	36,301	36,301	
Supplies and Materials	3,000	(2,222)	778	721	\$ 57
Total Support Services - Administrative Information Technology	26,500	10,579	37,079	37,022	57
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	78,000	167,226	245,226	209,913	35,313
Lead Testing of Drinking Water	16,391	(16,391)			
General Supplies	27,000	4,262	31,262	31,262	
Total Required Maintenance of School Facilities	121,391	155,097	276,488	241,175	35,313
Custodial Services:					
Salaries	449,065	96,284	545,349	545,347	2
Purchased Professional and Technical Services	1,200	(1,200)			
Cleaning, Repair and Maintenance Services	29,415	(17,878)	11,537	11,537	
Other Purchased Property Services	12,200	60	12,260	12,260	
Insurance	105,000	1,479	106,479	106,479	

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services (Cont'd):					
Miscellaneous Purchased Services	\$ 2,000	\$ (2,000)			
General Supplies	44,000	(14,298)	\$ 29,702	\$ 29,221	\$ 481
Energy (Electricity)	172,000	(2,074)	169,926	168,951	975
Other Objects	4,000	(792)	3,208	3,208	
Energy (Natural Gas)	54,000	18,786	72,786	72,786	
Total Custodial Services	872,880	78,367	951,247	949,789	1,458
Care and Upkeep of Grounds:					
Salaries	9,335		9,335	9,334	1
General Supplies	16,101	(7,125)	8,976	8,449	527
Total Care and Upkeep of Grounds	25,436	(7,125)	18,311	17,783	528
Student Transportation Services:					
Salaries for Transportation - Between Home & School - Regular	87,950	(5,860)	82,090	82,090	
Management Fee - ESCs & CTSA's Transportation Program	1,500	214	1,714	1,714	
Other Purchased Professional and Technical Services	3,000		3,000	3,000	
Cleaning, Repair and Maintenance Services	23,639	(23,639)			
Contracted Services:					
Between Home and School - Vendors	195,000	66	195,066	195,066	
Other Than Between Home and School - Vendors	19,500	(58)	19,442	19,442	
Between Home and School - Joint Agreements	130,000	(15,219)	114,781	114,781	
Special Education Students - ESCs & CTSA's	40,000	7,849	47,849	47,849	
Aid in Lieu of Payments - NonPublic	30,000	4,994	34,994	34,994	
Lease Purchase Payments - School Buses	13,000	(807)	12,193	12,193	

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services (Cont'd):					
Miscellaneous Purchased Services - Transportation	\$ 529	780	\$ 780	\$ 780	
Supplies and Materials	1,000	3,327	3,856	3,856	
Other Objects		(386)	614	614	
Total Student Transportation Services	545,118	(28,739)	516,379	516,379	
Unallocated Benefits:					
Social Security Contributions	122,000	38,794	160,794	160,794	
Other Retirement Contributions- PERS	135,000	(2,140)	132,860	132,313	\$ 547
Other Retirement Contributions- Regular	4,000	2,353	6,353	6,134	219
Unemployment Compensation	7,000	(6,806)	194	194	
Workmen's Compensation	62,000	(3,767)	58,233	58,233	
Health Benefits	2,113,033	(146,070)	1,966,963	1,966,963	
Tuition Reimbursement	20,000	(12,389)	7,611	7,611	
Other Employee Benefits	28,000	15,212	43,212	43,123	89
Total Unallocated Benefits	2,491,033	(114,813)	2,376,220	2,375,365	855
On-Behalf Contributions:					
On-Behalf TPAF Pension Contribution (Non-Budgeted)				931,425	(931,425)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				19,497	(19,497)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				431,336	(431,336)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				752	(752)
TPAF Social Security (Reimbursed - Non-Budgeted)				349,020	(349,020)
Total On-Behalf Contributions				1,732,030	(1,732,030)
Total Personal Services - Employee Benefits	2,491,033	(114,813)	2,376,220	4,107,395	(1,731,175)
Total Undistributed Expenses	7,170,683	233,290	7,403,973	9,093,622	(1,689,649)
TOTAL CURRENT EXPENSE	12,118,801	489,803	12,608,604	14,298,199	(1,689,595)

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment:					
Grades 6-8	\$ 5,500	\$ (4,500)	\$ 1,000		\$ 1,000
Custodial Services	2,270	(227)	2,043		2,043
Total Equipment	7,770	(4,727)	3,043		3,043
Facilities Acquisition and Construction Services:					
Required Maintenance School Facilities		142,008	142,008	\$ 137,939	4,069
Construction Services	40,000	(40,000)			
Infrastructure	21,500	(21,500)			
Assessment for Debt Service on SDA Funding	47,138		47,138	47,138	
Total Facilities Acquisition and Construction Services	108,638	80,508	189,146	185,077	4,069
TOTAL CAPITAL OUTLAY	116,408	75,781	192,189	185,077	7,112
TOTAL EXPENDITURES	12,235,209	565,584	12,800,793	14,483,276	(1,682,483)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(301,225)	(565,584)	(866,809)	(629,853)	236,956
Other Financing Sources:					
Transfer from Capital Projects Fund - Unexpended Project Balance				141,446	141,446
Total Other Financing Sources				141,446	141,446
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(301,225)	(565,584)	(866,809)	(488,407)	378,402
Fund Balance, July 1	3,020,115		3,020,115	3,020,115	
Fund Balance, June 30	\$ 2,718,890	\$ (565,584)	\$ 2,153,306	\$ 2,531,708	\$ 378,402

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

<u>Recapitulation:</u>	
Restricted:	
Excess Surplus	\$ 155,285
Excess Surplus - For Subsequent Year's Expenditures	243,851
Capital Reserve	1,668,033
Assigned:	
Year End Encumbrances	36,962
Assigned- For Subsequent Year's Expenditures	49,800
Unassigned	<u>377,777</u>
	<u>2,531,708</u>
Reconciliation to Governmental Funds Statements (GAAP):	
Last Two State Aid Payments not Recognized on GAAP Basis	<u>(43,789)</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 2,487,919</u></u>

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 120,021	\$ 120,021	\$ 116,393	\$ (3,628)
Federal Sources	142,689	44,234	186,923	186,923	
Total Revenues	142,689	164,255	306,944	303,316	(3,628)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	28,384	(23,384)	5,000	3,775	1,225
Purchased Professional/Technical Services	5,310	1,934	7,244	7,244	
Other Purchased Services		26,615	26,615	26,615	
Tuition	101,374	24,687	126,061	126,061	
General Supplies		124,654	124,654	122,251	2,403
Total Instruction	135,068	154,506	289,574	285,946	3,628
Support Services:					
Purchased Professional/Technical Services	7,621	9,749	17,370	17,370	
Total Support Services	7,621	9,749	17,370	17,370	
Total Expenditures	\$ 142,689	\$ 164,255	\$ 306,944	\$ 303,316	\$ 3,628

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 13,853,423	\$ 303,316
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(19,353)
Prior Year State Aid Payments Recognized for GAAP Statements	39,936	
Current year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(43,789)	
	\$ 13,849,570	\$ 283,963
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.		
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,483,276	\$ 303,316
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(19,353)
	\$ 14,483,276	\$ 283,963
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds		

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

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

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

	Elementary and Secondary Education Act				IDEA Part B			Totals
	Title II Part A	Title I Part A	Title IV	Basic	Preschool	Local	Totals	
REVENUE:								
Local Sources	\$ 8,370	\$ 35,748	\$ 10,000	\$ 126,061	\$ 6,744	\$ 116,393	\$ 116,393	\$ 116,393
Federal Sources								186,923
Total Revenue	8,370	35,748	10,000	126,061	6,744	116,393	116,393	303,316
EXPENDITURES:								
Instruction:								
Salaries of Teachers						3,775	3,775	3,775
Purchased Professional/Technical Services			500		6,744			7,244
Other Purchased Services		26,615						26,615
Tuition				126,061				126,061
General Supplies		9,133	500					122,251
Total Instruction		35,748	1,000	126,061	6,744	116,393	116,393	285,946
Support Services:								
Purchased Professional and Technical Services	8,370		9,000					17,370
Total Support Services	8,370		9,000					17,370
Total Expenditures	\$ 8,370	\$ 35,748	\$ 10,000	\$ 126,061	\$ 6,744	\$ 116,393	\$ 116,393	\$ 303,316

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

NOT APPLICABLE

CAPITAL PROJECTS FUND

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

Expenditures and Other Financing Uses:	
Construction Services	\$ 3,779
Transfer Out - General Fund	141,446
	<hr/>
Total Expenditures and Other Financing Uses	145,225
Fund Balance - Beginning of Year	145,225
	<hr/>
Fund Balance - End of Year	\$ -0-
	<hr/> <hr/>

WATCHUNG BOROUGH SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
 BUDGETARY BASIS
 RENOVATE, CONSTRUCT, FURNISH AND EQUIP ADDITIONS TO THE BAYBERRY AND VALLEY VIEW SCHOOLS
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Prior Periods	Current Year	Totals	Revised Authorized Costs
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 5,096,645		\$ 5,096,645	\$ 5,096,645
Bond Proceeds	18,903,000		18,903,000	18,903,000
Total Revenue and Other Financing Sources	<u>23,999,645</u>		<u>23,999,645</u>	<u>23,999,645</u>
Expenditures and Other Financing Uses:				
Equipment	91,433		91,433	91,433
Legal Services	106,061		106,061	106,061
Other Purchased Professional and Technical Services	2,386,462		2,386,462	2,386,462
Construction Services	21,270,464	\$ 3,779	21,274,243	21,274,243
Transfer to General Fund		141,446	141,446	141,446
Total Expenditures and Other Financing Uses	<u>23,854,420</u>	<u>145,225</u>	<u>23,999,645</u>	<u>23,999,645</u>
Excess of Revenue and Other Financing Sources over Expenditures	<u>\$ 145,225</u>	<u>\$ (145,225)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
Additional Project Information:				
Project Number	SP201964/201965			
Grant Date	2/14/2003			
Bond Authorization Date	8/19/2009			
Bonds Authorized	\$ 18,903,000			
Bonds Issued	\$ 18,903,000			
Original Authorized Cost	\$ 24,000,000			
Cancelled Authorized Costs	(355)			
Revised Authorized Costs	<u>\$ 23,999,645</u>			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	9/1/2004			
Revised Target Completion Date	6/30/2019			

PROPRIETARY FUNDS

WATCHUNG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 11,475
Intergovernmental Accounts Receivable:	
Federal	844
	<hr/>
Total Current Assets	12,319
	<hr/>
Non-Current Assets:	
Capital Assets	38,342
Less: Accumulated Depreciation	(30,721)
	<hr/>
Total Non-Current Assets	7,621
	<hr/>
Total Assets	19,940
	<hr/>
LIABILITIES:	
Current Liabilities:	
Interfund Payable	7,038
	<hr/>
Total Current Liabilities	7,038
	<hr/>
NET POSITION:	
Investment in Capital Assets	7,621
Unrestricted	5,281
	<hr/>
Total Net Position	\$ 12,902
	<hr/> <hr/>

WATCHUNG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 6,797
	<hr/>
Total Operating Revenue	6,797
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	7,672
Miscellaneous Expenses	378
Depreciation Expense	2,593
	<hr/>
Total Operating Expenses	10,643
	<hr/>
Operating (Loss)	(3,846)
Non-Operating Revenue:	
Local Sources:	
Interest Income	157
Federal Sources:	
Special Milk Program	4,138
	<hr/>
Total Non-Operating Revenue	4,295
	<hr/>
Change in Net Position	449
Net Position - Beginning of Year	12,453
	<hr/>
Net Position - End of Year	\$ 12,902
	<hr/> <hr/>

WATCHUNG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 6,797
Payments to Milk Vendor	(7,672)
Other Costs	(378)
Net Cash Used for Operating Activities	<u>(1,253)</u>
Cash Flows provided for Investing Activities:	
Local Sources:	
Interest Income	157
Net Cash Provided by Investing Activities	<u>157</u>
Cash Flows from Noncapital Financing Activities:	
Local Sources:	
General Fund - Interfund	3,689
Federal Sources:	
Special Milk Program	3,724
Net Cash Provided by Noncapital Financing Activities	<u>7,413</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	(2,982)
Net Cash Used for Capital and Related Financing Activities	<u>(2,982)</u>
Net Increase in Cash and Cash Equivalents	3,335
Cash and Cash Equivalents, July 1	<u>8,140</u>
Cash and Cash Equivalents, June 30	<u>\$ 11,475</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (3,846)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	2,593
Net Cash Used for Operating Activities	<u>\$ (1,253)</u>

FIDUCIARY FUNDS

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

	Student Activities	Payroll Agency	Total Agency	Flexible Spending Trust	Unemployment Compensation Trust
ASSETS:					
Cash and Cash Equivalents	\$ 63,926	\$ 170,362	\$ 234,288	\$ 18,719	\$ 36,817
Total Assets	63,926	170,362	234,288	18,719	36,817
LIABILITIES:					
Net Payroll		2,000	2,000		
Accrued Salaries and Wages Payable		166,886	166,886		
Due to Student Groups	63,926	1,476	63,926		
Payroll Deductions and Withholdings		1,476	1,476	4,730	
Interfund Payable - General Fund					
Total Liabilities	63,926	170,362	234,288	4,730	
NET POSITION:					
Held in Trust for Flexible Spending Claims				13,989	36,817
Held in Trust for Unemployment Claims					
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 13,989	\$ 36,817

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

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Employee Contributions	\$ 39,288	\$ 16,699
Total Contributions	<u>39,288</u>	<u>16,699</u>
Investment Earnings:		
Interest	<u>401</u>	<u>448</u>
Net Investment Earnings	<u>401</u>	<u>448</u>
Total Additions	<u>39,689</u>	<u>17,147</u>
Deductions		
Unemployment Compensation Claims		16,129
Flexible Spending Claims	<u>44,412</u>	
Total Deductions	<u>44,412</u>	<u>16,129</u>
Change in Net Position	(4,723)	1,018
Net Position - Beginning of the Year	<u>18,712</u>	<u>35,799</u>
Net Position - End of the Year	<u>\$ 13,989</u>	<u>\$ 36,817</u>

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	<u>\$ 60,467</u>	<u>\$ 70,457</u>	<u>\$ 66,998</u>	<u>\$ 63,926</u>
Total Assets	<u><u>\$ 60,467</u></u>	<u><u>\$ 70,457</u></u>	<u><u>\$ 66,998</u></u>	<u><u>\$ 63,926</u></u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	<u>\$ 60,467</u>	<u>\$ 70,457</u>	<u>\$ 66,998</u>	<u>\$ 63,926</u>
Total Liabilities	<u><u>\$ 60,467</u></u>	<u><u>\$ 70,457</u></u>	<u><u>\$ 66,998</u></u>	<u><u>\$ 63,926</u></u>

WATCHUNG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
Elementary School:				
Valley View School	\$ 25,412	\$ 49,111	\$ 50,602	\$ 23,921
Bayberry School	29,205	21,284	12,599	37,890
Sporting Officials	5,850	62	3,797	2,115
	<u>5,850</u>	<u>62</u>	<u>3,797</u>	<u>2,115</u>
Total All Schools	<u>\$ 60,467</u>	<u>\$ 70,457</u>	<u>\$ 66,998</u>	<u>\$ 63,926</u>

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 173,153	\$ 8,114,062	\$ 8,116,853	\$ 170,362
Total Assets	<u>\$ 173,153</u>	<u>\$ 8,114,062</u>	<u>\$ 8,116,853</u>	<u>\$ 170,362</u>
<u>LIABILITIES:</u>				
Net Payroll	\$ 1,000	\$ 4,311,269	\$ 4,310,269	\$ 2,000
Accrued Salaries and Wages Payable	167,613	166,886	167,613	166,886
Payroll Deduction and Withholdings	410	3,635,907	3,634,841	1,476
Interfund Payable:				
Flexible Spending Trust	<u>4,130</u>	<u> </u>	<u>4,130</u>	<u> </u>
Total Liabilities	<u>\$ 173,153</u>	<u>\$ 8,114,062</u>	<u>\$ 8,116,853</u>	<u>\$ 170,362</u>

LONG-TERM DEBT
(NOT APPLICABLE)

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

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

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

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 12,440,718	\$ 13,419,096	\$ 5,444,985	\$ 7,580,737	\$ 8,949,657	\$ 10,919,958	\$ 12,602,386	\$ 14,301,211	\$ 13,956,016	\$ 14,179,082
Restricted	2,486,694	2,586,913	2,627,560	2,982,530	2,812,843	2,746,220	2,614,922	2,635,626	2,700,925	2,067,169
Unrestricted/(Deficit)	(914,897)	(797,669)	(341,668)	(417,691)	(3,138,438)	(3,186,255)	(2,873,757)	(3,041,167)	(3,166,695)	(3,023,353)
Total Governmental Activities Net Position	\$ 14,012,515	\$ 15,208,340	\$ 7,730,877	\$ 10,145,576	\$ 8,624,062	\$ 10,479,923	\$ 12,343,551	\$ 13,895,670	\$ 13,490,246	\$ 13,222,898
Business-type Activities										
Net Investment in Capital Assets	\$ 1,721	\$ 3,977	\$ 5,726	\$ 20,197	\$ 17,604	\$ 15,011	\$ 12,418	\$ 9,825	\$ 7,232	\$ 7,621
Unrestricted	1,721	3,977	5,726	9,416	3,953	6,836	2,640	5,046	5,221	5,281
Total Business-type Activities Net Position	\$ 1,721	\$ 3,977	\$ 5,726	\$ 29,613	\$ 21,557	\$ 21,847	\$ 15,058	\$ 14,871	\$ 12,453	\$ 12,902
District-wide										
Net Investment in Capital Assets	\$ 12,440,718	\$ 13,419,096	\$ 5,444,985	\$ 7,600,934	\$ 8,967,261	\$ 10,934,969	\$ 12,614,804	\$ 14,311,036	\$ 13,963,248	\$ 14,186,703
Restricted	2,486,694	2,586,913	2,627,560	2,982,530	2,812,843	2,746,220	2,614,922	2,635,626	2,700,925	2,067,169
Unrestricted/(Deficit)	(913,176)	(793,692)	(335,942)	(408,275)	(3,134,485)	(3,179,419)	(2,871,117)	(3,036,121)	(3,161,474)	(3,018,072)
Total District Net Position	\$ 14,014,236	\$ 15,212,317	\$ 7,736,603	\$ 10,175,189	\$ 8,645,619	\$ 10,501,770	\$ 12,358,609	\$ 13,910,541	\$ 13,502,699	\$ 13,235,800

Source: School District Financial Reports

WATCHUNG BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
ACCURAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities										
Instruction:										
Regular	\$ 5,094,073	\$ 4,949,781	\$ 5,279,666	\$ 5,680,582	\$ 6,085,168	\$ 6,972,932	\$ 7,007,650	\$ 8,035,539	\$ 7,984,272	\$ 7,895,450
Special Education	882,425	873,731	891,087	918,890	1,012,370	1,206,798	1,502,409	1,612,823	1,816,370	1,583,897
Other Special Instruction	286,326	311,516	307,659	274,789	235,535	214,587	141,104	158,855	164,581	233,819
School-Sponsored/ Other Instruction	91,631	84,127	89,208	130,134	134,127	60,608	69,464	56,003	120,525	108,882
Support Services:										
Tuition	378,793	414,674	359,309	381,886	209,674	22,822	17,995	19,325	228,446	289,162
Student & Instruction Related Services	1,732,724	1,476,248	1,514,397	1,532,896	1,515,248	1,761,908	2,124,045	2,327,979	2,248,761	2,391,228
General Administrative Services	571,162	453,102	480,517	432,302	426,100	470,641	512,228	505,382	609,460	547,496
School Administrative Services	515,665	528,936	466,518	480,194	467,853	597,384	663,060	765,508	842,695	748,723
Plant Operations and Maintenance	1,129,582	1,206,358	1,224,782	1,188,082	1,106,697	1,267,013	1,326,845	1,367,852	1,315,847	1,539,005
Pupil Transportation	597,244	565,314	540,830	563,612	492,628	514,800	558,121	566,912	576,507	573,894
Central Services and Administrative										
Information Technology	207,193	210,672	308,359	271,782	273,991	326,803	352,306	365,243	373,888	311,557
Capital Outlay		57,866	37,147	119,998	129,852	47,138	56,138	59,532	47,138	50,917
Interest on Long-term Debt	560,823	566,240	287,699	254,398	157,031	87,246	1,759	(36,853)		
Total Governmental Activities Expenses	12,047,642	11,698,565	11,787,178	12,229,545	12,246,274	13,550,680	14,333,124	15,804,100	16,328,490	16,274,030
Business-type Activities:										
Food Service	19,187	16,080	14,348	11,712	21,698	12,621	17,329	13,037	13,733	10,643
Total Business-type Activities Expense	19,187	16,080	14,348	11,712	21,698	12,621	17,329	13,037	13,733	10,643
Total District Expenses	\$ 12,066,829	\$ 11,714,645	\$ 11,801,526	\$ 12,241,257	\$ 12,267,972	\$ 13,563,301	\$ 14,350,453	\$ 15,817,137	\$ 16,342,223	\$ 16,284,673
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction (Tuition)	\$ 32,684	\$ 65,598	\$ 175,689	\$ 189,005	\$ 26,102	\$ 155,457	\$ 149,674	\$ 163,725	\$ 176,427	\$ 136,020
Operating Grants and Contributions	901,996	928,058	1,320,584	1,568,461	1,550,169	2,763,449	3,177,650	4,216,211	4,719,114	3,851,269
Capital Grants and Contributions							229,897	930		569,425
Total Governmental Activities Program Revenues	934,680	993,656	1,496,273	1,757,466	1,576,271	2,918,906	3,557,221	4,380,866	4,895,541	4,556,714
Business-type Activities:										
Charges for Services										
Food Service	10,731	10,237	8,326	8,353	7,235	6,450	5,640	7,335	6,046	6,797
Operating Grants and Contributions	7,658	8,099	7,771	7,049	6,407	6,461	4,900	5,477	5,157	4,138
Total Business-type Activities Program Revenues	18,389	18,336	16,097	15,402	13,642	12,911	10,540	12,812	11,203	10,935
Total District Program Revenues	\$ 953,069	\$ 1,011,992	\$ 1,512,370	\$ 1,772,868	\$ 1,589,913	\$ 2,931,817	\$ 3,567,761	\$ 4,393,678	\$ 4,906,744	\$ 4,567,649

WATCHUNG BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
ACCURAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental Activities	\$ (11,112,961)	\$ (10,704,909)	\$ (10,290,905)	\$ (10,472,079)	\$ (10,670,003)	\$ (10,631,774)	\$ (10,775,903)	\$ (11,423,234)	\$ (11,432,949)	\$ (11,717,316)
Business-type Activities	(798)	2,256	1,749	3,690	(8,056)	290	(6,789)	(225)	(2,530)	292
Total District-wide Net Expense	<u>\$ (11,113,759)</u>	<u>\$ (10,702,653)</u>	<u>\$ (10,289,156)</u>	<u>\$ (10,468,389)</u>	<u>\$ (10,678,059)</u>	<u>\$ (10,631,484)</u>	<u>\$ (10,782,692)</u>	<u>\$ (11,423,459)</u>	<u>\$ (11,435,479)</u>	<u>\$ (11,717,024)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 9,606,630	\$ 9,791,813	\$ 9,791,813	\$ 9,938,532	\$ 10,137,302	\$ 10,319,773	\$ 10,474,570	\$ 10,673,587	\$ 10,887,059	\$ 11,151,041
Taxes Levied for Debt Service	1,652,575	1,653,751	1,770,400	1,817,200	1,865,300	1,934,688	1,999,100	2,053,613	2,053,613	2,053,613
Federal and State Aid not Restricted	490,662	386,722	82,040	58,675	38,852	166,027	144,323	174,936	64,714	216,199
Investment Earnings	2,006	354	7,931	250	250					
Miscellaneous Income	92,717	68,093	45,403	25,475	168,159	67,147	21,539	73,217	75,752	82,728
Total Governmental Activities	<u>11,844,590</u>	<u>11,900,733</u>	<u>11,697,587</u>	<u>11,840,132</u>	<u>12,209,863</u>	<u>12,487,635</u>	<u>12,639,532</u>	<u>12,975,353</u>	<u>11,027,525</u>	<u>11,449,968</u>
Business-type Activities:										
Investment Earnings								\$ 38	\$ 112	\$ 157
Total Business-type Activities								38	112	157
Total District-wide	<u>\$ 11,844,590</u>	<u>\$ 11,900,733</u>	<u>\$ 11,697,587</u>	<u>\$ 11,840,132</u>	<u>\$ 12,209,863</u>	<u>\$ 12,487,635</u>	<u>\$ 12,639,532</u>	<u>\$ 12,975,391</u>	<u>\$ 11,027,637</u>	<u>\$ 11,450,125</u>
Change in Net Position										
Governmental Activities	\$ 731,628	\$ 1,195,824	\$ 1,406,682	\$ 1,368,053	\$ 1,539,860	\$ 1,855,861	\$ 1,863,629	\$ 1,552,119	\$ (405,424)	\$ (267,348)
Business-type Activities	(798)	2,256	1,749	3,690	(8,056)	290	(6,789)	(187)	(2,418)	449
Total District	<u>\$ 730,830</u>	<u>\$ 1,198,080</u>	<u>\$ 1,408,431</u>	<u>\$ 1,371,743</u>	<u>\$ 1,531,804</u>	<u>\$ 1,856,151</u>	<u>\$ 1,856,840</u>	<u>\$ 1,551,932</u>	<u>\$ (407,842)</u>	<u>\$ (266,899)</u>

Source: School District Financial Reports

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

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Assigned		\$ 332,548	\$ 366,311	\$ 208,124	\$ 145,240	\$ 52,856	\$ 155,042	\$ 113,407	\$ 162,332	\$ 86,762
Restricted/Reserved		2,062,231	2,448,979	2,837,306	2,667,619	2,600,495	2,469,697	2,490,401	2,555,700	2,067,169
Unassigned		355,400	279,627	275,317	241,364	367,781	345,453	375,947	262,147	333,988
Reserved	\$ 2,122,729									
Unreserved	265,759									
Total General Fund	\$ 2,388,488	\$ 2,750,179	\$ 3,094,917	\$ 3,320,747	\$ 3,054,223	\$ 3,021,132	\$ 2,970,192	\$ 2,979,755	\$ 2,980,179	\$ 2,487,919
All Other Governmental Funds										
Restricted/Reserved		\$ 192,134	\$ 178,581	\$ 145,224	\$ 145,224	\$ 145,225	\$ 145,225	\$ 145,225	\$ 145,225	\$ 145,225
Committed				31,937	31,937		104,928			
Reserved	\$ 313,316									
Unreserved, Reported in:										
Debt Service Fund	50,649									
Unassigned / (Deficit)						(124,969)				
Total All Other Governmental Funds	\$ 363,965	\$ 192,134	\$ 178,581	\$ 177,161	\$ 177,161	\$ 20,256	\$ 250,153	\$ 145,225	\$ 145,225	\$ -0-
Total Governmental Funds	\$ 2,752,453	\$ 2,942,313	\$ 3,273,498	\$ 3,497,908	\$ 3,231,384	\$ 3,041,388	\$ 3,220,345	\$ 3,124,980	\$ 3,125,404	\$ 2,487,919

Source: School District Financial Reports

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

	For Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax Levy	\$ 11,259,205	\$ 11,445,564	\$ 11,562,213	\$ 11,755,732	\$ 12,002,602	\$ 12,254,461	\$ 12,473,670	\$ 12,727,200	\$ 10,887,059	\$ 11,151,041
Tuition Charges	11,481	25,503	131,577	144,670	7,909	141,637	149,674	147,425	176,427	136,020
Other Local	21,203	40,095	44,112	44,335	18,193	18,193	16,300	16,300	19,893	57,730
Interest Earnings	2,006	354	250	250	250	2,690	5,328	8,467	107,945	132,894
Miscellaneous	134,934	111,676	147,430	64,896	250,274	155,107	47,064	131,977	2,067,349	2,479,781
State Sources	1,144,841	1,033,583	1,133,001	1,439,380	1,360,164	1,603,795	1,949,840	1,942,946	190,329	176,067
Federal Sources	205,600	237,614	175,527	148,335	146,742	152,653	191,499	183,456	13,449,002	14,133,533
Total Revenue	12,779,270	12,894,389	13,193,860	13,597,598	13,786,134	14,310,343	14,817,075	15,157,771	13,449,002	14,133,533
Expenditures										
Instruction										
Regular Instruction	3,424,209	3,322,441	3,350,559	3,544,806	3,967,409	4,124,329	3,867,652	4,096,740	3,894,239	4,225,685
Special Education Instruction	608,707	602,522	595,448	611,277	705,291	832,760	1,050,456	1,114,342	1,159,346	1,070,407
Other Special Instruction	178,589	185,403	201,941	178,354	156,157	140,597	93,469	99,721	99,630	125,489
School-Sponsored/Other Instruction	91,631	84,127	65,521	78,414	81,780	38,760	39,548	37,201	43,504	59,687
Support Services:										
Tuition	378,793	414,674	359,309	381,886	209,674	22,822	17,995	19,325	228,446	289,162
Student & Other Instruction Related Services	1,277,381	1,002,444	1,088,293	1,107,301	1,120,431	1,265,711	1,518,646	1,656,886	1,658,157	1,898,411
General Administrative Services	330,675	315,145	400,830	360,425	354,460	318,630	363,595	325,429	385,076	420,548
School Administrative Services	347,734	316,589	321,663	322,439	333,337	371,366	384,089	407,581	430,713	440,764
Central Services and Administrative										
Information Technology	207,193	210,672	235,189	210,782	215,309	227,030	245,846	229,326	241,232	219,488
Plant Operations and Maintenance	943,934	996,071	1,052,290	1,024,532	942,759	1,000,008	1,042,561	1,007,285	935,726	1,208,747
Pupil Transportation	571,497	530,465	511,509	537,064	468,272	477,048	514,096	510,818	512,601	516,379
Unallocated Benefits	2,569,026	2,730,224	2,829,434	3,009,911	2,992,923	3,048,256	3,307,827	3,459,394	3,739,770	4,107,395
Capital Outlay	138,557	289,352	80,289	188,797	639,556	698,334	193,238	235,475	120,138	188,856
Debt Service:										
Principal	1,205,000	1,290,000	1,410,000	1,500,000	1,595,000	1,730,000	1,875,000	2,015,000	424	(637,485)
Interest and Other Charges	401,926	414,400	360,400	317,200	270,300	204,688	124,100	38,613		
Total Expenditures	12,694,852	12,704,529	12,862,675	13,373,188	14,052,658	14,500,339	14,638,118	15,253,136	13,448,578	14,771,018
Excess/(Deficit) of Revenues Over/(Under) Expenditures	84,418	189,860	331,185	224,410	(266,524)	(189,996)	178,957	(95,365)	424	(637,485)
Other Financing Sources/(Uses)										
Serial Bonds Issued	8,770,000									
Serial Bonds Defeased	(8,938,000)									
Bond Issuance Costs	(126,832)									
Bond Premium	944,609									
Deferred Amount on Refunding	(649,777)									
Transfers in						408,988		105,858		141,446
Transfers out						(408,988)		(105,858)		(141,446)
Total Other Financing Sources/(Uses)										
Net Change in Fund Balances	\$ 84,418	\$ 189,860	\$ 331,185	\$ 224,410	\$ (266,524)	\$ (189,996)	\$ 178,957	\$ (95,365)	\$ 424	\$ (637,485)
Debt Service as a Percentage of Noncapital Expenditures	12.80%	13.73%	13.85%	13.78%	13.91%	14.02%	13.84%	13.67%	0.00%	0.00%

Source: School District Financial Reports

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2010	\$ 2,006	\$ 11,481	\$ 90,086	\$ 103,573
2011	354	25,503	108,188	134,045
2012	7,931	131,577	45,403	184,911
2013	250	144,670	109,231	254,151
2014	250	146,749	47,512	194,511
2015	11,694	141,637	55,453	208,784
2016	19,135	149,674	2,404	171,213
2017	17,103	163,725	56,114	236,942
2018	37,268	176,427	38,484	252,179
2019	57,730	136,020	24,998	218,748

Source: School District of the Borough of Watchung records

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2009	\$ 41,251,800	\$ 1,277,353,900	N/A	N/A	\$ 329,769,100	\$ 7,174,900	\$ 60,600,000	\$ 1,716,149,700	\$ 1,562,784	\$ 1,717,712,484	\$ 0.647	\$ 1,912,929,426
2010 *	35,609,900	1,184,481,400	N/A	N/A	295,509,400	6,367,200	56,964,000	1,578,931,900	1,762,687	1,580,694,587	0.724	1,824,791,793
2011	35,484,200	1,204,394,400	N/A	N/A	290,376,800	6,367,300	49,255,800	1,585,878,500	1,360,900	1,587,239,400	0.728	1,684,856,609
2012	35,511,800	1,221,449,700	N/A	N/A	282,766,200	6,273,400	49,255,800	1,595,256,900	1,577,286	1,596,834,186	0.732	1,674,592,266
2013	31,860,700	1,214,066,800	377,200	5,280	294,459,700	6,237,300	47,400,000	1,594,406,980	1,484,459	1,595,891,439	0.732	1,641,460,927
2014	31,400,800	1,246,894,300	355,000	5,280	296,015,200	6,237,500	47,400,000	1,628,308,080	1,151,575	1,629,459,655	0.737	1,684,505,323
2015	32,019,400	1,280,593,700	334,100	5,280	297,786,500	6,359,500	47,850,000	1,664,948,480	1,138,954	1,666,087,434	0.766	1,687,333,485
2016	31,504,200	1,334,125,900	342,600	5,280	303,605,500	6,414,300	47,850,000	1,723,847,780	1,140,757	1,724,988,537	0.764	1,723,610,561
2017	30,704,300	1,365,322,000	348,000	5,280	304,472,700	6,439,400	48,325,000	1,755,616,680	1,127,931	1,756,744,611	0.620	1,765,566,805
2018	27,590,500	1,390,517,700	357,900	5,490	310,132,800	6,509,200	61,600,000	1,796,713,590	1,170,134	1,797,883,724	0.613	1,807,638,654

* - Reassessment of taxes was effective

N/A - Not Applicable

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

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

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

Source: Municipal Tax Assessor

WATCHUNG BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	School District of the Borough of Watchung Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	General Obligation		Total Direct	Municipality	Regional High School		
	Basic Rate ^a	Debt Service ^b			District	County	
2009	\$ 0.552	\$ 0.095	\$ 0.647	\$ 0.427	\$ 0.318	\$ 0.369	\$ 1.761
2010 *	0.619	0.105	0.724	0.463	0.351	0.383	1.921
2011	0.617	0.111	0.728	0.492	0.363	0.303	1.886
2012	0.619	0.113	0.732	0.519	0.377	0.309	1.937
2013	0.618	0.114	0.732	0.546	0.400	0.390	2.068
2014	0.621	0.116	0.737	0.573	0.388	0.396	2.094
2015	0.643	0.123	0.766	0.589	0.362	0.400	2.117
2016	0.641	0.123	0.764	0.595	0.334	0.397	2.090
2017	0.620		0.620	0.603	0.349	0.396	1.968
2018	0.613		0.613	0.611	0.372	0.394	1.990

* - Reassessment of taxes was effective

Note:

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

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

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

Source: Municipal Tax Collector and School Business Administrator

WATCHUNG BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2019		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Watchung Square Associates, LLC	\$ 69,130,000	1	3.85%
PP Watchung Investors, LLC	59,900,000	2	3.33%
Levin Properties LP	51,631,400	3	2.87%
Watchung UE LLC	20,741,000	4	1.15%
Walmart	16,792,000	5	0.93%
Target Corp.	15,653,000	6	0.87%
Sears Roebuck & Company	14,755,000	7	0.82%
HD Development of Maryland, Inc	14,155,000	8	0.79%
680 Mountain Boulevard, LLC	12,240,000	9	0.68%
Route 22 East, LLC	11,067,000	10	0.62%
	<u>\$ 286,064,400</u>		<u>15.91%</u>

Taxpayer	2010		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Watchung Square Associates LLC	\$ 91,346,000	1	5.02%
Blue Star Shopping Center	60,600,000	2	3.33%
WM Crystal Ridge LLC	59,178,800	3	3.25%
Watchung VF LLC	27,345,400	4	1.50%
Sears Roebuck & Company	20,400,000	5	1.12%
Home Depot, USA Inc.	18,668,000	6	1.03%
Target Corp.	18,480,000	7	1.02%
Weldon Materials Inc.	10,437,700	8	0.57%
Twin Brooks County Club, L.P.	9,612,000	9	0.53%
Pitney Partners	8,100,000	10	0.45%
Total	<u>\$ 324,167,900</u>		<u>17.82%</u>

Note: A reassessment was effective in 2010.

Source: Municipal Tax Assessor

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the</u> <u>Fiscal Year of the Levy^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2010	\$ 11,259,205	\$ 11,259,205	100.00%	-0-
2011	11,445,564	11,445,564	100.00%	-0-
2012	11,562,213	11,562,213	100.00%	-0-
2013	11,755,732	11,755,732	100.00%	-0-
2014	12,002,602	12,002,602	100.00%	-0-
2015	12,254,461	12,254,461	100.00%	-0-
2016	12,473,670	12,473,670	100.00%	-0-
2017	12,727,200	12,727,200	100.00%	-0-
2018	10,887,059	10,887,059	100.00%	-0-
2019	11,151,041	11,151,041	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities										Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Obligations Under		Bond Anticipation Notes (BANs)	Business-Type Activities		Capital	Leases	Total			
			Lease-Purchase Agreement										
2010	\$ 11,415,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 11,415,000	2.75%	\$ 1,903	
2011	10,125,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	10,125,000	2.36%	1,682	
2012	8,715,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	8,715,000	1.92%	1,441	
2013	7,215,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,215,000	1.53%	1,192	
2014	5,620,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,620,000	1.12%	930	
2015	3,890,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,890,000	0.74%	646	
2016	2,015,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,015,000	0.37%	334	
2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
2019	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	

Source: School District Financial Reports

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation ^a Taxable	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2010	\$ 11,415,000	-0-	\$ 11,415,000	0.66%	\$ 1,903
2011	10,125,000	-0-	10,125,000	0.64%	1,495
2012	8,715,000	-0-	8,715,000	0.55%	1,448
2013	7,215,000	-0-	7,215,000	0.45%	1,193
2014	5,620,000	-0-	5,620,000	0.35%	928
2015	3,890,000	-0-	3,890,000	0.24%	644
2016	2,015,000	-0-	2,015,000	0.12%	335
2017	-0-	-0-	-0-	-0-	-0-
2018	-0-	-0-	-0-	-0-	-0-
2019	-0-	-0-	-0-	-0-	-0-

Source: School District Financial Reports

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

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

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

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

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable ^a</u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Debt Repaid With Property Taxes			
Watchung Hills Regional High School	\$ 28,838,000	23.66%	\$ 6,821,986
Borough of Watchung	21,202,491	100.00%	21,202,491
County of Somerset - Borough's Share	220,812,515	2.97%	<u>6,568,006</u>
Subtotal, Overlapping Debt			34,592,483
Watchung Borough School District Direct Debt			<u>-0-</u>
Total Direct and Overlapping Debt			<u><u>\$ 34,592,483</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2019

	Equalized valuation basis
2016	\$ 1,722,469,804
2017	1,724,367,736
2018	1,806,468,520
	\$ 5,253,306,060
Average Equalized Valuation of Taxable Property	\$ 1,751,102,020
Debt Limit (3% of average equalization value)	\$ 52,533,061 ^a
Net Bonded School Debt	-0-
Legal Debt Margin	\$ 52,533,061

	Fiscal Year				
	2015	2016	2017	2018	2019
Debt Limit	\$ 49,422,708	\$ 49,998,213	\$ 50,931,588	\$ 51,330,321	\$ 52,533,061
Total Net Debt Applicable to Limit	3,890,000	2,015,000	-0-	-0-	-0-
Legal Debt Margin	\$ 45,532,708	\$ 47,983,213	\$ 50,931,588	\$ 51,330,321	\$ 52,533,061
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	7.87%	4.03%	0.00%	0.00%	0.00%

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt Limit	\$ 58,119,876	\$ 54,306,404	\$ 52,707,158	\$ 51,057,251	\$ 49,853,252
Total Net Debt Applicable to Limit	11,415,000	10,215,000	8,715,000	7,215,000	5,620,000
Legal Debt Margin	\$ 46,704,876	\$ 44,091,404	\$ 43,992,158	\$ 43,842,251	\$ 44,233,252
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	19.64%	18.81%	16.53%	14.13%	11.27%

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

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

WATCHUNG BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Borough of Watchung Personal Income ^b	Somerset County Per Capita Personal Income ^c	Unemployment Rate ^d
2010	5,998	\$ 414,887,658	\$ 69,171	6.30%
2011	6,020	429,424,660	71,333	6.30%
2012	6,047	452,829,595	74,885	6.60%
2013	6,054	471,939,570	77,955	4.20%
2014	6,044	499,772,316	82,689	4.80%
2015	6,020	526,840,300	87,515	4.20%
2016	6,025	547,919,525	90,941	4.00%
2017	6,038	582,956,824	96,548	3.40%
2018	6,055	584,598,140 ***	96,548 *	3.10%
2019	6,055 **	584,598,140 ***	96,548 *	N/A

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

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

***- Latest Borough personal income available (2018) was used for calculation purposes.

N/A - Information not available

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 estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

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

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

2018		2009	
Employer	Employees	Employer	Employees
		Percentage of Total Employment	Percentage of Total Employment
INFORMATION NOT AVAILABLE			
INFORMATION NOT AVAILABLE			

Source: Somerset County Chamber of Commerce.

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

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Instruction										
Regular	49	47	50	50	51	50	50	52	52	52
Special education	9	8	9	9	28	14	15	15	15	16
Other instruction	3	3	3	3	0	0	0	0	0	0
Support Services:										
Student & instruction related services	28	25	21	21	9	9	9	9	9	9
School administrative services	6	6	6	6	6	6	6	6	6	6
General and business administrative services	5	5	5	5	3	5	5	5	5	5
Plant operations and maintenance	9	9	9	8	11	10	10	10	10	10
Pupil transportation	2	2	2	2	3	1	1	1	1	1
Total	111	105	105	104	111	95	96	98	98	99

WATCHUNG BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2010	718	\$ 10,949,369	\$ 15,250	-1.38%	75	N/A	N/A	716.7	687.1	2.56%	95.87%
2011	714	10,710,777	15,001	-1.63%	67	N/A	N/A	710.0	679.6	-0.93%	95.72%
2012	710	11,011,986	15,510	3.39%	67	N/A	N/A	681.3	654.7	-4.04%	96.10%
2013	717	11,367,191	15,854	2.22%	67	N/A	N/A	720.8	693.0	5.80%	96.14%
2014	716	11,547,802	16,128	1.73%	67	N/A	N/A	688.5	663.0	-4.48%	96.30%
2015	691	11,867,317	17,174	6.48%	61	N/A	N/A	670.4	645.6	-2.63%	96.30%
2016	681	12,445,780	18,276	6.41%	60	N/A	N/A	683.7	655.2	1.98%	95.83%
2017	704	12,964,048	18,415	0.76%	63	N/A	N/A	707.6	676.9	3.50%	95.66%
2018	723	13,328,440	18,435	0.11%	63	N/A	N/A	688.5	657.9	-2.69%	95.55%
2019	741	14,582,162	19,679	6.75%	68	N/A	N/A	624.0	597.2	-9.37%	95.71%

Note: Enrollment based on annual October district count.

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

N/A: Information not available

Source: Borough of Watchung District Records

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

<u>District Building</u>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Valley View										
Square Feet	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960
Capacity (students)	470	470	470	470	470	470	470	470	470	470
Enrollment	342	351	349	334	303	327	331	341	347	370
Bayberry										
Square Feet	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629
Capacity (students)	638	638	638	638	638	638	638	638	638	638
Enrollment	376	363	361	383	413	364	350	363	376	371

Number of Schools at June 30, 2019
 Elementary = 2

Note: Enrollment is based on the annual October district count.

Source: District Facilities Office

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

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

<u>*School Facility</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Bayberry Elementary	\$ 199,010	\$ 37,635	\$ 44,220	\$ 67,286	\$ 50,885
Valley View	42,165	59,992	67,747	76,766	54,888
District Total	<u>\$ 241,175</u>	<u>\$ 97,627</u>	<u>\$ 111,967</u>	<u>\$ 144,052</u>	<u>\$ 105,773</u>

<u>*School Facility</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Bayberry Elementary	\$ 42,778	\$ 84,421	\$ 80,000	\$ 77,428	\$ 35,391
Valley View	50,641	41,413	112,785	86,713	33,374
District Total	<u>\$ 93,419</u>	<u>\$ 125,834</u>	<u>\$ 192,785</u>	<u>\$ 164,141</u>	<u>\$ 68,765</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

WATCHUNG BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2019
UNAUDITED

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Diploma Joint Insurance Fund		
Package Policy:		
Blanket Real and Personal Property	\$ 500,000,000	\$ 5,000
Earthquake	25,000,000	5,000
Flood	10,000,000	5,000
Boiler and Machinery	100,000,000	5,000
Cyber Liability	2,000,000	5,000
Crime Coverage:		
Faithful Performance	500,000	1,000
Money and Securities	50,000	1,000
General Liability	5,000,000	1,000
Automobile	5,000,000	1,000
School Board Legal Liability	5,000,000	5,000
Workers Compensation	Statutory 5,000,000	
Excess Umbrella Liability	5,000,000	
Catastrophe Umbrella Liability	50,000,000	
Environmental Liability	1,000,000	10,000
Selective Insurance:		
Surety Bonds:		
Board Secretary/Business Administrator	225,000	
Treasurer of School Moneys	225,000	

Source: District records

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Watchung Borough, in the County of Somerset (the "District") as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

November 13, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-298-8500 | 973-298-8501 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

November 13, 2019
Mount Arlington, New Jersey

NISIVOCIA LLP



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

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

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018			Balance at June 30, 2019			Amounts Provided to Subrecipients	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor		
U.S. Department of Education Passed-through State Department of Education: Elementary and Secondary Education Act Consolidated Grant:												
Title I, Part A	84.010A	ESEA 554019	7/1/18-6/30/19	\$ 35,748				\$ 34,998	\$ (35,748)	\$ (750)		
Title I, Part A	84.010A	ESEA 554018	7/1/17-6/30/18	35,485	\$ (35,485)			35,485				
Title II, Part A	84.367A	ESEA 554019	7/1/18-6/30/19	8,370				5,573	(8,370)	(2,797)		
Title II, Part A	84.367A	ESEA 554018	7/1/17-6/30/18	9,525	(9,525)			9,525				
Title III	84.365A	ESEA 554018	7/1/17-6/30/18	1,964	(1,964)			1,964		(10,000)		
Title IV	84.424A	ESEA 554019	7/1/18-6/30/19	10,000	(10,000)			10,000				
Title IV	84.424A	ESEA 554018	7/1/17-6/30/18	10,000	(56,974)			97,545	(54,118)	(13,547)		
Special Education Cluster:												
IDEA Combined Grant:												
I.D.E.A. Part B, Basic	84.027	IDEA 554019	7/1/18-6/30/19	126,061				126,061	(126,061)			
I.D.E.A. Part B, Basic	84.027	IDEA 554018	7/1/17-6/30/18	126,718	(83,191)			83,191				
I.D.E.A. Part B, Preschool	84.173	IDEA 554019	7/1/18-6/30/19	6,744				6,744	(6,744)			
I.D.E.A. Part B, Preschool	84.173	IDEA 554018	7/1/17-6/30/18	6,637	(6,637)			6,637				
Total Special Education Cluster												
Total U.S. Department of Education												
U.S. Department of Agriculture:												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Special Milk Program	10.556	N/A	7/1/18-6/30/19	4,138				3,294	(4,138)	(844)		
Special Milk Program	10.556	N/A	7/1/17-6/30/18	5,157	(430)			430				
Total U.S. Department of Agriculture/Child Nutrition Cluster												
Total Federal Awards												
					\$ (147,232)	\$ -0-	\$ -0-	\$ 323,902	\$ (191,061)	\$ (14,391)	\$ -0-	\$ -0-

N/A - Not Applicable

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

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

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018			Balance at June 30, 2019			MEMO	
				Budgetary	Cash	Budgetary	G/A-A-P	Due to	Budgetary	Cumulative	
				Accounts Receivable	Received	Expenditures	Accounts Receivable	Grantor	Accounts Receivable	Total Expenditures	
New Jersey Department of Education General Fund:											
Categorical Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	\$ 160,229	\$ 147,426	\$ (160,229)	\$ 12,803	\$ 160,229	\$ 12,803	\$ 160,229		
Categorical Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	375,176	345,199	(375,176)	29,977	375,176	29,977	375,176		
Categorical Security Aid	19-495-034-5120-078	7/1/18-6/30/19	12,631	11,622	(12,631)	1,009	12,631	1,009	12,631		
Extraordinary Aid	19-495-034-5120-044	7/1/18-6/30/19	192,258		(192,258)		192,258	192,258	192,258		
Nonpublic Transportation	19-495-035-5120-014	7/1/18-6/30/19	11,310		(11,310)		11,310	11,310	11,310		
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	349,020	332,503	(349,020)	16,517	349,020	16,517	349,020		
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18-6/30/19	431,336	431,336	(431,336)		431,336		431,336		
On-Behalf Long Term Disability Insurance Contributions	19-495-034-5094-004	7/1/18-6/30/19	752	752	(752)		752		752		
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18-6/30/19	931,425	931,425	(931,425)		931,425		931,425		
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	19,497	19,497	(19,497)		19,497		19,497		
Categorical Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	60,681	5,167	(5,167)		60,681		60,681		
Categorical Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	375,176	31,944	(31,944)		375,176		375,176		
Categorical Security Aid	18-495-034-5120-078	7/1/17-6/30/18	12,631	1,075	(1,075)		12,631		12,631		
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	6,910	588	(588)		6,910		6,910		
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	6,910	588	(588)		6,910		6,910		
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	6,740	574	(574)		6,740		6,740		
Extraordinary Aid	18-495-034-5120-044	7/1/17-6/30/18	42,223	42,223	(42,223)		42,223		42,223		
Nonpublic Transportation	18-495-035-5120-014	7/1/17-6/30/18	9,860	9,860	(9,860)		9,860		9,860		
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	342,470	17,299	(17,299)		342,470		342,470		
Total General Fund State Aid				2,329,078	(2,483,634)		220,085	263,874	3,347,235		
Total State Department of Education				\$ 2,329,078	\$ (2,483,634)		\$ 220,085	\$ 263,874	\$ 3,347,235		
Less: On-Behalf TPAF Pension System Contributions:											
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18-6/30/19	(431,336)		431,336						
On-Behalf Long Term Disability Insurance Contributions	19-495-034-5094-004	7/1/18-6/30/19	(752)		752						
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18-6/30/19	(931,425)		931,425						
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	(19,497)		19,497						
Subtotal - On-Behalf TPAF Pension System Contributions					1,383,010						
Total State Awards - for Major Program Determination					\$ (1,100,624)						

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

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

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$3,853) for the general fund, and (\$19,353) for the special revenue fund of which (\$8,497) is for local grants. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

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

(Continued)

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

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

	Federal	State	Total
General Fund		\$ 2,479,781	\$ 2,479,781
Special Revenue Fund	\$ 176,067		176,067
Food Service Fund	4,138		4,138
Total Awards	\$ 180,205	\$ 2,479,781	\$ 2,659,986

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2019.

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

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2019 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

<u>State:</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Categorical Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	\$ 375,176	\$ 375,176
Categorical Security Aid	19-495-034-5120-078	7/1/18-6/30/19	12,631	12,631

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

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

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

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any finding or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance or NJOMB 15-08.

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

Status of Prior Year Findings:

The District had no prior year audit findings.