

**WATCHUNG BOROUGH
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2021**

**Comprehensive Annual
Financial Report**

of the

WATCHUNG BOROUGH SCHOOL DISTRICT

Watchung, New Jersey

For the Fiscal Year Ended June 30, 2021

Watchung Borough School District

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

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INTRODUCTORY SECTION
(UNAUDITED)



WATCHUNG BOROUGH SCHOOL DISTRICT

GEORGE P. ALEXIS
SUPERINTENDENT
RICHARD PEPE
BUSINESS ADMINISTRATOR
NICOLE DITOLA
DIRECTOR OF SPECIAL SERVICES

November 15, 2021

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, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the 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 2020-2021 fiscal year with an enrollment of 620 students, which is 3 fewer 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 the second half of the 20th century. In 1960, the population was 3,312 and in 2010 it was 5,801. Watchung Borough is primarily a suburban residential community with approximately 2,000 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, is currently assessed for over \$128 million. Crystal Ridge, 280-unit apartment complex, located next to the shopping center, is assessed at over \$40 million. A new affordable housing project on the eastern end of town is in the early stages of the development process.

The District's 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, but capital improvements are necessary and will go well beyond the limits of a 2% tax levy cap that has been imposed by the State. Active referendum planning is underway.

3. MAJOR INITIATIVES: The Watchung Borough School District has continued to provide excellence in education for all students (Pre-K - 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 algebra and geometry. A state-of-the-art STEM Lab was opened in September 2019. All students take a half-year STEM class that is based on state curricular standards. Students enjoy vocal and instrumental music and fine and performing arts opportunities. The District's program for gifted and talented students, SOAR, 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. 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.

A link to the public portal for parents to view the district curriculum is available through Rubicon Atlas, a software program, which is linked to the District's website. 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. The District promotes professional learning for its staff and continues to support training on the GoMath! program in grades K-5 and the Readers and Writers Workshop model in language arts districtwide. 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 through the parent portal in Genesis. Middle School students use Genesis to monitor their own academic progress.

Despite the ongoing COVID-19 pandemic, the District had a successful year of hybrid learning and was able to extend school hours incrementally and increase the number of in-person students throughout the year. Middle school athletics resumed in the spring, and an in-person commencement ceremony was the culminating highlight. The students also enjoyed virtual field trips and author visits.

Through careful planning and research, the District entered into an agreement with Pit Bull Secure Technologies and created an in-house technology specialist position to address important technology needs. The district also upgraded its technology infrastructure and hardware to enhance its 1:1 technology program for students. New iPads for all K-1 students and new Chromebooks for students in grades 2-8 were purchased with a significant donation from the Watchung Educational Foundation and a generous community benefactor.

The District's website offers a user-friendly format including quick links. Genesis was introduced and implemented as the District's new student database system this year. The Parent Portal allows easy access for parents to check their children's academic progress. The District regularly uses SchoolMessenger for promoting ongoing communication with families and the school community.

The District continued its use of the Danielson Framework for Teaching, but incorporated it into the Genesis platform for teacher observation and evaluation in compliance with state requirements. A similar transition to Genesis occurred with the Marshall Rubric, which is used to evaluate administrators. Mandated training for staff is conducted through in-person professional development and online through Safe Schools.

The Somerset County Youth Service Commission (YSC) provided a grant that sponsored the Pursuit of Excellence programs at Valley View and Bayberry. These afterschool programs are designed to accelerate learning for our most vulnerable students. In addition, the YSC grant supported the TREP\$ (Entrepreneur) program at Valley View. This innovative program encourages students to create marketable items and to develop a marketing plan for their creations.

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 Educational 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 the schools.

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, 2020.

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.

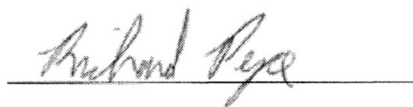
9. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP was selected as the Board's Audit firm. In addition to meeting the requirements set forth in state statutes, 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
George Alexis



Business Administrator
Richard Pepe

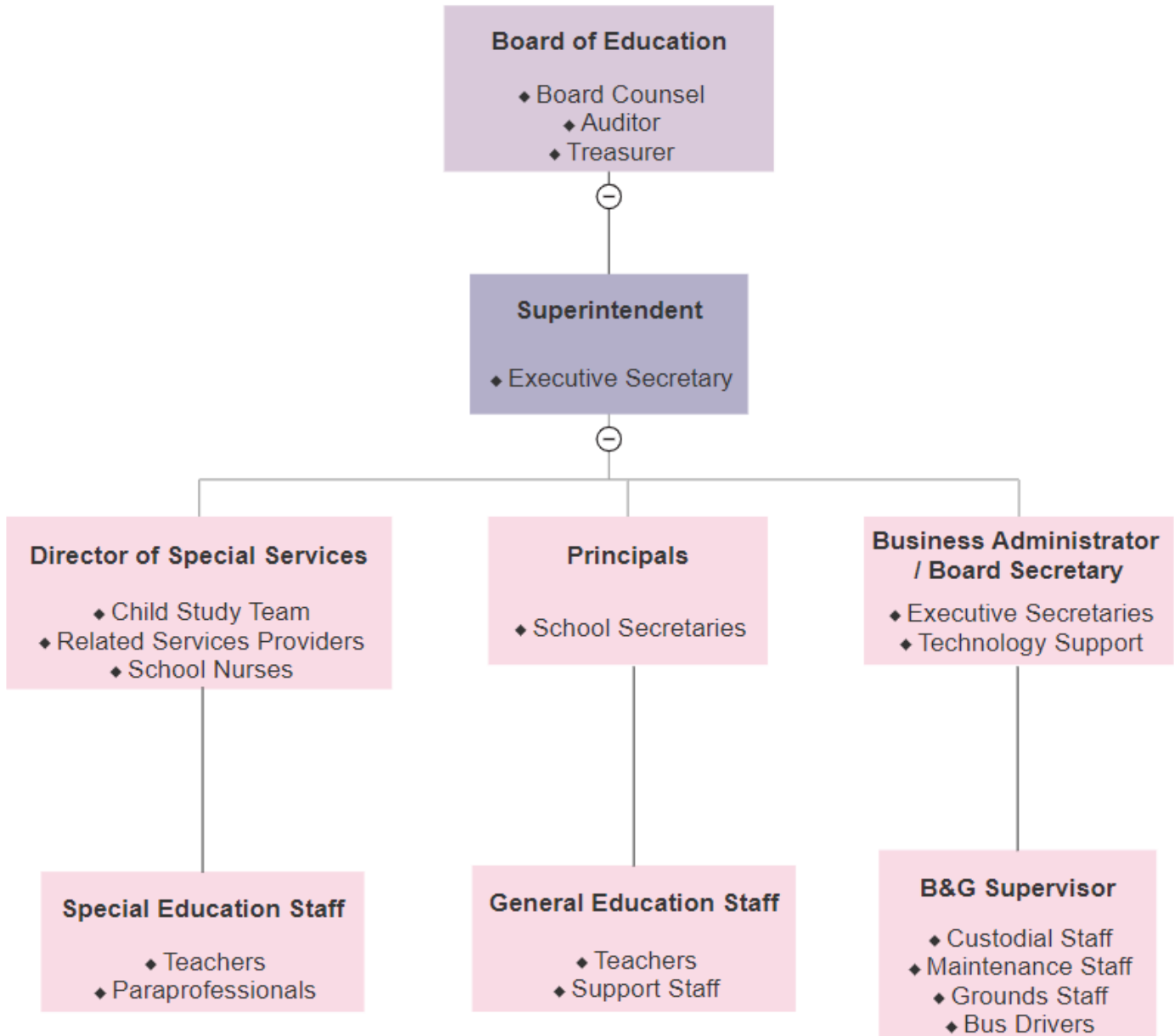


WATCHUNG BOROUGH SCHOOL DISTRICT

GEORGE P. ALEXIS
SUPERINTENDENT

RICHARD PEPE
BUSINESS ADMINISTRATOR

NICOLE DITOTA
DIRECTOR OF SPECIAL SERVICES



WATCHUNG BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2021

Members of the Board of Education

Term Expires

Dorie Harvey, President	2021
Jennifer Scharf, Vice President	2022
Joseph Barbella	2022
Richard Buccarelli	2021
Jessica Ingrassia	2021
Adam Kraft	2022
Kevin McDonald	2022*
Amber Murad	2023
Michele Posehn	2023 **

Other Officials

George P. Alexis, Superintendent of Schools
Richard Pepe, School Business Administrator/Board Secretary
Nicole DiTota, Director of Special Services
Karin Kidd, Valley View School Principal
Denise Fichner, Bayberry School Principal
Paul Spano, Supervisor of Buildings & Grounds
William J. Hance, Treasurer
Porzio, Bromberg & Newman, P.C. - Legal Counsel

* - Appointed official, filling a term ending 12/31/2023. However, member is only serving through 12/31/2022.

** - Resigned 8/27/2021

**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

Porzio, Bromberg, and Newman P.C.
100 Southgate Parkway, PO Box 1997
Morristown, NJ 07962-1997 Architect

Architect

Design Resources Group Architects, AIA, Inc.
200 Franklin Square Drive, Suite 402
Somerset, NJ 08873

Benefit Advisor

Brown & Brown Benefit Advisors
24 Arnett Avenue Suite 110
Lambertville, NJ 08530

Property Insurance Advisor

Willis Towers Watson
150 John F Kennedy Parkway
Short Hills, NJ 07076

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, 2021, 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, 2021, 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.

Emphasis of Matter

As discussed in Note 17 the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 84, *Fiduciary Activities*, during the fiscal year ended June 30, 2021. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 15, 2021
Mount Arlington, New Jersey

Nisiroccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

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, 2021. 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.

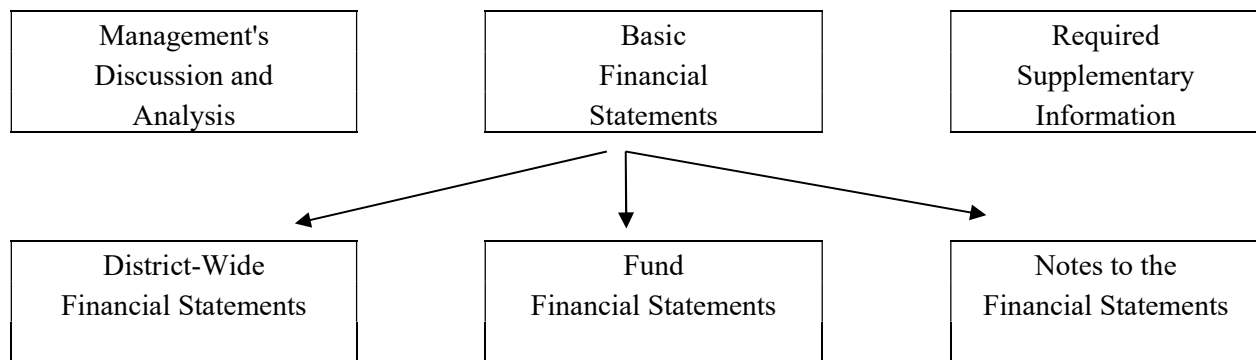
Overview of the Financial Statements

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 milk program and care program.

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

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
Scope	Entire District	The activities of the District that are not proprietary, such as special education and building maintenance	Activities the District operates similar to private businesses: milk program and care program
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
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
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
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

WATCHUNG BOROUGH SCHOOL DISTRICT Management Discussion and Analysis

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 milk program and care program are included here.

Fund Financial Statements

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

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

The District has two 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

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 increased \$714,462. Net position from governmental activities increased by \$716,586 and net position from business activities decreased by \$2,124. Net investment in capital assets decreased by \$339,124, restricted net position increased by \$368,128 and unrestricted net position increased by \$785,898.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2020/2021	2019/2020 *	2020/2021	2019/2020	2020/2021	2019/2020 *	
Current and Other Assets	\$ 4,022,975	\$ 2,414,123	\$ 5,832	\$ 7,999	\$ 4,028,807	\$ 2,422,122	
Capital Assets, Net	13,904,424	14,243,591	5,071	5,028	13,909,495	14,248,619	
Total Assets	17,927,399	16,657,714	10,903	13,027	17,938,302	16,670,741	7.60%
Deferred Outflows of Resources	359,899	433,680			359,899	433,680	-17.01%
Other Liabilities	1,110,689	403,471			1,110,689	403,471	
Long-Term Liabilities	2,408,254	2,759,041			2,408,254	2,759,041	
Total Liabilities	3,518,943	3,162,512			3,518,943	3,162,512	11.27%
Deferred Inflows of Resources	1,150,846	1,027,959			1,150,846	1,027,959	11.95%
Net Position:							
Investment in Capital							
Assets	13,904,424	14,243,591	5,071	5,028	13,909,495	14,248,619	
Restricted	1,801,440	1,533,752			1,801,440	1,533,752	
Unrestricted/(Deficit)	(2,088,355)	(2,876,420)	5,832	7,999	(2,082,523)	(2,868,421)	
Total Net Position	\$ 13,617,509	\$ 12,900,923	\$ 10,903	\$ 13,027	\$ 13,628,412	\$ 12,913,950	5.53%

* - As Restated

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). The District's combined net position was \$13,628,412 on June 30, 2021, an increase of \$714,462 or 5.53% more than it was the year before (See Figure A-3). Net Investment in Capital Assets decreased by \$339,124 due to the \$298,570 of current year capital assets additions offset by the \$517,694 of depreciation expense and \$120,000 of capital leases payable maturities. Restricted net position increased by \$267,688 primarily due changes in capital reserve, unemployment compensation reserve and excess surplus. The unrestricted net position increased by \$785,898 due primarily to the change in pension related deferred inflows and outflows, the increase in unexpended budget appropriations, as well as the decrease in net pension liability and compensated absences payable.

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	
Revenue:							
Program Revenue:							
Tuition	\$ 80,906	\$ 67,180			\$ 80,906	\$ 67,180	
Charges for Services	6,734		\$ 19,419	\$ 4,834	26,153	4,834	
Operating Grants & Contributions	3,704,391	3,482,140		2,872	3,704,391	3,485,012	
General Revenue:							
Property Taxes	12,049,301	11,813,040			12,049,301	11,813,040	
Unrestricted Federal & State Aid	634,426	234,872			634,426	234,872	
Other	40,874	55,489		81	40,874	55,570	
Total Revenue	<u>16,516,632</u>	<u>15,652,721</u>	<u>19,419</u>	<u>7,787</u>	<u>16,536,051</u>	<u>15,660,508</u>	5.59%
Expenses:							
Instruction	9,861,430	9,479,450			9,861,430	9,479,450	
Pupil and Instruction Services	2,615,861	2,904,405			2,615,861	2,904,405	
Administrative and Business	1,549,651	1,814,259			1,549,651	1,814,259	
Maintenance and Operations	1,210,576	1,330,194			1,210,576	1,330,194	
Transportation	537,183	496,207			537,183	496,207	
Other	47,138	47,138	25,026	7,662	72,164	54,800	
Total Expenses	<u>15,821,839</u>	<u>16,071,653</u>	<u>25,026</u>	<u>7,662</u>	<u>15,846,865</u>	<u>16,079,315</u>	-1.45%
Other Item/Transfer:							
Transfer	(3,483)		3,483				
Cancellation of Prior Year Accounts Payable	<u>25,276</u>				<u>25,276</u>		100.00%
Change in Net Position	<u>\$ 716,586</u>	<u>\$ (418,932)</u>	<u>\$ (2,124)</u>	<u>\$ 125</u>	<u>\$ 714,462</u>	<u>\$ (418,807)</u>	<u>270.59%</u>

Governmental Activities

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

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>2020/2021</u>	<u>2019/2020</u>	<u>2020/2021</u>	<u>2019/2020</u>
Instruction	\$ 9,861,430	\$ 9,479,450	\$ 6,540,244	\$ 6,469,535
Pupil and Instruction Services	2,615,861	2,904,405	2,415,931	2,672,012
Administrative and Business	1,549,651	1,814,259	1,324,744	1,567,980
Maintenance and Operations	1,210,576	1,330,194	1,168,771	1,275,991
Transportation	537,183	496,207	532,980	489,677
Other	47,138	47,138	47,138	47,138
	<u>\$ 15,821,839</u>	<u>\$ 16,071,653</u>	<u>\$ 12,029,808</u>	<u>\$ 12,522,333</u>

Business-Type Activities

Net position from the District’s business-type activities decreased by \$2,124. (Refer to Figure A-4).

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 been offset by 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

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. Student support services increased \$122,286 over budgeted amounts.

Capital Asset and Long-Term Liabilities

Current year capital additions were \$298,570 and annual depreciation was \$517,694 (\$514,913 from governmental activities and \$2,781 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
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	
Land	\$ 411,364	\$ 411,364			\$ 411,364	\$ 411,364	
Building and Building Improvements	12,712,451	12,901,843			12,712,451	12,901,843	
Machinery and Equipment	900,609	930,384	\$ 5,071	\$ 5,028	905,680	935,412	
Total Capital Assets (Net of Depreciation)	<u>\$14,024,424</u>	<u>\$14,243,591</u>	<u>\$ 5,071</u>	<u>\$ 5,028</u>	<u>\$14,029,495</u>	<u>\$14,248,619</u>	<u>-1.54%</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 7 to the financial statements.)

Figure A-7
Outstanding Long-Term Liabilities

	Total School District		Percentage Change
	2020/2021	2019/2020	
Compensated Absences	\$ 273,200	\$ 319,752	
Capital Leases Payable	120,000		
Net Pension Liability	2,015,054	2,439,289	
	<u>\$ 2,408,254</u>	<u>\$ 2,759,041</u>	<u>-12.71%</u>

- Compensated absences payable decreased by a net amount of \$46,552.
- The net pension liability decreased by \$424,235 from the prior year.
- A new lease was entered into for \$120,000 in the current year.

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

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 2021-2022 budget with a 2.0% tax increase. The unrestricted fund balance is limited to 4% of expenditures as per the New Jersey Department of Education regulations. Looking ahead to the development of the 2022-2023 budget, it will be important to prepare a budget that will closely reflect actual expenditures because the unrestricted fund will not permit much flexibility.
- Personnel – The district needs additional staffing in the areas of guidance, library/media, custodial services, and supervision of instruction. With current budget constraints, this will be a significant challenge for the coming years.
- Special Education Costs - These costs remained high in 2020-2021 and impacted the budget quite heavily. Through the work of the Director of Special Services, the district was able to slow the rise of costs in this area. The administrative leadership team continues to provide services in a cost-effective manner and is hopeful to see expenditures in this area decrease over the next five years, as students with costly settlement agreements are able to be brought back into the district or graduate from eighth grade.
- Pandemic Impact on Budget – The District has been fortunate to avoid certain increases in expenditures due to the generosity of community members and organizations as well as the administration's diligence in making the most cost-effective decisions regarding sanitization, personal protective equipment, and other safety measures.

The District is proud of the community support of its public schools. The community organizations and individual donors have made a significant impact on the district's ability to provide an excellent education for its students. Major financial concerns include the reliance on property taxes and limited federal resources stemming from the low number of free/reduced lunch applications submitted each year.

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, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,948,957	\$ 5,175	\$ 1,954,132
Receivable from State Government	641,799		641,799
Receivable from Federal Government	94,662		94,662
Other Accounts Receivable	33,929	657	34,586
Restricted Cash and Cash Equivalents	1,183,628		1,183,628
Capital Assets:			
Sites (Land)	411,364		411,364
Depreciable Buildings and Building Improvements and Machinery and Equipment	13,613,060	5,071	13,618,131
Total Assets	<u>17,927,399</u>	<u>10,903</u>	<u>17,938,302</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	359,899		359,899
Total Deferred Outflows of Resources	<u>359,899</u>		<u>359,899</u>
LIABILITIES			
Accounts Payable	415,413		415,413
Unearned Revenue	695,276		695,276
Noncurrent Liabilities:			
Due Within One Year	39,239		39,239
Due Beyond One Year	2,369,015		2,369,015
Total Liabilities	<u>3,518,943</u>		<u>3,518,943</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	1,150,846		1,150,846
Total Deferred Inflows of Resources	<u>1,150,846</u>		<u>1,150,846</u>
NET POSITION			
Investment in Capital Assets	13,904,424	5,071	13,909,495
Restricted for:			
Capital Projects	1,077,571		1,077,571
Excess Surplus	617,812		617,812
Unemployment Compensation	50,863		50,863
Student Activities	55,194		55,194
Unrestricted/(Deficit)	(2,088,355)	5,832	(2,082,523)
Total Net Position	<u>\$ 13,617,509</u>	<u>\$ 10,903</u>	<u>\$ 13,628,412</u>

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, 2021

Functions/Programs	Program Revenue					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating		Governmental Activities	Business-Type Activities	Total
			Grants and Contributions				
Governmental Activities:							
Instruction:							
Regular	\$ 7,232,937	\$ 80,906	\$ 2,089,545	\$ (5,062,486)	\$	\$ (5,062,486)	
Special Education	2,214,799		1,032,793	(1,182,006)		(1,182,006)	
Other Special Instruction	368,713		100,976	(267,737)		(267,737)	
School-Sponsored Other Instruction	44,981		16,966	(28,015)		(28,015)	
Support Services:							
Tuition	708,576			(708,576)		(708,576)	
Student & Instruction Related Services	1,907,285	6,734	193,196	(1,707,355)		(1,707,355)	
General Administrative Services	501,816		161,967	(339,849)		(339,849)	
School Administrative Services	671,091		40,664	(630,427)		(630,427)	
Central Services	322,888		22,247	(300,641)		(300,641)	
Administrative Information Technology	53,856		29	(53,827)		(53,827)	
Plant Operations and Maintenance	1,210,576		41,805	(1,168,771)		(1,168,771)	
Pupil Transportation	537,183		4,203	(532,980)		(532,980)	
Capital Outlay	47,138			(47,138)		(47,138)	
Total Governmental Activities	15,821,839	87,640	3,704,391	(12,029,808)		(12,029,808)	

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Business-Type Activities:							
Food Service	\$ 2,781				\$ (2,781)	\$ (2,781)	
Care Program	22,245	\$ 19,419			(2,826)	(2,826)	
Total Business-Type Activities	25,026	19,419			(5,607)	(5,607)	
Total Primary Government	\$ 15,846,865	\$ 107,059	\$ 3,704,391	\$ (12,029,808)	(5,607)	(12,035,415)	
General Revenue and Other Items/Transfers:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 12,049,301		\$ 12,049,301	
Federal and State Aid not Restricted				634,426		634,426	
Interest				20,730		20,730	
Miscellaneous Income				20,144		20,144	
Other Items:							
Cancellation of Prior Year Accounts Payable				25,276		25,276	
Transfers				(3,483)	\$ 3,483		
Total General Revenue and Other Items/Transfers				12,746,394	3,483	12,749,877	
Change in Net Position				716,586	(2,124)	714,462	
Net Position - Beginning (as Restated)				12,900,923	13,027	12,913,950	
Net Position - Ending				\$ 13,617,509	\$ 10,903	\$ 13,628,412	

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, 2021

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,948,957		\$ 1,948,957
Receivables From Federal Government		\$ 94,662	94,662
Receivables From State Government	641,799		641,799
Other Receivables	4,100	29,829	33,929
Interfund Receivables	111,098		111,098
Restricted Cash and Cash Equivalents	1,128,434	55,194	1,183,628
Total Assets	<u>\$ 3,834,388</u>	<u>\$ 179,685</u>	<u>\$ 4,014,073</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 261,414	\$ 2,898	\$ 264,312
Interfund Payable		111,098	111,098
Unearned Revenue	684,781	10,495	695,276
Total Liabilities	<u>946,195</u>	<u>124,491</u>	<u>1,070,686</u>
Fund Balances:			
Restricted:			
Capital Reserve	1,077,571		1,077,571
Excess Surplus - 2021-2022	160,835		160,835
Excess Surplus - 2022-2023	456,977		456,977
Unemployment Compensation	50,863		50,863
Student Activities		55,194	55,194
Assigned:			
Encumbrances	107,638		107,638
Designated for Subsequent Year's Expenditures	42,201		42,201
Unassigned:			
General Fund	992,108		992,108
Total Fund Balances	<u>2,888,193</u>	<u>55,194</u>	<u>2,943,387</u>
Total Liabilities and Fund Balances	<u>\$ 3,834,388</u>	<u>\$ 179,685</u>	

WATCHUNG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

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.	\$ 14,024,424
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(2,015,054)
Other Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(393,200)
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	208,798
Deferred Inflows	<u>(1,150,846)</u>
Net Position of Governmental Activities	<u><u>\$ 13,617,509</u></u>

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, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Local Tax Levy	\$ 12,049,301		\$ 12,049,301
Tuition from Individuals	80,906		80,906
Interest Earned on Capital Reserve Funds	1,147		1,147
Restricted Miscellaneous Revenue	10,987	\$ 6,734	17,721
Unrestricted Miscellaneous Revenue	28,740	102,728	131,468
Total - Local Sources	12,171,081	109,462	12,280,543
State Sources	3,340,474		3,340,474
Federal Sources		212,271	212,271
Total Revenue	15,511,555	321,733	15,833,288
EXPENDITURES			
Current:			
Regular Instruction	3,818,397	183,814	4,002,211
Special Education Instruction	1,318,844	131,185	1,450,029
Other Special Instruction	204,002		204,002
School Sponsored/Other Instruction	35,524		35,524
Support Services and Undistributed Costs:			
Tuition	708,576		708,576
Student & Instruction Related Services	1,366,408	8,621	1,375,029
General Administrative Services	363,447		363,447
School Administrative Services	421,564		421,564
Central Services	229,568		229,568
Administrative Information Technology	45,733		45,733
Plant Operations and Maintenance	981,348		981,348
Pupil Transportation	519,554		519,554
Unallocated Benefits	4,498,053		4,498,053
Capital Outlay	342,884		342,884
Total Expenditures	14,853,902	323,620	15,177,522
Excess/(Deficit) of Revenue over/(under) Expenditures	657,653	(1,887)	655,766

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
OTHER FINANCING SOURCES/(USES)			
Capital Leases (Non-Budgeted)	\$ 120,000		\$ 120,000
Cancellation of Prior Year Accounts Payable	25,276		25,276
Transfers Out	(3,483)		(3,483)
Total Other Financing Sources/(Uses)	141,793		141,793
Net Change in Fund Balances	799,446	\$ (1,887)	797,559
Fund Balance—July 1 (as Restated)	2,088,747	57,081	2,145,828
Fund Balance—June 30	\$ 2,888,193	\$ 55,194	\$ 2,943,387

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, 2021

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ 797,559
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	\$ (514,913)
	Capital Outlays	295,746
		(219,167)
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	424,235
	Change in Deferred Inflows	(89,706)
	Change in Deferred Outflows	(122,887)
		211,642
Leases entered into by the District are an other financing source in the Governmental Funds, but the acquisition increases Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		
		(120,000)
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 (+).		
		46,552
Change in Net Position of Governmental Activities (Exhibit A-2)		\$ 716,586

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, 2021

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Funds</u>		<u>Total</u>
	<u>Milk Program</u>	<u>Care Program</u>	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 5,175		\$ 5,175
Accounts Receivable		\$ 657	657
Total Current Assets	5,175	657	5,832
Non-Current Assets:			
Capital Assets	41,166		41,166
Less: Accumulated Depreciation	(36,095)		(36,095)
Total Non-Current Assets	5,071		5,071
Total Assets	10,246	657	10,903
NET POSITION:			
Investment in Capital Assets	5,071		5,071
Unrestricted	5,175	657	5,832
Total Net Position	\$ 10,246	\$ 657	\$ 10,903

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, 2021

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds		Total
	Milk Program	Care Program	
Operating Revenue:			
Local Sources:			
Child Care Fees		\$ 19,419	\$ 19,419
Total Operating Revenue		19,419	19,419
Operating Expenses:			
Salaries, Benefits & Payroll Taxes		22,245	22,245
Depreciation Expense	\$ 2,781		2,781
Total Operating Expenses	2,781	22,245	25,026
Operating (Loss)	(2,781)	(2,826)	(5,607)
Transfer In - General Fund		3,483	3,483
Change in Net Position After Transfers	(2,781)	657	(2,124)
Net Position - Beginning of Year	13,027		13,027
Net Position - End of Year	\$ 10,246	\$ 657	\$ 10,903

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, 2021

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Funds</u>		
	<u>Milk Program</u>	<u>Care Program</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers		\$ 18,762	\$ 18,762
Payments to Employees		(22,245)	(22,245)
Net Cash (Used for) Operating Activities		(3,483)	(3,483)
Cash Flows Used for Capital Financing Activities:			
Acquisition of Equipment	\$ (2,824)		(2,824)
Net Cash Used for Capital Financing Activities	(2,824)		(2,824)
Cash Flows from Noncapital Financing Activities:			
Local Sources:			
General Fund - Interfund		3,483	3,483
Net Cash Provided by Noncapital Financing Activities		3,483	3,483
Net Decrease in Cash and Cash Equivalents	(2,824)		(2,824)
Cash and Cash Equivalents, July 1	7,999		7,999
Cash and Cash Equivalents, June 30	\$ 5,175	\$ -0-	\$ 5,175
Reconciliation of Operating Loss to Net Cash (Used for) Operating Activities:			
Operating (Loss)	\$ (2,781)	\$ (2,826)	\$ (5,607)
Adjustment to Reconcile Operating Loss to Cash (Used for) Operating Activities:			
Depreciation	2,781		2,781
Changes in Assets and Liabilities:			
(Increase) in Accounts Receivable		(657)	(657)
Net Cash (Used for) Operating Activities	\$ -0-	\$ (3,483)	\$ (3,483)

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, 2021

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. 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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd):

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

Fund Financial Statements:

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

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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

B. Basis of Presentation: (Cont'd)

Special Revenue Fund: The Special Revenue Fund is used to account for 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.

The District reports the following proprietary funds:

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

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary 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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2021 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 except for student activities. 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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

D. Budgets/Budgetary Control (Cont'd)

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	\$ 15,511,921	\$ 343,811
Differences - Budgetary to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(22,078)
Prior Year State Aid Payments Recognized for GAAP Statements	49,545	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(49,911)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 15,511,555	\$ 321,733
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,853,902	\$ 345,698
Differences - Budgetary to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(22,078)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 14,853,902	\$ 323,620

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

E. Cash and Cash Equivalents:

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2021.

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.

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:

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

K. Capital Assets (Cont'd)

	<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, 2021, the amount earned by these employees but not yet disbursed was \$190,858.

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, 2021
(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 \$2,888,193 General Fund fund balance at June 30, 2021, \$1,077,571 is restricted in the capital reserve account; \$160,835 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2022; \$456,977 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, 2023; \$107,638 is assigned for year-end encumbrances and \$42,201 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year end June 30, 2022; \$50,863 is restricted for unemployment compensation; and \$992,108 is unassigned fund balance, which is \$49,911 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, 2022.

Special Revenue Fund: The Special Revenue Fund balance at June 30, 2021 of \$55,194 is restricted for student activities.

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 \$49,911 as of June 30, 2021 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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

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

Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned. Fund balance restrictions have been established for a capital reserve, excess surplus, unemployment compensation and student activities 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 no committed resources at June 30, 2021.

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, 2021 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 and inflows of resources at June 30, 2021 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, 2021
(Continued)

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

S. Deficit Net Position:

The District has a deficit of \$2,088,355 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 respective Enterprise Fund. For the School District, these revenues are sales for milk program and program fees for the care program. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the respective Enterprise Fund.

V. Management Estimates:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

Deposits: (Cont'd)

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

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

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

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

Investments:

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

Investments (Cont'd)

- (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
- (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, 2021, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents			Total
		Capital Reserve Account	Unemployment Compensation	Student Activities	
Checking Accounts	\$ 1,954,132	\$ 1,077,571	\$ 50,863	\$ 55,194	\$ 3,137,760
	<u>\$ 1,954,132</u>	<u>\$ 1,077,571</u>	<u>\$ 50,863</u>	<u>\$ 55,194</u>	<u>\$ 3,137,760</u>

During the period ended June 30, 2021, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2021, was \$3,137,760 and the bank balance was \$3,374,147.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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 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, 2020 to June 30, 2021 fiscal year is as follows:

Beginning Balance, July 1, 2020		\$ 1,120,675
Unexpended Funds Returned to Capital Reserve	\$ 253,749	
Interest Earnings	<u>1,147</u>	
		254,896
Budgeted Withdrawal		<u>(298,000)</u>
Ending Balance, June 30, 2021		<u>\$ 1,077,571</u>

The balance in the capital reserve account at June 30, 2021 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: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2021, the District made transfers into capital outlay accounts for equipment which did not require approval of the County Superintendent.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2021 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	19,721,847	\$ 173,029		19,894,876
Machinery and Equipment	2,134,984	122,717		2,257,701
Total Capital Assets Being Depreciated	21,856,831	295,746		22,152,577
Governmental Activities Capital Assets	22,268,195	295,746		22,563,941
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(6,820,004)	(362,421)		(7,182,425)
Machinery and Equipment	(1,204,600)	(152,492)		(1,357,092)
	(8,024,604)	(514,913)		(8,539,517)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 14,243,591	\$ (219,167)	\$ - 0 -	\$ 14,024,424
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 38,342	\$ 2,824		\$ 41,166
Less Accumulated Depreciation	(33,314)	(2,781)		(36,095)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 5,028	\$ 43	\$ - 0 -	\$ 5,071

Depreciation expense was charged to governmental functions as follows:

General Administration	\$ 22,383
Maintenance / Operations	75,330
Student & Instruction Related Services	5,517
Regular Instruction	387,353
Administrative Information Technology	8,000
Special Education Instruction	16,330
	<u>\$ 514,913</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2021, the following changes occurred in liabilities reported in the District-wide financial statements:

	Beginning Balance	Accrued	Retired	Ending Balance
Capital Leases Payable		\$ 120,000		\$ 120,000
Compensated Absences Payable	\$ 319,752		\$ 46,552	273,200
Net Pension Liability	2,439,289		424,235	2,015,054
	\$ 2,759,041	\$ 120,000	\$ 470,787	\$ 2,408,254

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. The District had no bonds payable at June 30, 2021.

B. Bonds Authorized But Not Issued:

As of June 30, 2021, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District entered into a capital lease to purchase network switches. The capital lease is for a term of three years and will be retired through the General Fund. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2021.

<u>Year</u>	<u>Amount</u>
2022	\$ 41,553
2023	41,553
2024	41,552
	124,658
Less: Amount Representing Interest	(4,658)
Present Value of Net Minimum Lease Payments	\$ 120,000

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

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

D. 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 \$273,200. The 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, 2021, no liability existed for compensated absences in the Milk Program or Care Program.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2021 is \$-0- and the long-term portion is \$2,015,054. See Note 8 for further information on the PERS.

NOTE 8. 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 tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$135,176 for fiscal year 2021.

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

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

At June 30, 2021, the District reported a liability of \$2,015,054 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. 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, 2020, the District's proportion was 0.0124%, which was a decrease of 0.0012% from its proportion measured as of June 30, 2019.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

For the fiscal year ended June 30, 2021, the District recognized pension benefit of \$76,466. At June 30, 2021, 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	2016	5.57	\$ 65,371	
	2017	5.48		\$ 190,741
	2018	5.63		187,130
	2019	5.21		148,608
	2020	5.16		317,243
			<u>65,371</u>	<u>843,722</u>
Changes in Proportion	2016	5.57		20,164
	2017	5.48		19,764
	2018	5.63		45,707
	2019	5.21	37,860	
	2020	5.16		214,363
			<u>37,860</u>	<u>299,998</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2017	5.00	(24,658)	
	2018	5.00	(22,869)	
	2019	5.00	5,534	
	2020	5.00	110,869	
			<u>68,876</u>	
Difference Between Expected and Actual Experience	2016	5.57	1,984	
	2017	5.48	5,673	
	2018	5.63		7,126
	2019	5.21	11,360	
	2020	5.16	17,674	
			<u>36,691</u>	<u>7,126</u>
District Contribution Subsequent to the Measurement Date	2020	1.00	151,101	
			<u>\$ 359,899</u>	<u>\$ 1,150,846</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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
2021	\$ (252,851)
2022	(230,525)
2023	(131,739)
2024	(53,273)
2025	(11,522)
	\$ (679,910)

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 8. 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, 2020) 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Management Strategies	3.00%	3.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2020 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, 2020		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
District's proportionate share of the Net Pension Liability	\$ 2,530,997	\$ 2,015,054	\$ 1,569,010

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 annual financial statements which can be found at www.nj.gov/treasury/pensions/annual-reports.shtml.

Benefits Provided

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2020, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2021, the State of New Jersey contributed \$1,273,973 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,890,760.

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

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

At June 30, 2021, the State's proportionate share of the net pension liability associated with the District was \$30,405,772. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. 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, 2020, the District's proportion was 0.046%, which was a decrease of 0.001% from its proportion measured as of June 30, 2019.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		30,405,772
Total	\$	30,405,772

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the District in the amount of \$1,890,760 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2021 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.50	\$ 461,324,773	
	2015	8.30	1,638,696,238	
	2016	8.30	4,304,747,820	
	2017	8.30		\$ 6,882,861,832
	2018	8.29		4,349,959,805
	2019	8.04		3,009,143,115
	2020	7.99	1,411,170,422	14,241,964,752
			7,815,939,253	14,241,964,752
Difference Between Expected and Actual Experience	2014	8.50		4,393,807
	2015	8.30	101,207,836	
	2016	8.30		53,533,223
	2017	8.30	122,460,660	
	2018	8.29	763,099,015	
	2019	8.04		116,909,940
	2020	7.99	986,767,511	182,357,860
			986,767,511	182,357,860
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2017	5.00	(226,008,261)	
	2018	5.00	(192,060,744)	
	2019	5.00	108,662,078	
	2020	5.00	965,582,162	
			656,175,235	
			\$ 9,458,881,999	\$ 14,424,322,612

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2021	\$ (262,056,928)
2022	(188,358,995)
2023	(774,174,971)
2024	(1,939,112,462)
2025	(1,466,451,639)
Thereafter	(335,285,618)
	\$ (4,965,440,613)

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

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

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2020) 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Management Strategies	3.00%	3.40%

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.40% as of June 30, 2020. 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 2.21% as of June 30, 2020 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 78% of the actuarially determined contributions for the State. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2062, 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 State's proportionate share of the net pension liability associated with the District as of June 30, 2020 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, 2020		
	At 1% Decrease (4.40%)	At Current Discount Rate (5.40%)	At 1% Increase (6.40%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 35,715,140	\$ 30,405,772	\$ 25,997,233

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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

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 \$4,947 for the fiscal year ended June 30, 2021. Employee contributions to DCRP amounted to \$15,361 for the year ended June 30, 2021.

NOTE 9. 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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Plan Description and Benefits Provided (Cont'd)

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

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

Employees Covered by Benefit Terms

At June 30, 2018, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	148,051
Active Plan Members	<u>216,892</u>
Total	<u><u>364,943</u></u>

Total Nonemployer OPEB Liability

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

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%	
	TPAF/ABP	PERS
Salary Increases:		
Through 2026	1.55 - 3.05% based on service years	2.00 - 6.00% based on service years
Thereafter	1.55 - 3.05% based on service years	3.00 - 7.00% based on service years

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Actuarial Assumptions and Other Inputs (Cont'd)

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

Mortality Rates

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

Health Care Trend Assumptions

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

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

	Total OPEB Liability
Balance at June 30, 2018	\$ 17,217,862
Changes for Year:	
Service Cost	721,342
Interest on the Total OPEB Liability	684,934
Difference between Actual and Expected Experience	(2,068,195)
Changes of Assumptions	243,232
Gross Benefit Payments by the State	(500,768)
Contributions from Members	14,844
Net Changes	(904,611)
Balance at June 30, 2019	\$ 16,313,251

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
Total OPEB Liability Attributable to the District	\$ 19,272,396	\$ 16,313,251	\$ 13,962,668

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 13,441,392	\$ 16,313,251	\$ 20,115,003

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

For the fiscal year ended June 30, 2021 the District recognized OPEB expense of \$497,634 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2019 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	Deferral Year	Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 1,899,192
	2018	9.51		1,633,562
	2019	9.29	\$ 217,050	
			217,050	3,532,755
Differences Between Expected and Actual Experience	2018	9.51		1,544,225
	2019	9.29		2,554,688
				4,098,913
Changes in Proportion	N/A	N/A	1,020,175	510,348
			\$ 1,237,225	\$ 8,142,016

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (995,520)
2021	(995,520)
2022	(995,520)
2023	(995,520)
2024	(995,520)
Thereafter	(2,437,018)
	\$ (7,414,618)

NOTE 10. RISK MANAGEMENT

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

The June 30, 2021 financial information for the Fund are not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2020 is as follows:

	Diploma Joint Insurance Fund
Total Assets	\$ 17,147,350
Net Position	\$ 8,698,752
Total Revenue	\$ 7,621,683
Total Expenses	\$ 6,245,736
Change in Net Position	\$ 1,375,947
Members Dividends	\$ -0-

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

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 Compensation restricted fund balance for the current and previous two years:

Fiscal Year	District Contributions	Employee Contributions and Interest	Amount Reimbursed	Ending Balance
2021	-0-	\$ 11,210	\$ 223	\$ 50,863
2020	-0-	12,988	9,929	39,876
2019	-0-	17,147	16,129	36,817

NOTE 11. 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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2021:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 111,098	
Special Revenue Fund		\$ 111,098
	\$ 111,098	\$ 111,098

The interfund between General Fund and Special Revenue Fund is due to the cash deficit in the Special Revenue Fund due to the timing of reimbursements for grants.

NOTE 13. 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 Financial

NOTE 14. 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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 14. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2021, there were encumbrances as detailed below in the governmental funds.

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
\$ 107,638	\$ 22,078	\$ 129,716

On the District's Governmental Funds Balance Sheet as of June 30, 2021, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$22,078 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.

NOTE 15. ACCOUNTS PAYABLE

At June 30, 2021, there were accounts payable as detailed below:

	<u>Governmental Funds</u>		<u>Total Governmental Funds</u>	<u>District Contribution Subsequent to Measurement Date</u>	<u>Total Governmental Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Funds</u>	<u>Date</u>	<u>Activities</u>
Vendors	\$ 36,171	\$ 2,898	\$ 39,069		\$ 39,069
Payroll Deductions and Withholdings	34,385		34,385		34,385
Accrued Salaries & Wages	190,858		190,858		190,858
Due to State of New Jersey				\$ 151,101	151,101
	<u>\$ 261,414</u>	<u>\$ 2,898</u>	<u>\$ 264,312</u>	<u>\$ 151,101</u>	<u>\$ 415,413</u>

NOTE 16. 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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

NOTE 17. PRIOR PERIOD ADJUSTMENT

GASB 84, *Fiduciary Activities*, was implemented during the fiscal year ended June 30, 2021. As part of this implementation, the activity for the Unemployment Compensation Insurance Trust Fund which had previously been reported in the Fiduciary Funds is now reported in the General Fund. The Student Activities Fund is now reported in the Special Revenue Fund. The ending balances as of June 30, 2020 were restated due to this implementation as follows:

	June 30, 2020 as Previously Reported	Retroactive Adjustments	Balance June 30, 2020 as Restated
<u>Statement of Net Activities - Governmental Activities:</u>			
Net Position - Ending	\$ 12,803,966	\$ 96,957	\$ 12,900,923
<u>Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds:</u>			
General Fund:			
Fund Balance - June 30	\$ 2,048,871	\$ 39,876	\$ 2,088,747
Special Revenue Fund:			
Fund Balance - June 30	\$ -0-	\$ 57,081	\$ 57,081
<u>Statement of Changes in Fiduciary Net Position - Fiduciary Funds:</u>			
Unemployment Compensation Trust:			
Net Position - End of the Year	\$ 39,876	\$ (39,876)	\$ -0-
Student Activity Agency Fund:			
Net Position - End of the Year	\$ 57,081	\$ (57,081)	\$ -0-

NOTE 18. SUBSEQUENT EVENT

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the District's normal financial operations. Though the impact on the District's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund other than state aid and the local tax levy. There have been additional operating expenses in the General Fund due to schools re-opening on a full-time basis.

The District's Milk and Care Program Enterprise Funds will likely be impacted by COVID-19 for the fiscal year ending June 30, 2022.

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 SEVEN FISCAL YEARS

	Fiscal Year Ending June 30,						
	2015	2016	2017	2018	2019	2020	2021
District's proportion of the net pension liability	0.015550733000%	0.015027942400%	0.014035907800%	0.013700230100%	0.000132664200%	0.013537705800%	0.012356694000%
District's proportionate share of the net pension liability	\$ 2,911,523	\$ 3,373,472	\$ 4,157,033	\$ 3,189,195	\$ 2,612,092	\$ 2,439,289	\$ 2,015,054
District's covered employee payroll	\$ 1,006,888	\$ 952,957	\$ 955,122	\$ 923,519	\$ 946,298	\$ 935,785	\$ 911,410
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%	260.67%	221.09%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%	58.32%

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 SEVEN FISCAL YEARS

	Fiscal Year Ending June 30,						
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 128,198	\$ 129,200	\$ 124,693	\$ 128,417	\$ 132,313	\$ 131,963	\$ 135,176
Contributions in relation to the contractually required contribution	(128,198)	(129,200)	(124,693)	(128,417)	(132,313)	(131,963)	(135,176)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 952,957	\$ 955,122	\$ 923,519	\$ 946,298	\$ 935,785	\$ 911,410	\$ 921,675
Contributions as a percentage of covered employee payroll	13.45%	13.53%	13.50%	13.57%	14.14%	14.48%	14.67%

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 SEVEN FISCAL YEARS

	Fiscal Year Ending June 30,						
	2015	2016	2017	2018	2019	2020	2021
State's proportion of the net pension liability attributable to the District	0.0459199119%	0.0452895715%	0.0459795512%	0.0478369854%	0.0486004563%	0.0473583810%	0.0461751367%
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	\$ 29,064,285	\$ 30,405,772
District's covered employee payroll	\$ 4,674,455	\$ 4,807,187	\$ 4,951,413	\$ 5,048,273	\$ 4,839,145	\$ 4,850,113	\$ 5,037,547
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%	599.25%	603.58%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%	24.60%

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 STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST SEVEN FISCAL YEARS

	Fiscal Year Ending June 30,						
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 1,341,050	\$ 1,747,808	\$ 2,717,705	\$ 2,234,354	\$ 1,802,444	\$ 1,714,289	\$ 1,890,760
Contributions in relation to the contractually required contribution	(244,852)	(368,130)	(519,258)	(715,713)	(931,425)	(1,012,798)	(1,273,973)
Contribution deficiency/(excess)	<u>\$ 1,096,198</u>	<u>\$ 1,379,678</u>	<u>\$ 2,198,447</u>	<u>\$ 1,518,641</u>	<u>\$ 871,019</u>	<u>\$ 701,491</u>	<u>\$ 616,787</u>
District's covered employee payroll	\$ 4,807,187	\$ 4,951,413	\$ 5,048,273	\$ 4,839,145	\$ 4,850,113	\$ 5,037,547	\$ 5,616,652
Contributions as a percentage of covered employee payroll	27.90%	35.30%	53.83%	46.17%	37.16%	34.03%	33.66%

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 RELATED RATIOS
LAST THREE FISCAL YEARS

	Fiscal Year Ending June 30,		
	2017	2018	2019
Total OPEB Liability			
Service Cost	\$ 1,062,895	\$ 878,584	\$ 721,342
Interest on the Total OPEB Liability	653,827	761,302	684,934
Changes in Assumptions	(2,756,523)	(1,975,836)	243,232
Differences between Expected and Actual Experience		(2,608,820)	(2,068,195)
Contributions from Members	17,576	15,912	14,844
Gross Benefit Payments by the State	(477,305)	(460,399)	(500,768)
Net Change in Total OPEB Liability	(1,499,530)	(3,389,257)	(904,611)
Total OPEB Liability - Beginning	22,106,649	20,607,119	17,217,862
Total OPEB Liability - Ending	<u>\$ 20,607,119</u>	<u>\$ 17,217,862</u>	<u>\$ 16,313,251</u>
District's Covered Employee Payroll *	\$ 5,971,792	\$ 5,785,443	\$ 5,785,898
Total OPEB Liability as a Percentage of Covered Employee Payroll	345%	298%	282%

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020.

In the July 1, 2018 actuarial valuation the mortality improvement was based on Scale MP-2019 while in the July 1, 2019 actuarial valuation the mortality improvement was based on Scale MP-2020.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.60% as of June 30, 2019 to 5.40% as of June 30, 2020. The municipal bond rate changed from 3.50% to 2.21%.

In the July 1, 2018 actuarial valuation the mortality improvement was based on Scale MP-2019 while in the July 1, 2019 actuarial valuation the mortality improvement was based on Scale MP-2020.

C. STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

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

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

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted 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, 2021
(Continued)

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

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

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

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

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

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

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

BUDGETARY COMPARISON SCHEDULES

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 12,049,301		\$ 12,049,301	\$ 12,049,301	
Tuition from Individuals	160,000		160,000	80,906	(79,094)
Interest Earned on Capital Reserve Funds	15,000		15,000	1,147	(13,853)
Interest Earned on Investments				8,596	8,596
Restricted Miscellaneous Revenues				10,987	10,987
Unrestricted Miscellaneous Revenue	40,000		40,000	20,144	(19,856)
Total - Local Sources	12,264,301		12,264,301	12,171,081	(93,220)
State Sources:					
Transportation Aid	160,229		160,229	160,229	
Special Education Aid	491,722	\$ (48,836)	442,886	442,886	
Security Aid	12,631		12,631	12,631	
Extraordinary Aid	85,000		85,000	612,805	527,805
Nonpublic Transportation Aid				8,990	8,990
On-Behalf TPAF Pension Contribution (Non-Budgeted)				1,273,973	1,273,973
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				24,239	24,239
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				406,839	406,839
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				543	543
TPAF Social Security (Reimbursed - Non-Budgeted)				397,705	397,705
Total State Sources	749,582	(48,836)	700,746	3,340,840	2,640,094
TOTAL REVENUES	13,013,883	(48,836)	12,965,047	15,511,921	2,546,874

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 317,993	71,600	\$ 71,600	\$ 54,605	\$ 16,995
Kindergarten - Salaries of Teachers	1,919,466	(28,000)	289,993	285,313	4,680
Grades 1-5 - Salaries of Teachers	1,432,315	(184,800)	1,734,666	1,705,684	28,982
Grades 6-8 - Salaries of Teachers	24,428	79,347	1,511,662	1,480,843	30,819
Regular Programs - Home Instruction:					
Salaries of Teachers	60,000	(10,000)	14,428		14,428
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	49,819	54,766	60,000	30,575	29,425
Other Purchased Services (400-500 series)	138,132	51,382	104,585	90,838	13,747
General Supplies	1,500		189,514	167,432	22,082
Textbooks			1,500	738	762
Unused Sick Payment to Terminated/Retired Staff		4,126	4,126	2,369	1,757
Total Regular Programs - Instruction	3,943,653	38,421	3,982,074	3,818,397	163,677
Special Education:					
Autism:					
Salaries of Teachers	69,885	8,135	78,020	61,885	16,135
Purchased Professional - Educational Services	122,522	(50,238)	72,284	66,027	6,257
General Supplies	1,000	2,139	3,139	2,282	857
Total Autism	193,407	(39,964)	153,443	130,194	23,249
Resource Room/Resource Center:					
Salaries of Teachers	790,844	(40,896)	749,948	668,008	81,940
Other Salaries for Instruction	9,482	108,309	117,791	112,503	5,288
Purchased Professional - Educational Services	113,040	137,171	250,211	211,438	38,773
General Supplies	2,000	805	2,805	1,730	1,075
Total Resource Room/Resource Center	915,366	205,389	1,120,755	993,679	127,076

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Full Time:					
Salaries of Teachers	\$ 159,916	\$ (50,598)	\$ 109,318	\$ 85,099	\$ 24,219
Other Salaries for Instruction	31,605	(23,605)	8,000		8,000
Purchased Professional - Educational Services	226,080	(81,932)	144,148	108,514	35,634
General Supplies	1,000	1,379	2,379	1,358	1,021
Total Preschool Disabilities - Part - Time	<u>418,601</u>	<u>(154,756)</u>	<u>263,845</u>	<u>194,971</u>	<u>68,874</u>
Total Special Education Instruction	<u>1,527,374</u>	<u>10,669</u>	<u>1,538,043</u>	<u>1,318,844</u>	<u>219,199</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	70,805	90,875	161,680	154,162	7,518
Total Basic Skills/Remedial - Instruction	<u>70,805</u>	<u>90,875</u>	<u>161,680</u>	<u>154,162</u>	<u>7,518</u>
Bilingual Education - Instruction:					
Salaries of Teachers	50,344		50,344	49,840	504
Total Bilingual Education - Instruction	<u>50,344</u>		<u>50,344</u>	<u>49,840</u>	<u>504</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	46,207		46,207	23,339	22,868
Total School-Sponsored Cocurricular Activities - Instruction	<u>46,207</u>		<u>46,207</u>	<u>23,339</u>	<u>22,868</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	15,000	(4,063)	10,937	10,937	
Purchased Services (300-500 series)	5,000	(1,000)	4,000		4,000
Supplies and Materials	500	1,000	1,500	1,248	252
Total School-Sponsored Cocurricular Athletics - Instruction	<u>20,500</u>	<u>(4,063)</u>	<u>16,437</u>	<u>12,185</u>	<u>4,252</u>
Total Instruction	<u>5,658,883</u>	<u>135,902</u>	<u>5,794,785</u>	<u>5,376,767</u>	<u>418,018</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 8,250	\$ (8,250)			
Tuition to Private Schools for the Handicapped - Within State	748,371	(25,834)	\$ 722,537	\$ 708,576	\$ 13,961
Total Undistributed Expenditures - Instruction	756,621	(34,084)	722,537	708,576	13,961
Health Services:					
Salaries	158,738	(59,325)	99,413	82,156	17,257
Purchased Professional and Technical Services	2,500	50,365	52,865	52,865	
Other Purchased Services (400-500 series)	300		300	300	300
Supplies and Materials	4,071	2,000	6,071	5,102	969
Other Objects	4,000	(1,015)	2,985	1,851	1,134
Total Health Services	169,609	(7,975)	161,634	141,974	19,660
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	285,205	(43,523)	241,682	239,383	2,299
Purchased Professional - Educational Services	45,600	165,810	211,410	188,795	22,615
Supplies and Materials	2,149	(1)	2,148	407	1,741
Total Other Support Services - Speech, OT, PT and Related Services	332,954	122,286	455,240	428,585	26,655
Other Support Services - Students - Extraordinary Services:					
Salaries	2,625	(2,625)			
Purchased Professional - Educational Services	301,378	(301,378)			
Total Other Support Services - Students - Extraordinary Services	304,003	(304,003)			

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	\$ 141,291	\$ (5,270)	\$ 136,021	\$ 135,065	\$ 956
Other Purchased Services (400-500)	1,500	1,630	1,630	1,630	
Supplies and Materials			1,500	459	1,041
Total Other Support Services - Students - Guidance	<u>142,791</u>	<u>(3,640)</u>	<u>139,151</u>	<u>137,154</u>	<u>1,997</u>
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	255,454	(37,769)	217,685	217,685	
Salaries of Secretarial and Clerical Assistants	38,110		38,110	38,110	
Other Purchased Professional - Technical Services	12,000	(7,730)	4,270	4,270	
Misc. Purchased Services (400-500 series) Other Than Residential Costs	13,249	5,027	18,276	9,843	8,433
Supplies and Materials	2,035	6,742	8,777	4,241	4,536
Other Objects	2,000		2,000	995	1,005
Total Other Support Services - Students - Child Study Teams	<u>322,848</u>	<u>(33,730)</u>	<u>289,118</u>	<u>275,144</u>	<u>13,974</u>
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	173,841	(55,391)	118,450	118,450	
Other Salaries	5,994	11,700	17,694	3,170	14,524
Purchased Professional - Educational Services		1,095	1,095		1,095
Other Purchased Services (400-500)	12,477	(12,477)			
Supplies and Materials	11,305	(2,980)	8,325	8,325	
Total Improvement of Instructional Services	<u>203,617</u>	<u>(58,053)</u>	<u>145,564</u>	<u>129,945</u>	<u>15,619</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Educational Media Services/School Library:					
Salaries	\$ 129,446	\$ (19,031)	\$ 110,415	\$ 110,325	\$ 90
Purchased Professional and Technical Services	124,176	(3,400)	120,776	116,081	4,695
Other Purchased Services (400-500)	18,135	(1,288)	16,847	12,621	4,226
Supplies and Materials	7,250		7,250	4,423	2,827
Other Objects	903		903	575	328
Total Educational Media Services/School Library	279,910	(23,719)	256,191	244,025	12,166
Instructional Staff Training Services:					
Other Salaries	1,650		1,650	1,100	550
Other Purchased Services (400-500 series)	11,240	(100)	11,140	8,481	2,659
Total Instructional Staff Training Services	12,890	(100)	12,790	9,581	3,209
Support Services - General Administration:					
Salaries	235,650	343	235,993	235,893	100
Legal Services	58,500		58,500	18,284	40,216
Audit Fees	23,200	5,000	28,200	28,200	
Architectural/Engineering Services		5,000	5,000		5,000
Other Purchased Professional Services	2,545		2,545	2,545	
Communications/Telephone	43,853	20,379	64,232	57,036	7,196
BOE Other Purchased Services		900	900	900	
Miscellaneous Purchased Services (400-500 series)	4,700	2,312	7,012	7,012	
General Supplies	2,135	(1,499)	636	518	118
BOE In-House Training/Meeting Supplies	1,000	(74)	926	283	643
Miscellaneous Expenditures	2,000	2,479	4,479	4,479	
BOE Membership Dues and Fees	5,800	2,500	8,300	8,297	3
Total Support Services - General Administration	379,383	37,340	416,723	363,447	53,276

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 221,573	\$ 32,060	\$ 253,633	\$ 253,633	\$ 4,915
Salaries of Secretarial and Clerical Assistants	167,091		167,091	162,176	4,000
Other Purchased Services (400-500 series)	1,350	4,000	4,000	2,515	1,835
Supplies and Materials	3,370	3,000	4,350	3,240	130
Other Objects			3,370		
Total Support Services - School Administration	393,384	39,060	432,444	421,564	10,880
Support Services - Central Services:					
Salaries	228,660	(575)	228,085	227,484	601
Miscellaneous Purchased Services (400-500 series)	500	200	700	636	64
Supplies and Materials	750	15	765	458	307
Miscellaneous Expenditures	580	410	990	990	
Total Support Services - Central Services	230,490	50	230,540	229,568	972
Support Services - Administrative Information Technology:					
Salaries		300	300	300	
Purchased Professional Services	18,555	13,203	31,758	31,156	602
Supplies and Materials	2,812	11,504	14,316	14,277	39
Total Support Services - Administrative Information Technology	21,367	25,007	46,374	45,733	641
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	142,329	(4,606)	137,723	99,805	37,918
General Supplies	34,560	(2,006)	32,554	17,958	14,596
Other Objects	7,058		7,058	7,058	
Total Required Maintenance of School Facilities	183,947	(6,612)	177,335	124,821	52,514

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 463,371	\$ (34,220)	\$ 429,151	\$ 419,526	\$ 9,625
Cleaning, Repair and Maintenance Services	14,335		14,335	11,789	2,546
Other Purchased Property Services	12,000	5,000	17,000	15,661	1,339
Insurance	124,500	11,010	135,510	135,510	
Travel		700	700	538	162
General Supplies	29,300	14,512	43,812	39,284	4,528
Energy (Electricity)	109,200	43,500	152,700	142,849	9,851
Other Objects	6,500	(700)	5,800	5,303	497
Energy (Natural Gas)	49,560	15,000	64,560	59,721	4,839
Total Custodial Services	808,766	54,802	863,568	830,181	33,387
Care and Upkeep of Grounds:					
Salaries	7,952	2	7,954	7,954	
Cleaning, Repair, & Maintenance Services		5,000	5,000	2,500	2,500
General Supplies	4,200	16,620	20,820	15,892	4,928
Total Care and Upkeep of Grounds	12,152	21,622	33,774	26,346	7,428
Student Transportation Services:					
Salaries for Transportation - Between Home & School - Special	58,335	(5,200)	53,135	42,979	10,156
Management Fee - ESCs & CTSA's Transportation Program	2,275	6,568	8,843	8,843	
Other Purchased Professional and Technical Services	3,308		3,308	3,308	
Cleaning, Repair and Maintenance Services	7,500		7,500	3,077	4,423
Contracted Services:					
Between Home and School - Vendors	210,000	(210,000)			
Other Than Between Home and School - Vendors		5,000	5,000	3,164	1,836
Between Home and School - Joint Agreements	90,000	205,684	295,684	295,683	1
Special Education Students - ESCs & CTSA's	51,000	81,981	132,981	125,383	7,598
Aid in Lieu of Payments - Non Public	40,000		40,000	21,621	18,379

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Lease Purchase Payments - School Buses	\$ 12,193	\$ 12,004	\$ 24,197	\$ 24,197	
Supplies and Materials	5,000		5,000	142	4,858
Total Student Transportation Services	479,611	96,037	575,648	519,554	56,094
Unallocated Benefits:					
Social Security Contributions	71,142	48,269	119,411	119,411	
Other Retirement Contributions- PERS	139,282		139,282	135,176	4,106
Other Retirement Contributions- Regular	4,500	3,500	8,000	4,947	3,053
Workmen's Compensation	61,001		61,001	58,820	2,181
Health Benefits	2,141,679	(16,857)	2,124,822	2,036,179	88,643
Tuition Reimbursement	20,000	(1,574)	18,426	12,251	6,175
Other Employee Benefits	7,999	1,500	9,499	8,000	1,499
Unused Sick Payment to Terminated/Retired Staff	3,500	29,332	32,832	19,970	12,862
Total Unallocated Benefits	2,449,103	64,170	2,513,273	2,394,754	118,519
On-Behalf Contributions:					
On-Behalf TPAF Pension Contribution (Non-Budgeted)				1,273,973	(1,273,973)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				24,239	(24,239)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				406,839	(406,839)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				543	(543)
TPAF Social Security (Reimbursed - Non-Budgeted)				397,705	(397,705)
Total On-Behalf Contributions				2,103,299	(2,103,299)
Total Personal Services - Employee Benefits	2,449,103	64,170	2,513,273	4,498,053	(1,984,780)
Total Undistributed Expenses	7,483,446	(11,542)	7,471,904	9,134,251	(1,662,347)
TOTAL CURRENT EXPENSE	13,142,329	124,360	13,266,689	14,511,018	(1,244,329)

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment:					
Custodial Services	\$ 3,217	\$ 50,000	\$ 53,217	\$ 2,717	\$ 50,500
Total Equipment	3,217	50,000	53,217	2,717	50,500
Facilities Acquisition and Construction Services:					
Engineering Services	10,500		10,500	2,400	8,100
Other Purchased Professional and Technical Services	26,000		26,000	21,653	4,347
Construction Services	346,199		346,199	125,021	221,178
Infrastructure	51,525		51,525	23,955	27,570
Assessment for Debt Service on SDA Funding	47,138		47,138	47,138	
Total Facilities Acquisition and Construction Services	481,362		481,362	220,167	261,195
Assets Acquired Under Capital Leases (Non-Budgeted)				120,000	(120,000)
Administrative Information Technology				120,000	(120,000)
Total Assets Acquired Under Capital Leases (Non-Budgeted)				120,000	(120,000)
TOTAL CAPITAL OUTLAY	484,579	50,000	534,579	342,884	191,695
TOTAL EXPENDITURES	13,626,908	174,360	13,801,268	14,853,902	(1,052,634)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(613,025)	(223,196)	(836,221)	658,019	1,494,240
Other Financing Sources/(Uses):					
Capital Leases (Non-Budgeted)				120,000	120,000
Cancellation of Prior Year Accounts Payable				25,276	25,276
Transfer to Enterprise Funds - Care Program				(3,483)	(3,483)
Total Other Financing Sources/(Uses)				141,793	141,793
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Financing (Uses)	(613,025)	(223,196)	(836,221)	799,812	1,636,033
Fund Balance, July 1 (as Restated)	2,138,292		2,138,292	2,138,292	
Fund Balance, June 30	\$ 1,525,267	\$ (223,196)	\$ 1,302,071	\$ 2,938,104	\$ 1,636,033

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>Recapitulation:</u>	
<u>Restricted:</u>	
Excess Surplus - 2022-2023	\$ 456,977
Excess Surplus - 2020-2021	160,835
Capital Reserve	1,077,571
Unemployment Compensation	50,863
Assigned:	
Year End Encumbrances	107,638
Designated for Subsequent Year's Expenditures	42,201
Unassigned	1,042,019
	2,938,104
Reconciliation to Governmental Funds Statements (GAAP):	
Last Two State Aid Payments not Recognized on GAAP Basis	(49,911)
Fund Balance per Governmental Funds (GAAP)	\$ 2,888,193

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 34,515	\$ 132,712	\$ 167,227	\$ 108,364	\$ (58,863)
Federal Sources	174,537	308,600	483,137	235,447	(247,690)
Total Revenues	209,052	441,312	650,364	343,811	(306,553)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	25,828	34,277	60,105	8,129	51,976
Purchased Professional/Technical Services	7,225	11,179	18,404	2,749	15,655
Other Purchased Services	108,516	1,602	1,602	1,076	526
Tuition	6,300	14,327	122,843	122,843	
General Supplies		139,296	145,596	101,510	44,086
Total Instruction	147,869	200,681	348,550	236,307	112,243
Support Services:					
Salaries of Other Professional Staff	16,900	8,802	25,702	9,001	16,701
Personal Services - Employee Benefits	597	5,002	5,599	4,800	799
Other Purchased Services	6,048	155,097	161,145	8,342	152,803
Supplies and Materials	37,638	63,109	100,747	78,627	22,120
Student Activities		8,621	8,621	8,621	
Total Support Services	61,183	240,631	301,814	109,391	192,423
Total Expenditures	\$ 209,052	\$ 441,312	\$ 650,364	\$ 345,698	\$ 304,666
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ (1,887)	\$ (1,887)

WATCHUNG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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	\$ 15,511,921	\$ 343,811
Differences - Budgetary to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(22,078)
Prior Year State Aid Payments Recognized for GAAP Statements	49,545	
Current year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(49,911)	
	\$ 15,511,555	\$ 321,733
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	\$ 14,853,902	\$ 345,698
Differences - Budgetary to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(22,078)
	\$ 14,853,902	\$ 323,620
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, and special revenue. The budget for the fiscal year ended June 30, 2021 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 except for student activities. 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, 2021

	Student Activities	Local Grants	IDEA Part B			Elementary and Secondary Education Act	
			Basic	Preschool	Title I Part A	Title IV Part A	
REVENUE:							
Local Sources	\$ 6,734	\$ 101,630	\$ 122,843	\$ 8,342	\$ 6,479	\$ 7,524	
Federal Sources							
Total Revenue	6,734	101,630	122,843	8,342	6,479	7,524	
EXPENDITURES:							
Instruction:							
Salaries of Teachers		8,129					2,749
Purchased Professional/Technical Services		1,076					
Other Purchased Services			122,843				
Tuition		81,352					4,775
General Supplies							
Total Instruction		90,557	122,843		6,479		7,524
Support Services:							
Salaries of Other Professional Staff							
Personal Services - Employee Benefits				8,342			
Other Purchased Services		11,073					
Supplies and Materials							
Student Activities	8,621						
Total Support Services	8,621	11,073		8,342			
Total Expenditures	\$ 8,621	\$ 101,630	\$ 122,843	\$ 8,342	\$ 6,479	\$ 7,524	

WATCHUNG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	COVID-19				Totals
	CARES Emergency Relief Grant	Coronavirus Relief Fund (CRF)	CRRSA Mental Health	Digital Divide	
REVENUE:					
Local Sources	\$ 26,196	\$ 15,359	\$ 13,704	\$ 35,000	\$ 108,364
Federal Sources					235,447
Total Revenue	26,196	15,359	13,704	35,000	343,811
EXPENDITURES:					
Instruction:					
Salaries of Teachers					8,129
Purchased Professional/Technical Services					2,749
Other Purchased Services					1,076
Tuition					122,843
General Supplies			8,904		101,510
Total Instruction			8,904		236,307
Support Services:					
Salaries of Other Professional Staff	9,001				9,001
Personal Services - Employee Benefits			4,800		4,800
Other Purchased Services					8,342
Supplies and Materials	17,195	15,359		35,000	78,627
Student Activities					8,621
Total Support Services	26,196	15,359	4,800	35,000	109,391
Total Expenditures	\$ 26,196	\$ 15,359	\$ 13,704	\$ 35,000	\$ 345,698

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

WATCHUNG BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021

	Non -Major Fund		Total
	Milk Program	Care Program	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 5,175		\$ 5,175
Accounts Receivable		\$ 657	657
Total Current Assets	5,175	657	5,832
Non-Current Assets:			
Capital Assets	41,166		41,166
Less: Accumulated Depreciation	(36,095)		(36,095)
Total Non-Current Assets	5,071		5,071
Total Assets	10,246	657	10,903
NET POSITION:			
Investment in Capital Assets	5,071		5,071
Unrestricted	5,175	657	5,832
Total Net Position	\$ 10,246	\$ 657	\$ 10,903

WATCHUNG BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Non -Major Fund</u>		<u>Total</u>
	<u>Milk Program</u>	<u>Care Program</u>	
Cash Flows from Operating Activities:			
Receipts from Customers		\$ 18,762	\$ 18,762
Payments to Employees		(22,245)	(22,245)
Net Cash (Used for) Operating Activities		(3,483)	(3,483)
Cash Flows Used for Capital Financing Activities:			
Acquisition of Equipment	\$ (2,824)		(2,824)
Cash Flows from Noncapital Financing Activities:			
Cash Received from Transfers - General Fund		3,483	3,483
Net Cash Provided by Noncapital Financing Activities		3,483	3,483
Net Decrease in Cash and Cash Equivalents	(2,824)		(2,824)
Cash and Cash Equivalents, July 1	7,999		7,999
Cash and Cash Equivalents, June 30	<u>\$ 5,175</u>	<u>\$ -0-</u>	<u>\$ 5,175</u>
Reconciliation of Operating Loss to Net Cash (Used for) Operating Activities:			
Operating Loss	\$ (2,781)	\$ (2,826)	\$ (5,607)
Adjustment to Reconcile Operating Loss to Net Cash (Used for) Operating Activities:			
Depreciation	2,781		2,781
Changes in Assets and Liabilities: (Increase) in Accounts Receivable		(657)	(657)
Net Cash (Used for) Operating Activities	<u>\$ -0-</u>	<u>\$ (3,483)</u>	<u>\$ (3,483)</u>

FIDUCIARY ACTIVITIES
(NOT APPLICABLE)

LONG-TERM DEBT

WATCHUNG BOROUGH SCHOOL DISTRICT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2020</u>	<u>Issued</u>	<u>Balance June 30, 2021</u>
Network Switches	1.93%	\$ 120,000	<u> </u>	\$ 120,000	\$ 120,000
			<u>\$ -0-</u>	<u>\$ 120,000</u>	<u>\$ 120,000</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOT APPLICABLE

STATISTICAL SECTION
(UNAUDITED)

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

Contents

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

	2012	2013	2014	2015	2016	2017	2018	2019	(Restated) 2020	2021
Governmental Activities										
Net Investment in Capital Assets	\$ 5,444,985	\$ 7,580,737	\$ 8,949,657	\$ 10,919,958	\$ 12,602,386	\$ 14,301,211	\$ 13,956,016	\$ 14,179,082	\$ 14,243,591	\$ 13,904,424
Restricted	2,627,560	2,982,530	2,812,843	2,746,220	2,614,922	2,635,626	2,700,925	2,067,169	1,533,752	1,801,440
Unrestricted/(Deficit)	(341,668)	(417,691)	(3,138,438)	(3,186,255)	(2,873,757)	(3,041,167)	(3,166,695)	(3,023,353)	(2,876,420)	(2,088,355)
Total Governmental Activities Net Position	\$ 7,730,877	\$ 10,145,576	\$ 8,624,062	\$ 10,479,923	\$ 12,343,551	\$ 13,895,670	\$ 13,490,246	\$ 13,222,898	\$ 12,900,923	\$ 13,617,509
Business-type Activities										
Investment in Capital Assets		\$ 20,197	\$ 17,604	\$ 15,011	\$ 12,418	\$ 9,825	\$ 7,232	\$ 7,621	\$ 5,028	\$ 5,071
Unrestricted	\$ 5,726	9,416	3,953	6,836	2,640	5,046	5,221	5,281	7,999	5,832
Total Business-type Activities Net Position	\$ 5,726	\$ 29,613	\$ 21,557	\$ 21,847	\$ 15,058	\$ 14,871	\$ 12,453	\$ 12,902	\$ 13,027	\$ 10,903
District-wide										
Net Investment in Capital Assets	\$ 5,444,985	\$ 7,600,934	\$ 8,967,261	\$ 10,934,969	\$ 12,614,804	\$ 14,311,036	\$ 13,963,248	\$ 14,186,703	\$ 14,248,619	\$ 13,909,495
Restricted	2,627,560	2,982,530	2,812,843	2,746,220	2,614,922	2,635,626	2,700,925	2,067,169	1,533,752	1,801,440
Unrestricted/(Deficit)	(335,942)	(408,275)	(3,134,485)	(3,179,419)	(2,871,117)	(3,036,121)	(3,161,474)	(3,018,072)	(2,868,421)	(2,082,523)
Total District Net Position	\$ 7,736,603	\$ 10,175,189	\$ 8,645,619	\$ 10,501,770	\$ 12,358,609	\$ 13,910,541	\$ 13,502,699	\$ 13,235,800	\$ 12,913,950	\$ 13,628,412

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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental Activities										
Instruction:										
Regular	\$ 5,279,666	\$ 5,680,582	\$ 6,085,168	\$ 6,972,932	\$ 7,007,650	\$ 8,035,539	\$ 7,984,272	\$ 7,895,450	\$ 7,692,796	\$ 7,232,937
Special Education	891,087	918,890	1,012,370	1,206,798	1,502,409	1,612,823	1,816,370	1,583,897	1,537,951	2,214,799
Other Special Instruction	307,659	274,789	235,535	214,587	141,104	158,855	164,581	233,819	140,846	368,713
School-Sponsored/ Other Instruction	89,208	130,134	134,127	60,608	69,464	56,003	120,525	108,882	107,857	44,981
Support Services:										
Tuition	359,309	381,886	209,674	22,822	17,995	19,325	228,446	289,162	627,554	708,576
Student & Instruction Related Services	1,514,397	1,532,896	1,515,248	1,761,908	2,124,045	2,327,979	2,248,761	2,391,228	2,276,851	1,907,285
General Administrative Services	480,517	432,302	426,100	470,641	512,228	505,382	609,460	547,496	528,001	501,816
School Administrative Services	466,518	480,194	467,853	597,384	663,060	765,508	842,695	748,723	914,662	671,091
Plant Operations and Maintenance	1,224,782	1,188,082	1,106,697	1,267,013	1,326,845	1,367,852	1,315,847	1,539,005	1,330,194	1,210,576
Pupil Transportation	540,830	563,612	492,628	514,800	558,121	566,912	576,507	573,894	496,207	537,183
Central Services and Administrative										
Information Technology	308,359	271,782	273,991	326,803	352,306	365,243	373,888	311,557	371,596	376,744
Capital Outlay	37,147	119,998	129,852	47,138	56,138	59,532	47,138	50,917	47,138	47,138
Interest on Long-term Debt	287,699	254,398	157,031	87,246	1,759	(36,853)				
Total Governmental Activities Expenses	11,787,178	12,229,545	12,246,274	13,550,680	14,333,124	15,804,100	16,328,490	16,274,030	16,071,653	15,821,839
Business-type Activities:										
Food Service	14,348	11,712	21,698	12,621	17,329	13,037	13,733	10,643	7,662	2,781
Care Program										22,245
Total Business-type Activities Expense	14,348	11,712	21,698	12,621	17,329	13,037	13,733	10,643	7,662	25,026
Total District Expenses	\$ 11,801,526	\$ 12,241,257	\$ 12,267,972	\$ 13,563,301	\$ 14,350,453	\$ 15,817,137	\$ 16,342,223	\$ 16,284,673	\$ 16,079,315	\$ 15,846,865
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction (Tuition)	\$ 175,689	\$ 189,005	\$ 26,102	\$ 155,457	\$ 149,674	\$ 163,725	\$ 176,427	\$ 136,020	\$ 67,180	\$ 87,640
Operating Grants and Contributions	1,320,584	1,568,461	1,550,169	2,763,449	3,177,650	4,216,211	4,719,114	3,851,269	3,482,140	3,704,391
Capital Grants and Contributions				229,897	930	930		569,425		
Total Governmental Activities Program Revenues	1,496,273	1,757,466	1,576,271	2,918,906	3,557,221	4,380,866	4,895,541	4,556,714	3,549,320	3,792,031
Business-type Activities:										
Charges for Services										
Food Service	8,326	8,353	7,235	6,450	5,640	7,335	6,046	6,797	4,834	19,419
Care Program										
Operating Grants and Contributions	7,771	7,049	6,407	6,461	4,900	5,477	5,157	4,138	2,872	19,419
Total Business-type Activities Program Revenues	16,097	15,402	13,642	12,911	10,540	12,812	11,203	10,935	7,706	19,419
Total District Program Revenues	\$ 1,512,370	\$ 1,772,868	\$ 1,589,913	\$ 2,931,817	\$ 3,567,761	\$ 4,393,678	\$ 4,906,744	\$ 4,567,649	\$ 3,557,026	\$ 3,811,450

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

	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (Expense)/Revenue										
Governmental Activities	\$ (10,290,905)	\$ (10,472,079)	\$ (10,670,003)	\$ (10,631,774)	\$ (10,775,903)	\$ (11,423,234)	\$ (11,432,949)	\$ (11,717,316)	\$ (12,522,333)	\$ (12,029,808)
Business-type Activities	1,749	3,690	(8,056)	290	(6,789)	(225)	(2,530)	292	44	(5,607)
Total District-wide Net Expense	\$ (10,289,156)	\$ (10,468,389)	\$ (10,678,059)	\$ (10,631,484)	\$ (10,782,692)	\$ (11,423,459)	\$ (11,435,479)	\$ (11,717,024)	\$ (12,522,289)	\$ (12,035,415)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 9,791,813	\$ 9,938,532	\$ 10,137,302	\$ 10,319,773	\$ 10,474,570	\$ 10,673,587	\$ 10,887,059	\$ 11,151,041	\$ 11,813,040	\$ 12,049,301
Taxes Levied for Debt Service	1,770,400	1,817,200	1,865,300	1,934,688	1,999,100	2,053,613				634,426
Federal and State Aid not Restricted	82,040	58,675	38,852	166,027	144,323	174,936	64,714	216,199	234,872	20,730
Investment Earnings	7,931	250								25,276
Cancellation of Prior Year Accounts Payable										(3,483)
Transfers	45,403	25,475	168,159	67,147	21,539	73,217	75,752	82,728	55,489	20,144
Miscellaneous Income										
Total Governmental Activities	11,697,587	11,840,132	12,209,863	12,487,635	12,639,532	12,975,353	11,027,525	11,449,968	12,103,401	12,746,394
Business-type Activities:										
Investment Earnings										
Transfers										
Total Business-type Activities										
Total District-wide	\$ 11,697,587	\$ 11,840,132	\$ 12,209,863	\$ 12,487,635	\$ 12,639,532	\$ 12,975,391	\$ 11,027,637	\$ 11,450,125	\$ 12,103,482	\$ 12,749,877
Change in Net Position										
Governmental Activities	\$ 1,406,682	\$ 1,368,053	\$ 1,539,860	\$ 1,855,861	\$ 1,863,629	\$ 1,552,119	\$ (405,424)	\$ (267,348)	\$ (418,932)	\$ 716,586
Business-type Activities	1,749	3,690	(8,056)	290	(6,789)	(187)	(2,418)	449	125	(2,124)
Total District	\$ 1,408,431	\$ 1,371,743	\$ 1,531,804	\$ 1,856,151	\$ 1,856,840	\$ 1,551,932	\$ (407,842)	\$ (266,899)	\$ (418,807)	\$ 714,462

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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
									(Restated)	
General Fund										
Restricted	\$ 2,448,979	\$ 2,837,306	\$ 2,667,619	\$ 2,600,495	\$ 2,469,697	\$ 2,490,401	\$ 2,555,700	\$ 2,067,169	\$ 1,533,752	\$ 1,746,246
Assigned	366,311	208,124	145,240	52,856	155,042	113,407	162,332	86,762	223,576	149,839
Unassigned	279,627	275,317	241,364	367,781	345,453	375,947	262,147	333,988	388,500	992,108
Total General Fund	\$ 3,094,917	\$ 3,320,747	\$ 3,054,223	\$ 3,021,132	\$ 2,970,192	\$ 2,979,755	\$ 2,980,179	\$ 2,487,919	\$ 2,145,828	\$ 2,888,193
All Other Governmental Funds										
Restricted	\$ 178,581	\$ 145,224	\$ 145,224	\$ 145,225	\$ 145,225	\$ 145,225	\$ 145,225			\$ 55,194
Committed		31,937	31,937		104,928					
Unassigned / (Deficit)				(124,969)						
Total All Other Governmental Funds	\$ 178,581	\$ 177,161	\$ 177,161	\$ 20,256	\$ 250,153	\$ 145,225	\$ 145,225	\$ -0-	\$ -0-	\$ 55,194
Total Governmental Funds	\$ 3,273,498	\$ 3,497,908	\$ 3,231,384	\$ 3,041,388	\$ 3,220,345	\$ 3,124,980	\$ 3,125,404	\$ 2,487,919	\$ 2,145,828	\$ 2,943,387

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,

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Tax Levy	\$ 11,562,213	\$ 11,755,732	\$ 12,002,602	\$ 12,254,461	\$ 12,473,670	\$ 12,727,200	\$ 10,887,059	\$ 11,151,041	\$ 11,813,040	\$ 12,049,301
Tuition Charges	131,577	144,670	7,909	141,637	149,674	147,425	176,427	136,020	67,180	80,906
Other Local	44,112	44,335	18,193	2,690	5,328	16,300	19,893	57,730	39,015	20,730
Interest Earnings		250	250	155,107	47,064	8,467	107,945	132,894	205,604	129,606
Miscellaneous	147,430	64,896	250,274	1,603,795	1,949,840	1,942,946	2,067,349	2,479,781	2,581,349	3,340,474
State Sources	1,133,001	1,439,380	1,360,164	152,653	191,499	183,456	190,329	176,067	148,024	212,271
Federal Sources	175,527	148,335	146,742	14,310,343	14,817,075	15,157,771	13,449,002	14,133,533	14,854,212	15,833,288
Total Revenue	13,193,860	13,597,598	13,786,134	14,310,343	14,817,075	15,157,771	13,449,002	14,133,533	14,854,212	15,833,288
Expenditures										
Instruction										
Regular Instruction	3,350,559	3,544,806	3,967,409	4,124,329	3,867,652	4,096,740	3,894,239	4,225,685	4,387,173	4,002,211
Special Education Instruction	595,448	611,277	705,291	832,760	1,050,456	1,114,342	1,159,346	1,070,407	1,016,985	1,450,029
Other Special Instruction	201,941	178,354	156,157	140,597	93,469	99,721	99,630	125,489	80,131	204,002
School-Sponsored/Other Instruction	65,521	78,414	81,780	38,760	39,548	37,201	43,504	59,687	53,086	35,524
Support Services:										
Tuition	359,309	381,886	209,674	22,822	17,995	19,325	228,446	289,162	627,554	708,576
Student & Other Instruction Related Services	1,088,293	1,107,301	1,120,431	1,265,711	1,518,646	1,656,886	1,658,157	1,898,411	1,713,959	1,375,029
General Administrative Services	400,830	360,425	354,460	318,630	363,595	325,429	385,076	420,548	408,155	363,447
School Administrative Services	321,663	322,439	333,337	371,366	384,089	407,581	430,713	440,764	520,119	421,564
Central Services and Administrative										
Information Technology	235,189	210,782	215,309	227,030	245,846	229,326	241,232	219,488	274,814	275,301
Plant Operations and Maintenance	1,052,290	1,024,532	942,759	1,000,008	1,042,561	1,007,285	935,726	1,208,747	1,002,816	981,348
Pupil Transportation	511,509	537,064	468,272	477,048	514,096	510,818	512,601	516,379	470,914	519,554
Unallocated Benefits	2,829,434	3,009,911	2,992,923	3,048,256	3,307,827	3,459,394	3,739,770	4,107,395	4,127,826	4,498,053
Capital Outlay	80,289	188,797	639,556	698,334	193,238	235,475	120,138	188,856	609,728	342,884
Debt Service:										
Principal	1,410,000	1,500,000	1,595,000	1,730,000	1,875,000	2,015,000				
Interest and Other Charges	360,400	317,200	270,300	204,688	124,100	38,613				
Total Expenditures	12,862,675	13,373,188	14,052,658	14,500,339	14,638,118	15,253,136	13,448,578	14,771,018	15,293,260	15,177,522
Excess/(Deficit) of Revenues										
Over/(Under) Expenditures	331,185	224,410	(266,524)	(189,996)	178,957	(95,365)	424	(637,485)	(439,048)	655,766
Other Financing Sources/(Uses)										
Capital Leases (Non-budgeted)										
Cancellation of Prior Year Accounts Payable										
Transfers in				408,988		105,858		141,446		120,000
Transfers out				(408,988)		(105,858)		(141,446)		25,276
Total Other Financing Sources/(Uses)										(3,483)
Net Change in Fund Balances	\$ 331,185	\$ 224,410	\$ (266,524)	\$ (189,996)	\$ 178,957	\$ (95,365)	\$ 424	\$ (637,485)	\$ (439,048)	\$ 797,559
Debt Service as a Percentage of Noncapital Expenditures	13.85%	13.78%	13.91%	14.02%	13.84%	13.67%	0.00%	0.00%	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>
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
2020	39,015	67,180	16,474	122,669
2021	20,730	80,906	20,144	121,780

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)
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
2019	29,597,800	1,399,713,780	362,400	5,490	304,417,300	6,576,700	59,900,000	1,800,573,470	1,213,534	1,801,787,004	0.638	1,819,199,015
2020	27,890,400	1,413,129,200	365,400	6,000	307,515,400	6,700,200	59,900,000	1,815,506,600	1,293,654	1,816,800,254	0.656	1,831,904,726

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
	Basic Rate ^a	Debt Service ^b	Total Direct	Municipality	Regional High School District	County	
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
2019	0.638		0.638	0.625	0.409	0.403	2.075
2020	0.656		0.656	0.644	0.434	0.393	2.127

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	2021		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Watchung Square Associates LLC	\$ 63,531,000	1	3.50%
PP Watchung Investors LLC	59,900,000	2	3.30%
Levin Properties LP	50,000,000	3	2.75%
Watchung UE LLC	23,940,400	4	1.32%
Sears Roebuck & Company	21,814,200	5	1.20%
Walmart	16,928,000	6	0.93%
Target Corp.	15,777,000	7	0.87%
HD Development of Maryland, Inc	14,400,000	8	0.79%
680 Mountain Boulevard, LLC	12,240,000	9	0.67%
Weldon Materials Inc.	10,344,100	10	0.57%
	<u>\$ 288,874,700</u>		<u>15.90%</u>

Taxpayer	2012		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Watchung Square Associates LLC	\$ 81,379,300	1	5.10%
Levin Properties LP	52,427,300	2	3.28%
WM Crystal Ridge LLC	49,255,800	3	3.08%
Watchung VF LLC	22,718,300	4	1.42%
Sears Roebuck & Company	17,283,000	5	1.08%
Target Corp.	15,156,500	6	0.95%
HD Development of Maryland, Inc.	13,265,000	7	0.83%
Weldon Materials Inc.	9,529,500	8	0.60%
Pitney Partners	7,355,000	9	0.46%
Mini U Storage New Jersey Re LLC	6,615,000	10	0.41%
Total	<u>\$ 274,984,700</u>		<u>17.22%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2020	11,813,040	11,813,040	100.00%	-0-
2021	12,049,301	12,049,301	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		Business-Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Capital Leases			
2012	\$ 8,715,000	\$ -0-	\$ -0-	\$ 8,715,000	1.91%	\$ 1,437
2013	7,215,000	-0-	-0-	7,215,000	1.52%	1,189
2014	5,620,000	-0-	-0-	5,620,000	1.11%	928
2015	3,890,000	-0-	-0-	3,890,000	0.73%	645
2016	2,015,000	-0-	-0-	2,015,000	0.36%	334
2017	-0-	-0-	-0-	-0-	-0-	-0-
2018	-0-	-0-	-0-	-0-	-0-	-0-
2019	-0-	-0-	-0-	-0-	-0-	-0-
2020	-0-	-0-	-0-	-0-	-0-	-0-
2021	-0-	120,000	-0-	120,000	0.02%	20

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		
2012	\$ 8,715,000	-0-	\$ 8,715,000	0.55%	\$ 1,444
2013	7,215,000	-0-	7,215,000	0.45%	1,190
2014	5,620,000	-0-	5,620,000	0.35%	926
2015	3,890,000	-0-	3,890,000	0.24%	642
2016	2,015,000	-0-	2,015,000	0.12%	334
2017	-0-	-0-	-0-	-0-	-0-
2018	-0-	-0-	-0-	-0-	-0-
2019	-0-	-0-	-0-	-0-	-0-
2020	-0-	-0-	-0-	-0-	-0-
2021	-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, 2020
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	\$ 26,268,000	22.25%	\$ 5,845,710
Borough of Watchung	19,186,315	100.00%	19,186,315
County of Somerset - Borough's Share	228,271,943	2.94%	<u>6,709,966</u>
Subtotal, Overlapping Debt			31,741,991
Watchung Borough School District Direct Debt			<u>-0-</u>
Total Direct and Overlapping Debt			<u>\$ 31,741,991</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 2021

	Equalized valuation basis
2018	\$ 1,806,468,520
2019	1,809,985,394
2020	1,817,505,856
	\$ 5,433,959,770
Average Equalized Valuation of Taxable Property	\$ 1,811,319,923
Debt Limit (3% of average equalization value)	\$ 54,339,598 ^a
Net Bonded School Debt	-0-
Legal Debt Margin	\$ 54,339,598

	Fiscal Year				
	2017	2018	2019	2020	2021
Debt Limit	\$ 50,931,588	\$ 51,330,321	\$ 52,533,061	\$ 53,808,928	\$ 54,339,598
Total Net Debt Applicable to Limit	-0-	-0-	-0-	-0-	-0-
Legal Debt Margin	\$ 50,931,588	\$ 51,330,321	\$ 52,533,061	\$ 53,808,928	\$ 54,339,598
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt Limit	\$ 52,707,158	\$ 51,057,251	\$ 49,853,252	\$ 49,422,708	\$ 49,998,213
Total Net Debt Applicable to Limit	8,715,000	7,215,000	5,620,000	3,890,000	2,015,000
Legal Debt Margin	\$ 43,992,158	\$ 43,842,251	\$ 44,233,252	\$ 45,532,708	\$ 47,983,213
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	16.53%	14.13%	11.27%	7.87%	4.03%

^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
2012	6,063	\$ 455,670,828	\$ 75,156	6.60%
2013	6,068	476,040,668	78,451	4.20%
2014	6,058	505,412,882	83,429	4.80%
2015	6,034	533,689,198	88,447	4.20%
2016	6,038	558,599,532	92,514	4.00%
2017	6,050	600,093,450	99,189	3.40%
2018	6,060	637,275,660	105,161	3.10%
2019	6,023	662,024,068	109,916	2.80%
2020	6,007	660,265,412	109,916 *	8.10%
2021	6,007 **	660,265,412 ***	109,916 *	N/A

* - Latest Somerset County per capita personal income available (2019) was used for calculation purposes.

** - Latest population data available (2020) was used for calculation purposes.

*** - Latest Borough personal income available (2020) 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, COUNTY OF SOMERSET
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Employer	2021		
	Employees	Rank	Percentage of Total Employment
AT&T East	4,100	1	N/A
Janssen Pharmaceuticles, Inc.	1,800	2	N/A
The Chubb Corporation	1,800	3	N/A
Johnson and Johnson Pharmaceuticals	1,700	4	N/A
Bloomberg	1,380	5	N/A
Ethicon, Inc.	1,100	6	N/A
E-Z-Go	1,050	7	N/A
Personal Products Company (J&J)	1,000	8	N/A
Ortho Clinical Diagnostics	1,000	9	N/A
Hooper Homes Inc.	900	10	
	11,730		
Employer	2012		
	Employees	Rank	Percentage of Total Employment
A&T	3,000	1	N/A
Verizon Wireless	930	2	N/A
Dendrite	700	3	N/A
Fiddlers Elbow Country Club	210	4	N/A
Trump National	400	5	N/A
Falrion Technologies	200	6	N/A
Hamilton Farm	175	7	N/A
Kings	120	8	N/A
Bedminster Township Board of Education	100	9	N/A
Loral Skynet	80	10	N/A
	5,915		

N/A - Not Available

Source: Somerset County Business Partnership Website

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

<u>Function/Program</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Instruction	50	50	51	50	50	52	52	52	48.3	50.7
Regular	9	9	28	14	15	15	15	16	17	16.5
Special education	3	3	0	0	0	0	0	0	2.83	2.83
Other instruction										
Support Services:										
Student & instruction related services	21	21	9	9	9	9	9	9	10.8	16
School administrative services	6	6	6	6	6	6	6	6	8	6
General and business administrative services	5	5	3	5	5	5	5	5	5	7
Plant operations and maintenance	9	8	11	10	10	10	10	10	9.8	8.8
Pupil transportation	2	2	3	1	1	1	1	1	0.2	0.2
Total	105	104	111	95	96	98	98	99	101.93	108.03

Source: School District of the Borough of Watchung Personnel Records

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				
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%
2020	623	14,683,532	23,569	19.77%	68	N/A	N/A	609.3	592.0	-2.36%	97.16%
2021	620	14,834,638	23,927	1.52%	70	N/A	N/A	605.7	604.3	-0.59%	99.77%

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>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	349	334	303	327	331	341	347	370	271	274
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	361	383	413	364	350	363	376	371	352	346

Number of Schools at June 30, 2021
 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Bayberry Elementary	\$ 103,601	\$ 116,276	\$ 199,010	\$ 37,635	\$ 44,220
Valley View	21,220	23,816	42,165	59,992	67,747
District Total	<u>\$ 124,821</u>	<u>\$ 140,092</u>	<u>\$ 241,175</u>	<u>\$ 97,627</u>	<u>\$ 111,967</u>

<u>*School Facility</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Bayberry Elementary	\$ 67,286	\$ 50,885	\$ 42,778	\$ 84,421	\$ 80,000
Valley View	76,766	54,888	50,641	41,413	112,785
District Total	<u>\$ 144,052</u>	<u>\$ 105,773</u>	<u>\$ 93,419</u>	<u>\$ 125,834</u>	<u>\$ 192,785</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, 2021
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	10,000
Crime Coverage:		
Faithful Performance	500,000	1,000
Money and Securities	50,000	1,000
General Liability	5,000,000	
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	50,000
Selective Insurance:		
Surety Bonds:		
Board Secretary/Business Administrator	225,000	
Treasurer of School Moneys	225,000	

Source: District records

SINGLE AUDIT SECTION



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

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
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, 2021, 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 15, 2021.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 15, 2021
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

Valerie A. Dolan
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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, 2021. 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, 2021.

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 15, 2021
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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, 2021

Federal Grantor/Pass Through Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2020			Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Adjustment	Balance at June 30, 2021		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Budgetary Accounts Receivable					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Amounts Provided to Subrecipients
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 554021	7/1/20-9/30/21	\$ 67,153				\$ (6,479)	\$ 42			\$ (6,479)		
Title I, Part A	84.010A	ESEA 554019	7/1/18-9/30/19	35,748										
Title IV	84.424A	ESEA 554021	7/1/20-9/30/21	15,745				(7,524)				(7,524)		
Title IV	84.424A	ESEA 554020	7/1/19-9/30/20	10,000						\$ 4,255				
Title IV	84.424A	ESEA 554019	7/1/18-9/30/19	10,000					351					
					(4,255)				393		4,255		(14,003)	
Special Education Cluster:														
IDEA Combined Grant:														
I.D.E.A. Part B, Basic	84.027	IDEA 554021	7/1/20-9/30/21	122,843			\$ 52,843	(122,843)				(70,000)		
I.D.E.A. Part B, Preschool	84.173	IDEA 554021	7/1/20-9/30/21	8,386			8,262	(8,342)				(80)		
Subtotal Special Education Cluster														
							61,105	(131,185)				(70,080)		
Education Stabilization Fund:														
COVID 19 - Digital Divide Discretionary	84.425D	S425D200027	7/16/20-10/31/20	35,000			35,000	(35,000)						
COVID-19 - CARES Emergency Relief	84.425D	CARES 554020	3/13/20-9/30/22	28,391			5,569	(26,196)				(20,627)		
COVID-19 - CRRSA: Mental Health	84.425D	S425D210027	3/13/20-9/30/23	45,000				(13,704)				(13,704)		
Subtotal Education Stabilization Fund														
							40,569	(74,900)				(34,331)		
Total U.S. Department of Education / Special Revenue Fund														
					(4,255)		101,674	(220,088)	393		4,255		(118,414)	
U.S. Department of Treasury - Passed-through State Department of Education: Special Revenue Fund:														
COVID 19 - Coronavirus Relief Fund	21.019	N/A	3/1/20-12/30/20	15,359			15,359	(15,359)						
Total U.S. Department of Treasury														
Total Federal Awards					(4,255)		\$ 117,033	\$ (235,447)	\$ 393		\$ 4,255		\$ (118,414)	\$ -0-
N/A - Not Applicable/Available														

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, 2021

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2020		Cash Received	Budgetary Expenditures	Balance at June 30, 2021		MEMO	
				Budgetary Accounts Receivable	Due to Grantor			GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education											
General Fund:											
Categorical Transportation Aid	21-495-034-5120-014	7/1/20-6/30/21	\$ 160,229			\$ 147,241	\$ (160,229)	\$	\$ 12,988	\$ 160,229	
Categorical Special Education Aid	21-495-034-5120-089	7/1/20-6/30/21	442,886			406,987	(442,886)		35,899	442,886	
Categorical Security Aid	21-495-034-5120-078	7/1/20-6/30/21	12,631			11,607	(12,631)		1,024	12,631	
Extraordinary Aid	21-495-034-5120-044	7/1/20-6/30/21	612,805				(612,805)	\$ 612,805	612,805	612,805	
Nonpublic Transportation	21-495-035-5120-014	7/1/20-6/30/21	8,990				(8,990)	8,990	8,990	8,990	
Reimbursed TPAF Social Security Contributions	21-495-034-5094-003	7/1/20-6/30/21	397,705			377,701	(397,705)	20,004	20,004	397,705	
On-Behalf TPAF Post Retirement Contributions	21-495-034-5094-001	7/1/20-6/30/21	406,839				(406,839)			406,839	
On-Behalf Long Term Disability Insurance Contributions	21-495-034-5094-004	7/1/20-6/30/21	543				(543)			543	
On-Behalf TPAF Pension Contributions	21-495-034-5094-002	7/1/20-6/30/21	1,273,973				(1,273,973)			1,273,973	
On-Behalf TPAF Non-Contributory Insurance	21-495-034-5094-004	7/1/20-6/30/21	24,239				(24,239)			24,239	
Categorical Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	160,229	\$ (13,387)		13,387				160,229	
Categorical Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	420,137	(35,103)		35,103				420,137	
Categorical Security Aid	20-495-034-5120-078	7/1/19-6/30/20	12,631	(1,055)		1,055				12,631	
Extraordinary Aid	20-495-034-5120-044	7/1/19-6/30/20	202,008	(222,241)		222,241				202,008	
Reimbursed TPAF Social Security Contributions	20-495-034-5094-003	7/1/19-6/30/20	357,860	(18,794)		18,794				357,860	
Total General Fund				(290,580)		1,234,116	(3,340,840)	641,799	691,710	4,493,705	
Total State Department of Education				\$ (290,580)	\$ -0-	\$ 1,234,116	\$ (3,340,840)	\$ 641,799	\$ -0-	\$ 4,493,705	
Less: On-Behalf TPAF Pension System Contributions:											
On-Behalf TPAF Post Retirement Contributions							406,839				
On-Behalf Long Term Disability Insurance Contributions							543				
On-Behalf TPAF Pension Contributions							1,273,973				
On-Behalf TPAF Non-Contributory Insurance							24,239				
Subtotal - On-Behalf TPAF Pension System Contributions							1,705,594				
Total State Awards - for Major Program Determination							\$ (1,635,246)				

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, 2021

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, 2021. 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. 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 (\$366) for the general fund, and (\$22,078) for the special revenue fund of which (\$1,098) 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, 2021

(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		\$ 3,340,474	\$ 3,340,474
Special Revenue Fund	\$ 212,271		212,271
Total Awards	\$ 212,271	\$ 3,340,474	\$ 3,552,745

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, 2021.

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021 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>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Categorical Special Education Aid	21-495-034-5120-089	7/1/20-6/30/21	\$ 442,886	\$ 442,886
Categorical Security Aid	21-495-034-5120-078	7/1/20-6/30/21	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, 2021

Status of Prior Year Findings:

The District had no prior year audit findings.