

SOMERVILLE BOROUGH SCHOOL DISTRICT

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

**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022**

**Annual Comprehensive
Financial Report**

of the

Somerville Borough School District

Somerville, New Jersey

For the Fiscal Year Ended June 30, 2022

Prepared by

Somerville Board of Education

SOMERVILLE BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION
UNAUDITED

Somerville Board of Education

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January 31, 2023

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

Dear Board Members:

The annual comprehensive financial report of the Somerville Borough School District (the "District") for the fiscal year ended June 30, 2022, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

1) REPORTING ENTITY AND ITS SERVICES:

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

The Honorable President and Members of
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1) REPORTING ENTITY AND ITS SERVICES (Cont'd):

The District provides a full range of educational services appropriate to grade levels Preschool through Grade 12 for the students residing in Somerville Borough, and 9 through 12 for students residing in Branchburg Township. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2021-2022 fiscal year with an average daily enrollment of 2,176 students, which is an increase of 116 students from the previous year's enrollment.

2) ECONOMIC CONDITION AND OUTLOOK:

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

3) MAJOR INITIATIVES:

District-Wide

Somerville was named a Lighthouse District in 2019. This was due to our work in providing social and emotional learning supports and our work increasing the academic performance of students who have traditionally seen less academic growth. We have taken pointed steps to continue to close the gap and address the growth with a multifaceted approach addressing teacher growth, academic growth, and social-emotional needs. We know part of this growth could be impacted by access outside of school so we have invested in a number of online learning platforms and technological supports. We have invested district-wide in access to hot spots for students with connectivity issues. We have ensured we are 1:1 with all technology in K-12. We have purchased electronic programs, such as Learning Ally, American Reading Company, and myOn, so kids can increase their access to books while outside of school. We continue to use the Google Learning Suite so that necessary instructional materials are able to be efficiently accessed both synchronously and asynchronously.

The Somerville school district has continuously looked at addressing equity. We are in year five of our six-year equity work and the efforts so far have had a great impact on students and staff. We continue to partner with Temple University and Dr. Eddie Fergus as we use an iterative approach of collecting data, analyzing data, and creating actions to address areas of need identified within each building. Our district-level equity team is working with our building-level equity teams on concrete action items that will directly impact areas such as discipline, learning acceleration, and supporting academic performance. We are also partnering with additional equity providers as we continue to improve the equity literacy of our staff and students.

As we look towards improved academic outcomes for our students, we know one of the most important factors in that improvement is teacher support. That is why the district has further invested in support for our teaching staff members. We are utilizing three full-time librarians and we are enhancing our use of interventionists and curriculum supervisors to assist with the core academic performance. We are also investing in embedded professional development where the professional development provider partners with the classroom teacher to give support in the authentic learning environment.

The Honorable President and Members of
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3) MAJOR INITIATIVES: (Cont'd)

District-Wide (Cont'd)

To increase parental access and our communication, we continue to use Real-Time, our student information system. This platform has allowed us to streamline our report card delivery and other communications that are sent on a regular basis. We also are continuing to use Real-Time to store assessment data, which allows us to quickly access the learning needs of each individual student. We will continue to look for opportunities to use Real-Time to address areas of need in the district.

Somerville has remained consistent in focusing on the social-emotional and academic needs of our students before, during, and after the pandemic. We are letting the quantitative and qualitative data guide our instructional priorities while continuing to focus on creating students who are future-ready.

Somerville High School

The partnership with Raritan Valley Community College (RVCC) continues with the Somerville Academy of Liberal Arts (SALA). Students enrolled in this Academy have the opportunity to receive an Associate's Degree in Liberal Arts and a High School Diploma upon completion of their high school experience. The district has also partnered with RVCC to implement the Workforce Skill Development and Employability Program. This program provides opportunities for non-college-bound students with four career tracks including retail, hospitality, public service (law enforcement), and childcare. The program provides for certification in CPR, ServeSafe Food Handlers, and ServeSafe Essentials. The district's STEM Academy, in partnership with RVCC, is now considered a New Jersey Department of Education approved Career and Technical Education program. Enrolled students are able to earn college credits and get a chance to work in our school-based learning enterprise providing computer support. Additionally, we have added a Tomorrow's Teacher course pathway - a nationally recognized program with associated college credit - that gives students an opportunity to plan and deliver lessons in the classroom along with a certified teacher.

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

The Somerville Guidance Department is working to help all students find the right classes and the right path forward. In the High School, they use Naviance to allow students to make individualized learning plans. We have a college and career counselor dedicated to our specialty programs, and we have specific counselors assigned to students who may need additional community supports. The High School Guidance Department is receiving gathered information from the Middle School Guidance Department who do interest and career surveying through NJCAN (New Jersey Career Assistance Navigator).

3) MAJOR INITIATIVES: (Cont'd)

This past year, we adopted a benchmark assessment at Somerville High School to allow our teachers to participate in data-driven professional learning communities that continue to focus on student achievement. Each student had a standards-informed profile generated that informed the teachers about students' longitudinal growth and success in the standards. This year, they were encouraged to use the LinkIt data and those profiles for their student growth objectives.

As part of the equity and performance initiative, Somerville High School has invested heavily in restorative practices. The disciplinary team meets monthly and looks at student data in order to inform future needs. Staff at the High School will get trained and then will utilize a train-the-trainer model to continue the restorative practices. This model will allow us to continue the practice in a practical and cost-efficient manner.

Somerville Middle School

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

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

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

Van Derveer Elementary School

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

The Honorable President and Members of
the Board of Education
Somerville Borough School District
County of Somerset, New Jersey
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3) MAJOR INITIATIVES: (Cont'd)

Qualifying at-risk students have the opportunity to work with our two certified Title One funded interventionists. We are utilizing an interventions and referral services coordinator to help provide students necessary intervention services. Additionally, this coordinator is providing needed math interventions. Our gifted and talented teacher is serving as a math interventionist in addition to the gifted and talented responsibilities to deepen our support. We will continue to monitor data across the grade levels and provide support as needed.

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

The instructional coach in Van Derveer Elementary School is working on maximizing the literacy block and supporting math instruction. Van Derveer adopted a new math program that connects to the previously selected middle school math program.

Technology Programs

The students of Somerville Public Schools engage daily in connected learning experiences. With technology, they have opportunities to explore, communicate, and design. Somerville students learn how to become responsible technology users, contributors, and creators. The rigorous curricula and transformative practices give them the opportunities necessary to communicate, create, and thrive as connected citizens. Throughout the pandemic, we found universal platforms that aid in student learning regardless of the subject matter, and we have subscribed to these programs as a district. We will monitor the usage of all subscriptions through our single sign-on provider. We also aim to increase computer science course offerings at Somerville High School, building off the increased computer science offerings we delivered in the past.

Van Derveer Elementary School students enjoy connected learning experiences and true STEM education. Teachers and students utilize Chromebooks to connect wirelessly with the district's network and interact with 21-Century curricula such as iReady, myOn, American Reading Company, and other developmentally appropriate applications. Each classroom is also currently equipped with an interactive display that is updated based upon a regular refresh cycle. The STEM/Coding program for kindergarten through grade five students in Van Derveer Elementary School has fostered an interest in computer science for our youngest learners. Students in the elementary school are each provided a Chromebook and are permitted to bring the device back and forth between school and home.

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

3) MAJOR INITIATIVES: (Cont'd)

Technology Programs (Cont'd)

A 1:1 Chromebook initiative continues to be supported at Somerville High School. Students use Chromebooks and their Google Applications for Education accounts to engage in collaborative 21st Century learning activities. Somerville High School has interactive displays available for students to use in all classrooms. High School students explore their creativity through 3D printing facilities, a music production computer lab, and an engineering lab. We celebrate these accomplishments with an annual student engineering fair. These course offerings are supported with additional courses in App Development, Computer Science, and Programming.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

5) BUDGETARY CONTROLS:

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

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

6) ACCOUNTING SYSTEM AND REPORTS:

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

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

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

8) RISK MANAGEMENT:

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

9) OTHER INFORMATION:

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

10) ACKNOWLEDGMENTS:

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

Respectfully submitted,

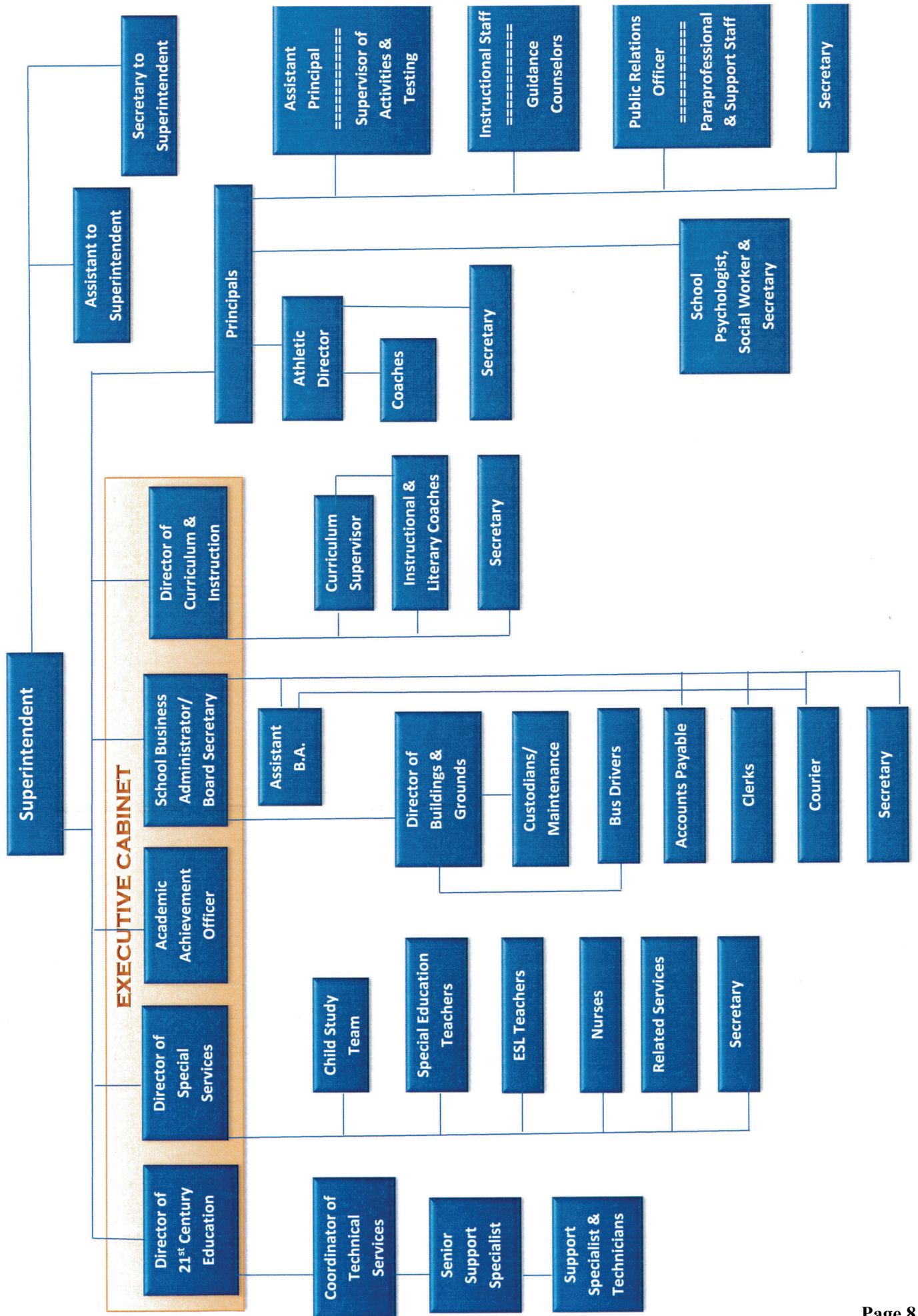
Dr. Timothy M. Teehan

Dr. Timothy M. Teehan
Superintendent

Bryan P. Boyce

Bryan P. Boyce
Business Administrator/Board Secretary

SOMERVILLE PUBLIC SCHOOLS — ORGANIZATIONAL CHART



**SOMERVILLE BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2022**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
William Kimmick, President	2022
Lucien Sergile, Jr., Vice President	2022
Dan Carlson	2022
Daniel J. Puntillo, Jr.	2024
Derek J. Jess	2023
Denise Van Horn	2023
Candace Matthews	2023
Kristen Fabriczi *	2022
Stephanie Dale	2024
Jamie Kraska	2024

Other Officers

Timothy M. Teehan, Superintendent of Schools

Bryan P. Boyce, School Business Administrator/Board Secretary

* Branchburg Board of Education Member

SOMERVILLE BOROUGH SCHOOL DISTRICT
Consultants and Advisors

Architect

FVHD Architects and Planners
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Ewing, NJ 08807

Attorneys

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Lehrer & Flaum, PC
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Warren, NJ 07059

Fogarty & Hara, Esqs.
21-00 Route 208 South
Fair Lawn, NJ 07410

Schenck, Price, Smith & King, LLP
220 Park Avenue
Florham Park, NJ 07932

Audit Firm

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

And

Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

And

1140 Route 22 East, Suite 203
Bridgewater, New Jersey 08807

Official Depositories

TD Bank
50 West Main Street
Somerville, NJ 08876

State of NJ Cash Management
P.O Box 290
Trenton, NJ 08625

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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 Somerville Borough School District (the "District"), in the County of Somerset, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2022, 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.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 21 to the financial statements, the District implemented GASB Statement No. 87, *Leases*, during the fiscal year ended June 30, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Office, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information schedules and 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information 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.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting and compliance.

January 31, 2023
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

SOMERVILLE BOROUGH SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

This discussion and analysis of the Somerville Borough School District's financial performance provides an overall review of its financial activities for the fiscal year ended June 30, 2022. The intent of this is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Using this Annual Comprehensive Financial Report (ACFR)

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

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

Overview of the Financial Statements

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

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

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

Reporting the School District as a Whole

District-Wide Statements

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

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

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Statement of Net Position and the Statement of Activities

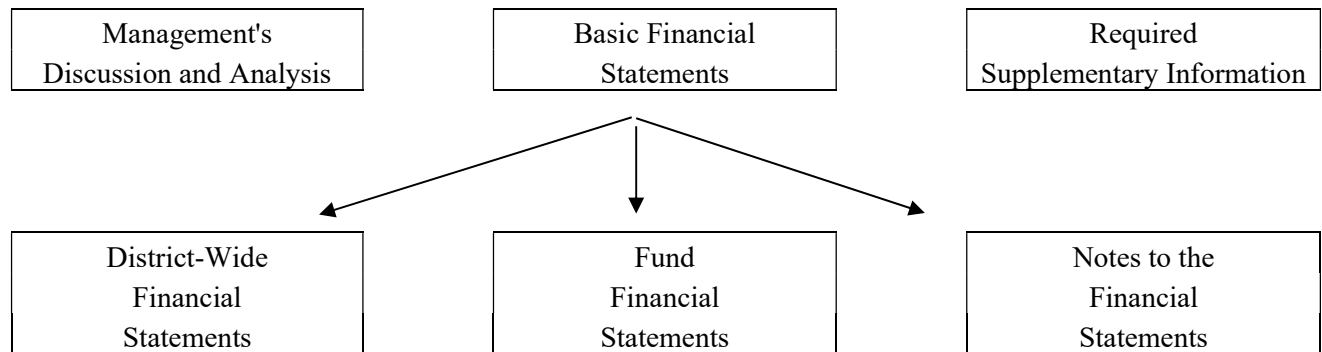
The two statements report the School District's net position and changes in the net position. This change is important because it tells the reader that, for the School District as a whole, whether its financial position improved or diminished. The causes of this change may be the result of many factors.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

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

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

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

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



**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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, food services
Required Financial Statements	Statement of Net Position Statement of activities	Balance sheet Statement of revenue, expenditures, and changes in fund balances	Statement of Net Position Statement of revenue, expenses, and changes in net position Statement of cash flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, lease 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

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Fund Financial Statements

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

Governmental Funds

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

Proprietary Fund

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

Notes to the Basic Financial Statements

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

Financial Analysis of the District as a Whole

The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net position as of June 30, 2022. The District's combined net position was \$42,644,268 on June 30, 2022, \$6,332,980 or 17.44% more than it was the year before. Net Investment in capital assets increased due to the acquisitions of district capital assets combined with the continued pay down of the school debt offset by depreciation expense. The increase in restricted net position is attributable to the increases in the capital reserve and excess surplus. The increase in unrestricted net position was primarily attributable to the changes in the net pension liability and pension related deferred inflows and outflows offset by an increase in compensated absences.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Figure A-3

	Condensed Statement of Net Position						Percentage Change
	Government Activities		Business-Type Activities		Total School District		
	2021/2022	(Restated) 2020/2021	2021/2022	2020/2021	2021/2022	(Restated) 2020/2021	
Current and Other Assets	\$ 19,772,531	\$ 17,803,995	\$ 286,677	\$ 68,749	\$ 20,059,208	\$ 17,872,744	
Capital Assets, Net	46,099,804	46,146,020	261,499	280,794	46,361,303	46,426,814	
Total Assets	<u>65,872,335</u>	<u>63,950,015</u>	<u>548,176</u>	<u>349,543</u>	<u>66,420,511</u>	<u>64,299,558</u>	3.30%
Deferred Outflows of Resources	1,997,258	1,854,852			1,997,258	1,854,852	7.68%
Other Liabilities	2,836,441	3,525,456	19,219	21,890	2,855,660	3,547,346	
Long-Term Liabilities	18,027,286	21,803,425			18,027,286	21,803,425	
Total Liabilities	<u>20,863,727</u>	<u>25,328,881</u>	<u>19,219</u>	<u>21,890</u>	<u>20,882,946</u>	<u>25,350,771</u>	-17.62%
Deferred Inflows of Resources	4,890,555	4,492,351			4,890,555	4,492,351	8.86%
Net Position							
Net Investment in Capital Assets	36,748,298	35,573,129	261,499	280,794	37,009,797	35,853,923	
Restricted	13,968,575	12,752,862			13,968,575	12,752,862	
Unrestricted/(Deficit)	<u>(8,601,562)</u>	<u>(12,342,356)</u>	<u>267,458</u>	<u>46,859</u>	<u>(8,334,104)</u>	<u>(12,295,497)</u>	
Total Net Position	<u>\$ 42,115,311</u>	<u>\$ 35,983,635</u>	<u>\$ 528,957</u>	<u>\$ 327,653</u>	<u>\$ 42,644,268</u>	<u>\$ 36,311,288</u>	17.44%

Changes in Net Position

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

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	
Revenue:							
Program Revenue:							
Charges for Services	\$ 12,384,398	\$ 11,423,970	\$ 73,923	\$ 4,636	\$ 12,458,321	\$ 11,428,606	
Operating Grants & Contributions	15,214,839	17,042,306	950,955	336,947	16,165,794	17,379,253	
Capital Grants & Contributions	135,539				135,539		
General Revenue:							
Property Taxes	25,122,554	25,146,810			25,122,554	25,146,810	
Unrestricted Federal and State Aid	7,312,313	6,363,771			7,312,313	6,363,771	
Other	415,912	221,067			415,912	221,067	
Total Revenue	<u>60,585,555</u>	<u>60,197,924</u>	<u>1,024,878</u>	<u>341,583</u>	<u>61,610,433</u>	<u>60,539,507</u>	1.77%
Expenses:							
Instruction	33,910,905	36,344,268			33,910,905	36,344,268	
Pupil and Instruction Services	8,190,999	6,982,262			8,190,999	6,982,262	
Administrative and Business	5,535,300	6,114,530			5,535,300	6,114,530	
Maintenance and Operations	3,654,533	3,375,338			3,654,533	3,375,338	
Transportation	937,241	476,230			937,241	476,230	
Other	2,224,901	2,194,308	823,574	376,585	3,048,475	2,570,893	
Total Expenses	<u>54,453,879</u>	<u>55,486,936</u>	<u>823,574</u>	<u>376,585</u>	<u>55,277,453</u>	<u>55,863,521</u>	-1.05%
Other Item:							
Disposal of Capital Asset, Net				(40,939)		(40,939)	100.00%
Increase/(Decrease) in Net Position	<u>\$ 6,131,676</u>	<u>\$ 4,710,988</u>	<u>\$ 201,304</u>	<u>\$ (75,941)</u>	<u>\$ 6,332,980</u>	<u>\$ 4,635,047</u>	36.63%

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Governmental Activities

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

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

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

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

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

	Total Cost of Services		Net Cost of Services	
	2021/2022	2020/2021	2021/2022	2020/2021
Instruction	\$ 33,910,905	\$ 36,344,268	\$ 9,618,263	\$ 11,530,216
Pupil and Instruction Services	8,190,999	6,982,262	6,193,369	4,900,909
Administrative and Business	5,535,300	6,114,530	4,636,533	5,006,696
Maintenance and Operations	3,654,533	3,375,338	3,357,404	3,127,999
Transportation	937,241	476,230	688,633	260,532
Other	2,224,901	2,194,308	2,224,901	2,194,308
	<u>\$ 54,453,879</u>	<u>\$ 55,486,936</u>	<u>\$ 26,719,103</u>	<u>\$ 27,020,660</u>

Business-Type Activities

Net position of the District's business-type activity increased by \$201,304 mainly due to the increase in federal and state government meal reimbursements.

Financial Analysis of the District's Funds

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

The current economy has had a direct impact upon the District's revenue sources. Although the Borough of Somerville has several development/redevelopment projects in the execution phase, taxable property in the Borough has decreased 6.35% since 2011 which has a direct negative impact on school property taxes. The District will remain sensitive to the taxpayer's ability to pay property taxes as they build annual budgets.

General Fund Budgetary Highlights

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

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

- Salary accounts were adjusted to reflect: changes in staff assignments; retirements, resignations and resulting new hires; settlement of collective bargaining agreement; program adjustments necessitated by student population changes.

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

- Tuition for special education students is budgeted based on the existing and known incoming students at the time the budget is submitted. Students move into and out of the District during the summer as well as the school year which necessitates transferring funds to the appropriate account to pay these special education costs.

Based on a community-wide needs assessment, the Board of Education developed a five-year strategic plan (#Vision2025) that focuses efforts around four strategic themes: Supporting Social-Emotional and Mental Health Needs, Building Cultural Competence and Equity, Providing Student-Centered Counseling Services, Supports, Guidance and Programs, and Improving Student Academic Achievement. Annual goals are established each year at the Board of Education Summer Workshop and approved by Board resolution. Any funds necessary to carry out the goals are included in the general fund appropriations.

Capital Assets

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

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	
Land	\$ 20,079	\$ 20,079			\$ 20,079	\$ 20,079	
Construction in Progress	6,221,796	4,488,122			6,221,796	4,488,122	
Buildings and Building Improvements	38,049,895	39,661,114			38,049,895	39,661,114	
Machinery and Equipment	1,808,035	1,976,705	\$ 261,499	\$ 280,794	2,069,534	2,257,499	
Total Capital Assets (Net of Depreciation)	\$ 46,099,805	\$ 46,146,020	\$ 261,499	\$ 280,794	\$ 46,361,304	\$ 46,426,814	-0.14%

During the 2021/2022 school year the District continued work on the District's facilities related to various projects in the District.

Long-term Liabilities

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

	Total School District		Percentage Change
	2021/2022	(Restated) 2020/2021	
General Obligation Bonds	\$ 9,265,000	\$ 10,875,000	
Financed Purchases Payable	328,981	491,747	
Net Pension Liability	6,631,348	8,283,386	
Unamortized Bond Premiums	699,862	833,832	
Compensated Absences Payable	1,102,095	1,319,460	
	\$ 18,027,286	\$ 21,803,425	-17.32%

**SOMERVILLE BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Factor's Bearing on the District's Future

Everyone associated with the Somerville Borough Board of Education is grateful for the community support of the schools. However, due to the instability of the state's financial position, changes in budgeting laws without sufficient notice to plan for the long term impact of those changes and unfunded state mandates, the school district faces an ever-increasing reliance on local property taxes to fund district operations. Chapter 67 – Laws of 2018 (S2) was signed into legislation in June 2018 and has partially shifted school state aid from adjustment aid districts to underfunded districts but Somerville School District still only receives 83% of state aid pursuant to the School Funding Reform Act of 2008.

Future finances will be challenged even further with the continued effect of legislation that impacts the financial operation of the School District. S1701, adopted by the State of New Jersey on June 17, 2004, forced the District to cut its allowable unassigned general fund balance in half (from 6% to 3%), which was reduced to 2% at the end of the 2004/2005 school year and then increased to 4% at the end of the 2020/2021 school year. This leaves the District with very little protection in the event of costly emergencies. The 2% property tax CAP that was signed into law is without any vehicle to align existing contracts with local bargaining units to the new CAP. Furthermore, inflation and the cost of transportation are increasing far more than 2%. In addition, current budget laws do not provide relief to the 2% levy CAP for capital projects. As a result, the District has adopted a strategy to fund facility improvements on an ongoing annual basis to achieve a goal of providing adequate space for instruction, keeping the buildings safe, systems functioning and operating efficiently, and appearances of the facilities presentable so that students are not distracted from learning. The District engaged a professional demographer to perform an enrollment projection in January 2019. The purpose of the projection was to determine if the District's current facilities are adequate to accommodate future enrollment attributed to several planned redevelopment projects. The report concluded that enrollment will not increase over the next five years. The District will continue to closely monitor enrollment as the redevelopment projects are completed. Perhaps the most significant factor bearing on the district's future is the decline in Branchburg student enrollment in Somerville High School. The percentage of Branchburg students enrolled in Somerville High School has dropped from 66% in 2013-2014 to under 57% in 2021-2022.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 6,585,439	\$ 215,893	\$ 6,801,332
Receivables from Federal Government	859,780	998	860,778
Receivables from State Government	596,720	49,644	646,364
Receivables from Other Governments	176,189		176,189
Other Receivables	280		280
Inventory		20,142	20,142
Restricted Cash and Cash Equivalents	11,554,123		11,554,123
Capital Assets, Net			
Site (Land) and Construction in Progress	6,241,874		6,241,874
Depreciable Buildings and Buildings Improvements & Machinery and Equipment	39,857,930	261,499	40,119,429
Total Assets	<u>65,872,335</u>	<u>548,176</u>	<u>66,420,511</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows Related to Pensions	1,754,783		1,754,783
Deferred Amount on the Refunding	242,475		242,475
Total Deferred Outflows of Resources	<u>1,997,258</u>		<u>1,997,258</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	2,217,439		2,217,439
Accrued Interest Payable	129,395		129,395
Payable to State Government	44,673		44,673
Payable to Federal Government	2,196		2,196
Unearned Revenue	442,738	19,219	461,957
Noncurrent Liabilities:			
Due Within One Year	1,967,877		1,967,877
Due Beyond one Year	16,059,409		16,059,409
Total Liabilities	<u>20,863,727</u>	<u>19,219</u>	<u>20,882,946</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	4,890,555		4,890,555
Total Deferred Inflows of Resources	<u>4,890,555</u>		<u>4,890,555</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	\$ 36,748,298	\$ 261,499	\$ 37,009,797
Restricted for:			
Capital Projects	8,490,403		8,490,403
Maintenance Reserve	253,269		253,269
Tuition Reserve	2,138,843		2,138,843
Unemployment Compensation	368,332		368,332
Student Activities	303,276		303,276
Debt Service	1,408		1,408
Excess Surplus	2,413,044		2,413,044
Unrestricted/(Deficit)	<u>(8,601,562)</u>	<u>267,458</u>	<u>(8,334,104)</u>
Total Net Position	<u>\$ 42,115,311</u>	<u>\$ 528,957</u>	<u>\$ 42,644,268</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Regular Instruction	\$ 23,304,439	\$ 11,926,650	\$ 7,536,290		\$ (3,841,499)		\$ (3,841,499)
Special Education Instruction	8,628,379		4,444,346		(4,184,033)		(4,184,033)
Other Special Instruction	1,489,093		277,065		(1,212,028)		(1,212,028)
Other Instruction	488,994		108,291		(380,703)		(380,703)
Support services:							
Tuition	717,708				(717,708)		(717,708)
Student & Instruction Related Services	7,473,291	457,748	1,539,882		(5,475,661)		(5,475,661)
General Administrative Services	905,475		39,228		(866,247)		(866,247)
School Administrative Services	3,467,884		761,676		(2,706,208)		(2,706,208)
Central Services	792,652		83,236		(709,416)		(709,416)
Administration Information Technology	369,289		14,627		(354,662)		(354,662)
Plant Operations and Maintenance	3,654,533		161,590	\$ 135,539	(3,357,404)		(3,357,404)
Pupil Transportation	937,241		248,608		(688,633)		(688,633)
Unallocated Depreciation	1,848,123				(1,848,123)		(1,848,123)
Interest on Long-Term Debt	267,509				(267,509)		(267,509)
Capital Outlay	93,839				(93,839)		(93,839)
Transfer to Charter School	15,430				(15,430)		(15,430)
Total Governmental Activities	54,453,879	12,384,398	15,214,839	135,539	(26,719,103)		(26,719,103)
Business-Type Activities:							
Food Service	823,574	73,923	950,955			\$ 201,304	201,304
Total Business-Type Activities	823,574	73,923	950,955			201,304	201,304
Total Primary Government	\$ 55,277,453	\$ 12,458,321	\$ 16,165,794	\$ 135,539	(26,719,103)	201,304	(26,517,799)

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 23,390,986		\$ 23,390,986
Property Taxes Levied for Debt Service	1,731,568		1,731,568
Federal and State Aid not Restricted	7,312,313		7,312,313
Interest and Miscellaneous Income	415,912		415,912
Total General Revenues	32,850,779		32,850,779
Change in Net Position	6,131,676	\$ 201,304	6,332,980
Net Position - Beginning (Restated)	35,983,635	327,653	36,311,288
Net Position - Ending	\$ 42,115,311	\$ 528,957	\$ 42,644,268

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

FUND FINANCIAL STATEMENTS

SOMERVILLE BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 6,175,645		\$ 409,184	\$ 610	\$ 6,585,439
Interfund Receivable	64,919			798	65,717
Receivables from Federal Government	28,318	\$ 831,462			859,780
Receivables from State Government	447,363	13,818	135,539		596,720
Receivables from Other Governments	134,082	42,107			176,189
Other Receivables	280				280
Restricted Cash and Cash Equivalents	11,250,847	303,276			11,554,123
Total Assets	\$ 18,101,454	\$ 1,190,663	\$ 544,723	\$ 1,408	\$ 19,838,248
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 791,505	\$ 420,115	\$ 335,911		\$ 1,547,531
Interfund Payable		64,919	798		65,717
Payable to State Government		44,673			44,673
Payable to Federal Government		2,196			2,196
Unearned Revenue		442,738			442,738
Total Liabilities	791,505	974,641	336,709		2,102,855
Fund Balances:					
Restricted:					
Capital Reserve Account	8,490,403				8,490,403
Maintenance Reserve Account	253,269				253,269
Tuition Reserve Account -2022-2023	1,029,803				1,029,803
Tuition Reserve Account-2023-2024	1,109,040				1,109,040
Excess Surplus -2022-2023	590,822				590,822
Excess Surplus -2023-2024	1,822,222				1,822,222
Unemployment Compensation	368,332				368,332
Student Activities		303,276			303,276
Debt Service Fund				\$ 1,408	1,408
Committed:					
Capital Projects Fund			208,014		208,014
Assigned:					
Year-End Encumbrances	1,679,429				1,679,429
Subsequent Year's Expenditures	868,823				868,823
Unassigned:					
General Fund	1,097,806				1,097,806
Special Revenue Fund/(Deficit)		(87,254)			(87,254)
Total Fund Balances	17,309,949	216,022	208,014	1,408	17,735,393
Total Liabilities and Fund Balances	\$ 18,101,454	\$ 1,190,663	\$ 544,723	\$ 1,408	\$ 19,838,248

SOMERVILLE BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

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

Total Fund Balances From Previous Page	\$ 17,735,393
Capital assets used in governmental activities are not financial resources and therefore not reported in the Funds.	46,099,804
Long-Term Liabilities, including bonds payable, financed purchases and compensated absences payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(10,696,076)
The deferred amount on the refunding is not reported as an expenditure in the governmental funds in the year of the expenditure.	242,475
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(129,395)
Bond premiums are not reported as expenditures in the governmental funds in the year of the expenditure.	(699,862)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(6,631,348)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Deferred Outflows	1,084,875
Deferred Inflows	(4,890,555)
Net Position of Governmental Activities	<u>\$ 42,115,311</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 23,390,986			\$ 1,731,568	\$ 25,122,554
Tuition Charges - Individuals	120,789				120,789
Tuition Charges- Other LEA's Within the State	11,805,861				11,805,861
Transportation Fees From Other LEA's	122,405				122,405
Rents and Royalties	47,285				47,285
Interest on Capital Reserve	18,168				18,168
Interest on Maintenance Reserve	523				523
Interest on Tuition Reserve	4,262				4,262
Restricted Miscellaneous	37,616	\$ 484,886			522,502
Unrestricted Miscellaneous	184,855		\$ 798		185,653
Total - Local Sources	35,732,750	484,886	798	1,731,568	37,950,002
State Sources	19,874,018	1,618,156	135,539	208,959	21,836,672
Federal Sources	66,158	2,257,304			2,323,462
Total Revenues	55,672,926	4,360,346	136,337	1,940,527	62,110,136
EXPENDITURES					
Current:					
Regular Instruction	13,358,310	2,997,125			16,355,435
Special Education Instruction	4,978,013	915,610			5,893,623
School Sponsored Instruction	1,044,937				1,044,937
Other Special Instruction	315,396				315,396
Support Services and Undistributed Costs:					
Tuition	717,708				717,708
Student & Instruction Related Services	4,724,056	447,523			5,171,579
General Administrative Services	762,625				762,625
School Administrative Services	2,201,756				2,201,756

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Support Services and Undistributed Costs (Cont'd):					
Central Services	\$ 585,692				\$ 585,692
Administration Information Technology	332,873				332,873
Plant Operations and Maintenance	3,246,884				3,246,884
Pupil Transportation	794,533				794,533
Unallocated Benefits	18,071,951				18,071,951
Debt Service:					
Principal				\$ 1,610,000	1,610,000
Interest and Other Charges				380,320	380,320
Capital Outlay	1,851,571		\$ 148,839		2,000,410
Transfer of Funds to Charter School	15,430				15,430
Total Expenditures	53,001,735	4,360,258	148,839	1,990,320	59,501,152
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	2,671,191	88	(12,502)	(49,793)	2,608,984
OTHER FINANCING SOURCES/(USES)					
Transfers In		14,146		45,798	59,944
Transfers Out	(59,146)		(798)		(59,944)
Total Other Financing Sources/(Uses)	(59,146)	14,146	(798)	45,798	
Net Change in Fund Balances	2,612,045	14,234	(13,300)	(3,995)	2,608,984
Fund Balance - July 1	14,697,904	201,788	221,314	5,403	15,126,409
Fund Balance - June 30	\$ 17,309,949	\$ 216,022	\$ 208,014	\$ 1,408	\$ 17,735,393

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

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

Total net change in fund balances - governmental funds (from Exhibit B-2)	\$	2,608,984
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 capital outlays differ from depreciation and disposal of assets in the period.	\$	(1,952,787)
Depreciation Expense		1,906,571
Capital Outlays		(46,216)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		1,610,000
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due.		38,475
The governmental funds report the effect of the deferred amount on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		(59,634)
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (+)		133,970
Repayment of financed purchases is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		162,766
In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		217,365

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

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

Changes in Net Pension Liability	\$ 1,652,038
Change in Deferred Outflows	212,132
Change in Deferred Inflows	<u>(398,204)</u>
	<u>\$ 1,465,966</u>
Change in net position of governmental activities (Exhibit A-2)	<u>\$ 6,131,676</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	<u>Business-Type Activities - Enterprise Funds</u> <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 215,893
Accounts Receivable:	
Federal Government	998
State Government	49,644
Inventories	20,142
Total Current Assets	<u>286,677</u>
Non-Current Assets:	
Capital Assets:	
Machinery and Equipment	527,365
Less: Accumulated Depreciation	<u>(265,866)</u>
Total Non-Current Assets	<u>261,499</u>
Total Assets	<u>548,176</u>
LIABILITIES:	
Unearned Revenue - Donated Commodities	4,431
Unearned Revenue - Prepaid Sales	<u>14,788</u>
Total Liabilities	<u>19,219</u>
NET POSITION:	
Investment in Capital Assets	261,499
Unrestricted	<u>267,458</u>
Total Net Position	<u>\$ 528,957</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds Food Service
Operating Revenue:	
Daily Sales - Non Reimbursable Programs	\$ 73,923
Total Operating Revenue	73,923
Operating Expenses:	
Cost of Sales - Reimbursable Programs	388,789
Cost of Sales - Non Reimbursable Programs	14,115
Management Fee	21,000
Salaries, Benefits & Payroll Taxes	346,048
Other	27,882
Depreciation Expense	25,740
Total Operating Expenses	823,574
Operating (Loss)	(749,651)
Non-Operating Revenue:	
State Sources:	
COVID 19 - Seamless Summer Option - Lunch	18,970
Federal Sources:	
COVID 19 - Seamless Summer Option - Breakfast	62,380
COVID 19 - Seamless Summer Option - Lunch	772,614
COVID 19 - Emergency Operational Cost Reimbursement Program	25,180
COVID 19 - Pandemic Electronic Benefit Transfer (P-EBT)	1,242
Food Distribution Program	70,569
Total Non-Operating Revenue	950,955
Change in Net Position	201,304
Net Position - Beginning of Year	327,653
Net Position - End of Year	\$ 528,957

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

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

	Business-Type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 72,517
Payments to Employees	(346,048)
Payments to Suppliers	(394,345)
	(667,876)
Net Cash (Used for) Operating Activities	(667,876)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Equipment	(6,445)
	(6,445)
Net Cash (Used for) Capital and Related Financing Activities	(6,445)
Cash Flows from Noncapital Financing Activities:	
Cash Received from State Reimbursements	18,881
Cash Received from Federal Reimbursements	832,487
	851,368
Net Cash Provided by Noncapital Financing Activities	851,368
Net Increase in Cash and Cash Equivalents	177,047
Cash and Cash Equivalents, July 1	38,846
Cash and Cash Equivalents, June 30	\$ 215,893
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (749,651)
Adjustment to Reconcile Operating Loss to Net Cash (Used for) Operating Activities:	
Depreciation	25,740
Federal Food Distribution Program	70,569
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	(11,863)
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(1,265)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	(1,406)
	(667,876)
Net Cash (Used for) Operating Activities	\$ (667,876)

Non-Cash Investing, Capital and Financing Activities:

The District received USDA donated commodities valued at \$69,304 and used \$70,569 of those commodities during the fiscal year.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds. 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 and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

The District reports the following proprietary fund:

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

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. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

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

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, 2022 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Budget amendments/transfers must be made by resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"	\$ 55,773,600	\$ 4,685,128
Difference - Budgetary to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances:		
Federal		(299,194)
State		(35,520)
Local		(21,890)
Prior Year Encumbrances:		
Federal		14,400
State		18,280
Local		4,933
Cancelled		(9,800)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	766,540	91,263
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(867,214)	(87,254)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 55,672,926	\$ 4,360,346
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 53,001,735	\$ 4,689,049
Difference - Budgetary to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, not in the Year the Supplies are Received for Financial Reporting Purposes.		(328,791)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 53,001,735	\$ 4,360,258

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

E. Cash, Cash Equivalents, and Investments:

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

H. Encumbrances: (Cont'd):

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, 2022.

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:

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

L. Lease Assets:

Intangible right-to-use lease assets are assets which the District leases for a term of more than one year. The value of leases are determined by the net present value of the leases at the District's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

M. Long Term Liabilities:

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

N. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2022.

O. Compensated Absences:

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

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

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

P. Lease Payable:

In the district-wide financial statements, leases payable are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources.

Q. 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.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

R. Fund Balance Appropriated:

General Fund: Of the \$17,309,949 General Fund fund balance at June 30, 2022, \$1,679,429 is assigned for year-end encumbrances; \$8,490,403 is restricted in the capital reserve account; \$368,332 is restricted for unemployment compensation; \$253,269 is restricted in the maintenance reserve account; \$1,029,803 is restricted in the tuition reserve account and has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2023; \$1,109,040 is restricted in the tuition reserve account for fiscal year ending June 30, 2024; \$2,413,044 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701); \$590,822 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2023; current year excess surplus in the amount of \$1,822,222 will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2024; \$868,823 is assigned and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2023; and \$1,097,806 is unassigned which is \$867,214, less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments which are not recognized until the fiscal year ending June 30, 2023.

Special Revenue Fund: Of the \$216,022 Special Revenue Fund fund balance at June 30, 2022, \$303,276 is restricted for Student Activities and the deficit fund balance of \$87,254 is unassigned. This deficit is due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2023.

Capital Projects Fund: The \$208,014 fund balance in the Capital Projects Fund at June 30, 2022 is committed.

Debt Service Fund: The District has \$1,408 of restricted fund balance in the Debt Service Fund at June 30, 2022.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus at June 30, 2022 as outlined above.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

S. Deficit Net Position/ Fund Balance:

The District has a deficit in unrestricted net position of \$8,601,562 in governmental activities, which is primarily a result of accrued interest payable, compensated absences payable, net pension liability and the related deferred inflows and outflows. The District has a deficit in fund balance of \$87,254 in the Special Revenue Fund as of June 30, 2022 as a result of the last two state aid payments that are not recognized on a GAAP basis. These deficits do not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

T. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District has deferred outflows of resources at June 30, 2022 on the deferred amount on refunding of debt related to the District refunding bonds, and for pensions. The District has deferred inflows of resources at June 30, 2022 for pensions.

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

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, lease assets, net accumulated amortization 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.

U. Fund Balance Restrictions, Commitments and Assignments:

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

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

Fund balance restrictions have been established for excess surplus, a capital reserve, a tuition reserve, a maintenance reserve, unemployment compensation, student activities and the debt service fund. The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the capital projects fund at June 30, 2022.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2022.

V. Revenue – Exchange and Nonexchange Transactions:

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

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

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

W. Operating Revenue and Expenses:

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

X. 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.

Y. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

Deposits:

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

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

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

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

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

Investments:

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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

Investments (Cont'd)

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

As of June 30, 2022, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking and Savings Accounts	\$ 6,801,332	\$ 11,554,123	\$ 18,355,455

The carrying amount of the Board's cash and cash equivalents at June 30, 2022, was \$18,355,455 and the bank balance was \$19,821,570. The District did not hold any investments during the fiscal year ended June 30, 2022.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 20,079			\$ 20,079
Construction in Progress	4,488,122	\$ 1,733,673		6,221,795
Total Capital Assets not Being Depreciated	<u>4,508,201</u>	<u>1,733,673</u>		<u>6,241,874</u>
Capital Assets Being Depreciated:				
Site Improvements	412,800			412,800
Buildings and Building Improvements	61,385,311	135,539		61,520,850
Machinery, Equipment and Vehicles	5,871,772	37,359		5,909,131
Total Capital Assets Being Depreciated	<u>67,669,883</u>	<u>172,898</u>		<u>67,842,781</u>
Governmental Activities Capital Assets	<u>72,178,084</u>	<u>1,906,571</u>		<u>74,084,655</u>
Less Accumulated Depreciation for:				
Site Improvements	(412,800)			(412,800)
Buildings and Building Improvements	(21,724,197)	(1,746,758)		(23,470,955)
Machinery, Equipment and Vehicles	(3,895,067)	(206,029)		(4,101,096)
Total Accumulated Depreciation	<u>(26,032,064)</u>	<u>(1,952,787)</u>		<u>(27,984,851)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 46,146,020</u>	<u>\$ (46,216)</u>	<u>\$ -0-</u>	<u>\$ 46,099,804</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	520,920	6,445		527,365
Less Accumulated Depreciation	<u>(240,126)</u>	<u>(25,740)</u>		<u>(265,866)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 280,794</u>	<u>\$ (19,295)</u>	<u>\$ -0-</u>	<u>\$ 261,499</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 3,244
General Administration	60,185
Plant Operations and Maintenance	7,427
Pupil Transportation	33,808
Unallocated	1,848,123
	<u>\$ 1,952,787</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 4. CAPITAL ASSETS (Cont'd)

The District had active construction projects totaling \$3,098,540 as of June 30, 2022. These projects include roof replacements at the elementary and high schools. At year end, the District had \$11,643 in outstanding construction encumbrances.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2022, the District made transfers in various Capital Outlay accounts for equipment which do not require approval of the County Superintendent. The District also transferred \$2,113,180 to the capital outlay accounts from the capital reserve through an approved budget appropriation.

NOTE 6. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2021 to June 30, 2022 fiscal year is as follows:

Beginning Balance at June 30, 2021		\$ 8,920,634
Increased by:		
Interest Earnings	\$ 18,168	
Transferred by Board Resolution	1,000,000	
Budget Appropriation	125,000	
Unexpended Balance from Capital Outlay	584,781	
		1,727,949
		10,648,583
Decreased by:		
By Budget Appropriation - Debt Service	45,000	
By Budget Appropriation - Capital Outlay	2,113,180	
		2,158,180
Ending Balance at June 30, 2022		\$ 8,490,403

The balance in the capital reserve account at June 30, 2022 does not exceed the LRFP balance of local support costs of uncompleted capital projects. The withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2022, the following changes occurred in liabilities reported in the District-wide financial statements:

	(Restated)			Balance June 30, 2022	Balance Due Within One Year
	Balance June 30, 2021	Accrued	Retired		
Serial Bonds Payable	\$ 10,875,000		\$ 1,610,000	\$ 9,265,000	\$ 1,670,000
Financed Purchases Payable	491,747		162,766	328,981	163,907
Net Pension Liability	8,283,386		1,652,038	6,631,348	
Unamortized Bond Issuance Premium	833,832		133,970	699,862	133,970
Compensated Absences Payable	1,319,460	\$ 49,470	266,835	1,102,095	
	<u>\$ 21,803,425</u>	<u>\$ 49,470</u>	<u>\$ 3,825,609</u>	<u>\$ 18,027,286</u>	<u>\$ 1,967,877</u>

A. Bonds Payable:

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

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

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

The District had bonds outstanding as of June 30, 2022 as follows:

Purpose	Final Maturity Date	Interest Rate	Amount
School Refunding Bonds	7/15/2029	3.0-4.0%	\$ 6,120,000
School Refunding Bonds	2/15/2025	2.4-4.0%	3,145,000
			<u>\$ 9,265,000</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

A. Bonds Payable: (Cont'd)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,670,000	\$ 315,420	\$ 1,985,420
2024	1,745,000	248,120	1,993,120
2025	1,810,000	194,500	2,004,500
2026	755,000	121,500	876,500
2027	785,000	90,700	875,700
2028-2030	2,500,000	114,000	2,614,000
	<u>\$ 9,265,000</u>	<u>\$ 1,084,240</u>	<u>\$ 10,349,240</u>

B. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$133,970 and the long-term portion is \$565,892.

C. Bonds Authorized But Not Issued:

As of June 30, 2022, the Board had no bonds authorized but not issued.

D. Financed Purchases Payable:

The District has a financed purchase agreement for virtual desktop infrastructure totaling \$253,000 of which \$150,685 had been amortized as of June 30, 2022. The financed purchase agreement is for a term of five years. The District is also financing chromebooks totaling \$453,332 of which \$226,666 had been amortized as of June 30, 2022. The financed purchase agreement is for a term of four years. The following is a schedule of the future minimum financed purchase payments under the financed purchase agreements, and the present value of the net minimum financed purchases payments at June 30, 2022.

Fiscal Year Ending June 30,	Amount
2023	\$ 169,138
2024	169,138
Total Minimum Financed Purchases Payments	<u>338,276</u>
Less: Amount Representing Interest	<u>(9,295)</u>
Present Value of Net Minimum Financed Purchases Payments	<u>\$ 328,981</u>

The current portion of the financed purchases payable at June 30, 2022 is \$163,907 and the long-term portion is \$165,074. The General Fund will be used to liquidate the financed purchases payable.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

E. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the long-term liabilities. The current portion of compensated absences liability at June 30, 2022 is \$-0- and the long-term portion is \$1,102,095. Compensated absences will be liquidated by the General Fund.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2022, no liability existed for compensated absences in the Food Service Fund.

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2022 is \$-0- and the long-term portion is \$6,631,348 See Note 10 for further information on the PERS.

NOTE 8. MAINTENANCE RESERVE ACCOUNT

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

The activity of the maintenance reserve for the July 1, 2021 to June 30, 2022 fiscal year is as follows:

Beginning Balance at June 30, 2021	\$	252,746
Interest Earnings		523
Ending Balance at June 30, 2022	\$	253,269

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 9. TUITION RESERVE ACCOUNT

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

As of June 30, 2022 the District has \$2,138,843 in the tuition reserve for which \$1,029,803 and \$1,109,040 will be used to pay for any tuition adjustments for the fiscal years ending June 30, 2023 and 2024, respectively.

NOTE 10. PENSION PLANS

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

Plan Description

The State of New Jersey, Public Employees’ Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division’s 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

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$643,743 for fiscal year 2022.

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, 2022, the District reported a liability of \$6,631,348 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. 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, 2021, the District's proportion was 0.0560%, which was an increase of 0.0053% from its proportion measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized actual pension expense of \$60,421. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2017	5.48		\$ (280,242)
	2018	5.63		(525,395)
	2019	5.21		(463,490)
	2020	5.16		(1,091,676)
	2021	5.13	\$ 34,536	
			<u>34,536</u>	<u>(2,360,803)</u>
Changes in Proportion	2017	5.48	35,885	
	2018	5.63		(1,969)
	2019	5.21		(191,201)
	2020	5.16		(542,238)
	2021	5.13	909,869	
			<u>945,754</u>	<u>(735,408)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2018	5.00		(51,800)
	2019	5.00		16,714
	2020	5.00		376,688
	2021	5.00		(2,088,473)
				<u>(1,746,871)</u>
Difference Between Expected and Actual Experience	2017	5.48	8,334	
	2018	5.63		(20,008)
	2019	5.21	35,429	
	2020	5.16	60,822	
	2021	5.13		(27,465)
			<u>104,585</u>	<u>(47,473)</u>
District Contribution Subsequent to the Measurement Date	2021	1.00	669,908	
			<u>\$ 1,754,783</u>	<u>\$ (4,890,555)</u>

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2022	\$ (1,564,710)
2023	(1,117,199)
2024	(761,739)
2023	(572,601)
2026	223
	\$ (4,016,026)

Actuarial Assumptions

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

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	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-2021.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. 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, 2021 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%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Management Strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2021 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, 2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the of the Net Pension Liability	\$ 9,035,549	\$ 6,631,348	\$ 4,597,827

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.state.nj.us/treasury/pensions/annual-reports.shtml.

Benefits Provided

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2021, 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. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer. During the fiscal year ended 2022, the State of New Jersey contributed \$7,355,752 to the TPAF for normal pension benefits on behalf of the District, which is more than the contractually required contribution of \$1,895,419.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

At June 30, 2022, the State's proportionate share of the net pension liability associated with the District was \$80,551,782. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. 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, 2021, the District's proportion was 0.166%, which was a decrease of .002% from its proportion measured as of June 30, 2020.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>80,551,782</u>
Total	<u><u>\$ 80,551,782</u></u>

For the fiscal year ended June 30, 2021, the State recognized pension expense on behalf of the District in the amount of \$1,895,419 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2022 financial statements.

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 153,774,925	
	2015	8.3	926,219,611	
	2016	8.3	3,000,278,784	
	2017	8.3		\$ 5,282,196,290
	2018	8.29		3,527,661,165
	2019	8.04		2,510,940,613
	2020	7.99	1,209,286,241	
	2021	7.93		12,903,483,645
			5,289,559,561	24,224,281,713
Difference Between Expected and Actual Experience	2014	8.5		1,464,605
	2015	8.3	57,204,429	
	2016	8.3		37,311,034
	2017	8.3	93,981,436	
	2018	8.29	618,845,893	
	2019	8.04		97,553,990
	2020	7.99		6,444,940
	2021	7.93	171,234,070	
			941,265,828	142,774,569
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2018	5.00		96,030,373
	2019	5.00		(72,441,385)
	2020	5.00		(724,186,621)
	2021	5.00		3,554,633,811
			2,854,036,178	
			\$ 6,230,825,389	\$ 27,221,092,460

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2022	\$ (2,914,282,899)
2023	(3,500,098,875)
2024	(4,665,036,366)
2025	(4,192,375,542)
2026	(2,350,648,872)
Thereafter	(3,367,824,517)
	\$ (20,990,267,071)

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55 – 4.45% 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-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

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

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 100% of the actuarially determined contribution from the State. Based on those assumptions, the pension 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 pension plan investments was applied to all projected benefit payments in determining the total pension liability.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2021 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, 2021		
	1%	Current	1%
	Decrease (6.00%)	Discount Rate (7.00%)	Increase (8.00%)
Total Net Pension Liability	\$ 95,306,232	\$ 80,551,782	\$ 68,158,987

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$26,267 for the fiscal year ended June 30, 2022. Employee contributions to DCRP amounted to \$36,683 for the fiscal year ended June 30, 2022.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 11. RISK MANAGEMENT

Property, Liability and Health Benefits

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

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

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

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

The June 30, 2022 audit was not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2021 is as follows:

	New Jersey Schools Insurance Group (NJSIG)
Total Assets	\$ 409,725,069
Net Position	\$ 171,872,738
Total Revenue	\$ 142,993,117
Total Expenses	\$ 104,006,539
Change in Net Position	\$ 32,639,633
Member Dividends	\$ 6,346,945

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

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

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

New Jersey Unemployment Compensation Insurance

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

The following is a summary of District contributions, employee contributions, interest earnings, reimbursements to the State for benefits paid and the ending balance of the District’s Unemployment Compensation Restricted Fund Balance in the General Fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019-2020	\$ 100,000	\$ 39,588	\$ 1,517	\$ 75,492	\$ 471,784
2020-2021		37,173	200	178,440	330,717
2021-2022		37,263	352		368,332

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances existed as at June 30, 2022:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 64,919	
Special Revenue Fund		\$ 64,919
Capital Projects Fund		798
Debt Service	798	
	<u>\$ 65,717</u>	<u>\$ 65,717</u>

The interfund between the General Fund and the Special Revenue Fund is due to the deficit in cash as a result of grant fund receivables. The interfund between the Capital Projects Fund and the Debt Service Fund represents interest earned in the Capital Projects Fund which was not turned over to the Debt Service Fund before year end.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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:

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

NOTE 14. TAX CALENDAR

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

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

NOTE 15. ECONOMIC DEPENDENCY

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

NOTE 16. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 17. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2022, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 1,679,429	\$ 356,604	\$ 11,643	\$ 2,047,676

On the District's Governmental Funds Balance Sheet as of June 30, 2022, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$356,604 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund. The \$11,643 of year-end encumbrances in the Capital Projects are included in the committed fund balance amount on the Governmental Funds Balance Sheet as of June 30, 2022.

NOTE 18. ACCOUNTS PAYABLE

	Governmental Funds			District Contribution Subsequent to the Measurement Date	Total Governmental Activities
	General Fund	Special Revenue Fund	Capital Projects Fund		
Vendors	\$ 579,222	\$ 420,115	\$ 335,911		\$ 1,335,248
Payroll Deductions and Withholdings	212,283				212,283
Due to State of New Jersey				\$ 669,908	669,908
	\$ 791,505	\$ 420,115	\$ 335,911	\$ 669,908	\$ 2,217,439

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired Employees Plan

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 Employees 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 paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits 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 annual financial statements which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2020, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	150,427
Active Plan Members	<u>213,901</u>
Total	<u><u>364,328</u></u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

State Health Benefit Program Fund – Local Education Retired Employees Plan

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021.

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	PFRS
Salary Increases: Through 2026	1.55 - 4.45% based on service years	2.00 - 6.00% based on service years	3.25 - 15.25% based on service years
Thereafter	2.75 -5.65% based on service years	3.00 - 7.00% based on service years	Not Applicable

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

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), and “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. 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-2021. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021 for current disabled retirees. Future disabled retirees were based on the Pub-2010 “Safety” (PFRS), “General” (PERS) and “Teachers” (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

State Health Benefit Program Fund – Local Education Retired Employees Plan

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.5% long term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal years 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreasing to 4.5% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreasing to 4.5% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.5% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate

The discount rate for June 30, 2021 was 2.16%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

	Total OPEB Liability
Balance at June 30, 2020	\$ 98,239,232
Changes for Year:	
Service Cost	5,218,033
Interest on the Total OPEB Liability	2,287,328
Changes of Assumptions	86,990
Change in Benefit Terms	(93,851)
Differences between Expected and Actual Experience	(15,820,378)
Gross Benefit Payments by the State	(1,801,774)
Contributions from Members	58,476
Net Changes	(10,065,176)
Balance at June 30, 2021	\$ 88,174,056

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

State Health Benefit Program Fund – Local Education Retired Employees Plan

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, 2021, 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, 2021		
	At 1% Decrease (1.16%)	At Discount Rate (2.16%)	At 1% Increase (3.16%)
Total OPEB Liability Attributable to the District	\$ 105,618,677	\$ 88,174,056	\$ 83,624,544

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, 2021, 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, 2021		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 71,377,185	\$ 88,174,056	\$ 110,731,013

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

For the fiscal year ended June 30, 2022 the District recognized OPEB expense of \$5,678,598 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, 2020 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 19. 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:

	Year of Deferral	Original Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 4,955,410
	2018	9.51		4,504,845
	2019	9.29	\$ 618,996	
	2020	9.24	14,261,038	
	2021	9.24	77,576	
			<u>14,957,610</u>	<u>9,460,255</u>
Differences Between Expected and Actual Experience	2018	9.51		4,258,481
	2019	9.29		7,285,620
	2020	9.24	13,291,847	
	2021	9.24		14,918,501
			<u>13,291,847</u>	<u>26,462,602</u>
Changes in Proportion	N/A	N/A	<u>3,836,031</u>	<u>1,819,695</u>
			<u>\$ 32,085,488</u>	<u>\$ 37,742,552</u>

N/A - Not Available

Fiscal Year Ending June 30,	Total
2021	\$ 63,830
2022	63,830
2023	63,830
2024	63,830
2025	63,830
Thereafter	<u>6,912,205</u>
	<u>\$ 7,231,357</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

NOTE 20. TAX ABATEMENTS

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

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

The Borough of Somerville recognized revenue in the amount of \$802,694 from payment in lieu of taxes ("PILOT") agreement. The taxes which would have been paid for 2021 without the abatement would have been \$2,513,401 of which \$1,451,514 would have been for the local school tax.

NOTE 21. PRIOR YEAR RESTATEMENT

GASB 87, *Leases*, was implemented during the fiscal year ended June 30, 2022. As part of this implementation, operating leases are now reported as lease assets. During our review of the District's leases, it was noted that certain leases should be reported as financed purchases. The balances affected were restated as follows:

	Balance 6/30/21 as Previously Reported	Retroactive Adjustments	Balance 6/30/21 as Restated
<u>Statement of Net Position - Governmental Activities:</u>			
Non Current Liabilities:			
Due Within One Year	\$ 1,743,970	\$ 162,766	\$ 1,906,736
Due Beyond One Year	\$ 19,567,708	\$ 328,981	\$ 19,896,689
Total Liabilities	\$ 24,837,134	\$ 491,747	\$ 25,328,881
Net Position:			
Unrestricted/(Deficit)	\$ (11,850,609)	\$ (491,747)	\$ (12,342,356)
Net Position - Beginning	\$ 36,475,382	\$ (491,747)	\$ 35,983,635

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,							
	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability	0.0490458605%	0.0519459671%	0.0548689596%	0.0567481496%	0.0567180100%	0.0547280791%	0.0507953034%	0.0559772793%
District's proportionate share of the net pension liability	\$ 9,182,726	\$ 11,660,829	\$ 16,250,612	\$ 13,210,062	\$ 11,167,494	\$ 9,861,170	\$ 8,283,386	\$ 6,631,348
District's covered employee payroll	\$ 3,478,144	\$ 3,675,028	\$ 3,843,946	\$ 3,876,762	\$ 3,825,748	\$ 3,866,610	\$ 4,029,327	\$ 3,917,094
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	264.01%	317.30%	422.76%	340.75%	291.90%	255.03%	205.58%	169.29%
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%	70.33%

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

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

	Fiscal Year Ending June 30,							
	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	\$ 404,327	\$ 446,596	\$ 492,461	\$ 559,987	\$ 598,548	\$ 570,491	\$ 591,020	\$ 643,743
Contributions in relation to the contractually required contribution	(404,327)	(446,596)	(492,461)	(559,987)	(598,548)	(570,491)	(591,020)	(643,743)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 3,675,028	\$ 3,843,946	\$ 3,876,762	\$ 3,825,748	\$ 3,866,610	\$ 4,029,327	\$ 3,917,094	\$ 4,332,479
Contributions as a percentage of covered employee payroll	11.00%	11.62%	12.70%	14.64%	15.48%	14.16%	15.09%	14.86%

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

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

	Fiscal Year Ending June 30,							
	2015	2016	2017	2018	2019	2020	2021	2022
State's proportion of the net pension liability attributable to the District	0.1703588325%	0.1722106861%	0.166527727%	0.1679416150%	0.1722765513%	0.1707258308%	0.1678030800%	0.1675537515%
State's proportionate share of the net pension liability attributable to the District	\$ 91,051,251	\$ 108,844,508	\$ 131,001,349	\$ 113,232,293	\$ 109,598,642	\$ 104,776,054	\$ 110,496,309	\$ 80,551,782
District's covered employee payroll	\$ 16,634,801	\$ 16,820,295	\$ 17,622,689	\$ 18,022,261	\$ 17,899,833	\$ 18,034,210	\$ 19,687,965	\$ 19,710,132
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	547.35%	647.10%	743.37%	628.29%	612.29%	580.98%	561.24%	408.68%
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%	35.52%

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

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

	Fiscal Year Ending June 30,							
	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	\$ 4,899,412	\$ 6,645,937	\$ 9,842,929	\$ 7,844,160	\$ 6,389,218	\$ 6,179,972	\$ 6,871,131	\$ 1,895,419
Contributions in relation to the contractually required contribution	(931,034)	(1,333,286)	(1,822,962)	(2,537,026)	(3,357,764)	(3,680,564)	(4,870,585)	(7,355,752)
Contribution deficiency/(excess)	<u>\$ 3,968,378</u>	<u>\$ 5,312,651</u>	<u>\$ 8,019,967</u>	<u>\$ 5,307,134</u>	<u>\$ 3,031,454</u>	<u>\$ 2,499,408</u>	<u>\$ 2,000,546</u>	<u>\$ (5,460,333)</u>
District's covered employee payroll	\$ 16,820,295	\$ 17,622,689	\$ 18,022,261	\$ 17,899,833	\$ 18,034,210	\$ 19,687,965	\$ 19,710,132	\$ 20,390,094
Contributions as a percentage of covered employee payroll	5.54%	7.57%	10.12%	14.17%	18.62%	18.69%	24.71%	36.08%

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

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

	Fiscal Years Ending June 30,				
	2017	2018	2019	2020	2021
Total OPEB Liability					
Service Cost	\$ 3,784,731	\$ 3,124,493	\$ 2,687,917	\$ 2,803,573	\$ 5,218,033
Interest Cost	2,457,659	2,842,543	2,545,318	2,153,968	2,287,328
Changes in Assumptions	(10,730,828)	(7,339,870)	888,051	17,944,932	86,990
Change of Benefit Terms					(93,851)
Difference Between Expected and Actual Experiences		(10,109,229)	(8,747,939)	17,434,746	(15,820,378)
Member Contributions	65,753	59,111	54,197	51,838	58,476
Gross Benefit Payments	(1,785,672)	(1,710,300)	(1,828,328)	(1,710,264)	(1,801,774)
Net Change in Total OPEB Liability	(6,208,357)	(13,133,252)	(4,400,784)	38,678,793	(10,065,176)
Total OPEB Liability - Beginning	83,302,832	77,094,475	63,961,223	59,560,439	98,239,232
Total OPEB Liability - Ending	<u>\$ 77,094,475</u>	<u>\$ 63,961,223</u>	<u>\$ 59,560,439</u>	<u>\$ 98,239,232</u>	<u>\$ 88,174,056</u>
District's Covered Employee Payroll *	\$ 20,495,323	\$ 21,466,635	\$ 21,899,023	\$ 21,725,581	\$ 21,900,820
Total OPEB Liability as a Percentage of Covered Employee Payroll	376%	298%	272%	452%	403%

* - Covered payroll for the fiscal years ending June 30, 2017 - 2021 are based on the payroll on the June 30, 2016 - 2020 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, 2019.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2019 actuarial valuation the mortality improvement was based on Scale MP-2020 while in the July 1, 2020 actuarial valuation the mortality improvement was based on Scale MP-2021.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.40% as of June 30, 2020 to 7.00% as of June 30, 2021

In the July 1, 2019 actuarial valuation the mortality improvement was based on Scale MP-2020 while in the July 1, 2020 actuarial valuation the mortality improvement was based on Scale MP-2021.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate for June 30, 2021 was 2.16%. The discount rate for June 30, 2020 was 2.21%, a change of -.05%.

The salary increases for TPAF/ABP for thereafter were 1.55 – 4.45% in the valuation as of June 30, 2020 while the salary increases for TPAF/ABP for thereafter are 2.75 – 5.65% in the valuation as of June 30, 2021.

The salary increases for PFRS for thereafter were applied to all future years in the valuation as of June 30, 2020 while the salary increases for PFRS for thereafter are not applicable in the valuation as of June 30, 2021.

The mortality rates in the valuation as of June 30, 2021 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-2021. 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-2021. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021 for current disabled retirees. Future disabled retirees were based on the Pub-2010 "Safety" (PFRS), "General" (PERS) and "Teachers" (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

Changes of Actuarial Assumptions (Cont'd)

The mortality rates in the valuation as of June 30, 2020 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP) and "General" (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. 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-2020. 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-2020.

The health care trend rates in the valuation as of June 30, 2021 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.5% long term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal years 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreasing to 4.5% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreasing to 4.5% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.5% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

The health care trend rates in the valuation as of June 30, 2020 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2021 through 2022 are reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

BUDGETARY COMPARISON SCHEDULES

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues from Local Sources:					
Local Tax Levy	\$ 23,390,986	\$	\$ 23,390,986	\$ 23,390,986	\$ 120,789
Tuition From Individuals				120,789	(54,738)
Tuition From Other LEAs Within the State	11,860,599		11,860,599	11,805,861	122,405
Transportation Fees From Other LEAs				122,405	32,285
Rents and Royalties	15,000		15,000	47,285	37,616
Restricted Miscellaneous Revenue				37,616	105,958
Unrestricted Miscellaneous Revenues	78,897		78,897	184,855	16,166
Interest Earned on Capital Reserve Funds	2,002		2,002	18,168	523
Interest Earned on Maintenance Reserve Funds				523	4,262
Interest Earned on Tuition Reserve Funds				4,262	
Total Revenues from Local Sources	35,347,484		35,347,484	35,732,750	385,266
Revenues from State Sources:					
Categorical Transportation Aid	204,865		204,865	204,865	
Extraordinary Aid	100,000		100,000	374,106	274,106
Categorical Special Education Aid	1,448,667		1,448,667	1,448,667	
Equalization Aid	6,760,090		6,760,090	6,760,090	
Categorical Security Aid	443,956		443,956	443,956	
TPAF Post Retirement Contributions (Non-Budgeted)				1,742,848	1,742,848
TPAF Pension Contributions (Non-Budgeted)				7,355,752	7,355,752
TPAF Non-Contributory Insurance (Non-Budgeted)				103,779	103,779
TPAF Long-Term Disability Insurance (Non-Budgeted)				3,494	3,494
Reimbursed TPAF Social Security Contributions				1,537,135	1,537,135
Total Revenues from State Sources	8,957,578		8,957,578	19,974,692	11,017,114

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues from Federal Sources:					
Medicaid Reimbursement	\$ 53,614		\$ 53,614	\$ 66,158	\$ 12,544
Total Revenues from Federal Sources	<u>53,614</u>		<u>53,614</u>	<u>66,158</u>	<u>12,544</u>
TOTAL REVENUE	<u>44,358,676</u>		<u>44,358,676</u>	<u>55,773,600</u>	<u>11,414,924</u>
GENERAL CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	491,064		491,064	487,061	4,003
Grades 1-5 - Salaries of Teachers	3,459,676		3,459,676	3,371,958	87,718
Grades 6-8 - Salaries of Teachers	2,082,586	\$ (46,496)	2,036,090	1,928,949	107,141
Grades 9-12 - Salaries of Teachers	6,560,425		6,560,425	6,374,783	185,642
Regular Programs - Home Instruction:					
Salaries of Teachers	20,000	(6,250)	13,750	7,622	6,128
Purchased Professional-Educational Services	50,000		50,000	25,804	24,196
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	109,535		109,535	64,455	45,080
Purchased Professional-Educational Services	47,795		47,795	30,825	16,970
Purchased Technical Services	29,325		29,325	12,380	16,945
Other Purchased Services (400-500 series)	676,220	(18,697)	657,523	554,437	103,086
General Supplies	731,608	(61,540)	670,068	481,430	188,638
Textbooks	55,750		55,750	14,059	41,691
Other Objects	11,040		11,040	4,547	6,493
Total Regular Programs - Instruction	<u>14,325,224</u>	<u>(132,983)</u>	<u>14,192,241</u>	<u>13,358,310</u>	<u>833,931</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	\$ 298,232	\$ 30,694	\$ 328,926	\$ 323,020	\$ 5,906
Other Salaries for Instruction	273,451	(26,694)	246,757	243,715	3,042
Other Purchased Services (400-500 series)	1,000		1,000		1,000
General Supplies	1,600		1,600	1,435	165
Total Learning and/or Language Disabilities	574,283	4,000	578,283	568,170	10,113
Multiple Disabilities:					
Salaries of Teachers	426,924	101,307	528,231	527,332	899
Other Salaries for Instruction	372,359	122,700	495,059	490,194	4,865
Other Purchased Services (400-500 series)	3,800	1,883	5,683	4,117	1,566
General Supplies	10,600		10,600	7,780	2,820
Total Multiple Disabilities	813,683	225,890	1,039,573	1,029,423	10,150
Resource Room/Resource Center:					
Salaries of Teachers	2,505,924	(48,000)	2,457,924	2,439,376	18,548
Other Salaries for Instruction	474,922	(156,000)	318,922	301,892	17,030
General Supplies	15,688	(736)	14,952	10,478	4,474
Other Objects	10,000		10,000	6,137	3,863
Total Resource Room/Resource Center	3,006,534	(204,736)	2,801,798	2,757,883	43,915
Preschool Disabilities - Part-Time:					
Salaries of Teachers	78,008		78,008	77,345	663
Other Salaries for Instruction	80,615	(20,000)	60,615	49,874	10,741
General Supplies	1,300		1,300	843	457
Total Preschool Disabilities - Part-Time	159,923	(20,000)	139,923	128,062	11,861

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Preschool Disabilities - Full-Time:					
Salaries of Teachers	\$ 288,654	\$ (83,000)	\$ 205,654	\$ 202,901	\$ 2,753
Other Salaries for Instruction	356,719	(67,007)	289,712	287,608	2,104
General Supplies	4,500		4,500	3,966	534
Total Preschool Disabilities - Full-Time	649,873	(150,007)	499,866	494,475	5,391
TOTAL SPECIAL EDUCATION - INSTRUCTION	5,204,296	(144,853)	5,059,443	4,978,013	81,430
Basic Skills/Remedial - Instruction:					
Purchased Professional-Educational Services	34,000		34,000	16,000	18,000
Total Basic Skills/Remedial - Instruction	34,000		34,000	16,000	18,000
Bilingual Education - Instruction:					
Salaries of Teachers	329,061		329,061	280,974	48,087
Other Purchased Services (400-500 series)	1,440	295	1,735	995	740
General Supplies	3,820	700	4,520	2,868	1,652
Total Bilingual Education - Instruction	334,321	995	335,316	284,837	50,479
School-Spon. Cocurricular & Extracurricular Actvts. - Inst.:					
Salaries	211,461		211,461	182,592	28,869
Purchased Services (300-500 series)	13,700		13,700	3,366	10,334
Supplies and Materials	49,230	(450)	48,780	22,908	25,872
Other Objects	3,450	450	3,900	3,301	599
Total School-Spon. Cocurricular & Extracurricular Actvts. - Inst.	277,841		277,841	212,167	65,674
School-Sponsored Athletics - Instruction:					
Salaries	586,894		586,894	573,540	13,354
Purchased Services (300-500 series)	174,645	6,700	181,345	139,835	41,510
Supplies and Materials	93,550	8,797	102,347	93,357	8,990
Other Objects	25,660	1,933	27,593	26,038	1,555
Total School-Sponsored Athletics - Instruction	880,749	17,430	898,179	832,770	65,409

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Before/After School Programs - Instruction:					
Salaries of Teacher Tutors	\$ 30,000		\$ 30,000	\$ 13,764	\$ 16,236
Total Before/after School Programs - Instruction	30,000		30,000	13,764	16,236
Summer School - Instruction:					
Salaries of Teacher Tutors	6,000		6,000	795	5,205
Total Summer School - Instruction	6,000		6,000	795	5,205
Total Summer School	6,000		6,000	795	5,205
TOTAL INSTRUCTION	21,092,431	\$ (259,411)	20,833,020	19,696,656	1,136,364
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State-Regular	72,015		72,015	50,024	21,991
Tuition to Other LEAs Within the State-Special	171,240	(12,200)	159,040	44,100	114,940
Tuition to County Voc. School Dist.-Regular	69,100		69,100	39,100	30,000
Tuition to CSSD & Reg. Day Schools	246,630		246,630	183,510	63,120
Tuition to Priv. Sch. for the Handicap. W/I State	834,629	(38,873)	795,756	400,974	394,782
Total Undistributed Expenditures - Instruction	1,393,614	(51,073)	1,342,541	717,708	624,833
Undistributed Expend. - Attend. & Social Work:					
Salaries	76,555	975	77,530	77,529	1
Other Purchased Services (400-500 series)	350		350	98	252
Total Undist. Expend. - Attendance and Social Work	76,905	975	77,880	77,627	253
Undistributed Expenditures - Health Services:					
Salaries	349,157	11,794	360,951	360,296	655
Purchased Professional and Technical Services	19,116	120	19,236	15,986	3,250
Supplies and Materials	18,500	(1,159)	17,341	8,339	9,002
Other Objects	1,000	116	1,116	350	766
Total Undist. Expenditures - Health Services	387,773	10,871	398,644	384,971	13,673

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Speech, OT, PT, Related Svcs:					
Salaries	\$ 733,301	\$ 8,390	\$ 741,691	\$ 740,168	\$ 1,523
Purchased Professional - Educational Services	17,180	5,650	22,830	22,770	60
Supplies and Materials	19,068	(7,721)	11,347	7,990	3,357
Total Undist. Expend. - Speech, OT, PT, Related Svcs	769,549	6,319	775,868	770,928	4,940
Undist.Expend.-Other Supp.Serv.Students-Extra.Serv.:					
Salaries	88,762	185,796	274,558	220,204	54,354
Purchased Professional - Educational Services	228,161	6,250	234,411	143,437	90,974
Total Undist. Expend. - Other Supp. Serv. Students - Extra. Serv.	316,923	192,046	508,969	363,641	145,328
Undist.Expend.-Guidance:					
Salaries of Other Professional Staff	1,001,259	69,900	1,071,159	1,017,910	53,249
Salaries of Secretarial and Clerical Assistants	129,018	3,100	132,118	132,117	1
Other Purchased Prof. and Tech. Services	31,640	830	32,470	32,327	143
Other Purchased Services (400-500 series)	425		425		425
Supplies and Materials	8,246	2,725	10,971	4,221	6,750
Total Undist Expend. - Guidance	1,170,588	76,555	1,247,143	1,186,575	60,568
Undist. Expend.-Child Study Team:					
Salaries of Other Professional Staff	801,025	(80,838)	720,187	682,727	37,460
Salaries of Secretarial and Clerical Assistants	72,356		72,356	71,852	504
Other Purchased Prof. and Tech. Services	74,500	6,999	81,499	40,718	40,781
Other Purchased Services (400-500 series)	7,500	4,425	11,925	7,642	4,283
Supplies and Materials	10,000	(1,875)	8,125	6,224	1,901
Other Objects		1,500	1,500	1,500	
Total Undist Expend. - Child Study Team	965,381	(69,789)	895,592	810,663	84,929

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Improv. of Inst. Serv.:					
Salaries of Supervisors of Instruction	\$ 359,359		\$ 359,359	\$ 330,908	\$ 28,451
Salaries of Other Professional Staff	63,700	\$ (9,914)	53,786	31,752	22,034
Salaries of Secretarial and Clerical Assistants	77,687	1,352	79,039	79,039	
Unused Vacation Payment to Terminated/Retired Staff		15,847	15,847	15,847	
Other Purchased Services (400-500 series)	16,500		16,500	2,069	14,431
Supplies and Materials	7,000	(138)	6,862	3,676	3,186
Other Objects	7,000	138	7,138	7,138	
Total Undist. Expend.-Improv. of Inst. Serv.	531,246	7,285	538,531	470,429	68,102
Undist. Expend.-Edu. Media Serv./Sch. Library:					
Salaries	207,206		207,206	110,264	96,942
Salaries of Technology Coordinators	352,995	91,460	444,455	423,650	20,805
Unused Vacation Payment to Terminated/Retired Staff		13,083	13,083	13,083	
Other Purchased Services (400-500 series)	20,400	9,915	30,315	16,083	14,232
Supplies and Materials	15,879	4,196	20,075	17,815	2,260
Total Undist Expend-Edu. Media Serv./Sch. Library	596,480	118,654	715,134	580,895	134,239
Undist.Expend.-Instructional Staff Training Services:					
Salaries of Other Professional Staff	6,000		6,000	1,562	4,438
Purchased Professional - Educational Service	128,800	(15,583)	113,217	51,825	61,392
Other Purchased Prof. And Tech. Services	15,000		15,000	12,511	2,489
Other Purchased Services (400-500 series)	23,400	2,292	25,692	12,186	13,506
Supplies and Materials	4,500		4,500		4,500
Other Objects	2,500	(800)	1,700	243	1,457
Total Undist.Expend.-Instructional Staff Training Services	180,200	(14,091)	166,109	78,327	87,782

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Support Serv.-Gen. Admin.:					
Salaries	\$ 276,866	\$	\$ 276,866	\$ 264,443	\$ 12,423
Unused Vacation Payment to Terminated/Retired Staff	168,000	6,587	6,587	6,587	6,831
Legal Services	41,500	6,278	174,278	167,447	1,800
Audit Fees	27,406	2,841	41,500	39,700	20,047
Architectural/Engineering Services	6,000	(6,000)	30,247	10,200	
Other Purchased Professional Services	9,000	(2,841)	6,159	2,645	3,514
Purchased Technical Services	58,000	(6,278)	51,722	42,513	9,209
Communications / Telephone	5,200		5,200	2,740	2,460
BOE Other Purchased Services	206,855	(587)	206,268	195,864	10,404
Other Purch. Serv. (400-500 series other than 530 & 585)	8,000		8,000	859	7,141
General Supplies	16,178		16,178	11,115	5,063
Miscellaneous Expenditures	20,100		20,100	18,512	1,588
BOE Membership Dues and Fees	843,105		843,105	762,625	80,480
Total Undist. Expend.-Support Serv.-Gen. Admin.					
Undist. Expend.-Support Serv.-School Admin.:					
Salaries of Principals/Assistant Principals/Prog Director	1,573,750		1,573,750	1,571,033	2,717
Salaries of Secretarial and Clerical Assistants	515,673		515,673	506,157	9,516
Other Salaries	21,168	(1,873)	19,295	1,480	17,815
Unused Vacation Payment to Terminated/Retired Staff		18,878	18,878	18,877	1
Purchased Professional and Technical Services	410		410	410	
Other Purchased Services (400-500 series)	14,350		14,350	8,018	6,332
Supplies and Materials	35,880	23,789	59,669	46,041	13,628
Other Objects	55,820	9,000	64,820	49,740	15,080
Total Undist. Expend.-Support Serv.-School Adm.	2,217,051	49,794	2,266,845	2,201,756	65,089

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Central Services:					
Salaries	\$ 556,271	\$ 4,837	\$ 561,108	\$ 561,107	\$ 1
Miscellaneous Purchased Services (400-500 series other than 594)	24,495	(2,064)	22,431	17,067	5,364
Supplies and Materials	9,000	(2,773)	6,227	5,743	484
Other Objects	2,600		2,600	1,775	825
Total Undist. Expend. - Central Services	592,366		592,366	585,692	6,674
Undist. Expend. - Admin. Info. Technology:					
Salaries	190,062	(91,460)	98,602	98,601	1
Purchased Technical Services	199,800		199,800	168,342	31,458
Other Purchased Services (400-500 series)	61,100		61,100	56,658	4,442
Supplies and Materials	33,500		33,500	7,254	26,246
Other Objects	8,600		8,600	2,018	6,582
Total Undist. Expend. - Admin. Info. Technology	493,062	(91,460)	401,602	332,873	68,729
Undist. Expend.-Required Maintenance for School Facilities:					
Salaries	306,493	(10,000)	296,493	280,087	16,406
Cleaning, Repair, and Maintenance Services	383,666	140,324	523,990	429,737	94,253
General Supplies	145,739	4,744	150,483	137,749	12,734
Other Objects	6,000		6,000	4,566	1,434
Total Undist. Expend.- Required Maint. for School Facilities	841,898	135,068	976,966	852,139	124,827
Undist. Expend.-Custodial Services:					
Salaries	663,879	(4,548)	659,331	598,474	60,857
Salaries of Non-Instructional Aides	210,247	(77,883)	132,364	101,457	30,907
Unused Vacation Payment to Terminated/Retired Staff		4,548	4,548	4,546	2
Purchased Professional and Technical Services	10,000	450	10,450	10,450	
Cleaning, Repair, and Maintenance Services	630,040	25,550	655,590	618,748	36,842
Rental of Land & Bldg. Oth. than Lease Pur. Agrmt.	5,000	10,336	15,336	12,908	2,428
Other Purchased Property Services	38,000	2,118	40,118	40,118	

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Custodial Services (Cont'd):					
Insurance	\$ 100,593	\$ (5,336)	\$ 95,257	\$ 89,417	\$ 5,840
Miscellaneous Purchased Services	750	5,375	6,125	6,125	
General Supplies	110,463	(34,375)	76,088	63,619	12,469
Energy (Natural Gas)	200,000	17,882	217,882	210,388	7,494
Energy (Electricity)	525,000	(47,000)	478,000	453,069	24,931
Other Objects	1,000		1,000	675	325
Total Undist. Expend.-Custodial Services	2,494,972	(102,883)	2,392,089	2,209,994	182,095
Care and Upkeep of Grounds:					
Cleaning, Repair, and Maintenance Services	80,000		80,000	56,890	23,110
General Supplies	14,000		14,000	7,038	6,962
Total Care And Upkeep Of Grounds	94,000		94,000	63,928	30,072
Security:					
Salaries	127,933	(12,570)	115,363	109,290	6,073
Purchased Professional and Technical Services	16,400	12,570	28,970	5,177	23,793
General Supplies	26,400		26,400	6,356	20,044
Total Security	170,733		170,733	120,823	49,910
Total Undist. Expend.-oper. And Maint. Of Plant Serv.	3,601,603	32,185	3,633,788	3,246,884	386,904
Undist. Expend.-Student Transportation Serv.:					
Salaries of Non-Instructional Aides	113,470		113,470	97,786	15,684
Sal. for Pupil Trans. (Bet. Home and Sch)-Spl. Ed.	156,557		156,557	132,305	24,252
Sal. for Pupil Trans. (Oth. than Bet. Home & Sch)	65,000		65,000	64,773	227
Other Purchased Professional and Technical Services	1,700	4,631	6,331	6,330	1
Cleaning, Repair, and Maint. Services	33,500	(9,762)	23,738	14,502	9,236
Contract Serv.(Oth. than Bet. Home & Sch.)-Vend.	150,000	(21,604)	128,396	75,797	52,599
Contract Serv.(Reg. Students)-ESCs & CTSA		71,967	71,967	61,474	10,493
Contract Serv.(Spl. Ed. Students)-ESCs & CTSA	475,000	(50,363)	424,637	274,411	150,226

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Student Transportation Serv. (Cont'd):					
Misc. Purchased Serv. - Transportation	\$ 25,588	\$	\$ 25,588	\$ 25,395	\$ 193
Transportation Supplies	36,000	\$ 5,131	41,131	41,131	
Other Objects	800		800	629	171
Total Undist. Expend.-Student Trans. Serv.	<u>1,057,615</u>		<u>1,057,615</u>	<u>794,533</u>	<u>263,082</u>
UNALLOCATED BENEFITS					
Social Security Contributions	640,000		640,000	620,200	19,800
Other Retirement Contributions - PERS	680,000	(36,257)	643,743	643,743	
Other Retirement Contributions - Regular		26,267	26,267	26,267	
Unemployment Compensation	25,000		25,000		25,000
Workers Compensation	187,867		187,867	186,151	1,716
Health Benefits	6,827,447	(151,590)	6,675,857	5,600,128	1,075,729
Tuition Reimbursement	183,868	(275)	183,593	88,598	94,995
Other Employee Benefits	74,120	(59,471)	14,649	13,761	888
Unused Sick Payment to Terminated/Retired Staff		150,095	150,095	150,095	
TOTAL UNALLOCATED BENEFITS	<u>8,618,302</u>	<u>(71,231)</u>	<u>8,547,071</u>	<u>7,328,943</u>	<u>1,218,128</u>
ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)					
TPAF Post Retirement Contributions (Non-Budgeted)				1,742,848	(1,742,848)
TPAF Pension Contributions (Non-Budgeted)				7,355,752	(7,355,752)
TPAF Non-Contributory Insurance (Non-Budgeted)				103,779	(103,779)
TPAF Long-Term Disability Insurance (Non-Budgeted)				3,494	(3,494)
Reimbursed TPAF Social Security Contributions				1,537,135	(1,537,135)
TOTAL ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)				<u>10,743,008</u>	<u>(10,743,008)</u>
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	8,618,302	(71,231)	8,547,071	18,071,951	(9,524,880)
TOTAL UNDISTRIBUTED EXPENDITURES	23,811,763	197,040	24,008,803	31,438,078	(7,429,275)
TOTAL GENERAL CURRENT EXPENSE	44,904,194	(62,371)	44,841,823	51,134,734	(6,292,911)

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment:					
Grades 6-8	\$ 3,000	\$ 6,982	\$ 9,982	\$ 7,421	\$ 2,561
Grades 9-12	4,620	3,797	8,417	7,520	897
Undist. Expend. Support Serv. Child Study Teams		5,163	5,163	5,162	1
Undist. Expend. - Required Maint for School Fac.		10,320	10,320	10,320	
Undist. Expend. - Care and Upkeep of Grounds		6,936	6,936	6,936	
Total Equipment	7,620	33,198	40,818	37,359	3,459
Facilities Acquisition and Construction Serv.:					
Legal Services	5,000		5,000	490	4,510
Architectural/Engineering Services	208,545	16,674	225,219	190,119	35,100
Other Purchased Prof. and Tech. Services	18,000	(12,374)	5,626	4,300	1,326
Construction Services	3,468,180	(4,300)	3,463,880	1,524,769	1,939,111
Other Objects	2,000		2,000	695	1,305
Assessment for Debt Service on SDA Funding	93,839		93,839	93,839	
Total Facilities Acquisition and Const. Serv.	3,795,564		3,795,564	1,814,212	1,981,352
TOTAL CAPITAL OUTLAY	3,803,184	33,198	3,836,382	1,851,571	1,984,811
Transfer of Funds to Charter Schools	12,000	29,173	41,173	15,430	25,743
	12,000	29,173	41,173	15,430	25,743
TOTAL EXPENDITURES	48,719,378		48,719,378	53,001,735	(4,282,357)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(4,360,702)		(4,360,702)	2,771,865	7,132,567

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/(Uses):					
Preschool Education Aid - Inclusion - Transfer to Special Revenue Fund	\$ (70,730)		\$ (70,730)	\$ (14,146)	\$ 56,584
Withdrawal from Capital Reserve - Transfer to Debt Service	(45,000)		(45,000)	(45,000)	
Total Other Financing Sources/(Uses)	(115,730)		(115,730)	(59,146)	56,584
Excess/(Deficit) of Revenues and Other Financing Sources					
Over/(Under) Expenditures and Other Financing Uses	(4,476,432)		(4,476,432)	2,712,719	7,189,151
Fund Balance, July 1	15,464,444		15,464,444	15,464,444	
Fund Balance, June 30	\$ 10,988,012	\$ -0-	\$ 10,988,012	\$ 18,177,163	\$ 7,189,151

Recapitulation:

Restricted Fund Balance:				
Capital Reserve			\$ 8,490,403	
Maintenance Reserve			253,269	
Tuition Reserve - Designated for 2022-2023			1,029,803	
Tuition Reserve - Designated for 2023-2024			1,109,040	
Excess Surplus - Restricted For 2022-2023			590,822	
Excess Surplus - Restricted For 2023-2024			1,822,222	
Unemployment Compensation			368,332	
Assigned Fund Balance:				
Year End Encumbrances			1,679,429	
Designated for Subsequent Year's Expenditures			868,823	
Unassigned Fund Balance			1,965,020	
			18,177,163	
Reconciliation to Governmental Funds Statement (GAAP):				
Last State Aid Payments not Recognized on GAAP basis			(867,214)	
Fund Balance per Governmental Funds (GAAP)			\$ 17,309,949	

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 556,300	\$ 556,300	\$ 501,843	\$ (54,457)
State Sources	\$ 1,631,356	209,300	1,840,656	1,631,387	(209,269)
Federal Sources	1,066,926	4,996,663	6,063,589	2,551,898	(3,511,691)
Total Revenues	2,698,282	5,762,263	8,460,545	4,685,128	(3,775,417)
Other Financing Sources:					
Transfer In - Board Contribution - General Fund	70,730		70,730	14,146	(56,584)
Total Revenues and Other Financing Sources	2,769,012	5,762,263	8,531,275	4,699,274	(3,832,001)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,624,922	32,620	1,657,542	1,036,448	621,094
Other Salaries for Instruction	222,355		222,355	214,040	8,315
Purchased Professional and Technical Services	95,861	191,594	287,455	193,415	94,040
Other Purchased Services	3,000	709,774	712,774	642,928	69,846
General Supplies	67,340	250,713	318,053	208,025	110,028
Textbooks	45,574	1,302	46,876	39,137	7,739
Other Objects	4,000	11,108	15,108	4,648	10,460
Total Instruction	2,063,052	1,197,111	3,260,163	2,338,641	921,522

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Support Services:					
Personal Services - Salaries	\$ 5,374	\$ 1,149,182	\$ 1,154,556	\$ 335,078	\$ 819,478
Salaries of Supervisors of Instruction	33,862		33,862	31,876	1,986
Salaries of Program Directors		71,677	71,677	71,623	54
Salaries of Other Professional Staff	40,631		40,631	23,979	16,652
Salaries of Secretaries and Clerical Assistants	52,502		52,502	45,830	6,672
Other Salaries	22,079		22,079	20,298	1,781
Salaries of Community Parent Involvement Specialist	12,907	4,128	17,035	17,034	1
Salaries of Master Teachers	51,628		51,628	51,443	185
Personal Services – Employee Benefits	227,100	843,803	1,070,903	571,623	499,280
Purchased Professional Educational Services	39,627	395,601	435,228	201,948	233,280
Other Purchased Services	152,550	1,519,675	1,672,225	417,995	1,254,230
Supplies and Materials	700	132,307	133,007	114,158	18,849
Other Objects		1,156	1,156		1,156
Student Activities		447,523	447,523	447,523	
Total Support Services	638,960	4,565,052	5,204,012	2,350,408	2,853,604
Facilities Acquisition and Construction Services:					
Instructional Equipment	67,000	100	67,100		67,100
Total Facilities Acquisition and Construction Services	67,000	100	67,100		67,100
Total Expenditures	\$ 2,769,012	\$ 5,762,263	\$ 8,531,275	\$ 4,689,049	\$ 3,842,226
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ 10,225	\$ 10,225

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"	\$ 55,773,600	\$ 4,685,128
Difference - Budgetary to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances:		
Federal		(299,194)
State		(35,520)
Local		(21,890)
Prior Year Encumbrances:		
Federal		14,400
State		18,280
Local		4,933
Cancelled		(9,800)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	766,540	91,263
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(867,214)</u>	<u>(87,254)</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 55,672,926</u>	<u>\$ 4,360,346</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 53,001,735	\$ 4,689,049
Differences - Budgetary to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, not in the Year the Supplies are Received for Financial Reporting Purposes.		<u>(328,791)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 53,001,735</u>	<u>\$ 4,360,258</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ending June 30, 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Elementary and Secondary Education Act			
	Title I	Title II Part A	Title III	Title III Immigrant
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 320,251	\$ 25,950	\$ 15,312	\$ 1,063
Total Revenue	320,251	25,950	15,312	1,063
OTHER FINANCING SOURCES:				
Transfer In - Board Contribution - General Fund				
Total Revenue and Other Financing Sources	320,251	25,950	15,312	1,063
EXPENDITURES:				
Instruction:				
Salaries of Teachers	171,628		10,000	
Other Salaries for Instruction				
Purchased Professional and Technical Services				
Other Purchased Services				
General Supplies				1,063
Textbooks				
Other Objects				
Total Instruction	171,628		10,000	1,063
Support Services:				
Personal Services - Salaries	37,522			
Salaries of Supervisors of Instruction				
Salaries of Program Directors				
Salaries of Other Professional Staff				
Salaries of Secretaries and Clerical Assistants				
Other Salaries				
Salaries of Community Parent Involvement				
Salaries of Master Teachers				
Personal Services – Employee Benefits	111,101		5,312	
Purchased Professional Educational Services		25,950		
Other Purchased Services				
Supplies and Materials				
Student Activities				
Total Support Services	148,623	25,950	5,312	
Total Expenditures	\$ 320,251	\$ 25,950	\$ 15,312	\$ 1,063

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Elementary and Secondary Education Act Title IV	COVID-19 CARES Emergency Relief Grant	COVID-19	
			ESSER II	CRRSA Mental Health
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 10,293	\$ 12,800	\$ 448,983	\$ 37,269
Total Revenue	10,293	12,800	448,983	37,269
OTHER FINANCING SOURCES:				
Transfer In - Board Contribution - General Fund				
Total Revenue and Other Financing Sources	10,293	12,800	448,983	37,269
EXPENDITURES:				
Instruction:				
Salaries of Teachers			39,933	24,340
Other Salaries for Instruction				
Purchased Professional and Technical Services	6,890			
Other Purchased Services	2,500	4,251		
General Supplies		3,740		
Textbooks				
Other Objects				
Total Instruction	9,390	7,991	39,933	24,340
Support Services:				
Personal Services - Salaries			123,230	
Salaries of Supervisors of Instruction				
Salaries of Program Directors				
Salaries of Other Professional Staff				
Salaries of Secretaries and Clerical Assistants				
Other Salaries				
Salaries of Community Parent Involvement				
Salaries of Master Teachers				
Personal Services – Employee Benefits			63,026	12,929
Purchased Professional Educational Services	500		7,723	
Other Purchased Services			215,071	
Supplies and Materials	403	4,809		
Student Activities				
Total Support Services	903	4,809	409,050	12,929
Total Expenditures	\$ 10,293	\$ 12,800	\$ 448,983	\$ 37,269

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>COVID-19</u>	<u>COVID-19 ARP</u>		
	<u>CRRSA</u>	<u>ESSER III</u>	<u>Accelerated</u>	<u>Beyond the</u>
	<u>Learning</u>		<u>Learning</u>	<u>School</u>
	<u>Acceleration</u>		<u>Coach</u>	<u>Day</u>
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 40,107	\$ 686,488	\$ 13,609	\$ 1,911
Total Revenue	<u>40,107</u>	<u>686,488</u>	<u>13,609</u>	<u>1,911</u>
OTHER FINANCING SOURCES:				
Transfer In - Board Contribution - General Fund				
Total Revenue and Other Financing Sources	<u>40,107</u>	<u>686,488</u>	<u>13,609</u>	<u>1,911</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	26,595	96,911		1,775
Other Salaries for Instruction				
Purchased Professional and Technical Services		3,075		
Other Purchased Services				
General Supplies		157,404		
Textbooks				
Other Objects				
Total Instruction	<u>26,595</u>	<u>257,390</u>		<u>1,775</u>
Support Services:				
Personal Services - Salaries		164,719	8,887	
Salaries of Supervisors of Instruction				
Salaries of Program Directors				
Salaries of Other Professional Staff				
Salaries of Secretaries and Clerical Assistants				
Other Salaries				
Salaries of Community Parent Involvement				
Salaries of Master Teachers				
Personal Services – Employee Benefits	2,035	127,820		136
Purchased Professional Educational Services	11,477	5,050	4,722	
Other Purchased Services		22,707		
Supplies and Materials		108,802		
Student Activities				
Total Support Services	<u>13,512</u>	<u>429,098</u>	<u>13,609</u>	<u>136</u>
Total Expenditures	<u>\$ 40,107</u>	<u>\$ 686,488</u>	<u>\$ 13,609</u>	<u>\$ 1,911</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	IDEA Part B			
	Basic	Preschool	COVID-19 ARP	
			Basic	Preschool
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 834,389	\$ 9,050	\$ 85,835	\$ 4,360
Total Revenue	834,389	9,050	85,835	4,360
OTHER FINANCING SOURCES:				
Transfer In - Board Contribution - General Fund				
Total Revenue and Other Financing Sources	834,389	9,050	85,835	4,360
EXPENDITURES:				
Instruction:				
Salaries of Teachers	59,357			
Other Salaries for Instruction				
Purchased Professional and Technical Services				
Other Purchased Services	528,818		85,835	
General Supplies				4,360
Textbooks				
Other Objects				
Total Instruction	588,175		85,835	4,360
Support Services:				
Personal Services - Salaries				
Salaries of Supervisors of Instruction				
Salaries of Program Directors	71,623			
Salaries of Other Professional Staff				
Salaries of Secretaries and Clerical Assistants				
Other Salaries				
Salaries of Community Parent Involvement				
Salaries of Master Teachers				
Personal Services – Employee Benefits	62,435			
Purchased Professional Educational Services	99,897	9,050		
Other Purchased Services	12,259			
Supplies and Materials				
Student Activities				
Total Support Services	246,214	9,050		
Total Expenditures	\$ 834,389	\$ 9,050	\$ 85,835	\$ 4,360

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Perkins	Nonpublic		
	Secondary Education Grant	Technology	Textbook Aid	Nursing Services
REVENUE:				
Local Sources				
State Sources		\$ 32,576	\$ 39,137	\$ 84,097
Federal Sources	\$ 4,228			
Total Revenue	4,228	32,576	39,137	84,097
OTHER FINANCING SOURCES:				
Transfer In - Board Contribution - General Fund				
Total Revenue and Other Financing Sources	4,228	32,576	39,137	84,097
EXPENDITURES:				
Instruction:				
Salaries of Teachers	2,600			
Other Salaries for Instruction				
Purchased Professional and Technical Services				84,097
Other Purchased Services				
General Supplies		32,576		
Textbooks			39,137	
Other Objects				
Total Instruction	2,600	32,576	39,137	84,097
Support Services:				
Personal Services - Salaries	720			
Salaries of Supervisors of Instruction				
Salaries of Program Directors				
Salaries of Other Professional Staff				
Salaries of Secretaries and Clerical Assistants				
Other Salaries				
Salaries of Community Parent Involvement				
Salaries of Master Teachers				
Personal Services – Employee Benefits	199			
Purchased Professional Educational Services	709			
Other Purchased Services				
Supplies and Materials				
Student Activities				
Total Support Services	1,628			
Total Expenditures	\$ 4,228	\$ 32,576	\$ 39,137	\$ 84,097

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Nonpublic</u>	<u>Nonpublic Handicapped Services</u>		
	<u>Security Aid</u>	<u>Corrective Speech</u>	<u>Examination & Classification</u>	<u>Supplementary Instruction</u>
REVENUE:				
Local Sources				
State Sources	\$ 126,274	\$ 33,573	\$ 99,353	\$ 89,620
Federal Sources				
Total Revenue	<u>126,274</u>	<u>33,573</u>	<u>99,353</u>	<u>89,620</u>
OTHER FINANCING SOURCES:				
Transfer In - Board Contribution - General Fund				
Total Revenue and Other Financing Sources	<u>126,274</u>	<u>33,573</u>	<u>99,353</u>	<u>89,620</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers		33,573		89,620
Other Salaries for Instruction				
Purchased Professional and Technical Services			99,353	
Other Purchased Services				
General Supplies				
Textbooks				
Other Objects				
Total Instruction		<u>33,573</u>	<u>99,353</u>	<u>89,620</u>
Support Services:				
Personal Services - Salaries				
Salaries of Supervisors of Instruction				
Salaries of Program Directors				
Salaries of Other Professional Staff				
Salaries of Secretaries and Clerical Assistants				
Other Salaries				
Salaries of Community Parent Involvement				
Salaries of Master Teachers				
Personal Services – Employee Benefits				
Purchased Professional Educational Services				
Other Purchased Services	126,274			
Supplies and Materials				
Student Activities				
Total Support Services	<u>126,274</u>			
Total Expenditures	<u>\$ 126,274</u>	<u>\$ 33,573</u>	<u>\$ 99,353</u>	<u>\$ 89,620</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Nonpublic Auxiliary Services</u>			<u>Preschool Education Aid</u>
	<u>Compensatory Education Aid</u>	<u>Home Instruction</u>	<u>Transporation</u>	
REVENUE:				
Local Sources				
State Sources	\$ 130,256	\$ 13,818	\$ 15,345	\$ 931,818
Federal Sources				
Total Revenue	<u>130,256</u>	<u>13,818</u>	<u>15,345</u>	<u>931,818</u>
OTHER FINANCING SOURCES:				
Transfer In - Board Contribution - General Fund				14,146
Total Revenue and Other Financing Sources	<u>130,256</u>	<u>13,818</u>	<u>15,345</u>	<u>945,964</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	130,256	13,818		324,542
Other Salaries for Instruction				214,040
Purchased Professional and Technical Services				
Other Purchased Services			15,345	6,179
General Supplies				8,025
Textbooks				
Other Objects				
Total Instruction	<u>130,256</u>	<u>13,818</u>	<u>15,345</u>	<u>552,786</u>
Support Services:				
Personal Services - Salaries				
Salaries of Supervisors of Instruction				31,876
Salaries of Program Directors				
Salaries of Other Professional Staff				23,979
Salaries of Secretaries and Clerical Assistants				45,830
Other Salaries				20,298
Salaries of Community Parent Involvement				17,034
Salaries of Master Teachers				51,443
Personal Services – Employee Benefits				186,630
Purchased Professional Educational Services				1,350
Other Purchased Services				14,594
Supplies and Materials				144
Student Activities				
Total Support Services				<u>393,178</u>
Total Expenditures	<u>\$ 130,256</u>	<u>\$ 13,818</u>	<u>\$ 15,345</u>	<u>\$ 945,964</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	SDA Emergent and Capital Maintenance Needs	Local Grants	Student Activities	Totals
REVENUE:				
Local Sources		\$ 44,095	\$ 457,748	\$ 501,843
State Sources	\$ 35,520			1,631,387
Federal Sources				2,551,898
Total Revenue	35,520	44,095	457,748	4,685,128
OTHER FINANCING SOURCES:				
Transfer In - Board Contribution - General Fund				14,146
Total Revenue and Other Financing Sources	35,520	44,095	457,748	4,699,274
EXPENDITURES:				
Instruction:				
Salaries of Teachers		11,500		1,036,448
Other Salaries for Instruction				214,040
Purchased Professional and Technical Services				193,415
Other Purchased Services				642,928
General Supplies		857		208,025
Textbooks				39,137
Other Objects		4,648		4,648
Total Instruction		17,005		2,338,641
Support Services:				
Personal Services - Salaries				335,078
Salaries of Supervisors of Instruction				31,876
Salaries of Program Directors				71,623
Salaries of Other Professional Staff				23,979
Salaries of Secretaries and Clerical Assistants				45,830
Other Salaries				20,298
Salaries of Community Parent Involvement				17,034
Salaries of Master Teachers				51,443
Personal Services – Employee Benefits				571,623
Purchased Professional Educational Services	35,520			201,948
Other Purchased Services		27,090		417,995
Supplies and Materials				114,158
Student Activities			447,523	447,523
Total Support Services	35,520	27,090	447,523	2,350,408
Total Expenditures	\$ 35,520	\$ 44,095	\$ 447,523	\$ 4,689,049

SOMERVILLE BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

District-Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 330,937	\$ 324,542	\$ 6,395
Other Salaries for Instruction	222,355	214,040	8,315
Other Purchased Services (400-500 series)	7,000	6,179	821
General Supplies	36,556	8,025	28,531
Other Objects	4,000		4,000
Total Instruction	<u>600,848</u>	<u>552,786</u>	<u>48,062</u>
Support Services:			
Salaries of Program Directors	5,374		5,374
Salaries of Supervisors of Instruction	33,862	31,876	1,986
Salaries of Other Professional Staff	40,631	23,979	16,652
Salaries of Secretaries and Clerical Assistants	52,502	45,830	6,672
Other Salaries	22,079	20,298	1,781
Salaries of Community Parent Involvement Spec.	17,035	17,034	1
Salaries of Master Teachers	51,628	51,443	185
Personal Services—Employee Benefits	222,972	186,630	36,342
Purchased Professional Educational Services	8,000	1,350	6,650
Cleaning, Repair, and Maintenance Services	10,000	10,000	
Rentals	5,000	4,594	406
Contractual Services - Transportation	4,000		4,000
Other Purchased Services	3,000		3,000
Supplies and Materials	700	144	556
Total Support Services	<u>476,783</u>	<u>393,178</u>	<u>83,605</u>
Equipment:			
Instructional Equipment	67,000		67,000
Total Equipment	<u>67,000</u>		<u>67,000</u>
Total Expenditures	<u>\$ 1,144,631</u>	<u>\$ 945,964</u>	<u>\$ 198,667</u>

CALCULATION OF BUDGET & CARRYOVER

Total 2021-2022 Preschool Education Aid Allocation	\$ 891,198
Add: Actual PEA Carryover (June 30, 2021)	349,781
Add: Budgeted Transfer from General Fund	14,146
Total Preschool Education Aid Funds Available for 2021-2022 Budget	<u>1,255,125</u>
Less: 2020-2021 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	(1,144,631)
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2022	<u>110,494</u>
Add: June 30, 2022 Unexpended Preschool Education Aid	198,667
2021-2022 Carryover - Preschool Education Aid	\$ 309,161
Budgeted for Preschool Programs in 2022-2023	<u>\$ 167,078</u>

CAPITAL PROJECTS FUND

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES,
PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Revenue and Other Financing Sources:	
State Sources - SDA Grants	\$ 135,539
Interest Earned	798
Total Revenue and Other Financing Sources	136,337
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	13,300
Buildings Other than Lease Purchase Agreements	135,539
Operating Transfer Out - Debt Service Fund	798
Total Expenditures and Other Financing Uses	149,637
Excess/(Deficit) of Revenue and Other Financing Sources	
Over/(Under) Expenditures and Other Financing Sources	(13,300)
Fund Balance - Beginning Balance	221,314
Fund Balance - Ending Balance	\$ 208,014
<u>Recapitulation:</u>	
Committed Fund Balance:	
Year-End Encumbrances	\$ 11,643
Committed Fund Balance - Other Purposes	196,371
Fund Balance per Governmental Funds (GAAP)	\$ 208,014

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
VAN DERVEER ELEMENTARY SCHOOL HVAC REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 451,817		\$ 451,817	\$ 451,817
Transfer from Capital Reserve	1,121,267		1,121,267	1,121,267
Total Revenues and Other Financing Sources	<u>1,573,084</u>		<u>1,573,084</u>	<u>1,573,084</u>
Expenditures:				
Purchased Professional and Technical Services	129,005	\$ 6,650	135,655	129,005
Construction Services	1,332,265		1,332,265	1,444,079
Total Expenditures	<u>1,461,270</u>	<u>6,650</u>	<u>1,467,920</u>	<u>1,573,084</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 111,814</u>	<u>\$ (6,650)</u>	<u>\$ 105,164</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number	4820-090-14-1004
Grant Date	01/06/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 987,500
Transfer from Capital Reserve	\$ 585,584
Revised Authorized Cost	<u>\$ 1,573,084</u>
Percentage Increase over Original Authorized Cost	59.30%
Percentage Completion	93.31%
Original Target Completion Date	June 2015
Revised Target Completion Date	June 2023

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SOMERVILLE HIGH SCHOOL HVAC UPGRADES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 352,646		\$ 352,646	\$ 352,646
Transfer from Capital Reserve	1,172,810		1,172,810	1,172,810
Total Revenues and Other Financing Sources	<u>1,525,456</u>		<u>1,525,456</u>	<u>1,525,456</u>
Expenditures:				
Purchased Professional and Technical Services	94,083	\$ 6,650	100,733	94,304
Construction Services	1,321,873		1,321,873	1,431,152
Total Expenditures	<u>1,415,956</u>	<u>6,650</u>	<u>1,422,606</u>	<u>1,525,456</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 109,500</u>	<u>\$ (6,650)</u>	<u>\$ 102,850</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number	4820-050-14-1006
Grant Date	01/06/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 770,750
Transfer from Capital Reserve	\$ 754,706
Revised Authorized Cost	<u>\$ 1,525,456</u>
Percentage Increase over Original Authorized Cost	97.92%
Percentage Completion	93.26%
Original Target Completion Date	June 2016
Revised Target Completion Date	June 2023

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
SECURING OUR CHILDREN'S FUTURE BOND ACT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Authorized Cost</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 135,539	\$ 135,539	\$ 135,539
Total Revenues and Other Financing Sources		135,539	135,539	135,539
Expenditures:				
Buildings Other than Lease Purchase Agreements		135,539	135,539	135,539
Total Expenditures		135,539	135,539	135,539
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 135,539
Percentage Completion	100.00%
Original Target Completion Date	June 2022

PROPRIETARY FUNDS

SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 215,893
Accounts Receivable:	
State Government	998
Federal Government	49,644
Inventories	20,142

Total Current Assets	<u>286,677</u>
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Non-Current Assets:

Capital Assets	527,365
Less: Accumulated Depreciation	<u>(265,866)</u>

Total Non-Current Assets	<u>261,499</u>
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Total Assets	<u>548,176</u>
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LIABILITIES:

Unearned Revenue - Donated Commodities	4,431
Unearned Revenue - Prepaid Sales	<u>14,788</u>

Total Liabilities	<u>19,219</u>
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NET POSITION:

Investment in Capital Assets	261,499
Unrestricted	<u>267,458</u>

Total Net Position	<u><u>\$ 528,957</u></u>
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SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Operating Revenue:	
Daily Sales - Non Reimbursable Programs	\$ 73,923
	<hr/>
Total Operating Revenue	73,923
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	388,789
Cost of Sales - Non Reimbursable Programs	14,115
Management Fee	21,000
Salaries, Benefits & Payroll Taxes	346,048
Other	27,882
Depreciation Expense	25,740
	<hr/>
Total Operating Expenses	823,574
	<hr/>
Operating (Loss)	(749,651)
	<hr/>
Non-Operating Revenue:	
State Sources:	
COVID 19 - Seamless Summer Option - Lunch	18,970
Federal Sources:	
COVID 19 - Seamless Summer Option - Breakfast	62,380
COVID 19 - Seamless Summer Option - Lunch	772,614
COVID 19 - Emergency Operational Cost Reimbursement Program	25,180
COVID 19 - Pandemic Electronic Benefit Transfer (P-EBT)	1,242
Food Distribution Program	70,569
	<hr/>
Total Non-Operating Revenue	950,955
	<hr/>
Change in Net Position	201,304
	<hr/>
Net Position - Beginning of Year	327,653
	<hr/>
Net Position - End of Year	\$ 528,957
	<hr/> <hr/>

SOMERVILLE BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 72,517
Payments to Employees	(346,048)
Payments to Suppliers	(394,345)
	<hr/>
Net Cash (Used for) Operating Activities	(667,876)
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Equipment	(6,445)
	<hr/>
Net Cash (Used for) Capital and Related Financing Activities	(6,445)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State Reimbursements	18,881
Cash Received from Federal Reimbursements	832,487
	<hr/>
Net Cash Provided by Noncapital Financing Activities	851,368
	<hr/>
Net Increase in Cash and Cash Equivalents	177,047
	<hr/>
Cash and Cash Equivalents, July 1	38,846
	<hr/>
Cash and Cash Equivalents, June 30	\$ 215,893
	<hr/> <hr/>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (749,651)
Adjustment to Reconcile Operating Loss to Net Cash (Used for) Operating Activities:	
Depreciation	25,740
Federal Food Distribution Program	70,569
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	(11,863)
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(1,265)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	(1,406)
	<hr/>
Net Cash (Used for) Operating Activities	\$ (667,876)
	<hr/> <hr/>

Non-Cash Investing, Capital and Financing Activities:

The District received USDA donated commodities valued at \$69,304 and used \$70,569 of those commodities during the fiscal year.

LONG-TERM DEBT

SOMERVILLE BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF FINANCED PURCHASES PAYABLE

<u>Purpose</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Restated Balance June 30, 2021</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance June 30, 2022</u>
Virtual Desktop Infrastructure	\$ 253,000	2.31%	\$ 151,748		\$ 49,433	\$ 102,315
Chromebooks	453,332	1.35%	339,999		113,333	226,666
			<u>\$ 491,747</u>	<u>\$ -0-</u>	<u>\$ 162,766</u>	<u>\$ 328,981</u>

SOMERVILLE BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOT APPLICABLE

SOMERVILLE BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,731,568		\$ 1,731,568	\$ 1,731,568	
State Sources:					
Debt Service Aid Type II	208,959		208,959	208,959	
Total Revenues	<u>1,940,527</u>		<u>1,940,527</u>	<u>1,940,527</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	380,320		380,320	380,320	
Redemption of Principal	1,610,000		1,610,000	1,610,000	
Total Expenditures	<u>1,990,320</u>		<u>1,990,320</u>	<u>1,990,320</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(49,793)</u>		<u>(49,793)</u>	<u>(49,793)</u>	
Other Financing Sources/(Uses)					
Transfers In - General Fund - Capital Reserve	45,000		45,000	45,000	
Transfers In - Capital Projects Fund				798	\$ 798
Total Other Financing Sources/(Uses)	<u>45,000</u>		<u>45,000</u>	<u>45,798</u>	<u>798</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>(4,793)</u>		<u>(4,793)</u>	<u>(3,995)</u>	<u>798</u>
Fund Balance, July 1	<u>5,403</u>		<u>5,403</u>	<u>5,403</u>	
Fund Balance, June 30	<u>610</u>	<u>\$ -0-</u>	<u>610</u>	<u>\$ 1,408</u>	<u>\$ 798</u>
Recapitulation:					
Restricted Fund Balance				<u>\$ 1,408</u>	

STATISTICAL SECTION

(UNAUDITED)

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

Contents

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

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

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

June 30,

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities:										
Net Investment in Capital Assets	\$ 22,785,085	\$ 24,519,577	\$ 26,525,104	\$ 30,303,213	\$ 33,327,721	\$ 32,963,384	\$ 33,084,564	\$ 33,981,935	\$ 35,573,129	\$ 36,748,298
Restricted	4,522,430	4,060,067	5,647,393	5,746,020	5,437,484	6,643,576	8,637,669	11,424,519	12,752,862	13,968,575
Unrestricted/(Deficit)	321,331	(6,495,713)	(7,722,300)	(10,131,781)	(12,998,198)	(12,648,954)	(13,095,617)	(13,642,060)	(12,342,356)	(8,601,562)
Total Governmental Activities Net Position	\$ 27,628,846	\$ 22,083,931	\$ 24,450,197	\$ 25,917,452	\$ 25,767,007	\$ 26,958,006	\$ 28,626,616	\$ 31,764,394	\$ 35,983,635	\$ 42,115,311
Business-Type Activities:										
Investment in Capital Assets	\$ 106,443	\$ 120,756	\$ 107,596	\$ 106,516	\$ 100,354	\$ 83,606	\$ 309,567	\$ 348,201	\$ 280,794	\$ 261,499
Unrestricted	133,556	106,816	160,482	209,467	218,182	293,597	129,594	55,393	46,859	267,458
Total Business-Type Activities Net Position	\$ 239,999	\$ 227,572	\$ 268,078	\$ 315,983	\$ 318,536	\$ 377,203	\$ 439,161	\$ 403,594	\$ 327,653	\$ 528,957
District-Wide:										
Net Investment in Capital Assets	\$ 22,891,528	\$ 24,640,333	\$ 26,632,700	\$ 30,409,729	\$ 33,428,075	\$ 33,046,990	\$ 33,394,131	\$ 34,330,136	\$ 35,853,923	\$ 37,009,797
Restricted	4,522,430	4,060,067	5,647,393	5,746,020	5,437,484	6,643,576	8,637,669	11,424,519	12,752,862	13,968,575
Unrestricted/(Deficit)	454,887	(6,388,897)	(7,561,818)	(9,922,314)	(12,780,016)	(12,355,357)	(12,966,023)	(13,586,667)	(12,295,497)	(8,334,104)
Total District Net Position	\$ 27,868,845	\$ 22,311,503	\$ 24,718,275	\$ 26,233,435	\$ 26,085,543	\$ 27,335,209	\$ 29,065,777	\$ 32,167,988	\$ 36,311,288	\$ 42,644,268

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS

UNAUDITED
(accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
For the Fiscal Year Ending June 30,										
Expenses:										
Governmental Activities:										
Instruction	\$ 25,449,684	\$ 25,453,035	\$ 29,277,713	\$ 31,363,497	\$ 33,964,538	\$ 35,570,845	\$ 33,429,766	\$ 33,429,137	\$ 35,034,323	\$ 33,910,905
Support Services:										
Tuition	2,081,521	1,864,473	1,636,448	1,664,099	1,580,061	1,236,416	1,066,970	1,286,272	1,309,945	717,708
Student & Instruction Related Services	4,789,418	4,743,399	5,305,703	6,010,893	7,190,300	7,602,396	6,894,230	6,675,185	6,982,262	7,473,291
General Administrative Services	798,512	711,104	806,049	811,495	868,335	814,187	824,228	888,163	944,553	905,475
School Administrative Services	2,088,203	2,117,831	2,865,374	3,088,245	3,581,115	3,657,553	3,514,864	3,427,941	3,699,229	3,467,884
Central Services	532,911	557,222	635,172	644,566	679,156	712,161	687,560	691,254	742,657	792,652
Administration Information Technology	538,827	674,007	656,588	580,861	659,426	538,882	636,126	620,750	728,091	369,289
Plant Operations And Maintenance	2,588,691	2,587,776	2,798,045	3,219,038	3,166,642	3,210,892	3,423,062	3,341,313	3,375,338	3,654,533
Pupil Transportation	908,718	1,029,868	1,147,465	908,332	888,193	857,415	938,232	921,051	476,230	937,241
Interest On Long-Term Debt	983,201	869,222	850,781	823,623	501,148	509,003	535,751	403,501	342,934	267,509
Unallocated Depreciation	637,815	606,616	611,931	611,931	2,095,024	2,095,432	2,121,274	1,834,147	1,751,839	1,848,123
Capital Outlay	78,645	93,839	200,765	93,839	93,839	93,839	93,839	93,838	93,839	93,839
Transfer to Charter School	17,231								5,696	15,430
Total Governmental Activities Expenses	41,493,377	41,308,392	46,792,034	49,820,419	55,267,777	56,899,020	54,165,902	53,612,552	55,486,936	54,433,879
Business-Type Activities:										
Food Service	617,778	643,605	595,302	663,033	725,406	710,791	756,341	687,937	376,585	823,574
Total Business-Type Activities Expense	617,778	643,605	595,302	663,033	725,406	710,791	756,341	687,937	376,585	823,574
Total District Expenses	42,111,155	41,951,997	47,387,336	50,483,452	55,993,183	57,609,811	54,922,243	54,300,489	55,863,521	55,277,453
Program Revenues:										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	10,454,978	10,602,699	10,930,843	10,941,121	10,499,776	10,197,918	10,514,258	11,052,723	11,423,970	12,384,398
Operating Grants and Contributions	6,843,376	6,581,343	10,979,485	12,613,093	16,021,400	17,930,182	14,901,936	13,614,093	17,042,306	15,214,839
Capital Grants and Contributions	579,558	336,782	146,411	472,099	151,172	643,570	818,299	652,370	341,583	135,539
Total Governmental Activities Program Revenues	17,877,912	17,520,824	22,056,739	24,026,313	26,672,348	28,771,670	25,416,194	24,666,816	28,466,276	27,734,776
Business-Type Activities:										
Charges for Services:										
Food Service	296,745	279,406	323,756	365,734	387,991	435,333	441,360	305,697	4,636	73,923
Operating Grants and Contributions	341,583	351,772	312,032	345,204	339,968	372,701	376,939	346,673	336,947	950,955
Total Business Type Activities Program Revenues	638,328	631,178	635,808	710,938	727,959	808,034	818,299	652,370	341,583	1,024,878
Total District Program Revenues	18,516,240	18,152,002	22,692,547	24,737,251	27,400,307	29,579,704	26,234,493	25,319,186	28,807,859	28,759,654
Net (Expense)/Revenue:										
Governmental Activities	(23,615,465)	(23,787,568)	(24,735,295)	(25,794,106)	(28,595,429)	(28,127,350)	(28,749,708)	(28,945,736)	(27,020,660)	(26,719,103)
Business-Type Activities	20,550	(12,427)	40,506	47,905	2,553	97,243	61,958	(35,567)	(35,002)	201,304
Total District-Wide Net Expense	(23,594,915)	(23,799,995)	(24,694,789)	(25,746,201)	(28,592,876)	(28,030,107)	(28,687,750)	(28,981,303)	(27,055,662)	(26,517,799)

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION - LAST TEN FISCAL YEARS

UNAUDITED

(accrual basis of accounting)

	For the Fiscal Year Ending June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 19,710,100	\$ 20,371,582	\$ 20,473,440	\$ 20,882,908	\$ 21,450,566	\$ 22,185,150	\$ 22,628,853	\$ 22,781,548	\$ 23,418,373	\$ 23,390,986
Taxes Levied for Debt Service	1,989,439	1,752,268	1,752,268	1,342,800	1,617,358	1,617,358	1,617,358	1,617,358	1,728,437	1,731,568
Unrestricted Grants and Contributions	4,503,683	4,730,049	4,780,164	4,806,051	4,840,817	5,155,537	5,579,957	6,465,298	6,363,771	7,312,313
Interest and Miscellaneous Income	151,942	340,762	95,689	229,602	536,243	360,304	592,150	448,419	221,067	415,912
Total Governmental Activities	26,355,164	27,194,661	27,101,561	27,261,361	28,444,984	29,318,349	30,418,318	31,312,623	31,731,648	32,850,779
Business-Type Activities:										
Disposal of Capital Assets									(40,939)	
Total Business-Type Activities									(40,939)	
Total District-Wide	26,355,164	27,194,661	27,101,561	27,261,361	28,444,984	29,318,349	30,418,318	31,312,623	31,690,709	32,850,779
Change in Net Position										
Governmental Activities	2,739,699	3,407,093	2,366,266	1,467,255	(150,445)	1,190,999	1,668,610	2,366,887	4,710,988	6,131,676
Business-Type Activities	20,550	(12,427)	40,506	47,905	2,553	97,243	61,958	(35,567)	(75,941)	201,304
Total District	\$ 2,760,249	\$ 3,394,666	\$ 2,406,772	\$ 1,515,160	\$ (147,892)	\$ 1,288,242	\$ 1,730,568	\$ 2,331,320	\$ 4,635,047	\$ 6,332,980

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Restricted	\$ 4,204,422	\$ 3,783,789	\$ 5,372,621	\$ 5,733,360	\$ 5,418,706	\$ 6,640,309	\$ 8,634,402	\$ 10,648,835	\$ 12,454,408	\$ 13,295,559
Assigned	461,319	1,217,868	438,870	774,869	325,045	605,477	888,445	403,256	1,115,568	1,679,429
Unassigned	300,773	292,467	299,674	340,838	374,273	323,474	221,731	338,886	1,127,928	1,097,806
Total General Fund	<u>\$ 4,966,514</u>	<u>\$ 5,294,124</u>	<u>\$ 6,111,165</u>	<u>\$ 6,849,067</u>	<u>\$ 6,118,024</u>	<u>\$ 7,569,260</u>	<u>\$ 9,744,578</u>	<u>\$ 11,390,977</u>	<u>\$ 14,697,904</u>	<u>\$ 16,072,794</u>
All Other Governmental Funds										
Restricted	\$ 668,851	\$ 276,278	\$ 274,772	\$ 12,660	\$ 18,778	\$ 3,267	\$ 3,267	\$ 4,793	\$ 298,454	\$ 303,276
Committed	739,951	2,366,287	2,105,564	1,632,195	262,141	812,067	446,520	445,890	221,314	
Unassigned/(Deficit)	(59,226)	(60,536)	(53,994)	(63,372)	(50,661)	(83,772)	(82,742)	(80,463)	(91,263)	
Total All Other Governmental Funds	<u>\$ 1,349,576</u>	<u>\$ 2,582,029</u>	<u>\$ 2,326,342</u>	<u>\$ 1,581,483</u>	<u>\$ 230,258</u>	<u>\$ 731,562</u>	<u>\$ 367,045</u>	<u>\$ 370,220</u>	<u>\$ 428,505</u>	<u>\$ 303,276</u>
Total All Government Funds	<u>\$ 6,316,090</u>	<u>\$ 7,876,153</u>	<u>\$ 8,437,507</u>	<u>\$ 8,430,550</u>	<u>\$ 6,348,282</u>	<u>\$ 8,300,822</u>	<u>\$ 10,111,623</u>	<u>\$ 11,761,197</u>	<u>\$ 15,126,409</u>	<u>\$ 16,376,070</u>

Source: School District Financial Reports

SOMERVILLE BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

For the Fiscal Year Ending June 30,

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues:										
Tax Levy	\$ 21,699,539	\$ 22,123,850	\$ 22,225,708	\$ 22,225,708	\$ 23,067,924	\$ 23,802,508	\$ 24,246,211	\$ 24,398,906	\$ 25,146,810	\$ 25,122,554
Tuition Charges	10,471,936	10,602,699	10,922,882	10,941,121	10,499,776	10,197,918	10,514,258	11,052,723	11,248,305	11,926,650
Interest Earnings	394	1,621	822	4,859	13,444	23,693	76,765	150,469	5,003	22,953
Miscellaneous	227,696	366,501	115,140	668,448	388,415	329,229	549,936	432,360	877,845	877,845
State Sources	10,957,015	10,266,765	10,724,555	11,010,910	11,875,396	13,645,892	14,755,060	16,181,310	17,956,827	21,836,672
Federal Sources	876,496	1,354,049	1,194,273	1,132,007	1,132,091	1,302,047	1,223,378	1,164,897	1,971,072	2,323,462
Total Revenue	44,233,076	44,715,485	45,183,380	45,983,053	46,957,114	49,360,473	51,365,608	53,277,534	56,760,377	62,110,136
Expenditures										
Regular Instruction	18,693,897	18,906,836	18,835,269	19,514,024	19,514,032	20,279,330	20,947,770	21,611,622	22,289,882	23,609,391
Support Services:										
Tuition	2,081,521	1,864,473	1,636,448	1,664,099	1,580,061	1,236,416	1,066,970	1,286,272	1,309,945	717,708
Student & Instruction Related Services	3,360,018	3,411,150	3,639,209	3,634,260	3,923,835	4,068,119	4,080,210	4,109,302	4,067,928	5,171,579
General Administrative Services	699,272	607,077	694,092	692,263	735,842	684,397	696,659	772,592	793,977	762,625
School Administrative Services	1,465,406	1,471,985	1,744,542	1,819,473	1,924,038	1,950,443	2,083,990	2,101,264	2,124,198	2,201,756
Central Services	445,612	441,608	501,025	521,575	524,880	570,901	523,644	561,264	561,698	585,692
Administration Information Technology	471,474	599,667	582,688	485,923	570,707	452,221	531,860	530,171	599,323	332,873
Plant Operations And Maintenance	2,402,197	2,608,189	2,711,624	2,807,934	2,834,129	2,867,952	3,019,091	3,031,922	3,032,079	3,246,884
Pupil Transportation	643,288	741,853	837,422	825,518	779,223	756,696	822,381	815,452	384,867	794,533
Unallocated Benefits	9,369,802	9,136,034	9,586,604	10,211,525	10,690,368	11,539,751	12,563,237	13,175,248	14,933,082	18,071,951
Capital Outlay	2,568,341	985,265	1,524,532	1,492,402	3,833,455	748,062	1,242,975	1,650,831	2,080,961	2,000,410
Debt Service:										
Principal	1,335,000	1,510,000	1,455,000	1,520,000	1,765,000	1,650,000	1,425,000	1,480,000	1,540,000	1,610,000
Interest And Other Charges	1,041,581	871,284	873,571	809,134	562,785	603,645	551,020	502,020	442,420	380,320
Transfer to Charter School	17,231							5,696		15,430
Total Expenditures	44,594,640	43,155,421	44,622,026	45,998,130	49,238,355	47,407,933	49,554,807	51,627,960	54,166,056	59,501,152
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	(361,564)	1,560,064	561,354	(15,077)	(2,281,241)	1,952,540	1,810,801	1,649,574	2,594,321	2,608,984
Other Financing Sources (Uses)										
Cancellation of Prior Year Accounts Payable					198,973					
Transfers In	2,350,000	2,173,012	1,054,436	1,754,338	2,185,825	898,578	188,730	181,407	413,383	59,944
Transfers Out	(2,350,000)	(2,173,012)	(1,054,436)	(1,754,338)	(2,185,825)	(898,578)	(188,730)	(181,407)	(413,383)	(59,944)
Total Other Financing Sources (Uses)					198,973					
Net Change In Fund Balances	\$ (361,564)	\$ 1,560,064	\$ 561,354	\$ (15,077)	\$ (2,082,268)	\$ 1,952,540	\$ 1,810,801	\$ 1,649,574	\$ 2,594,321	\$ 2,608,984
Debt Service As A Percentage Of Noncapital Expenditures	5.65%	5.65%	5.40%	5.23%	5.13%	4.83%	4.09%	3.97%	3.81%	3.46%

Source: School District Financial Reports

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Rentals- Use of Facilities	Prior Year Refunds	Other	Total
2013	\$ 394	\$ 10,445,978	\$ 15,723	\$ 11,796	\$ 131,339	\$ 10,605,230
2014	1,621	10,602,699	7,131	34,723	297,278	10,943,452
2015	4,416	10,922,882	8,983	4,400	98,163	11,038,844
2016	17,626	10,499,776	50,900	9,072	147,650	10,725,024
2017	41,009	10,499,776	60,520	2,370	229,316	10,832,991
2018	49,924	10,197,918	73,375	19,942	172,376	10,513,535
2019	76,765	10,514,258	76,490		430,467 *	11,097,980
2020	150,469	11,052,723	65,844	55,707	171,606	11,496,349
2021	10,311	11,248,305		29,672	180,474	11,468,762
2022	32,204	11,926,650			382,910	12,341,764

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

Source: Somerville Borough School District records

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

Year Ended December 31,	Vacant Land		Residential	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2012	\$ 23,385,600		\$ 739,999,700	\$ 324,527,100	\$ 20,144,200	\$ 83,404,700	\$ 1,191,461,300	\$ 421,421,600	\$ 10,006,498	\$ 1,201,467,798	\$ 1.79	\$ 1,265,162,946
2013	23,183,500		722,754,500	316,096,600	19,730,500	82,760,000	1,164,525,100	419,865,300	8,695,054	1,173,220,154	1.87	1,221,366,079
2014	24,636,000		720,768,100	316,826,900	19,730,500	80,544,200	1,162,505,700	433,993,200	7,763,347	1,170,269,047	1.90	1,201,186,258
2015	26,134,800		719,526,100	313,428,300	18,401,100	80,143,500	1,157,633,800	434,215,500	7,681,438	1,165,315,238	1.91	1,214,671,438
2016	26,174,800		718,279,200	312,902,000	18,401,100	80,143,500	1,155,900,600	434,371,700	8,298,912	1,164,199,512	1.98	1,220,096,561
2017	29,360,000		718,292,800	305,232,300	16,853,200	80,043,500	1,149,781,800	442,016,700	8,230,482	1,158,012,282	2.06	1,246,639,756
2018	30,768,400		720,813,900	304,992,800	16,782,400	80,043,500	1,153,401,000	458,354,300	8,015,843	1,161,416,843	2.07	1,275,768,096
2019	33,161,500		722,901,200	303,963,200	16,282,400	80,043,500	1,156,351,800	458,565,200	8,374,803	1,164,726,603	2.09	1,289,651,036
2020	48,015,500		725,954,450	298,901,200	16,282,400	77,357,400	1,166,510,950	474,759,350	8,484,892	1,174,995,842	2.14	1,356,429,137
2021	47,986,400		729,174,450	286,112,000	15,718,200	77,357,400	1,156,348,450	496,037,850	8,771,220	1,165,119,670	2.16	1,401,995,790

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Year Ended December 31,	Somerville Borough School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Somerville	Somerset County	
2012	\$ 1.629	\$ 0.164	\$ 1.793	\$ 0.955	\$ 0.386	\$ 3.134
2013	1.713	0.155	1.868	0.982	0.391	3.241
2014	1.749	0.150	1.899	0.982	0.404	3.285
2015	1.792	0.115	1.907	1.015	0.411	3.333
2016	1.843	0.139	1.981	1.017	0.416	3.414
2017	1.916	0.140	2.055	1.069	0.429	3.553
2018	1.929	0.139	2.069	1.086	0.441	3.596
2019	1.949	0.139	2.088	1.096	0.450	3.634
2020	1.993	0.147	2.140	1.099	0.452	3.691
2021	2.008	0.149	2.156	1.105	0.474	3.735

Source: Municipal Tax Collector and School Business Administrator

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

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

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

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

BOROUGH OF SOMERVILLE

2022		2013	
Taxpayer	Taxable Assessed Value	Taxpayer	Taxable Assessed Value
	% of Total District Net Assessed Value		% of Total District Net Assessed Value
Brookside at Somerville, LLC	\$ 36,634,800	Brookside Invest Assoc.	\$ 48,384,700
Somerville Urban Renewal	14,695,400	JSM at Somerville, LLC	25,950,100
NJ Bell Telephone	10,515,164	Health Care REIT, Inc.	13,720,400
De Sapio Properties #10, LLC	9,000,000	NJ Bell Telephone	13,144,677
Somerville 50 Division Street LLC	8,794,200	De Sapio Properties #10, LLC	13,037,100
Avalon Somerville Station	7,620,000	Somerville ITC I, LLC	11,017,500
Warren Street Partners, LLC	7,605,700	Route 22, LLC	10,988,700
75 Veterans Memorial Associates	6,000,000	De Sapio Properties #7, LLC	8,356,000
De Sapio Properties #7, LLC	5,940,000	Individual Taxpayer #1	7,838,800
Main Associates	5,844,600	C&S Jefferson, LLC	7,447,600
	<u>\$ 112,649,864</u>		<u>\$ 159,885,577</u>
	9.67%		12.85%

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy</u> ^a		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2013	\$ 21,699,539	\$ 21,699,539	100.00%	-0-
2014	22,123,850	22,123,850	100.00%	-0-
2015	22,225,708	22,225,708	100.00%	-0-
2016	22,225,708	22,225,708	100.00%	-0-
2017	23,067,924	23,067,924	100.00%	-0-
2018	23,802,508	23,802,508	100.00%	-0-
2019	24,246,211	24,246,211	100.00%	-0-
2020	24,398,906	24,398,906	100.00%	-0-
2021	25,146,810	25,146,810	100.00%	-0-
2022	25,122,554	25,122,554	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Financed Purchases			
2013	\$ 23,870,000	\$ - 0 -	\$ 23,870,000	2.50%	\$ 1,969
2014	22,360,000	- 0 -	22,360,000	2.22%	1,850
2015	20,905,000	- 0 -	20,905,000	1.97%	1,737
2016	18,735,000	- 0 -	18,735,000	1.69%	1,561
2017	16,970,000	- 0 -	16,970,000	1.40%	1,389
2018	15,320,000	- 0 -	15,320,000	1.20%	1,257
2019	13,895,000	- 0 -	13,895,000	1.04%	1,149
2020	12,415,000	- 0 -	12,415,000	0.91%	1,021
2021	10,875,000	491,747	11,366,747	0.80%	905
2022	9,265,000	328,981	9,593,981	0.68%	764

Source: School District Financial Reports

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds ^c	Deductions	Net General Bonded Debt Outstanding		
2013	\$ 23,870,000	-0-	\$ 23,870,000	1.987%	\$ 1,969
2014	22,360,000	-0-	22,360,000	1.906%	1,850
2015	20,905,000	-0-	20,905,000	1.786%	1,737
2016	18,735,000	-0-	18,735,000	1.608%	1,561
2017	16,970,000	-0-	16,970,000	1.458%	1,389
2018	15,320,000	-0-	15,320,000	1.323%	1,257
2019	13,895,000	-0-	13,895,000	1.196%	1,149
2020	12,415,000	-0-	12,415,000	1.066%	1,021
2021	10,875,000	-0-	10,875,000	0.926%	866
2022	9,265,000	-0-	9,265,000	0.795%	738

Source: School District Financial Reports

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

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

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

c Includes ERIP bonds.

SOMERVILLE BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2021
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			
Borough of Somerville	\$ 23,624,825	100.00%	\$ 23,624,825
Somerset County General Obligation Debt	268,745,720	2.35%	6,304,623
Somerset County Improvement Authority Debt	128,718,536	2.35%	<u>3,019,664</u>
Subtotal, Overlapping Debt			32,949,112
Somerville Borough School District Direct Debt			<u>10,875,000</u>
Total Direct And Overlapping Debt			<u>\$ 43,824,112</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2022		Somerville Borough
Equalized Valuation Basis		
2019		\$ 1,281,276,233
2020		1,347,944,245
2021		1,401,291,030
		<u>\$ 4,030,511,508</u>
Average Equalized Valuation of Taxable Property		<u>\$ 1,343,503,836</u>
Debt Limit ^a (4% of average equalization value)		\$ 53,740,153
Net Bonded School Debt as of June 30, 2022		<u>9,265,000</u>
Legal Debt Margin		<u>\$ 38,301,012</u>

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt Limit	\$ 52,091,637	\$ 49,341,903	\$ 48,206,377	\$ 47,604,631	\$ 48,044,807	\$ 48,782,772	\$ 49,850,374	\$ 50,716,012	\$ 51,959,636	\$ 53,740,153
Total Net Debt Applicable to Limit	23,870,000	22,360,000	20,905,000	18,735,000	16,970,000	15,320,000	13,895,000	12,415,000	10,875,000	9,265,000
Legal Debt Margin	<u>\$ 28,221,637</u>	<u>\$ 26,981,903</u>	<u>\$ 27,301,377</u>	<u>\$ 28,869,631</u>	<u>\$ 31,074,807</u>	<u>\$ 33,462,772</u>	<u>\$ 35,955,374</u>	<u>\$ 38,301,012</u>	<u>\$ 38,301,012</u>	<u>\$ 38,301,012</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	46.90%	45.82%	43.37%	39.36%	35.32%	31.40%	27.87%	24.48%	20.93%	17.24%

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

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

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

Year	Population ^a	Personal Income ^b	Somerset County Per Capita Personal Income ^c	Unemployment Rate ^d
2013	12,120	\$ 955,868,040	\$ 78,867	7.50%
2014	12,089	1,008,053,354	83,386	5.60%
2015	12,034	1,063,793,566	88,399	4.90%
2016	12,004	1,108,593,408	92,352	4.20%
2017	12,217	1,212,048,570	99,210	3.90%
2018	12,184	1,274,690,080	104,620	3.70%
2019	12,098	1,336,417,668	110,466	3.40%
2020	12,157	1,371,613,525	112,825	8.70%
2021	12,559	1,416,969,175	112,825 *	5.40%
2022	12,559 **	1,416,969,175	112,825 *	N/A

* - Latest Somerset County per capita personal income available (2020) was used for calculation purposes.

** - Latest population data available (2021) was used for calculation purposes.

N/A - Information Unavailable

Source: School District Reports

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

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

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

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

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

Employer	2022		
	Employees	Rank	Percentage of Total Employment
AT&T East	4,100	1	N/A
Janssen Pharmaceutics, 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	
	15,830		
Employer	2013		
	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

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

<u>Function/Program</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>	<u>2022</u>
Instruction										
Regular	163.0	163.0	162.0	163.0	163.0	162.0	162.0	162.0	158.0	165.0
Special Education	62.5	65.5	72.0	78.0	78.0	74.0	75.0	81.5	79.5	80.0
Support Services:										
Student & Instruction Related Services	39.5	43.5	49.5	50.5	50.5	52.0	56.0	56.0	56.0	57.0
School Administrative Services	17.0	17.4	18.0	19.0	19.0	19.5	20.0	19.0	17.0	17.0
General and Business Administrative Services	12.5	12.5	12.5	13.5	15.0	7.5	7.5	7.5	7.5	7.5
Plant Operations and Maintenance	13.0	13.0	16.5	17.0	17.0	20.5	20.5	20.5	20.5	20.0
Pupil Transportation	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Other Support Services	5.5	5.5								
Total	316.0	323.4	333.5	344.0	345.5	338.5	344.0	349.5	341.5	349.5

Source: District Personnel Records

SOMERVILLE BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School	High School				
2013	2,473	\$ 39,649,718	\$ 16,033.04	1.72%	225	1:12.3	1:8.0	1:11.4	2,473	2,325	2.23%	94.02%
2014	2,398	39,788,872	16,592.52	3.49%	228	1:14.3	1:9.2	1:13.1	2,398	2,260	-3.03%	94.25%
2015	2,386	40,768,923	17,086.72	2.98%	202	1:12.7	1:9.6	1:12.0	2,386	2,295	-0.50%	96.19%
2016	2,404	42,176,594	17,544.34	2.68%	204	1:12.0	1:9.2	1:12.8	2,404	2,307	0.75%	95.97%
2017	2,353	43,077,115	18,307.32	4.35%	199	1:9.0	1:10.0	1:8.0	2,353	2,251	-2.12%	95.68%
2018	2,347	44,406,226	18,920.42	3.35%	196	1:8.0	1:9.0	1:8.0	2,347	2,219	-0.26%	94.55%
2019	2,336	46,335,812	19,835.54	4.84%	197	1:8.0	1:9.0	1:8.0	2,336	2,225	-0.47%	95.25%
2020	2,292	47,995,109	20,940.27	5.57%	197	1:8.0	1:9.0	1:8.0	2,292	2,223	-1.88%	96.99%
2021	2,176	50,102,675	23,025.13	9.96%	193	1:8.0	1:9.0	1:8.0	2,176	2,067	-5.06%	94.99%
2022	2,124	55,510,422	26,134.85	13.51%	193	1:8.0	1:9.0	1:8.0	2,292	2,222	5.33%	96.95%

Source: Somerville Borough School District records

Note: Enrollment based on annual average daily enrollment

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<u>District Building</u>										
Van Derveer School										
Square Feet	93,192	97,192	97,192	97,192	97,192	97,192	97,192	97,192	97,192	97,192
Capacity (students)	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175
Enrollment	945	913	910	885	852	823	800	809	737	710
Somerville Middle School										
Square Feet	97,350	97,350	97,350	97,350	97,350	97,350	97,350	97,350	97,350	97,350
Capacity (students)	501	501	501	501	501	501	501	501	501	501
Enrollment	333	323	347	357	378	381	373	351	322	313
Somerville High School										
Square Feet	153,250	153,250	153,250	153,250	153,250	153,250	153,250	153,250	153,250	153,250
Capacity (students)	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Enrollment	1,195	1,162	1,129	1,162	1,123	1,143	1,163	1,132	1,117	1,101

Number of Schools at June 30, 2022
 Elementary = 1
 Middle School = 1
 High School = 1

Note: Enrollment is based on the average daily enrollment

Source: Somerville Borough School District Facilities Office

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

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

School Facilities	Project #	Fiscal Year Ended June 30,									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Van Derveer School	N/A	\$ 124,137	\$ 142,144	\$ 156,302	\$ 354,162	\$ 305,424	\$ 322,618	\$ 342,670	\$ 149,566	\$ 229,124	\$ 260,662
Somerville Middle School	N/A	159,443	158,545	174,336	193,668	191,469	206,023	218,063	144,607	261,696	230,050
Somerville High School	N/A	269,703	246,018	270,522	147,580	206,051	205,387	218,063	437,496	383,977	361,427
Total School Facilities		\$ 553,283	\$ 546,707	\$ 601,160	\$ 695,410	\$ 702,944	\$ 734,028	\$ 778,796	\$ 731,669	\$ 874,797	\$ 852,139

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

Source: Somerville Borough School District records

SOMERVILLE BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2022
UNAUDITED

	Coverage	Deductible
<u>Commercial Package Policy - NJ School Insurance Group</u>		
Property - Blanket Buildings and Contents **	\$ 97,073,814	\$ 5,000
Boiler and Machinery	Included	5,000
Crisis Response	1,000,000	
Includes coverage such as:		
Extra Expense	50,000,000	5,000
Valuable Papers	10,000,000	5,000
Electronic Data Processing	2,500,000	1,000
Computer Fraud	100,000	1,000
Forgery & Alteration	100,000	1,000
Money & Securities	100,000	1,000
General Liability	16,000,000	Each Occurrence
Employee Benefits Program Liability	16,000,000	Each Employee
	160,000,000	Annual NJSIG Aggregate
Automobile Liability	16,000,000	CSL
Comprehensive		1,000
Collision		1,000
School Leaders Errors and Omissions	16,000,000	
Claims Made		15,000
Surety Bond - Selective Insurance Company		
Business Administrator	500,000	

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

Source: Somerville Board of Education

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Somerville Borough School District, in the County of Somerset (the "District") as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

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

Report Compliance and Other Matters

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

Purpose of this Report

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

January 31, 2023
Mount Arlington, New Jersey

Nisiroccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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

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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Somerville Borough School District's (the District's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2022. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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*. Our responsibilities under those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey's OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Report on Internal Control Over Compliance

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

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

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

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

January 31, 2023
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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

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

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Assistance Listing Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2021		Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Balance June 30, 2022		
					Accounts Receivable	Unearned/ Due to Grantor				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor
General Fund:												
U.S. Department of Health and Human Services												
Passed-Through State Department of Human Services:												
Medicaid Cluster	93.778	N/A	7/1/20-6/30/21	\$ 64,010	\$ (1,371)	\$ 1,371	\$ (66,158)			\$ (28,318)		
Medicaid Cluster	93.778	N/A	7/1/21-6/30/22	66,158	(1,371)	39,211	(66,158)			(28,318)		
Total U.S. Department of Health and Human Services/Medicaid Cluster												
U.S. Department of Homeland Security:												
Passed-Through State Department of Emergency Management:	97.036	N/A	3/25/20-9/30/21	153,925	(153,925)	153,925						
COVID 19 Pandemic					(153,925)	153,925						
Total U.S. Department of Homeland Security												
Total General Fund					(155,296)	193,136	(66,158)			(28,318)		
Special Revenue Fund:												
U.S. Department of Education												
Passed-through State Department of Education:												
ESEA Consolidated:												
Title I												
Title I	84.010A	NCLB4820-22	7/1/21-9/30/22	373,040	(111,081)	200,736	(320,251)			(119,515)		
Subtotal Title I	84.010A	NCLB4820-21	7/1/20-9/30/21	400,804	(111,081)	311,817	(320,251)			(119,515)		
Title II - Part A	84.010A	NCLB4820-22	7/1/21-9/30/22	53,832	(13,631)	12,700	(25,950)			(13,250)		
Title II - Part A	84.367A	NCLB4820-21	7/1/20-9/30/21	64,460	(13,631)	13,631	(25,950)			(13,250)		
Subtotal Title II A					(13,631)	26,331	(25,950)					
Title III	84.365A	NCLB4820-22	7/1/21-9/30/22	24,640	(3,432)	10,000	(15,312)			(5,312)		
Title III	84.365A	NCLB4820-21	7/1/20-9/30/21	21,901	(3,432)	3,432	(1,063)			(1,063)		
Title III Immigrant	84.365A	NCLB4820-22	7/1/21-9/30/22	1,071	(1,751)	1,751						
Title III Immigrant	84.365A	NCLB4820-21	7/1/20-9/30/21	2,822	(5,183)	15,183	(16,375)			(6,375)		
Subtotal Title III												
Title IV	84.424	NCLB4820-22	7/1/21-9/30/22	36,222	(6,200)	7,078	(10,293)			(3,215)		
Title IV	84.424	NCLB4820-21	7/1/20-9/30/21	31,125	(6,200)	6,200	(10,293)			(3,215)		
Subtotal Title IV												
Career and Technical Education - Basic Grant - Perkins Secondary Consolidated	84.048	PERK4820-21	7/1/20-9/30/21	3,444	(754)	754						
	84.048	PERK4820-22	7/1/21-9/30/22	8,845		1,429	(4,228)			(2,799)		
Education Stabilization Fund:												
COVID 19 - COVID-19 Digital Divide	84.425D	S425D200027	7/1/20-10/31/20	331,149	\$ 149	\$ 149		\$ 149				
COVID-19 - Digital Divide - Non Public	84.425D	S377A130031	7/1/20-10/31/20	32,452	116			116				
COVID 19 - CARES Emergency Relief Grant	84.425D	S425D200027	3/13/20-9/30/22	312,930	(98,582)	111,266	(12,800)			(116)		
COVID 19 - CRRSA ESSER II	84.425D	S425D210027	3/13/20-9/30/23	1,207,771		167,484	(448,983)			(281,499)		
COVID 19 - CRRSA Mental Health	84.425D	S425D210028	3/13/20-9/30/23	45,000			(37,269)			(37,269)		
COVID 19 - CRRSA Learning Acceleration	84.425D	S425D210029	3/13/20-9/30/23	77,509	(7,900)	34,995	(40,107)	\$ 4,300		(8,712)		
COVID 19 - ARP ESSER III	84.425U	S425U210027	3/13/20-9/30/24	2,714,388		357,941	(686,488)			(328,547)		
COVID 19 - ARP Accelerated Learning Coach	84.425U	S425U210027	3/13/20-9/30/24	148,954			(13,609)			(13,609)		
COVID 19 - ARP Beyond the School Day	84.425U	S425U210027	3/13/20-9/30/24	40,000			(1,911)			(1,911)		
Subtotal Education Stabilization Fund					(106,482)	265	(1,241,167)	265	4,300	(671,663)		

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

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Assistance Listing Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2021			Repayment of Prior Years' Balances	Balance June 30, 2022			
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received		Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Amounts Provided to Subrecipients
Special Education Cluster:												
I.D.E.A. Part B - Basic	84.027	IDEA4820-21	7/1/20-6/30/21	\$ 811,805	\$ (103,396)	\$ 97,896	\$ 5,500	\$ (295,556)				
I.D.E.A. Part B - Basic	84.027	IDEA4820-22	7/1/21-6/30/22	1,004,445		538,833		(13,923)				
COVID 19 - I.D.E.A. Part B - Basic ARP	84.027X	IDEA4820-22	7/1/21-6/30/22	38,856		71,912		(85,835)				
I.D.E.A. Part B - Preschool	84.173	IDEA4820-20	7/1/19-9/30/20	33,281			\$ 11,671					
I.D.E.A. Part B - Preschool	84.173	IDEA4820-22	7/1/21-6/30/22	37,341				(9,050)		\$ 2,196		
COVID 19 - I.D.E.A. Part B - Preschool ARP	84.173X	IDEA4820-22	7/1/21-6/30/22	11,830				(4,360)				
I.D.E.A. Part B - Preschool	84.173	IDEA4820-21	7/1/20-6/30/21	37,035		708,641		(933,634)				
Total Special Education Cluster					(103,396)	22,917	11,246	(933,634)	(313,839)		2,196	
Total Special Revenue Fund and U.S. Department of Education					(346,727)	23,182	1,749,119	(2,551,898)	(1,130,656)	9,800	2,196	
Enterprise Fund:												
U.S. Department of Agriculture Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Food Distribution Program	10.555	N/A	7/1/20-6/30/21	54,446				(5,696)				
Food Distribution Program	10.555	N/A	7/1/21-6/30/22	69,304		69,304		(64,873)		\$ 4,431		
COVID 19 - Seamless Summer Option - Breakfast	10.553	N/A	7/1/21-6/30/22	62,380		56,144		(62,380)				
COVID 19 - Seamless Summer Option - Breakfast	10.553	N/A	7/1/20-6/30/21	106,501	(7,960)	7,960						
COVID 19 - Emergency Operational Cost Program	10.555	N/A	7/1/21-6/30/22	25,180		25,180		(25,180)				
COVID 19 - Seamless Summer Option - Lunch	10.555	N/A	7/1/21-6/30/22	772,614		729,206		(772,614)				
COVID 19 - Seamless Summer Option - Lunch	10.555	N/A	7/1/20-6/30/21	169,147		12,755		(930,743)				
Child Nutrition Cluster Subtotal					(20,715)	900,549		(49,644)		4,431		
COVID-19 Pandemic EBT	10.649	N/A	7/1/21-6/30/22	1,242		1,242		(1,242)				
Total Enterprise Fund and U.S. Department of Agriculture					(20,715)	901,791		(931,985)	(49,644)	4,431		
Total Federal Financial Awards					(522,738)	28,878	2,844,046	(3,550,041)	(1,208,618)	9,800	2,196	-0-
N/A - Not Available/Applicable												

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2021				Balance at June 30, 2022				MEMO						
				Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	GAAP Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures				
New Jersey Department of Education General Fund:																		
Equalization Aid	22-495-034-5120-078	7/1/21 - 6/30/22	\$ 6,760,090				\$ 6,098,234	\$ (6,760,090)							\$ (661,856)	\$ 6,760,090		
Special Education Aid	22-495-034-5120-089	7/1/21 - 6/30/22	1,448,667				1,306,833	(1,448,667)							(141,834)	1,448,667		
Security Aid	22-495-034-5120-084	7/1/21 - 6/30/22	443,956				400,490	(443,956)							(43,466)	443,956		
Transportation Aid	22-495-034-5120-014	7/1/21 - 6/30/22	204,865				184,807	(204,865)							(20,058)	204,865		
Extraordinary Special Education Costs	22-495-034-5120-044	7/1/21 - 6/30/22	374,106					(374,106)							(374,106)	374,106		
Reimbursed TPAF Social Security Contributions	22-495-034-5095-003	7/1/21 - 6/30/22	1,537,135				1,463,878	(1,537,135)							(73,257)	1,537,135		
Equalization Aid	21-495-034-5120-078	7/1/20 - 6/30/21	5,730,870	\$ (561,157)			561,157									5,730,870		
Special Education Aid	21-495-034-5120-089	7/1/20 - 6/30/21	1,448,667	(141,851)			141,851									1,448,667		
Security Aid	21-495-034-5120-084	7/1/20 - 6/30/21	443,956	(43,472)			43,472									443,956		
Transportation Aid	21-495-034-5120-014	7/1/20 - 6/30/21	204,865	(20,060)			20,060									204,865		
Extraordinary Special Education Costs	21-495-034-5120-044	7/1/20 - 6/30/21	363,518	(563,518)			363,518									363,518		
Homeless Tuition Reimbursement	21-495-034-5120-005	7/1/20 - 6/30/21	5,432	(5,432)			5,432									5,432		
On-Behalf TPAF Post Retirement Contributions	22-495-034-5094-001	7/1/21 - 6/30/22	1,742,848				1,742,848	(1,742,848)								1,742,848		
On-Behalf Long Term Disability Insurance Contributions	22-495-034-5094-004	7/1/21 - 6/30/22	3,494				3,494	(3,494)								3,494		
On-Behalf TPAF Pension Contributions	22-495-034-5094-002	7/1/21 - 6/30/22	7,355,752				7,355,752	(7,355,752)								7,355,752		
On-Behalf TPAF Non-Contributory Insurance	22-495-034-5094-004	7/1/21 - 6/30/22	103,779				103,779	(103,779)								103,779		
Total General Fund State Aid				(1,135,490)			19,795,605	(19,974,692)							(447,363)	28,172,000		
Special Revenue Fund:																		
New Jersey Nonpublic Aid:																		
Textbook Aid	22-100-034-5120-064	7/1/21 - 6/30/22	46,876				46,876	(46,876)								46,876		
Nursing Aid	22-100-034-5120-070	7/1/21 - 6/30/22	88,256				88,256	(88,256)								88,256		
Technology	22-100-034-5120-373	7/1/21 - 6/30/22	32,802				32,802	(32,802)								32,802		
Security Aid	22-100-034-5120-509	7/1/21 - 6/30/22	137,900				137,900	(137,900)								137,900		
Textbook Aid	21-100-034-5120-064	7/1/20 - 6/30/21	45,574							\$ 512						45,574		
Nursing Aid	21-100-034-5120-070	7/1/20 - 6/30/21	76,092							10,406						76,092		
Security Aid	21-100-034-5120-509	7/1/20 - 6/30/21	130,550							2,540						130,550		
New Jersey Nonpublic Auxiliary Services:																		
Compensatory Education	22-100-034-5120-067	7/1/21 - 6/30/22	148,613				148,613	(148,613)								148,613		
Home Instruction	22-100-034-5120-067	7/1/21 - 6/30/22	13,818													13,818		
Home Instruction	21-100-034-5120-067	7/1/20 - 6/30/21	637	(637)			637									637		
Compensatory Education	22-100-034-5120-067	7/1/21 - 6/30/22	95,800													95,800		
English as a Second Language	21-100-034-5120-067	7/1/20 - 6/30/21	914				13,934									914		
English as a Second Language	21-100-034-5120-067	7/1/21 - 6/30/22	888													888		
Transportation	22-100-034-5120-067	7/1/21 - 6/30/22	16,997				16,997	(16,997)								16,997		
New Jersey Nonpublic Handicapped:																		
Corrective Speech	22-100-034-5120-066	7/1/21 - 6/30/22	33,573				33,573	(33,573)								33,573		
Examination and Classification	22-100-034-5120-066	7/1/21 - 6/30/22	99,353				99,353	(99,353)								99,353		
Supplemental Instruction	22-100-034-5120-066	7/1/21 - 6/30/22	89,620				89,620	(89,620)								89,620		
Examination and Classification	21-100-034-5120-066	7/1/20 - 6/30/21	82,127													82,127		
Preschool Education Aid	21-495-034-5120-086	7/1/20 - 6/30/21	932,037				91,263	(932,037)								932,037		
Preschool Education Aid	22-495-034-5120-086	7/1/21 - 6/30/22	891,198	(91,263)			803,944	(891,198)							\$ 309,161	891,198		
Total Special Revenue Fund				(91,900)			58,033	(58,033)								22,513		
New Jersey School Development Authority: Emergent and Capital Maintenance Needs Grant																		
Total Special Revenue Fund				(91,900)			58,033	(58,033)								22,513		
Total				(91,900)			1,648,781	(1,631,387)								331,674		
							31,251	(31,251)								44,673		
																(101,072)		
																2,614,974		

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of Borough of Somerville School District under programs of the federal and state governments for the fiscal year ended June 30, 2022. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile revenue from the budgetary basis to the GAAP basis is (\$100,674) for the General Fund, and (\$324,782) for the Special Revenue Fund for which (\$16,957) is for local projects. See Exhibit C-3 for a reconciliation of revenue from the budgetary basis to the GAAP basis of accounting for the General and Special Revenue Funds.

SOMERVILLE BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 66,158	\$ 19,874,018	\$ 19,940,176
Special Revenue Fund	2,257,304	1,618,156	3,875,460
Capital Projects Fund		135,539	135,539
Debt Service Fund		208,959	208,959
Proprietary Fund	931,985	18,970	950,955
Total Financial Assistance	<u>\$ 3,255,447</u>	<u>\$ 21,855,642</u>	<u>\$ 25,111,089</u>

NOTE 5 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

Somerville Borough School District had no loan balances outstanding at June 30, 2022.

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

The District was awarded a grant in the amount of \$135,539 from the School Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2022 all funds have been expended and drawn down on a GAAP Basis.

NOTE 8. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2022. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

Federal and State Programs	Assistance Listing/ State Account Number	Grant Period	Award Amount	Budgetary Expenditures
Education Stabilization Aid:				
COVID 19 - CARES Emergency Relief Grant	84.425D	3/13/20-9/30/22	\$ 312,930	\$ 12,800
COVID 19 - CRRSA ESSER II	84.425D	3/13/20-9/30/23	1,207,771	448,983
COVID 19 - CRRSA Mental Health	84.425D	3/13/20-9/30/23	45,000	37,269
COVID 19 - CRRSA Learning Acceleration	84.425D	3/13/20-9/30/23	77,509	40,107
COVID 19 - ARP ESSER III	84.425U	3/13/20-9/30/24	2,714,388	686,488
COVID 19 - ARP Accelerated Learning Coach	84.425U	3/13/20-9/30/24	148,954	13,609
COVID 19 - ARP Beyond the School Day	84.425U	3/13/20-9/30/24	40,000	1,911
State Aid - Public:				
Equalization Aid	22-495-034-5120-078	7/1/21-6/30/22	6,760,090	6,760,090
Special Education Aid	22-495-034-5120-089	7/1/21-6/30/22	1,448,667	1,448,667
Security Aid	22-495-034-5120-084	7/1/21-6/30/22	443,956	443,956

SOMERVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

SOMERVILLE BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Status of Prior Year Findings:

There were no prior year findings.