

**WATCHUNG BOROUGH
SCHOOL DISTRICT**

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

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

**Annual Comprehensive
Financial Report**

of the

WATCHUNG BOROUGH SCHOOL DISTRICT

Watchung, New Jersey

For the Fiscal Year Ended June 30, 2022

Watchung Borough School District

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

WATCHUNG BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION
(UNAUDITED)



WATCHUNG BOROUGH SCHOOL DISTRICT

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

October 27, 2022

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

Dear Board Members and Citizens:

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

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, as well as special education for students with disabilities. The District completed the 2021-2022 fiscal year with an enrollment of 641 students, which is 21 more students than the previous year's enrollment.

2. ECONOMIC CONDITION AND OUTLOOK: The Borough of Watchung was organized on April 20, 1926 and covers an area of approximately 6.2 square miles. Watchung was settled in the early eighteenth century and grew slowly until the second half of the 20th century. In 1960, the population was 3,312 and in 2010 it was 5,801. Watchung Borough is primarily a suburban residential community with approximately 2,000 residential structures. The Borough also has a number of substantial commercial ratables, principally located on State Highway 22 on the outskirts of the Borough. The Watchung Square Mall, a 750,000 square foot shopping center, is currently assessed for over \$128 million. Crystal Ridge, 280-unit apartment complex, located next to the shopping center, is assessed at over \$40 million. A new affordable housing project on the eastern end of town is in the early stages of the development process.

The District's fund balance position and the ability to guarantee the adoption of prudent budgets will enable the District to continue to provide its students with a high-quality educational program, but capital improvements are necessary and will go well beyond the limits of a 2% tax levy cap that has been imposed by the State. Active referendum planning is underway.

3. MAJOR INITIATIVES: The Watchung Borough School District has continued to provide excellence in education for all students (Pre-K - 8). The District maintains a tuition-based, integrated preschool program for 3- and 4-year-old children. A full-day academic kindergarten is offered to students who reach age 5 by October 1. Spanish is offered to students in grades K-4. Spanish and French are offered to students in grades 5-8. Mathematics in middle school includes accelerated algebra and geometry. A state-of-the-art STEM Lab was opened in September 2019, and all students take a half-year STEM class that is based on state curricular standards. Students enjoy vocal and instrumental music and fine and performing arts opportunities. The District's program for gifted and talented students, SOAR, is offered to students identified as eligible in grades K-8. Guidance counselors in both schools assist teachers and administrators in assessing and meeting the academic, social, and emotional needs of the students. An Autism Class for students ages 5-8 is held in the Bayberry Elementary School. A preschool disabled program is available for students beginning at age 3. Resource center and in-class support programs are available in both schools.

A link to the public portal for parents to view the district curriculum is available through Rubicon Atlas, a software program, which is linked to the District's website. A five-year curriculum cycle was developed and approved by the Board of Education. Curriculum articulation occurs with other sending districts and Watchung Hills Regional High School. The District promotes professional learning for its staff and continues to support training on the GoMath! program in grades K-5 and the Readers and Writers Workshop model in language arts districtwide. The District has an ESL program that serves students in grades K-8.

Report cards are distributed on a trimester basis at Bayberry Elementary School through the parent portal in Genesis. Middle School students use Genesis to monitor their own academic progress.

Despite the ongoing COVID-19 pandemic, the District had a successful year and was able to drop its mask mandate and revise its protocols in an effort to keep healthy students in school. Middle school athletics teams had good seasons with the girls' basketball team playing in the conference championship game. The students also enjoyed the return to in-person field trips and assemblies. An outdoor commencement ceremony was the culminating highlight of a school year that began under challenging circumstances, but concluded with a feeling of normalcy.

Through careful planning and research, the district expanded the role of the sole technology employee and created a new technology manager position, which allowed a significant reduction in the consulting services and technology costs. The district also replaced Chromebooks for two grade levels of students with financial assistance from the Watchung Educational Foundation.

Genesis continues to serve as the District's student database system. The Parent Portal allows easy access for parents to check their children's academic progress. The District regularly uses SchoolMessenger for promoting ongoing communication with families and the school community. The District is in the process of launching a new website and Twitter accounts for 2022-23, with a view toward broadening and enhancing its communication with the community and improving public relations.

The District continued its use of the Danielson Framework for Teaching, but made plans to adopt the 2022 version of the rubric for teacher observation and evaluation and provide training for teachers during the summer. The Marshall Rubric is used for evaluation of administrators. Both rubrics are incorporated into Genesis for efficient use,

communication, and documentation. In compliance with state requirements, mandated training for staff is conducted through in-person professional development and online through Safe Schools.

The Somerset County Youth Service Commission (YSC) provided a grant that sponsored the Pursuit of Excellence programs at Valley View and Bayberry. These afterschool programs are designed to accelerate learning for our most vulnerable students. In addition, the YSC grant supported the TREP\$ (Entrepreneur) program at Valley View. This innovative program encourages students to create marketable items and develop a marketing plan for their products. Students also benefit from the Watchung Police Department's D.A.R.E. program.

The school programs are further enhanced by partnerships with the Parent Teacher Organization, SEPAG, and the Watchung Educational Foundation (WEF), which is an organization established to raise money for Bayberry and Valley View Schools and provide an ongoing centralized source of additional funds and resources with a central mission of assisting the Watchung Borough School District. Funds contributed by the foundation help to maintain and enhance the quality of education in the schools.

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

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

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

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section and the analysis of the results thereon is reported in the Management's Discussion and Analysis (MD&A) section of this report.

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

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

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

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

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

10. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Watchung Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted by,



George Alexis
Superintendent



Richard Pepe
Business Administrator

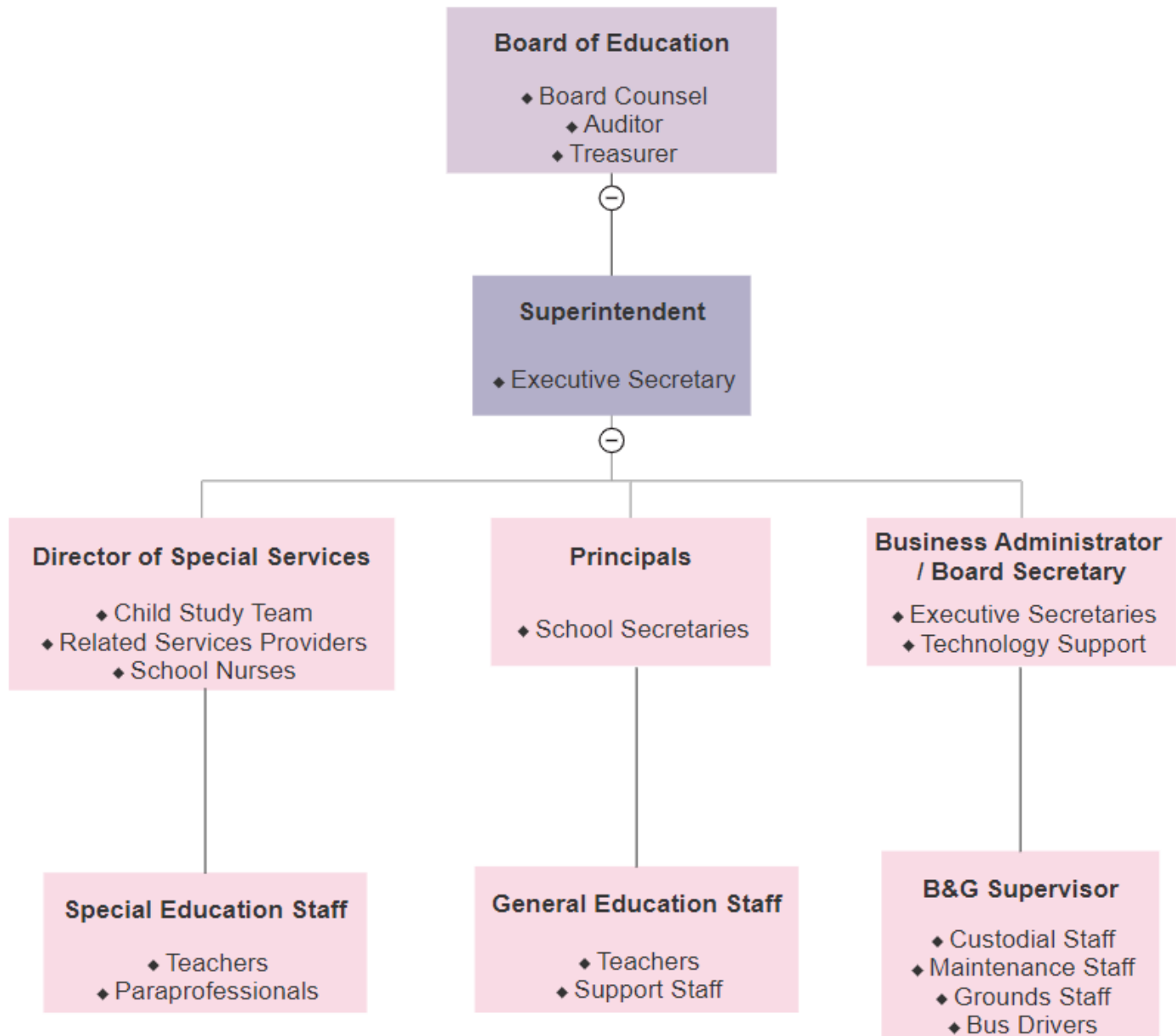


WATCHUNG BOROUGH SCHOOL DISTRICT

GEORGE P. ALEXIS
SUPERINTENDENT

RICHARD PEPE
BUSINESS ADMINISTRATOR

NICOLE DITOTA
DIRECTOR OF SPECIAL SERVICES



WATCHUNG BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2022

Members of the Board of Education

Term Expires

Dorie Harvey, President	2024
Jennifer Scharf, Vice President	2022
Joseph Barbella	2022
Richard Buccarelli	2024
Anthony Ingrassia	2024
(vacant)	2022
Kevin McDonald	2022*
Amber Murad	2023
Rita Sadhvani	2022*

Other Officials

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

**WATCHUNG BOROUGH SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

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

Attorney at Law

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

Architect

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

Benefit Advisor

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

Property Insurance Advisor

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

Official Depository

Investors Bank
1153 Valley Road
Stirling, NJ 07980

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Watchung Borough School District (the "District"), in the County of Somerset, as of and for the fiscal year ended June 30, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position 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 Qualified Opinion

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 qualified audit opinion.

Matter Giving Rise to Qualified Opinion

The District's note disclosure on postemployment benefits other than pensions (OPEB) (**Note 9**) contains the June 30, 2020 information and not the June 30, 2021 information as the report for Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the State of New Jersey State Health Benefits Local Education Retired Employees Plan ("SHBP") has not been released by the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey (the "Division"), as of the date of this report. The District is in a "special funding situation" in that the OPEB contributions, expenses and related liability are the sole responsibility of the State of New Jersey, not the District and therefore does not affect the District's net position. An estimated release date for the June 30, 2021 OPEB information has not been announced by the Division. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

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.

The Schedule of Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District and Related Ratios (Exhibit L-5) do not contain the June 30, 2021 OPEB information as the related GASB No. 75 report for SHBP has not been released by the State as of the date of this report. The District is in a "special funding situation" in that the OPEB contributions, expenses and related liability are the sole responsibility of the State of New Jersey, not the District and therefore does not affect the District's net position. An estimated release date for the June 30, 2021 OPEB information has not been announced by the Division. This required supplementary information is required to be presented to supplement the basic financial statements in accordance with accounting principles generally accepted in the United States of America. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 October 27, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

October 27, 2022
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

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

This section of Watchung Borough School District’s annual financial report presents its discussion and analysis of the District’s financial performance during the fiscal year ending June 30, 2022. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

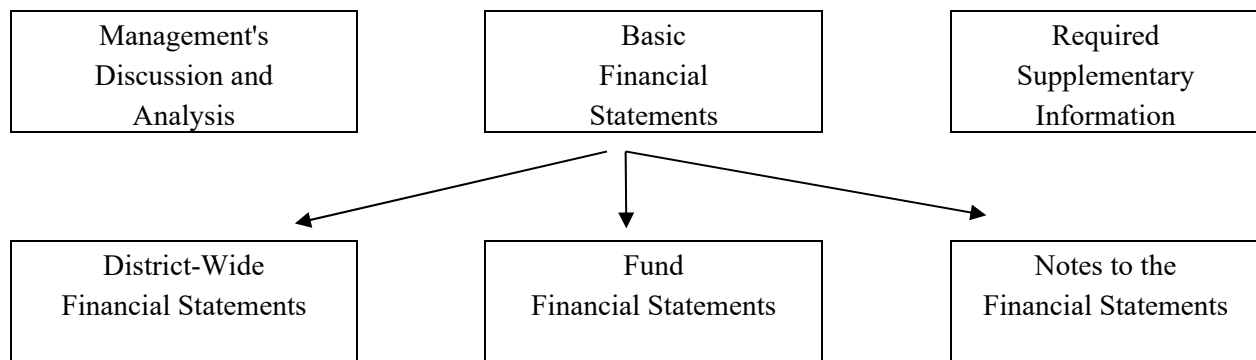
Overview of the Financial Statements

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

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

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

Figure A-1



WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary, such as special education and building maintenance	Activities the District operates similar to private businesses: milk program and care program
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets, 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

WATCHUNG BOROUGH SCHOOL DISTRICT Management Discussion and Analysis

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

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

Financial Analysis of the District as a Whole

Net Position. The District’s combined net position increased \$186,854. Net position from governmental activities increased by \$158,101 and net position from business activities increased by \$28,753. Net investment in capital assets decreased by \$439,969, restricted net position increased by \$478,207 and unrestricted net position increased by \$148,616.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	
Current and Other Assets	\$ 3,658,565	\$ 4,022,975	\$ 40,841	\$ 5,832	\$ 3,699,406	\$ 4,028,807	
Capital Assets, Net	13,467,236	13,904,424	2,290	5,071	13,469,526	13,909,495	
Total Assets	17,125,801	17,927,399	43,131	10,903	17,168,932	17,938,302	-4.29%
Deferred Outflows of Resources	308,291	359,899			308,291	359,899	-14.34%
Other Liabilities	480,053	1,110,689	3,475		483,528	1,110,689	
Long-Term Liabilities	2,024,303	2,408,254			2,024,303	2,408,254	
Total Liabilities	2,504,356	3,518,943	3,475		2,507,831	3,518,943	-28.73%
Deferred Inflows of Resources	1,154,127	1,150,846			1,154,127	1,150,846	0.29%
Net Position:							
Investment in Capital							
Assets	13,467,236	13,904,424	2,290	5,071	13,469,526	13,909,495	
Restricted	2,279,647	1,801,440			2,279,647	1,801,440	
Unrestricted/(Deficit)	(1,971,274)	(2,088,356)	37,366	5,832	(1,933,908)	(2,082,524)	
Total Net Position	\$ 13,775,609	\$ 13,617,508	\$ 39,656	\$ 10,903	\$ 13,815,265	\$ 13,628,411	1.37%

Changes in Net Position. The Changes in Net Position shows the cost of program services and the revenues of the District on a comparative schedule (Figure A-4). The District’s *combined* net position was \$13,815,265 on June 30, 2022, an increase of \$186,854 or 1.37% more than it was the year before (See Figure A-3). Net Investment in Capital Assets decreased by \$439,969 due to the \$83,851 of current year capital assets additions and \$39,238 of paydown of financed purchases offset by the \$517,694 of depreciation expense and \$45,364 of capital asset deletions. Restricted net position increased by \$478,207 primarily due changes in capital reserve, unemployment compensation reserve and excess surplus. The unrestricted net position increased by \$148,616 due primarily to the change in pension related deferred inflows and outflows, the increase in unexpended budget appropriations, as well as the decrease in net pension liability and compensated absences payable.

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	
Revenue:							
Program Revenue:							
Tuition	\$ 157,006	\$ 80,906			\$ 157,006	\$ 80,906	
Charges for Services	19,138	6,734	\$ 83,081	\$ 19,419	102,219	26,153	
Operating Grants & Contributions	3,562,760	3,704,391	2,325		3,565,085	3,704,391	
General Revenue:							
Property Taxes	12,290,287	12,049,301			12,290,287	12,049,301	
Unrestricted Federal & State Aid	497,441	634,426			497,441	634,426	
Other	43,049	40,874			43,049	40,874	
Total Revenue	<u>16,569,681</u>	<u>16,516,632</u>	<u>85,406</u>	<u>19,419</u>	<u>16,655,087</u>	<u>16,536,051</u>	0.72%
Expenses:							
Instruction	10,226,600	9,861,430			10,226,600	9,861,430	
Pupil and Instruction Services	2,552,389	2,615,861			2,552,389	2,615,861	
Administrative and Business	1,535,368	1,549,651			1,535,368	1,549,651	
Maintenance and Operations	1,248,406	1,210,576			1,248,406	1,210,576	
Transportation	801,679	537,183			801,679	537,183	
Other	47,138	47,138	56,653	25,026	103,791	72,164	
Total Expenses	<u>16,411,580</u>	<u>15,821,839</u>	<u>56,653</u>	<u>25,026</u>	<u>16,468,233</u>	<u>15,846,865</u>	3.92%
Other Item/Transfer:							
Transfer		(3,483)		3,483			
Cancellation of Prior Year							
Accounts Payable		25,276				25,276	100.00%
Change in Net Position	<u>\$ 158,101</u>	<u>\$ 716,586</u>	<u>\$ 28,753</u>	<u>\$ (2,124)</u>	<u>\$ 186,854</u>	<u>\$ 714,462</u>	<u>73.85%</u>

Governmental Activities

Maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

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

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

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

Figure A-5
Net Cost of Governmental Activities

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2021/2022</u>	<u>2020/2021</u>	<u>2021/2022</u>	<u>2020/2021</u>
Instruction	\$ 10,226,600	\$ 9,861,430	\$ 6,773,552	\$ 6,540,244
Pupil and Instruction Services	2,552,389	2,615,861	2,461,730	2,415,931
Administrative and Business	1,535,368	1,549,651	1,340,171	1,324,744
Maintenance and Operations	1,248,406	1,210,576	1,248,406	1,168,771
Transportation	801,679	537,183	801,679	532,980
Other	47,138	47,138	47,138	47,138
	<u>\$ 16,411,580</u>	<u>\$ 15,821,839</u>	<u>\$ 12,672,676</u>	<u>\$ 12,029,808</u>

Business-Type Activities

Net position from the District's business-type activities increased by \$28,753. (Refer to Figure A-4).

Financial Analysis of the District's Funds

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

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

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

General Fund Budgetary Highlights

Over the course of the fiscal year, the District revised the annual operating budget between budgetary line items for changes in school-based needs. Student support services increased \$157,162 over budgeted amounts.

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

Capital Asset and Long-Term Liabilities

Current year capital additions were \$83,851 and annual depreciation was \$517,694 (\$514,913 from governmental activities and \$2,781 from business-type activities). (More information on the District’s capital assets is presented in Note 6 to the financial statements.)

Figure A-6

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	
Land	\$ 411,364	\$ 411,364			\$ 411,364	\$ 411,364	
Building and Building Improvements	12,359,630	12,712,451			12,359,630	12,712,451	
Machinery and Equipment	777,004	900,609	\$ 2,290	\$ 5,071	779,294	905,680	
Total Capital Assets (Net of Depreciation)	<u>\$ 13,547,998</u>	<u>\$ 14,024,424</u>	<u>\$ 2,290</u>	<u>\$ 5,071</u>	<u>\$ 13,550,288</u>	<u>\$ 14,029,495</u>	<u>-3.42%</u>

Long-Term Liabilities

At year-end, the District no longer has general obligation bonds outstanding as shown in Figure A-7. (More detailed information about the District’s long-term liabilities is presented in Note 7 to the financial statements.)

Figure A-7

Outstanding Long-Term Liabilities

	Total School District		Percentage Change 2021/2022
	2021/2022	2020/2021	
Compensated Absences	\$ 416,941	\$ 273,200	
Financed Purchases Payable	80,762	120,000	
Net Pension Liability	1,526,600	2,015,054	
	<u>\$ 2,024,303</u>	<u>\$ 2,408,254</u>	<u>-15.94%</u>

- Compensated absences payable increased by a net amount of \$143,741.
- The net pension liability decreased by \$488,454 from the prior year.
- The District continued to pay down it’s debt, which included retiring \$39,238 of financed purchases obligations.

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

Factors Bearing on the District's Future

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

- Tax Levy - The Board opted to prepare its 2022-2023 budget with a 2.0% tax increase. The unrestricted fund balance is limited to 2% of expenditures as per the New Jersey Department of Education regulations. Looking ahead to the development of the 2023-2024 budget, it will be important to prepare a budget that will closely reflect actual expenditures because the unrestricted fund will not permit much flexibility.
- Personnel – The district needs additional staffing in the areas of guidance, library/media, custodial services, and supervision of instruction. With current budget constraints, this will be a significant challenge for the coming years.
- Special Education Costs - These costs remained high in 2021-2022 and impacted the budget quite heavily. Through the work of the Director of Special Services, the district was able to slow the rise of costs in this area. The administrative leadership team continues to provide services in a cost-effective manner and is hopeful to see expenditures in this area decrease over the next few years, as students with costly settlement agreements are able to be brought back into the district or graduate from eighth grade.

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

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

Request for Information

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,799,693	\$ 35,090	\$ 1,834,783
Receivable from State Government	486,159		486,159
Receivable from Federal Government	29,408	155	29,563
Other Accounts Receivable	63,781	5,596	69,377
Restricted Cash and Cash Equivalents	1,198,762		1,198,762
Capital Assets:			
Sites (Land)	411,364		411,364
Depreciable Buildings and Building Improvements and Machinery and Equipment	13,136,634	2,290	13,138,924
Total Assets	<u>17,125,801</u>	<u>43,131</u>	<u>17,168,932</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	308,291		308,291
Total Deferred Outflows of Resources	<u>308,291</u>		<u>308,291</u>
LIABILITIES			
Accounts Payable	476,226	3,340	479,566
Unearned Revenue	3,827	135	3,962
Noncurrent Liabilities:			
Due Within One Year	39,995		39,995
Due Beyond One Year	1,984,308		1,984,308
Total Liabilities	<u>2,504,356</u>	<u>3,475</u>	<u>2,507,831</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	1,154,127		1,154,127
Total Deferred Inflows of Resources	<u>1,154,127</u>		<u>1,154,127</u>
NET POSITION			
Investment in Capital Assets	13,467,236	2,290	13,469,526
Restricted for:			
Capital Projects	1,078,148		1,078,148
Excess Surplus	1,080,885		1,080,885
Unemployment Compensation	65,602		65,602
Student Activities	55,012		55,012
Unrestricted/(Deficit)	(1,971,274)	37,366	(1,933,908)
Total Net Position	<u>\$ 13,775,609</u>	<u>\$ 39,656</u>	<u>\$ 13,815,265</u>

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

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

Functions/Programs	Program Revenue					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating		Governmental Activities	Business-Type Activities	Total
			Grants and Contributions				
Governmental Activities:							
Instruction:							
Regular	\$ 7,363,678	\$ 157,006	\$ 1,986,290	\$	(5,220,382)	\$	(5,220,382)
Special Education	2,377,611		1,193,577		(1,184,034)		(1,184,034)
Other Special Instruction	343,591		87,076		(256,515)		(256,515)
School-Sponsored Other Instruction	141,720		29,099		(112,621)		(112,621)
Support Services:							
Tuition	512,757				(512,757)		(512,757)
Student & Instruction Related Services	2,039,632	19,138	71,521		(1,948,973)		(1,948,973)
General Administrative Services	545,841		195,197		(350,644)		(350,644)
School Administrative Services	556,389				(556,389)		(556,389)
Central Services	271,426				(271,426)		(271,426)
Administrative Information Technology	161,712				(161,712)		(161,712)
Plant Operations and Maintenance	1,248,406				(1,248,406)		(1,248,406)
Pupil Transportation	801,679				(801,679)		(801,679)
Capital Outlay	47,138				(47,138)		(47,138)
Total Governmental Activities	16,411,580	176,144	3,562,760		(12,672,676)		(12,672,676)

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Business-Type Activities:							
Food Service	\$ 11,800	\$ 2,099	\$ 2,325		\$ (7,376)	\$ (7,376)	
Care Program	44,853	80,982			36,129	36,129	
Total Business-Type Activities	56,653	83,081	2,325		28,753	28,753	
Total Primary Government	\$ 16,468,233	\$ 259,225	\$ 3,565,085	\$ (12,672,676)	28,753	(12,643,923)	
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 12,290,287		\$ 12,290,287	
Federal and State Aid not Restricted				497,441		497,441	
Interest				15,317		15,317	
Miscellaneous Income				27,732		27,732	
Total General Revenue				12,830,777		12,830,777	
Change in Net Position				158,101	\$ 28,753	186,854	
Net Position - Beginning				13,617,508	10,903	13,628,411	
Net Position - Ending				\$ 13,775,609	\$ 39,656	\$ 13,815,265	

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

FUND FINANCIAL STATEMENTS

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

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,799,693		\$ 1,799,693
Receivables From Federal Government		\$ 29,408	29,408
Receivables From State Government	486,159		486,159
Other Receivables	44,254	19,527	63,781
Interfund Receivables	36,184		36,184
Restricted Cash and Cash Equivalents	1,143,750	55,012	1,198,762
Total Assets	<u>\$ 3,510,040</u>	<u>\$ 103,947</u>	<u>\$ 3,613,987</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 310,130	\$ 8,924	\$ 319,054
Interfund Payable		36,184	36,184
Unearned Revenue		3,827	3,827
Total Liabilities	<u>310,130</u>	<u>48,935</u>	<u>359,065</u>
Fund Balances:			
Restricted:			
Capital Reserve	1,078,148		1,078,148
Excess Surplus - 2022-2023	456,977		456,977
Excess Surplus - 2023-2024	623,908		623,908
Unemployment Compensation	65,602		65,602
Student Activities		55,012	55,012
Assigned:			
Encumbrances	185,901		185,901
Unassigned:			
General Fund	789,374		789,374
Total Fund Balances	<u>3,199,910</u>	<u>55,012</u>	<u>3,254,922</u>
Total Liabilities and Fund Balances	<u>\$ 3,510,040</u>	<u>\$ 103,947</u>	

WATCHUNG 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	\$ 3,254,922
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds.	13,547,998
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(1,526,600)
Other Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(497,703)
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	151,119
Deferred Inflows	<u>(1,154,127)</u>
Net Position of Governmental Activities	<u><u>\$ 13,775,609</u></u>

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

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

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Local Tax Levy	\$ 12,290,287		\$ 12,290,287
Tuition from Individuals	157,006		157,006
Interest Earned on Capital Reserve Funds	578		578
Restricted Miscellaneous Revenue	14,739	\$ 43,013	57,752
Unrestricted Miscellaneous Revenue	27,732		27,732
Total - Local Sources	<u>12,490,342</u>	<u>43,013</u>	<u>12,533,355</u>
State Sources	4,128,557	13,908	4,142,465
Federal Sources		356,338	356,338
Total Revenue	<u>16,618,899</u>	<u>413,259</u>	<u>17,032,158</u>
EXPENDITURES			
Current:			
Regular Instruction	4,151,589	236,581	4,388,170
Special Education Instruction	1,412,470	157,540	1,570,010
Other Special Instruction	200,865		200,865
School Sponsored/Other Instruction	68,916		68,916
Support Services and Undistributed Costs:			
Tuition	512,757		512,757
Student & Instruction Related Services	1,507,511	19,319	1,526,830
General Administrative Services	401,704		401,704
School Administrative Services	340,023		340,023
Central Services	213,818		213,818
Administrative Information Technology	139,347		139,347
Plant Operations and Maintenance	990,432		990,432
Pupil Transportation	790,712		790,712
Unallocated Benefits	5,438,891		5,438,891
Capital Outlay	138,147		138,147
Total Expenditures	<u>16,307,182</u>	<u>413,440</u>	<u>16,720,622</u>
Net Change in Fund Balances	311,717	(181)	311,536
Fund Balance—July 1	<u>2,888,193</u>	<u>55,193</u>	<u>2,943,386</u>
Fund Balance—June 30	<u>\$ 3,199,910</u>	<u>\$ 55,012</u>	<u>\$ 3,254,922</u>

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

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

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ 311,536
Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:		
Capital outlays related to capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and disposal of capital assets differs from capital outlays in the period.		
	Depreciation Expense	\$ (514,913)
	Disposal of Capital Assets with Carrying Value	(45,364)
	Capital Asset Additions	<u>83,851</u>
		(476,426)
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
	Change in Net Pension Liability	488,454
	Change in Deferred Inflows	(3,281)
	Change in Deferred Outflows	<u>(57,679)</u>
		427,494
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.		
		39,238
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		<u>(143,741)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 158,101</u>

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

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

	<u>Non-Major Funds</u>	<u>Total Enterprise Funds</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 35,090	\$ 35,090
Intergovernmental Accounts Receivable:		
Federal	155	155
Accounts Receivable	5,596	5,596
Total Current Assets	<u>40,841</u>	<u>40,841</u>
Non-Current Assets:		
Capital Assets	41,166	41,166
Less: Accumulated Depreciation	<u>(38,876)</u>	<u>(38,876)</u>
Total Non-Current Assets	<u>2,290</u>	<u>2,290</u>
Total Assets	<u>43,131</u>	<u>43,131</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	3,340	3,340
Unearned Revenue	<u>135</u>	<u>135</u>
Total Current Liabilities	<u>3,475</u>	<u>3,475</u>
NET POSITION:		
Investment in Capital Assets	2,290	2,290
Unrestricted	<u>37,366</u>	<u>37,366</u>
Total Net Position	<u>\$ 39,656</u>	<u>\$ 39,656</u>

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

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

	Non-Major Funds	Total Enterprise Funds
	<u> </u>	<u> </u>
Operating Revenue:		
Local Sources:		
Milk Sales	\$ 2,099	\$ 2,099
Child Care Fees	80,982	80,982
	<u> </u>	<u> </u>
Total Operating Revenue	83,081	83,081
	<u> </u>	<u> </u>
Operating Expenses:		
Cost of Sales- Reimbursable Programs	4,314	4,314
Salaries, Benefits & Payroll Taxes	38,777	38,777
Miscellaneous Expenses	10,781	10,781
Depreciation Expense	2,781	2,781
	<u> </u>	<u> </u>
Total Operating Expenses	56,653	56,653
	<u> </u>	<u> </u>
Operating Income/(Loss)	26,428	26,428
	<u> </u>	<u> </u>
Non-Operating Revenue:		
Federal Sources:		
Special Milk Program	2,325	2,325
	<u> </u>	<u> </u>
Total Non-Operating Revenue	2,325	2,325
	<u> </u>	<u> </u>
Change in Net Position	28,753	28,753
	<u> </u>	<u> </u>
Net Position - Beginning of Year	10,903	10,903
	<u> </u>	<u> </u>
Net Position - End of Year	\$ 39,656	\$ 39,656
	<u> </u>	<u> </u>

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

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Non-Major Funds	Total Enterprise Funds
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 78,277	\$ 78,277
Payments to Employees	(38,777)	(38,777)
Payments to Milk Vendor	(4,314)	(4,314)
Payment for Suppliers	(7,441)	(7,441)
	27,745	27,745
Net Cash Provided by/(Used for) Operating Activities		
Cash Flows from Noncapital Financing Activities:		
Federal Sources:		
Special Milk Program	2,170	2,170
	2,170	2,170
Net Cash Provided by Noncapital Financing Activities		
Net Increase/(Decrease) in Cash and Cash Equivalents	29,915	29,915
Cash and Cash Equivalents, July 1	5,175	5,175
Cash and Cash Equivalents, June 30	\$ 35,090	\$ 35,090
Reconciliation of Operating Income/(Loss) to Net Cash (Used for) Operating Activities:		
Operating Income/(Loss)	\$ 26,428	\$ 26,428
Adjustment to Reconcile Operating Loss to Cash Provided by/(Used for) Operating Activities:		
Depreciation	2,781	2,781
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable	(4,939)	(4,939)
Increase in Accounts Payable	3,340	3,340
Increase in Unearned Revenue	135	135
	27,745	27,745
Net Cash (Provided by) Operating Activities	\$ 27,745	\$ 27,745

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd):

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

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

B. Basis of Presentation: (Cont'd)

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets 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 expenditures for principal and interest.

The District reports the following proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

WATCHUNG 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)

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 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. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

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

D. Budgets/Budgetary Control (Cont'd)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 16,629,561	\$ 401,908
Differences - Budgetary to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		11,351
Prior Year State Aid Payments Recognized for GAAP Statements	49,911	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(60,573)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 16,618,899	\$ 413,259
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 16,307,182	\$ 402,089
Differences - Budgetary to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		11,351
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 16,307,182	\$ 413,440

WATCHUNG 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 and Cash Equivalents:

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

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

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 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	50 years
Building Improvements	20 years
Machinery and Equipment	10 to 15 years

WATCHUNG 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)

K. Capital Assets (Cont'd)

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

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

N. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2022, the amount earned by these employees but not yet disbursed was \$120,439.

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 in a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

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

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.

WATCHUNG 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)

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.

R. Fund Balance Appropriated:

General Fund: Of the \$3,199,910 General Fund fund balance at June 30, 2022, \$1,078,148 is restricted in the capital reserve account; \$456,977 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2023; \$623,908 is restricted for current year excess surplus in accordance with N.J.S.A.18A:7F-7 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2024; \$185,901 is assigned for year-end encumbrances; \$65,602 is restricted for unemployment compensation; and \$789,374 is unassigned fund balance, which is \$60,573 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2023.

Special Revenue Fund: The Special Revenue Fund balance at June 30, 2022 of \$55,012 is restricted for student activities.

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

Unassigned fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of \$60,573 as of June 30, 2022 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

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

Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned. Fund balance restrictions have been established for a capital reserve, excess surplus, unemployment compensation and student activities at year end.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 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 at June 30, 2022 in the General Fund.

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 had deferred outflows and inflows of resources at June 30, 2022 related to pensions.

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

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

WATCHUNG 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. Deficit Net Position:

The District has a deficit of \$1,971,274 in unrestricted net position in its governmental activities, which is due to unassigned General Fund balance, assigned fund balance and deferred outflows of resources related to pensions; offset by net pension liability, compensated absences payable and deferred inflows of resources related to pensions. This deficit does not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

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, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

W. Operating Revenue and Expenses:

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

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.

WATCHUNG 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)

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, and short-term investments with original maturities of three months or less.

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

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

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

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

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

Deposits:

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

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

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

Deposits: (Cont'd)

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

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

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

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

Investments:

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

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

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

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

Investments (Cont'd)

- (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
- (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

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

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents			Total
		Capital Reserve Account	Unemployment Compensation	Student Activities	
Checking Accounts	\$ 1,834,783	\$ 1,078,148	\$ 65,602	\$ 55,012	\$ 3,033,545
	<u>\$ 1,834,783</u>	<u>\$ 1,078,148</u>	<u>\$ 65,602</u>	<u>\$ 55,012</u>	<u>\$ 3,033,545</u>

During the period ended June 30, 2022, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2022, was \$3,033,545 and the bank balance was \$3,405,066.

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

NOTE 4. CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line item appropriations or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2021	\$ 1,077,571
Interest Earnings	<u>577</u>
Ending Balance, June 30, 2022	<u>\$ 1,078,148</u>

The balance in the capital reserve account at June 30, 2022 did not exceed the balance of local support costs of uncompleted capital projects in the District’s approved Long Range Facilities Plan. Withdrawals from the capital reserve can be used in DOE approved facilities projects, consistent with the District’s LRFP.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2022, the District made transfers into capital outlay accounts for equipment which did not require approval of the County Superintendent. The District did obtain the required approval of the County Superintendent for the \$13,529 transfer for facilities acquisition and construction services

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

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 411,364			\$ 411,364
Total Capital Assets Not Being Depreciated	411,364			411,364
Capital Assets Being Depreciated:				
Buildings and Building Improvements	19,894,876	\$ 9,600		19,904,476
Machinery and Equipment	2,257,701	74,251	\$ (45,364)	2,286,588
Total Capital Assets Being Depreciated	22,152,577	83,851	(45,364)	22,191,064
Governmental Activities Capital Assets	22,563,941	83,851	(45,364)	22,602,428
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(7,182,425)	(362,421)		(7,544,846)
Machinery and Equipment	(1,357,092)	(152,492)		(1,509,584)
	(8,539,517)	(514,913)		(9,054,430)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 14,024,424	\$ (431,062)	\$ (45,364)	\$ 13,547,998
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 41,166			\$ 41,166
Less Accumulated Depreciation	(36,095)	(2,781)		(38,876)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 5,071	\$ (2,781)	\$ - 0 -	\$ 2,290

Depreciation expense was charged to governmental functions as follows:

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

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

	Beginning Balance	Accrued	Retired	Ending Balance
Financed Purchases Payable	\$ 120,000		\$ 39,238	\$ 80,762
Compensated Absences Payable	273,200	\$ 186,547	42,806	416,941
Net Pension Liability	2,015,054		488,454	1,526,600
	\$ 2,408,254	\$ 186,547	\$ 570,498	\$ 2,024,303

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. The District had no bonds payable at June 30, 2022.

B. Bonds Authorized But Not Issued:

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

C. Financed Purchases Payable:

The District has a financed purchase agreement for network switches. The financed purchase is for a term of three years and will be retired through the General Fund.

The following is a schedule of the future minimum financed purchase payments under the finance purchase agreements, and the present value of the net minimum financed purchase payments at June 30, 2022.

<u>Year</u>	<u>Amount</u>
2023	\$ 41,553
2024	41,553
Total Minimum Financed Purchases Payments	83,106
Less: Amount Representing Interest	(2,344)
Present Value of Net Minimum Lease Payments	\$ 80,762

The current portion of the financed purchase payable at June 30, 2022 is \$39,995 and the long-term portion is \$40,767. The General Fund will be used to liquidate the financed purchase payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance for compensated absences is \$416,941. The compensated absences payable will be liquidated through the General Fund.

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

WATCHUNG 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. 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 \$1,526,600. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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.

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

NOTE 8. 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 \$153,773 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 \$1,526,600 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 0.0129%, which was an increase of 0.0005% from its proportion measured as of June 30, 2020.

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

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

For the fiscal year ended June 30, 2022, the District recognized an actual pension benefit of \$276,578. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	5.48		\$ 64,514
	2018	5.63		120,951
	2019	5.21		106,700
	2020	5.16		251,315
	2021	5.13	\$ 7,951	
			<u>7,951</u>	<u>543,480</u>
Changes in Proportion	2017	5.48		6,407
	2018	5.63		28,328
	2019	5.21	26,064	162,836
	2020	5.16		
	2021	5.13	93,028	
			<u>119,092</u>	<u>197,571</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2018	5.00		11,925
	2019	5.00		(3,848)
	2020	5.00		(86,717)
	2021	5.00		480,787
				<u>402,147</u>
Difference Between Expected and Actual Experience	2017	5.48	1,918	
	2018	5.63		4,606
	2019	5.21	8,156	
	2020	5.16	14,002	
	2021	5.13		6,323
			<u>24,076</u>	<u>10,929</u>
District Contribution Subsequent to the Measurement Date	2021	1.00	157,172	
			<u>\$ 308,291</u>	<u>\$ 1,154,127</u>

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

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2022	\$ (360,211)
2023	(257,190)
2024	(175,360)
2025	(131,818)
2026	50
	\$ (924,529)

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:

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.

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

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 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.

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

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 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		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
District's proportionate share of the Net Pension Liability	\$ 2,080,070	\$ 1,526,600	\$ 1,058,464

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

For additional information about the TPAF, please refer to the Division's annual financial statements which can be found at www.nj.gov/treasury/pensions/annual-reports.shtml.

Benefits Provided

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

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

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

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 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 \$1,989,805 to the TPAF for normal pension benefits on behalf of the District, which is more than the contractually required contribution of \$495,775.

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

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

At June 30, 2022, the State's proportionate share of the net pension liability associated with the District was \$21,069,503. 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 0.043%, which was a decrease of 0.003% from its proportion measured as of June 30, 2020.

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

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		21,069,503
Total	\$	21,069,503

For the fiscal year ended June 30, 2021, the State recognized pension expense on behalf of the District in the amount of \$495,775 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 (excluding employer specific amounts) related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.50	\$ 153,774,925	
	2015	8.30	926,219,611	
	2016	8.30	3,000,278,784	
	2017	8.30		\$ 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	8.50		1,464,605
	2015	8.30	57,204,429	
	2016	8.30		37,311,034
	2017	8.30	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	2018	5.00		96,030,373
Investment Earnings on Pension Plan Investments	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

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

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
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.

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

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 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 Management 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 contributions for 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.

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

NOTE 8. 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		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 24,928,747	\$ 21,069,503	\$ 17,827,986

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 \$1,602 for the fiscal year ended June 30, 2022. Employee contributions to DCRP amounted to \$2,176 for the year ended June 30, 2022.

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

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

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

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

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

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, 2019, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	149,304
Active Plan Members	216,804
Total	366,108

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

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

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020.

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%	
	TPAF/ABP	PERS
Salary Increases:		
Through 2026	1.55 - 4.45% based on service years	2.00 - 6.00% based on service years
Thereafter	1.55 - 4.45% based on service years	3.00 - 7.00% based on service years

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2014 – June 30, 2018 for TPAF and PERS, respectively.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP) 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.

Health Care Trend Assumptions

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%.

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

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

Actuarial Assumptions and Other Inputs (Cont'd)

Discount Rate

The discount rate for June 30, 2020 was 2.21%. 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, 2018	\$ 16,313,251
Changes for Year:	
Service Cost	781,193
Interest on the Total OPEB Liability	590,394
Difference between Actual and Expected Experience	4,848,535
Changes of Assumptions	4,934,062
Gross Benefit Payments by the State	(470,247)
Contributions from Members	14,253
Net Changes	10,698,190
Balance at June 30, 2019	\$ 27,011,441

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, 2020, 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, 2020		
	At 1% Decrease (1.21%)	At Discount Rate (2.21%)	At 1% Increase (3.21%)
Total OPEB Liability Attributable to the District	\$ 32,563,686	\$ 27,011,441	\$ 22,670,120

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

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

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2020, 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, 2020		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase
Total OPEB Liability Attributable to the District	\$ 21,804,546	\$ 27,011,441	\$ 33,211,696

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 \$1,503,009 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:

	Deferral Year	Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 1,639,040
	2018	9.51		1,442,664
	2019	9.29	\$ 194,456	
	2020	9.24	4,399,424	
			4,593,880	3,081,704
Differences Between Expected and Actual Experience	2018	9.51		1,363,767
	2019	9.29		2,288,756
	2020	9.24	4,100,436	
			4,100,436	3,652,522
Changes in Proportion	N/A	N/A	1,296,174	442,392
			\$ 9,990,489	\$ 7,176,618

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

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

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

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

Fiscal Year Ending June 30,	Total
2021	\$ (17,302)
2022	(17,302)
2023	(17,302)
2024	(17,302)
2025	(17,302)
Thereafter	(1,873,582)
	\$ (1,960,089)

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are provided through Horizon Blue Cross/Blue Shield.

Property and Liability Insurance

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

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

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

NOTE 10. RISK MANAGEMENT (Cont'd)

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

	Diploma Joint Insurance Fund
Total Assets	\$ 20,662,901
Net Position	\$ 10,481,379
Total Revenue	\$ 10,052,973
Total Expenses	\$ 8,270,346
Change in Net Position	\$ 1,782,627
Members Dividends	\$ -0-

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

New Jersey Unemployment Compensation Insurance

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

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

Fiscal Year	District Contributions	Employee Contributions and Interest	Amount Reimbursed	Ending Balance
2022	-0-	\$ 14,951	\$ 212	\$ 65,602
2021	-0-	11,210	223	50,863
2020	-0-	12,988	9,929	39,876

NOTE 11. ECONOMIC DEPENDENCY

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

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

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

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

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 36,184	
Special Revenue Fund		\$ 36,184
	\$ 36,184	\$ 36,184

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

NOTE 13. DEFERRED COMPENSATION

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

- The plan administrators are as follows:
- AIG (V.A.L.I.C.)
 - AXA Equitable Life Assurance
 - Metropolitan Life Insurance Company
 - Lincoln Financial

NOTE 14. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

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

NOTE 14. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

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

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 185,901	\$ 12,401	\$ 198,302

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 \$12,401 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 15. ACCOUNTS PAYABLE

At June 30, 2022, there were accounts payable as detailed below:

	Governmental Funds		District Contribution Subsequent to Measurement Date	Total Governmental Activities	Proprietary Funds
	General Fund	Special Revenue Fund	Date	Activities	Funds
Vendors	\$ 34,616	\$ 8,924		\$ 43,540	\$ 3,340
Payroll Deductions and Withholdings	155,075			155,075	
Accrued Salaries & Wages	120,439			120,439	
Due to State of New Jersey			\$ 157,172	157,172	
	\$ 310,130	\$ 8,924	\$ 157,172	\$ 476,226	\$ 3,340

NOTE 16. TAX CALENDAR

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

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

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,							
	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability	0.0155507330%	0.0150279424%	0.0140359078%	0.0137002301%	0.0001326642%	0.0135377058%	0.0123566940%	0.0128865092%
District's proportionate share of the net pension liability	\$ 2,911,523	\$ 3,373,472	\$ 4,157,033	\$ 3,189,195	\$ 2,612,092	\$ 2,439,289	\$ 2,015,054	\$ 1,526,600
District's covered employee payroll	\$ 1,006,888	\$ 952,957	\$ 955,122	\$ 923,519	\$ 946,298	\$ 935,785	\$ 911,410	\$ 921,675
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	289.16%	354.00%	435.24%	345.33%	276.03%	260.67%	221.09%	165.63%
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.

WATCHUNG 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	\$ 128,198	\$ 129,200	\$ 124,693	\$ 128,417	\$ 132,313	\$ 131,963	\$ 135,176	\$ 153,773
Contributions in relation to the contractually required contribution	(128,198)	(129,200)	(124,693)	(128,417)	(132,313)	(131,963)	(135,176)	(153,773)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 952,957	\$ 955,122	\$ 923,519	\$ 946,298	\$ 935,785	\$ 911,410	\$ 921,675	\$ 1,025,859
Contributions as a percentage of covered employee payroll	13.45%	13.53%	13.50%	13.57%	14.14%	14.48%	14.67%	14.99%

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

WATCHUNG BOROUGH SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
 SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 ATTRIBUTABLE TO THE DISTRICT
 TEACHERS' PENSION AND ANNUITY FUND
 LAST 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	0.0459199119%	0.0452895715%	0.0459795512%	0.0478369854%	0.0486004563%	0.0473583810%	0.0461751367%	0.0438261483%
State's proportionate share of the net pension liability attributable to the District	\$ 24,922,223	\$ 28,624,943	\$ 36,170,443	\$ 32,253,421	\$ 30,918,566	\$ 29,064,285	\$ 30,405,772	\$ 21,069,503
District's covered employee payroll	\$ 4,674,455	\$ 4,807,187	\$ 4,951,413	\$ 5,048,273	\$ 4,839,145	\$ 4,850,113	\$ 5,037,547	\$ 5,616,652
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	533.16%	595.46%	730.51%	638.90%	638.93%	599.25%	603.58%	375.13%
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.

WATCHUNG 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	\$ 1,341,050	\$ 1,747,808	\$ 2,717,705	\$ 2,234,354	\$ 1,802,444	\$ 1,714,289	\$ 1,890,760	\$ 495,775
Contributions in relation to the contractually required contribution	(244,852)	(368,130)	(519,258)	(715,713)	(931,425)	(1,012,798)	(1,273,973)	(1,989,805)
Contribution deficiency/(excess)	<u>\$ 1,096,198</u>	<u>\$ 1,379,678</u>	<u>\$ 2,198,447</u>	<u>\$ 1,518,641</u>	<u>\$ 871,019</u>	<u>\$ 701,491</u>	<u>\$ 616,787</u>	<u>\$ (1,494,030)</u>
District's covered employee payroll	\$ 4,807,187	\$ 4,951,413	\$ 5,048,273	\$ 4,839,145	\$ 4,850,113	\$ 5,037,547	\$ 5,616,652	\$ 6,033,093
Contributions as a percentage of covered employee payroll	27.90%	35.30%	53.83%	46.17%	37.16%	34.03%	33.66%	8.22%

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

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

	Fiscal Year Ending June 30,			
	2017	2018	2019	2020
Total OPEB Liability				
Service Cost	\$ 1,062,895	\$ 878,584	\$ 721,342	\$ 781,193
Interest on the Total OPEB Liability	653,827	761,302	684,934	590,394
Changes in Assumptions	(2,756,523)	(1,975,836)	243,232	4,934,062
Differences between Expected and Actual Experience		(2,608,820)	(2,068,195)	4,848,535
Contributions from Members	17,576	15,912	14,844	14,253
Gross Benefit Payments by the State	(477,305)	(460,399)	(500,768)	(470,247)
Net Change in Total OPEB Liability	(1,499,530)	(3,389,257)	(904,611)	10,698,190
Total OPEB Liability - Beginning	22,106,649	20,607,119	17,217,862	16,313,251
Total OPEB Liability - Ending	<u>\$ 20,607,119</u>	<u>\$ 17,217,862</u>	<u>\$ 16,313,251</u>	<u>\$ 27,011,441</u>
District's Covered Employee Payroll *	\$ 5,971,792	\$ 5,785,443	\$ 5,785,898	\$ 5,948,957
Total OPEB Liability as a Percentage of Covered Employee Payroll	345%	298%	282%	454%

* - Covered payroll for the fiscal years ending June 30, 2017, 2018, 2019 and 2020 are based on the payroll on the June 30, 2016, 2017, 2018 and 2019 census data.

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 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 BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate for June 30, 2020 was 2.21%. The discount rate for June 30, 2019 was 3.50%, a change of -1.29%.

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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

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

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

The health care trend rates in the valuation as of June 30, 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%.

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

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

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 12,290,287		\$ 12,290,287	\$ 12,290,287	
Tuition from Individuals	160,000		160,000	157,006	\$ (2,994)
Interest Earned on Capital Reserve Funds	10,000		10,000	577	(9,423)
Restricted Miscellaneous Revenues				14,739	14,739
Unrestricted Miscellaneous Revenue	50,000		50,000	27,733	(22,267)
Total - Local Sources	12,510,287		12,510,287	12,490,342	(19,945)
State Sources:					
Transportation Aid	160,229		160,229	160,229	
Special Education Aid	560,244		560,244	560,244	
Security Aid	12,631		12,631	12,631	
Extraordinary Aid	150,000		150,000	454,942	304,942
Nonpublic Transportation Aid				9,570	9,570
Securing our Children's Future Bond Act		\$ 13,529	13,529	20,298	6,769
On-Behalf TPAF Pension Contribution (Non-Budgeted)				1,989,805	1,989,805
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				28,073	28,073
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				471,458	471,458
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				573	573
TPAF Social Security (Reimbursed - Non-Budgeted)				431,396	431,396
Total State Sources	883,104	13,529	896,633	4,139,219	3,242,586
TOTAL REVENUES	13,393,391	13,529	13,406,920	16,629,561	3,222,641

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 62,783	\$ 61,153	\$ 123,936	\$ 123,657	\$ 279
Kindergarten - Salaries of Teachers	308,837		308,837	306,256	2,581
Grades 1-5 - Salaries of Teachers	1,802,042	49,454	1,851,496	1,841,629	9,867
Grades 6-8 - Salaries of Teachers	1,496,634	(79,511)	1,417,123	1,395,093	22,030
Regular Programs - Home Instruction:					
Salaries of Teachers	2,606	(840)	1,766	960	1,766
Purchased Professional - Educational Services		2,040	2,040		1,080
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	60,000	114,364	174,364	144,623	29,741
Other Purchased Services (400-500 series)	53,331	(52,524)	807	807	
General Supplies	263,973	105,774	369,747	314,878	54,869
Textbooks	20,526	1,600	22,126	21,427	699
Other Objects		597	597	502	95
Unused Sick Payment to Terminated/Retired Staff	7,187		7,187	1,757	5,430
Total Regular Programs - Instruction	4,077,919	202,107	4,280,026	4,151,589	128,437
Special Education:					
Autism:					
Salaries of Teachers	71,238	(2,306)	68,932	68,932	
Other Salaries for Instruction	15,805	15,740	31,545	31,300	245
Purchased Professional - Educational Services	138,096	(30,664)	107,432	36,725	70,707
General Supplies	9,835	(1,409)	8,426	4,519	3,907
Total Autism	234,974	(18,639)	216,335	141,476	74,859
Resource Room/Resource Center:					
Salaries of Teachers	800,532	(10,373)	790,159	779,299	10,860
Other Salaries for Instruction	122,028	13,404	135,432	135,116	316
Purchased Professional - Educational Services	331,431	(113,791)	217,640	147,413	70,227
General Supplies	8,523	(298)	8,225	5,918	2,307
Total Resource Room/Resource Center	1,262,514	(111,058)	1,151,456	1,067,746	83,710

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Full Time:					
Salaries of Teachers	\$ 105,917	\$ (7,510)	\$ 98,407	\$ 98,407	
Other Salaries for Instruction	15,000	25,408	40,408	40,408	
Purchased Professional - Educational Services	220,954	(119,721)	101,233	62,180	\$ 39,053
General Supplies	1,021	1,232	2,253	2,253	
Total Preschool Disabilities - Full Time	<u>342,892</u>	<u>(100,591)</u>	<u>242,301</u>	<u>203,248</u>	<u>39,053</u>
Total Special Education Instruction	<u>1,840,380</u>	<u>(230,288)</u>	<u>1,610,092</u>	<u>1,412,470</u>	<u>197,622</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	169,581		169,581	169,581	
Total Basic Skills/Remedial - Instruction	<u>169,581</u>		<u>169,581</u>	<u>169,581</u>	
Bilingual Education - Instruction:					
General Supplies		31,284	31,284	31,284	
Total Bilingual Education - Instruction		<u>31,284</u>	<u>31,284</u>	<u>31,284</u>	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	37,000	23,429	60,429	48,085	12,344
Total School-Sponsored Cocurricular Activities - Instruction	<u>37,000</u>	<u>23,429</u>	<u>60,429</u>	<u>48,085</u>	<u>12,344</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	15,000	11,934	26,934	19,042	7,892
Purchased Services (300-500 series)	5,000		5,000		5,000
Supplies and Materials	500	1,337	1,837	1,789	48
Total School-Sponsored Cocurricular Athletics - Instruction	<u>20,500</u>	<u>13,271</u>	<u>33,771</u>	<u>20,831</u>	<u>12,940</u>
Total Instruction	<u>6,145,380</u>	<u>39,803</u>	<u>6,185,183</u>	<u>5,833,840</u>	<u>351,343</u>

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Private Schools for the Handicapped - Within State	\$ 718,637	\$ (150,650)	\$ 567,987	\$ 512,757	\$ 55,230
Total Undistributed Expenditures - Instruction	718,637	(150,650)	567,987	512,757	55,230
Health Services:					
Salaries	129,806	(12,672)	117,134	117,134	504
Purchased Professional and Technical Services	3,147	45,660	48,807	48,303	729
Other Purchased Services (400-500 series)	150	579	729	6,566	363
Supplies and Materials	5,000	1,929	6,929	180	1,820
Other Objects	2,000		2,000		
Total Health Services	140,103	35,496	175,599	172,183	3,416
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	270,817	(17,780)	253,037	245,920	7,117
Purchased Professional - Educational Services	55,165	174,941	230,106	158,856	71,250
Supplies and Materials	4,371	1	4,372	3,875	497
Total Other Support Services - Speech, OT, PT and Related Services	330,353	157,162	487,515	408,651	78,864
Other Support Services - Students - Extraordinary Services:					
Salaries	2,950	(2,950)			
Purchased Professional - Educational Services	27,620		27,620	23,900	3,720
Total Other Support Services - Students - Extraordinary Services	30,570	(2,950)	27,620	23,900	3,720
Attendance & Social Work:					
Salaries	38,129		38,129	38,129	
Total Attendance & Social Work	38,129		38,129	38,129	

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	\$ 141,533	\$ 1,144	\$ 142,677	\$ 142,677	\$ 500
Other Purchased Services (400-500)	500	1,000	1,500	200	614
Purchased Professional and Technical Services		814	814	153	1,107
Supplies and Materials	1,260		1,260		
Total Other Support Services - Students - Guidance	143,293	2,958	146,251	144,030	2,221
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	233,157	8,555	241,712	233,956	7,756
Salaries of Secretarial and Clerical Assistants	39,254		39,254	4,520	5,480
Other Purchased Professional - Technical Services	10,000		10,000	13,195	2,453
Misc. Purchased Services (400-500 series) Other Than Residential Costs	13,850	1,798	15,648	10,129	3,968
Supplies and Materials	15,895	(1,798)	14,097		1,000
Other Objects	1,000		1,000		
Total Other Support Services - Students - Child Study Teams	313,156	8,555	321,711	301,054	20,657
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	189,996	1	189,997	189,997	705
Other Salaries	23,790	(9,668)	14,122	2,045	555
Other Objects	2,600		2,600		
Total Improvement of Instructional Services	216,386	(9,667)	206,719	205,459	1,260
Educational Media Services/School Library:					
Salaries	165,621		165,621	165,369	252
Purchased Professional and Technical Services	34,112	1,047	35,159	395	1,103
Other Purchased Services (400-500)	2,545	(1,047)	1,498	3,517	1,101
Supplies and Materials	4,618		4,618	825	513
Other Objects	1,338		1,338		
Total Educational Media Services/School Library	208,234		208,234	205,264	2,970

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Instructional Staff Training Services:					
Other Salaries	\$ 1,100	\$ 550	\$ 1,650	\$ 1,650	
Purchased Professional and Technical Services		659	659	500	\$ 159
Other Purchased Services (400-500 series)	6,325	2,905	9,230	6,579	2,651
Supplies and Materials	250		250	112	138
Total Instructional Staff Training Services	7,675	4,114	11,789	8,841	2,948
Support Services - General Administration:					
Salaries	242,721		242,721	242,721	
Legal Services	20,000		20,000	19,967	33
Audit Fees	28,665	(300)	28,365	28,365	
Architectural/Engineering Services		31,163	31,163	30,413	750
Other Purchased Professional Services	2,545	20,431	22,976	22,930	46
Purchased Technical Services		1,701	1,701	1,237	464
Communications/Telephone	39,776	5,189	44,965	38,165	6,800
BOE Other Purchased Services	1,500	2,282	3,782	3,155	627
Miscellaneous Purchased Services (400-500 series)	4,320	(3,000)	1,320	1,320	
General Supplies	2,500	1,160	3,660	3,464	196
BOE In-House Training/Meeting Supplies	250	585	835	590	245
Miscellaneous Expenditures	3,039	546	3,585	3,580	5
BOE Membership Dues and Fees	5,797		5,797	5,797	
Total Support Services - General Administration	351,113	59,757	410,870	401,704	9,166
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	203,980		203,980	203,979	1
Salaries of Secretarial and Clerical Assistants	133,699	(8,715)	124,984	124,984	
Other Purchased Services (400-500 series)	600	(100)	500	500	
Supplies and Materials	7,910	1,454	9,364	9,291	73
Other Objects	2,285		2,285	1,769	516
Total Support Services - School Administration	348,474	(7,361)	341,113	340,023	1,090

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - Central Services:					
Salaries	\$ 207,937	\$ 1	\$ 207,938	\$ 207,938	
Miscellaneous Purchased Services (400-500 series)	600	1,944	2,544	2,544	
Supplies and Materials	500	1,846	2,346	2,346	
Miscellaneous Expenditures	1,190	(1,190)	990	990	
Other Objects					
Total Support Services - Central Services	210,227	3,591	213,818	213,818	
Support Services - Administrative Information Technology:					
Salaries	38,624	13,227	51,851	51,851	
Other Purchased Services (400-500 series)		990	990	930	\$ 60
Purchased Professional Services	34,111	46,751	80,862	80,862	
Supplies and Materials	42,292	(36,538)	5,754	5,704	50
Total Support Services - Administrative Information Technology	115,027	24,430	139,457	139,347	110
Required Maintenance of School Facilities:					
Salaries		60,550	60,550	53,738	6,812
Cleaning, Repair and Maintenance Services	141,742	(1,521)	140,221	39,458	100,763
General Supplies	40,717	1,135	41,852	26,847	15,005
Total Required Maintenance of School Facilities	182,459	60,164	242,623	120,043	122,580
Custodial Services:					
Salaries	429,553	(94,417)	335,136	333,086	2,050
Cleaning, Repair and Maintenance Services	6,000	28,964	34,964	33,083	1,881
Other Purchased Property Services	12,600		12,600	8,831	3,769
Insurance	139,700	36,555	176,255	176,255	
Miscellaneous Purchased Services	500	(500)			
General Supplies	22,510	12,500	35,010	30,879	4,131
Energy (Electricity)	114,660	59,000	173,660	159,627	14,033
Other Objects	5,850	(1,000)	4,850	3,816	1,034
Energy (Natural Gas)	52,038	13,000	65,038	62,631	2,407
Total Custodial Services	783,411	54,102	837,513	808,208	29,305

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Care and Upkeep of Grounds:					
Salaries	\$ 40,901	\$ 79	\$ 40,980	\$ 40,768	\$ 212
Cleaning, Repair, & Maintenance Services		10,768	10,768	4,372	6,396
General Supplies	2,000	15,835	17,835	17,041	794
Total Care and Upkeep of Grounds	42,901	26,682	69,583	62,181	7,402
Student Transportation Services:					
Salaries for Transportation - Between Home & School - Special	37,610	6,795	44,405	39,598	4,807
Salaries for Transportation - Other Than Between Home & School - Special		1,249	1,249	1,249	
Management Fee - ESCs & CTSA's Transportation Program	7,200		7,200		7,200
Other Purchased Professional and Technical Services	3,308	132	3,440	3,440	
Cleaning, Repair and Maintenance Services	3,000		3,000	2,032	968
Contracted Services:					
Between Home and School - Vendors		14,026	14,026	14,026	
Other Than Between Home and School - Vendors	10,300	(1,059)	9,241	9,231	10
Between Home and School - Joint Agreements	296,314	181,126	477,440	455,863	21,577
Special Education Students - ESCs & CTSA's	226,988	37,812	264,800	235,120	29,680
Aid in Lieu of Payments - Non Public	40,000	(10,350)	29,650	29,650	
Supplies and Materials	2,500	136	2,636	503	2,133
Total Student Transportation Services	627,220	229,867	857,087	790,712	66,375
Unallocated Benefits:					
Social Security Contributions	102,026	24,287	126,313	126,313	
Other Retirement Contributions - PERS	151,101	2,672	153,773	153,773	
Other Retirement Contributions - Regular	10,000		10,000	1,602	8,398
Workmen's Compensation	63,500	(6,974)	56,526	56,525	1
Health Benefits	2,249,674	(58,422)	2,191,252	2,128,066	63,186
Tuition Reimbursement	20,000	2,655	22,655	14,527	8,128
Other Employee Benefits	10,553	1,000	11,553	8,885	2,668
Unused Sick Payment to Terminated/Retired Staff	8,802	32,638	41,440	27,895	13,545
Total Unallocated Benefits	2,615,656	(2,144)	2,613,512	2,517,586	95,926

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
On-Behalf Contributions:					
On-Behalf TPAF Pension Contribution (Non-Budgeted)				\$ 1,989,805	\$ (1,989,805)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				28,073	(28,073)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				471,458	(471,458)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				573	(573)
TPAF Social Security (Reimbursed - Non-Budgeted)				431,396	(431,396)
Total On-Behalf Contributions				2,921,305	(2,921,305)
Total Personal Services - Employee Benefits	\$ 2,615,656	\$ (2,144)	\$ 2,613,512	5,438,891	(2,825,379)
Total Undistributed Expenses	7,423,024	494,106	7,917,130	10,335,195	(2,418,065)
TOTAL CURRENT EXPENSE	13,568,404	533,909	14,102,313	16,169,035	(2,066,722)
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Admin Info Technology	22,511	2,888	25,399	25,399	
Custodial Services	48,853	(2)	48,851	48,851	
Total Equipment	71,364	2,886	74,250	74,250	
Facilities Acquisition and Construction Services:					
Engineering Services	3,100		3,100	3,100	
Other Purchased Professional and Technical Services	4,059		4,059	4,059	
Construction Services		13,529	13,529	9,600	3,929
Assessment for Debt Service on SDA Funding	47,138		47,138	47,138	
Total Facilities Acquisition and Construction Services	54,297	13,529	67,826	63,897	3,929
TOTAL CAPITAL OUTLAY	125,661	16,415	142,076	138,147	3,929
TOTAL EXPENDITURES	13,694,065	550,324	14,244,389	16,307,182	(2,062,793)

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

Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$	(300,674)	\$	(536,795)	\$	322,379	\$	1,159,848
Fund Balance, July 1		2,938,104		2,938,104		2,938,104		
Fund Balance, June 30	\$	<u>2,637,430</u>	\$	<u>(536,795)</u>	\$	<u>3,260,483</u>	\$	<u>1,159,848</u>
 <u>Recapitulation:</u>								
Restricted:								
Excess Surplus - 2023-2024	\$					623,908		
Excess Surplus - 2022-2023						456,977		
Capital Reserve						1,078,148		
Unemployment Compensation						65,602		
Assigned:								
Year End Encumbrances						185,901		
Unassigned						<u>849,947</u>		
						<u>3,260,483</u>		
Reconciliation to Governmental Funds Statements (GAAP):								
Last Two State Aid Payments not Recognized on GAAP Basis						<u>(60,573)</u>		
Fund Balance per Governmental Funds (GAAP)	\$				\$	<u>3,199,910</u>		

WATCHUNG 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	\$ 75,000	\$ 34,780	\$ 109,780	\$ 42,437	\$ (67,343)
State Sources		14,483	14,483	14,483	
Federal Sources	340,650	111,387	452,037	344,988	(107,049)
Total Revenues	415,650	160,650	576,300	401,908	(174,392)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	340,650	(276,435)	64,215	31,047	33,168
Purchased Professional and Technical Services		7,924	7,924	3,333	4,591
Other Purchased Services		25,758	25,758	18,075	7,683
Tuition		148,721	148,721	148,721	
General Supplies		40,491	40,491	33,490	7,001
Other Objects		1,330	1,330	1,330	
Total Instruction	340,650	(52,211)	288,439	235,996	52,443
Support Services:					
Salaries of Other Professional Staff		19,847	19,847	3,347	16,500
Personal Services - Employee Benefits		5,941	5,941	3,987	1,954
Purchased Professional and Technical Services		136,583	136,583	111,731	24,852
Other Purchased Services		29,042	29,042	12,801	16,241
Supplies and Materials		21,448	21,448	14,908	6,540
Student Activities	75,000		75,000	19,319	55,681
Total Support Services	75,000	212,861	287,861	166,093	121,768
Total Expenditures	\$ 415,650	\$ 160,650	\$ 576,300	\$ 402,089	\$ 174,211
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ (181)	\$ (181)

WATCHUNG 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
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 16,629,561	\$ 401,908
Differences - Budgetary to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Prior Year Encumbrances		23,752
Current Year Encumbrances		(12,401)
Prior Year State Aid Payments Recognized for GAAP Statements	49,911	
Current year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(60,573)	
	\$ 16,618,899	\$ 413,259
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.		
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 16,307,182	\$ 402,089
Differences - Budgetary to GAAP:		
Encumbrances for supplies and equipment ordered but not received in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		11,351
	\$ 16,307,182	\$ 413,440
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds		

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. 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)l. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

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

	Student Activities	Local Grants	Emergent and Capital Maintenance	IDEA Part B		Elementary and Secondary Education Act		
				Basic	Preschool	Title I Part A	Title II Part A	Title IV Part A
REVENUE:								
Local Sources	\$ 19,138	\$ 23,299	\$ 14,483	\$ 123,115	\$ 6,817	\$ 48,565	\$ 4,450	\$ 7,929
State Sources								
Federal Sources								
Total Revenue	19,138	23,299	14,483	123,115	6,817	48,565	4,450	7,929
EXPENDITURES:								
Instruction:								
Salaries of Teachers		1,074				27,566		
Purchased Professional and Technical Services		1,074						2,259
Other Purchased Services		14,075					4,000	
Tuition				123,115	6,817	5,007		5,670
General Supplies		5,076						
Other Objects								
Total Instruction		21,299		123,115	6,817	32,573	4,000	7,929
Support Services:								
Salaries of Other Professional Staff						2,385		
Personal Services - Employee Benefits						3,729		
Purchased Professional and Technical Services			13,737			4,875		
Other Purchased Services			746			4,801	450	
Supplies and Materials		2,000				202		
Student Activities	19,319							
Total Support Services	19,319	2,000	14,483			15,992	450	
Total Expenditures	\$ 19,319	\$ 23,299	\$ 14,483	\$ 123,115	\$ 6,817	\$ 48,565	\$ 4,450	\$ 7,929

WATCHUNG 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, ARP		CRRSA		CARES		Totals
	Basic	Preschool	ESSER II	Learning Acceleration	Mental Health	Emergency Relief Grant	
REVENUE:							
Local Sources							\$ 42,437
State Sources	\$ 25,606	\$ 2,002	\$ 102,920	\$ 12,839	\$ 8,550	\$ 2,195	14,483
Federal Sources							344,988
Total Revenue	\$ 25,606	\$ 2,002	\$ 102,920	\$ 12,839	\$ 8,550	\$ 2,195	401,908
EXPENDITURES:							
Instruction:							
Salaries of Teachers				2,407			31,047
Purchased Professional and Technical Services							3,333
Other Purchased Services							18,075
Tuition	25,606			8,918			148,721
General Supplies		2,002		1,330			33,490
Other Objects							1,330
Total Instruction	\$ 25,606	\$ 2,002		\$ 12,655			235,996
Support Services:							
Salaries of Other Professional Staff						962	3,347
Personal Services - Employee Benefits				184		74	3,987
Purchased Professional and Technical Services			92,569		550		111,731
Other Purchased Services			10,351		8,000		12,801
Supplies and Materials						1,159	14,908
Student Activities							19,319
Total Support Services			\$ 102,920	\$ 184	\$ 8,550	\$ 2,195	166,093
Total Expenditures	\$ 25,606	\$ 2,002	\$ 102,920	\$ 12,839	\$ 8,550	\$ 2,195	\$ 402,089

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

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

	<u>Non -Major Fund</u>		<u>Total</u>
	<u>Milk Program</u>	<u>Care Program</u>	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 425	\$ 34,665	\$ 35,090
Intergovernmental Accounts Receivable:			
Federal	155		155
Accounts Receivable		5,596	5,596
Total Current Assets	<u>580</u>	<u>40,261</u>	<u>40,841</u>
Non-Current Assets:			
Capital Assets	41,166		41,166
Less: Accumulated Depreciation	<u>(38,876)</u>		<u>(38,876)</u>
Total Non-Current Assets	<u>2,290</u>		<u>2,290</u>
Total Assets	<u>2,870</u>	<u>40,261</u>	<u>43,131</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable		3,340	3,340
Unearned Revenue		<u>135</u>	<u>135</u>
Total Current Liabilities		<u>3,475</u>	<u>3,475</u>
NET POSITION:			
Investment in Capital Assets	2,290		2,290
Unrestricted	<u>580</u>	<u>36,786</u>	<u>37,366</u>
Total Net Position	<u>\$ 2,870</u>	<u>\$ 36,786</u>	<u>\$ 39,656</u>

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

	Non -Major Fund		Total
	Milk Program	Care Program	
Operating Revenue:			
Local Sources:			
Milk Sales	\$ 2,099		\$ 2,099
Child Care Fees		\$ 80,982	80,982
Total Operating Revenue	2,099	80,982	83,081
Operating Expenses:			
Cost of Sales - Reimbursable Programs	4,314		4,314
Miscellaneous Expenses	4,705	6,076	10,781
Salaries, Benefits & Payroll Taxes		38,777	38,777
Depreciation Expense	2,781		2,781
Total Operating Expenses	11,800	44,853	56,653
Operating Income/(Loss)	(9,701)	36,129	26,428
Non-Operating Revenue:			
Federal Sources:			
Special Milk Program	2,325		2,325
Total Non-Operating Revenue	2,325		2,325
Change in Net Position	(7,376)	36,129	28,753
Net Position - Beginning of Year	10,246	657	10,903
Net Position - End of Year	\$ 2,870	\$ 36,786	\$ 39,656

WATCHUNG BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Non -Major Fund</u>		<u>Total</u>
	<u>Milk Program</u>	<u>Care Program</u>	
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 2,099	\$ 76,178	\$ 78,277
Payments to Employees		(38,777)	(38,777)
Payments to Milk Vendor	(4,314)		(4,314)
Payment for Supplies	(4,705)	(2,736)	(7,441)
Net Cash Provided by/(Used for) Operating Activities	<u>(6,920)</u>	<u>34,665</u>	<u>27,745</u>
Cash Flows from Noncapital Financing Activities:			
Federal Sources:			
Special Milk Program	<u>2,170</u>		<u>2,170</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,170</u>		<u>2,170</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(4,750)	34,665	29,915
Cash and Cash Equivalents, July 1	<u>5,175</u>		<u>5,175</u>
Cash and Cash Equivalents, June 30	<u>\$ 425</u>	<u>\$ 34,665</u>	<u>\$ 35,090</u>
Reconciliation of Operating Income/(Loss) to Net Cash (Used for) Operating Activities:			
Operating Income/(Loss)	\$ (9,701)	\$ 36,129	\$ 26,428
Adjustment to Reconcile Operating Loss to Net Cash Provided by/(Used for) Operating Activities:			
Depreciation	2,781		2,781
Changes in Assets and Liabilities:			
(Increase) in Accounts Receivable		(4,939)	(4,939)
Increase in Accounts Payable		3,340	3,340
Increase in Unearned Revenue		135	135
Net Cash (Provided by) Operating Activities	<u>\$ (6,920)</u>	<u>\$ 34,665</u>	<u>\$ 27,745</u>

FIDUCIARY ACTIVITIES
(NOT APPLICABLE)

LONG-TERM DEBT

WATCHUNG BOROUGH SCHOOL DISTRICT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER FINANCED PURCHASES

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2021</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance June 30, 2022</u>
Network Switches	1.93%	\$ 120,000	\$ 120,000		\$ 39,238	\$ 80,762
			<u>\$ 120,000</u>	<u>\$ -0-</u>	<u>\$ 39,238</u>	<u>\$ 80,762</u>

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

NOT APPLICABLE

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

NOT APPLICABLE

STATISTICAL SECTION
(UNAUDITED)

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

Contents

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

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

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

	June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities										
Net Investment in Capital Assets	\$ 7,580,737	\$ 8,949,657	\$ 10,919,958	\$ 12,602,386	\$ 14,301,211	\$ 13,956,016	\$ 14,179,082	\$ 14,243,591	\$ 13,904,424	\$ 13,467,236
Restricted	2,982,530	2,812,843	2,746,220	2,614,922	2,635,626	2,700,925	2,067,169	1,533,752	1,801,440	2,279,647
Unrestricted/(Deficit)	(417,691)	(3,138,438)	(3,186,255)	(2,873,757)	(3,041,167)	(3,166,695)	(3,023,353)	(2,876,420)	(2,088,355)	(1,971,274)
Total Governmental Activities Net Position	\$ 10,145,576	\$ 8,624,062	\$ 10,479,923	\$ 12,343,551	\$ 13,895,670	\$ 13,490,246	\$ 13,222,898	\$ 12,900,923	\$ 13,617,509	\$ 13,775,609
Business-type Activities										
Investment in Capital Assets	\$ 20,197	\$ 17,604	\$ 15,011	\$ 12,418	\$ 9,825	\$ 7,232	\$ 7,621	\$ 5,028	\$ 5,071	\$ 2,290
Unrestricted	9,416	3,953	6,836	2,640	5,046	5,221	5,281	7,999	5,832	37,366
Total Business-type Activities Net Position	\$ 29,613	\$ 21,557	\$ 21,847	\$ 15,058	\$ 14,871	\$ 12,453	\$ 12,902	\$ 13,027	\$ 10,903	\$ 39,656
District-wide										
Net Investment in Capital Assets	\$ 7,600,934	\$ 8,967,261	\$ 10,934,969	\$ 12,614,804	\$ 14,311,036	\$ 13,963,248	\$ 14,186,703	\$ 14,248,619	\$ 13,909,495	\$ 13,469,526
Restricted	2,982,530	2,812,843	2,746,220	2,614,922	2,635,626	2,700,925	2,067,169	1,533,752	1,801,440	2,279,647
Unrestricted/(Deficit)	(408,275)	(3,134,485)	(3,179,419)	(2,871,117)	(3,036,121)	(3,161,474)	(3,018,072)	(2,868,421)	(2,082,523)	(1,933,908)
Total District Net Position	\$ 10,175,189	\$ 8,645,619	\$ 10,501,770	\$ 12,358,609	\$ 13,910,541	\$ 13,502,699	\$ 13,235,800	\$ 12,913,950	\$ 13,628,412	\$ 13,815,265

Source: School District Financial Reports

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

For Fiscal Year Ending June 30,

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental Activities										
Instruction:										
Regular	\$ 5,680,582	\$ 6,085,168	\$ 6,972,932	\$ 7,007,650	\$ 8,035,539	\$ 7,984,272	\$ 7,895,450	\$ 7,692,796	\$ 7,232,937	\$ 7,363,678
Special Education	918,890	1,012,370	1,206,798	1,502,409	1,612,823	1,816,370	1,583,897	1,537,951	2,214,799	2,377,611
Other Special Instruction	274,789	235,535	214,587	141,104	158,855	164,581	233,819	140,846	368,713	343,591
School-Sponsored/ Other Instruction	130,134	134,127	60,608	69,464	56,003	120,525	108,882	107,857	44,981	141,720
Support Services:										
Tuition	381,886	209,674	22,822	17,995	19,325	228,446	289,162	627,554	708,576	512,757
Student & Instruction Related Services	1,532,896	1,515,248	1,761,908	2,124,045	2,327,979	2,248,761	2,391,228	2,276,851	1,907,285	2,039,632
General Administrative Services	432,302	426,100	470,641	512,228	505,382	609,460	547,496	528,001	501,816	545,841
School Administrative Services	480,194	467,853	597,384	663,060	765,508	842,695	748,723	914,662	671,091	556,389
Plant Operations and Maintenance	1,188,082	1,106,697	1,267,013	1,326,845	1,367,852	1,315,847	1,539,005	1,330,194	1,210,576	1,248,406
Pupil Transportation	563,612	492,628	514,800	558,121	566,912	576,507	573,894	496,207	537,183	801,679
Central Services and Administrative										
Information Technology	271,782	273,991	326,803	352,306	365,243	373,888	311,557	371,596	376,744	433,138
Capital Outlay	119,998	129,852	47,138	56,138	59,532	47,138	50,917	47,138	47,138	47,138
Interest on Long-term Debt	254,398	157,031	87,246	1,759	(36,853)					
Total Governmental Activities Expenses	12,229,545	12,246,274	13,550,680	14,333,124	15,804,100	16,328,490	16,274,030	16,071,653	15,821,839	16,411,580
Business-type Activities:										
Food Service	11,712	21,698	12,621	17,329	13,037	13,733	10,643	7,662	2,781	11,800
Care Program									22,245	44,853
Total Business-type Activities Expense	11,712	21,698	12,621	17,329	13,037	13,733	10,643	7,662	25,026	56,653
Total District Expenses	\$ 12,241,257	\$ 12,267,972	\$ 13,563,301	\$ 14,350,453	\$ 15,817,137	\$ 16,342,223	\$ 16,284,673	\$ 16,079,315	\$ 15,846,865	\$ 16,468,233
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction (Tuition)	\$ 189,005	\$ 26,102	\$ 155,457	\$ 149,674	\$ 163,725	\$ 176,427	\$ 136,020	\$ 67,180	\$ 87,640	\$ 176,144
Operating Grants and Contributions	1,568,461	1,550,169	2,763,449	3,177,650	4,216,211	4,719,114	3,851,269	3,482,140	3,704,391	3,562,760
Capital Grants and Contributions				229,897	930		569,425			
Total Governmental Activities Program Revenues	1,757,466	1,576,271	2,918,906	3,557,221	4,380,866	4,895,541	4,556,714	3,549,320	3,792,031	3,738,904
Business-type Activities:										
Charges for Services										
Food Service	8,353	7,235	6,450	5,640	7,335	6,046	6,797	4,834	19,419	2,099
Care Program										80,982
Operating Grants and Contributions	7,049	6,407	6,461	4,900	5,477	5,157	4,138	2,872		2,325
Total Business-type Activities Program Revenues	15,402	13,642	12,911	10,540	12,812	11,203	10,935	7,706	19,419	85,406
Total District Program Revenues	\$ 1,772,868	\$ 1,589,913	\$ 2,931,817	\$ 3,567,761	\$ 4,393,678	\$ 4,906,744	\$ 4,567,649	\$ 3,557,026	\$ 3,811,450	\$ 3,824,310

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

	For Fiscal Year Ending June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (Expense)/Revenue										
Governmental Activities	\$ (10,472,079)	\$ (10,670,003)	\$ (10,631,774)	\$ (10,775,903)	\$ (11,423,234)	\$ (11,432,949)	\$ (11,717,316)	\$ (12,522,333)	\$ (12,029,808)	\$ (12,672,676)
Business-type Activities	3,690	(8,056)	290	(6,789)	(225)	(2,530)	292	44	(5,607)	28,753
Total District-wide Net Expense	\$ (10,468,389)	\$ (10,678,059)	\$ (10,631,484)	\$ (10,782,692)	\$ (11,423,459)	\$ (11,435,479)	\$ (11,717,024)	\$ (12,522,289)	\$ (12,035,415)	\$ (12,643,923)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 9,938,532	\$ 10,137,302	\$ 10,319,773	\$ 10,474,570	\$ 10,673,587	\$ 10,887,059	\$ 11,151,041	\$ 11,813,040	\$ 12,049,301	\$ 12,290,287
Taxes Levied for Debt Service	1,817,200	1,865,300	1,934,688	1,999,100	2,053,613					497,441
Federal and State Aid not Restricted	58,675	38,852	166,027	144,323	174,936	64,714	216,199	234,872	634,426	20,730
Investment Earnings	250	250							25,276	15,317
Cancellation of Prior Year Accounts Payable									(3,483)	
Transfers									20,144	27,732
Miscellaneous Income	25,475	168,159	67,147	21,539	73,217	75,752	82,728	55,489		
Total Governmental Activities	11,840,132	12,209,863	12,487,635	12,639,532	12,975,353	11,027,525	11,449,968	12,103,401	12,746,394	12,830,777
Business-type Activities:										
Investment Earnings										
Transfers										
Total Business-type Activities										
Total District-wide	\$ 11,840,132	\$ 12,209,863	\$ 12,487,635	\$ 12,639,532	\$ 12,975,391	\$ 11,027,637	\$ 11,450,125	\$ 12,103,482	\$ 12,749,877	\$ 12,830,777
Change in Net Position										
Governmental Activities	\$ 1,368,053	\$ 1,539,860	\$ 1,855,861	\$ 1,863,629	\$ 1,552,119	\$ (405,424)	\$ (267,348)	\$ (418,932)	\$ 716,586	\$ 158,101
Business-type Activities	3,690	(8,056)	290	(6,789)	(187)	(2,418)	449	125	(2,124)	28,753
Total District	\$ 1,371,743	\$ 1,531,804	\$ 1,856,151	\$ 1,856,840	\$ 1,551,932	\$ (407,842)	\$ (266,899)	\$ (418,807)	\$ 714,462	\$ 186,854

Source: School District Financial Reports

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

	June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Restricted	\$ 2,837,306	\$ 2,667,619	\$ 2,600,495	\$ 2,469,697	\$ 2,490,401	\$ 2,555,700	\$ 2,067,169	\$ 1,533,752	\$ 1,746,246	\$ 2,224,635
Assigned	208,124	145,240	52,856	155,042	113,407	162,332	86,762	223,576	149,839	185,901
Unassigned	275,317	241,364	367,781	345,453	375,947	262,147	333,988	388,500	992,108	789,374
Total General Fund	\$ 3,320,747	\$ 3,054,223	\$ 3,021,132	\$ 2,970,192	\$ 2,979,755	\$ 2,980,179	\$ 2,487,919	\$ 2,145,828	\$ 2,888,193	\$ 3,199,910
All Other Governmental Funds										
Restricted	\$ 145,224	\$ 145,224	\$ 145,225	\$ 145,225	\$ 145,225	\$ 145,225			\$ 55,194	\$ 55,012
Committed	31,937	31,937		104,928						
Unassigned / (Deficit)			(124,969)							
Total All Other Governmental Funds	\$ 177,161	\$ 177,161	\$ 20,256	\$ 250,153	\$ 145,225	\$ 145,225	\$ -0-	\$ -0-	\$ 55,194	\$ 55,012
Total Governmental Funds	\$ 3,497,908	\$ 3,231,384	\$ 3,041,388	\$ 3,220,345	\$ 3,124,980	\$ 3,125,404	\$ 2,487,919	\$ 2,145,828	\$ 2,943,387	\$ 3,254,922

Source: School District Financial Reports

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

	For Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Tax Levy	\$ 11,755,732	\$ 12,002,602	\$ 12,254,461	\$ 12,473,670	\$ 12,727,200	\$ 10,887,059	\$ 11,151,041	\$ 11,813,040	\$ 12,049,301	\$ 12,290,287
Tuition Charges	144,670	7,909	141,637	149,674	147,425	176,427	136,020	67,180	80,906	157,006
Other Local	44,335	18,193			16,300					
Interest Earnings	250	250	2,690	5,328	8,467	19,893	57,730	39,015	20,730	578
Miscellaneous	64,896	250,274	155,107	47,064	131,977	107,945	132,894	205,604	129,606	85,484
State Sources	1,439,380	1,360,164	1,603,795	1,949,840	1,942,946	2,067,349	2,479,781	2,581,349	3,340,474	4,142,465
Federal Sources	148,335	146,742	152,653	191,499	183,456	190,329	176,067	148,024	212,271	356,338
Total Revenue	13,597,598	13,786,134	14,310,343	14,817,075	15,157,771	13,449,002	14,133,533	14,854,212	15,833,288	17,032,158
Expenditures										
Instruction										
Regular Instruction	3,544,806	3,967,409	4,124,329	3,867,652	4,096,740	3,894,239	4,225,685	4,387,173	4,002,211	4,388,170
Special Education Instruction	611,277	705,291	832,760	1,050,456	1,114,342	1,159,346	1,070,407	1,016,985	1,450,029	1,570,010
Other Special Instruction	178,354	156,157	140,597	93,469	99,721	99,630	125,489	80,131	204,002	200,865
School-Sponsored/Other Instruction	78,414	81,780	38,760	39,548	37,201	43,504	59,687	53,086	35,524	68,916
Support Services:										
Tuition	381,886	209,674	22,822	17,995	19,325	228,446	289,162	627,554	708,576	512,757
Student & Other Instruction Related Services	1,107,301	1,120,431	1,265,711	1,518,646	1,656,886	1,658,157	1,898,411	1,713,959	1,375,029	1,526,830
General Administrative Services	360,425	354,460	318,630	363,595	325,429	385,076	420,548	408,155	363,447	401,704
School Administrative Services	322,439	333,337	371,366	384,089	407,581	430,713	440,764	520,119	421,564	340,023
Central Services and Administrative										
Information Technology	210,782	215,309	227,030	245,846	229,326	241,232	219,488	274,814	275,301	353,165
Plant Operations and Maintenance	1,024,532	942,759	1,000,008	1,042,561	1,007,285	935,726	1,208,747	1,002,816	981,348	990,432
Pupil Transportation	537,064	468,272	477,048	514,096	510,818	512,601	516,379	470,914	519,554	790,712
Unallocated Benefits	3,009,911	2,992,923	3,048,256	3,307,827	3,459,394	3,739,770	4,107,395	4,127,826	4,498,053	5,438,891
Capital Outlay	188,797	639,556	698,334	193,238	235,475	120,138	188,856	609,728	342,884	138,147
Debt Service:										
Principal	1,500,000	1,595,000	1,730,000	1,875,000	2,015,000					
Interest and Other Charges	317,200	270,300	204,688	124,100	38,613					
Total Expenditures	13,373,188	14,052,658	14,500,339	14,638,118	15,253,136	13,448,578	14,771,018	15,293,260	15,177,522	16,720,622
Excess/(Deficit) of Revenues Over/(Under) Expenditures	224,410	(266,524)	(189,996)	178,957	(95,365)	424	(637,485)	(439,048)	655,766	311,536
Other Financing Sources/(Uses)										
Financed Purchases (Non-Budgeted)									120,000	
Cancellation of Prior Year Accounts Payable									25,276	
Transfers in			408,988		105,858		141,446			
Transfers out			(408,988)		(105,858)		(141,446)		(3,483)	
Total Other Financing Sources/(Uses)									141,793	
Net Change in Fund Balances	\$ 224,410	\$ (266,524)	\$ (189,996)	\$ 178,957	\$ (95,365)	\$ 424	\$ (637,485)	\$ (439,048)	\$ 797,559	\$ 311,536
Debt Service as a Percentage of Noncapital Expenditures	13.78%	13.91%	14.02%	13.84%	13.67%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: School District Financial Reports

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2013	\$ 250	\$ 144,670	\$ 109,231	\$ 254,151
2014	250	146,749	47,512	194,511
2015	11,694	141,637	55,453	208,784
2016	19,135	149,674	2,404	171,213
2017	17,103	163,725	56,114	236,942
2018	37,268	176,427	38,484	252,179
2019	57,730	136,020	24,998	218,748
2020	39,015	67,180	16,474	122,669
2021	20,730	80,906	20,144	121,780
2022	8,450	157,006	34,599	200,055

Source: School District of the Borough of Watchung records

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2012	\$ 35,511,800	\$ 1,221,449,700	N/A	N/A	\$ 282,766,200	\$ 6,273,400	\$ 49,255,800	\$ 1,595,256,900	\$ 1,577,286	\$ 1,596,834,186	\$ 0.732	\$ 1,674,592,266
2013	31,860,700	1,214,066,800	377,200	5,280	294,459,700	6,237,300	47,400,000	1,594,406,980	1,484,459	1,595,891,439	0.732	1,641,460,927
2014	31,400,800	1,246,894,300	355,000	5,280	296,015,200	6,237,500	47,400,000	1,628,308,080	1,151,575	1,629,459,655	0.737	1,684,505,323
2015	32,019,400	1,280,593,700	334,100	5,280	297,786,500	6,359,500	47,850,000	1,664,948,480	1,138,954	1,666,087,434	0.766	1,687,333,485
2016	31,504,200	1,334,125,900	342,600	5,280	303,605,500	6,414,300	47,850,000	1,723,847,780	1,140,757	1,724,988,537	0.764	1,723,610,561
2017	30,704,300	1,365,322,000	348,000	5,280	304,472,700	6,439,400	48,325,000	1,755,616,680	1,127,931	1,756,744,611	0.620	1,765,566,805
2018	27,590,500	1,390,517,700	357,900	5,490	310,132,800	6,509,200	61,600,000	1,796,713,590	1,170,134	1,797,883,724	0.613	1,807,638,654
2019	29,597,800	1,399,713,780	362,400	5,490	304,417,300	6,576,700	59,900,000	1,800,573,470	1,213,534	1,801,787,004	0.638	1,819,199,015
2020	27,890,400	1,413,129,200	365,400	6,000	307,515,400	6,700,200	59,900,000	1,815,506,600	1,293,654	1,816,800,254	0.656	1,831,904,726
2021	28,239,600	1,435,923,400	372,800	6,000	303,640,200	6,700,300	59,900,000	1,834,782,300	1,328,571	1,836,110,871	0.663	1,841,618,510

N/A - Not Applicable

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

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

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

Source: Municipal Tax Assessor

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

Year Ended December 31,	School District of the Borough of Watchung Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	General Obligation		Total Direct	Regional High School		County	
	Basic Rate ^a	Debt Service ^b		Municipality	District		
2012	\$ 0.619	\$ 0.113	\$ 0.732	\$ 0.519	\$ 0.377	\$ 0.309	\$ 1.937
2013	0.618	0.114	0.732	0.546	0.400	0.390	2.068
2014	0.621	0.116	0.737	0.573	0.388	0.396	2.094
2015	0.643	0.123	0.766	0.589	0.362	0.400	2.117
2016	0.641	0.123	0.764	0.595	0.334	0.397	2.090
2017	0.620		0.620	0.603	0.349	0.396	1.968
2018	0.613		0.613	0.611	0.372	0.394	1.990
2019	0.638		0.638	0.625	0.409	0.403	2.075
2020	0.656		0.656	0.644	0.434	0.393	2.127
2021	0.663		0.663	0.658	0.430	0.395	2.146

Note:

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

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

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

Source: Municipal Tax Collector and School Business Administrator

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

Taxpayer	2022		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Watchung Square Associates LLC	\$ 66,368,000	1	3.61%
Crystal Ridge Owner, LLC & ET AL	62,020,000	2	3.38%
Levin Properties LP	50,007,500	3	2.72%
Sears Roebuck & Company	24,700,000	4	1.35%
Watchung UE LLC	24,502,100	5	1.33%
Walmart	17,235,000	6	0.94%
Target Corp.	16,057,000	7	0.87%
HD Development of Maryland, Inc	14,677,000	8	0.80%
680 Mountain Boulevard, LLC	12,240,000	9	0.67%
Weldon Materials Inc.	10,808,800	10	0.59%
	<u>\$ 298,615,400</u>		<u>16.26%</u>

Taxpayer	2013		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Watchung Square Associates LLC	\$ 80,287,600	1	5.03%
Levin Properties LP	52,427,300	2	3.28%
Avalon II New Jersey Value II, LP	47,400,000	3	2.97%
Watchung VF LLC	22,801,800	4	1.43%
Sears Roebuck & Company	17,054,900	5	1.07%
Target Corp.	14,908,000	6	0.93%
HD Development of Maryland, Inc.	13,203,100	7	0.83%
680 Mountain Boulevard, LLC	11,990,000	8	0.75%
1620 Route 22 East, LLC	9,772,400	9	0.61%
Welson Materials Inc.	9,538,300	10	0.60%
Total	<u>\$ 279,383,400</u>		<u>17.50%</u>

Source: Municipal Tax Assessor

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

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy^a</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2013	\$ 11,755,732	\$ 11,755,732	100.00%	-0-
2014	12,002,602	12,002,602	100.00%	-0-
2015	12,254,461	12,254,461	100.00%	-0-
2016	12,473,670	12,473,670	100.00%	-0-
2017	12,727,200	12,727,200	100.00%	-0-
2018	10,887,059	10,887,059	100.00%	-0-
2019	11,151,041	11,151,041	100.00%	-0-
2020	11,813,040	11,813,040	100.00%	-0-
2021	12,049,301	12,049,301	100.00%	-0-
2022	12,290,287	12,290,287	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities		Business-Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Financed Purchases	Financed Purchases			
2013	\$ 7,215,000	\$ -0-	\$ -0-	\$ 7,215,000	1.52%	\$ 1,189
2014	5,620,000	-0-	-0-	5,620,000	1.11%	928
2015	3,890,000	-0-	-0-	3,890,000	0.73%	645
2016	2,015,000	-0-	-0-	2,015,000	0.36%	334
2017	-0-	-0-	-0-	-0-	-0-	-0-
2018	-0-	-0-	-0-	-0-	-0-	-0-
2019	-0-	-0-	-0-	-0-	-0-	-0-
2020	-0-	-0-	-0-	-0-	-0-	-0-
2021	-0-	120,000	-0-	120,000	0.02%	20
2022	-0-	80,762	-0-	80,762	-0-	12

Source: School District Financial Reports

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation ^a Taxable	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2013	\$ 7,215,000	-0-	\$ 7,215,000	0.45%	\$ 1,190
2014	5,620,000	-0-	5,620,000	0.35%	926
2015	3,890,000	-0-	3,890,000	0.24%	642
2016	2,015,000	-0-	2,015,000	0.12%	334
2017	-0-	-0-	-0-	-0-	-0-
2018	-0-	-0-	-0-	-0-	-0-
2019	-0-	-0-	-0-	-0-	-0-
2020	-0-	-0-	-0-	-0-	-0-
2021	-0-	-0-	-0-	-0-	-0-
2022	-0-	-0-	-0-	-0-	-0-

Source: School District Financial Reports

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

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 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			
Watchung Hills Regional High School	\$ 23,731,000	22.51%	\$ 5,342,351
Borough of Watchung	18,723,799	100.00%	18,723,799
County of Somerset - Borough's Share	268,745,720	2.88%	7,750,538
Subtotal, Overlapping Debt			31,816,688
Watchung Borough School District Direct Debt			-0-
Total Direct and Overlapping Debt			<u>\$ 31,816,688</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2022

	Equalized valuation basis
	2019 \$ 1,809,985,394
	2020 1,817,505,856
	2021 1,855,940,016
	\$ 5,483,431,266
Average Equalized Valuation of Taxable Property	\$ 1,827,810,422
Debt Limit (3% of average equalization value)	\$ 54,834,313 ^a
Net Bonded School Debt	-0-
Legal Debt Margin	\$ 54,834,313

	Fiscal Year				
	2018	2019	2020	2021	2022
Debt Limit	\$ 51,330,321	\$ 52,533,061	\$ 53,808,928	\$ 54,339,598	\$ 54,834,313
Total Net Debt Applicable to Limit	-0-	-0-	-0-	-0-	-0-
Legal Debt Margin	\$ 51,330,321	\$ 52,533,061	\$ 53,808,928	\$ 54,339,598	\$ 54,834,313
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt Limit	\$ 51,057,251	\$ 49,853,252	\$ 49,422,708	\$ 49,998,213	\$ 50,931,588
Total Net Debt Applicable to Limit	7,215,000	5,620,000	3,890,000	2,015,000	-0-
Legal Debt Margin	\$ 43,842,251	\$ 44,233,252	\$ 45,532,708	\$ 47,983,213	\$ 50,931,588
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	14.13%	11.27%	7.87%	4.03%	0.00%

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

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

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

Year	Population ^a	Borough of Watchung Personal Income ^b	Somerset County Per Capita Personal Income ^c	Unemployment Rate ^d
2013	6,068	\$ 476,040,668	\$ 78,451	4.20%
2014	6,058	505,412,882	83,429	4.80%
2015	6,034	533,689,198	88,447	4.20%
2016	6,038	558,599,532	92,514	4.00%
2017	6,050	600,093,450	99,189	3.40%
2018	6,060	637,275,660	105,161	3.10%
2019	6,023	662,024,068	109,916	2.80%
2020	6,007	677,739,775	112,825	8.10%
2021	6,486	731,782,950	112,825 *	5.60%
2022	6,486 **	731,782,950 ***	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.

***- Latest Borough personal income available (2021) was used for calculation purposes.

N/A - Information not available

Source:

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

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

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

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

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

Employer	2021		Percentage of Total Employment
	Employees	Rank	
AT&T	4,100	1	N/A
Janssen Pharmaceuticles, Inc.	1,800	2	N/A
The Chubb Corporation	1,800	3	N/A
Johnson and Johnson Pharmaceuticals	1,700	4	N/A
Bloomberg	1,380	5	N/A
Ethicon, Inc.	1,100	6	N/A
E-Z Go	1,050	7	N/A
Personal Products Company (J&J)	1,000	8	N/A
Ortho Clinical Diagnostics	1,000	9	N/A
Hooper Homes Inc.	900	10	
	15,830		

Employer	2012		Percentage of Total Employment
	Employees	Rank	
AT&T	3,000	1	N/A
Verizon Wireless	930	2	N/A
Dendrite	700	3	N/A
Fiddler's Elbow Country Club	210	4	N/A
Trump National	400	5	N/A
Falrion Technologies	200	6	N/A
Hamilton Farms	175	7	N/A
Kings	120	8	N/A
Bedminister Township Board of Education	100	9	N/A
Loral Skynet	80	10	N/A
	5,915		

N/A - Not Available

Source: Somerset County Business Partnership Website

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

<u>Function/Program</u>	<u>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	50	51	50	50	52	52	52	48.3	50.7	48.3
Special education	9	28	14	15	15	15	16	17	16.5	16.5
Other instruction	3	0	0	0	0	0	0	2.83	2.83	7
Support Services:										
Student & instruction related services	21	9	9	9	9	9	9	10.8	16	13.8
School administrative services	6	6	6	6	6	6	6	8	6	6
General and business administrative services	5	3	5	5	5	5	5	5	7	7
Plant operations and maintenance	8	11	10	10	10	10	10	9.8	8.8	7.8
Pupil transportation	2	3	1	1	1	1	1	0.2	0.2	0.2
Total	104	111	95	96	98	98	99	101.93	108.03	106.6

Source: School District of the Borough of Watchung Personnel Records

WATCHUNG BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2013	717	\$ 11,367,191	\$ 15,854	2.22%	67	N/A	N/A	720.8	693.0	5.80%	96.14%
2014	716	11,547,802	16,128	1.73%	67	N/A	N/A	688.5	663.0	-4.48%	96.30%
2015	691	11,867,317	17,174	6.48%	61	N/A	N/A	670.4	645.6	-2.63%	96.30%
2016	681	12,445,780	18,276	6.41%	60	N/A	N/A	683.7	655.2	1.98%	95.83%
2017	704	12,964,048	18,415	0.76%	63	N/A	N/A	707.6	676.9	3.50%	95.66%
2018	723	13,328,440	18,435	0.11%	63	N/A	N/A	688.5	657.9	-2.69%	95.55%
2019	741	14,582,162	19,679	6.75%	68	N/A	N/A	624.0	597.2	-9.37%	95.71%
2020	623	14,683,532	23,569	19.77%	68	N/A	N/A	609.3	592.0	-2.36%	97.16%
2021	620	14,834,638	23,927	1.52%	70	N/A	N/A	605.7	604.3	-0.59%	99.77%
2022	641	16,582,475	25,870	8.12%	67	N/A	N/A	623.1	588.2	2.87%	94.40%

Note: Enrollment based on annual October district count.

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

N/A: Information not available

Source: Borough of Watchung District Records

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

<u>District Building</u>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Valley View										
Square Feet	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960
Capacity (students)	470	470	470	470	470	470	470	470	470	470
Enrollment	334	303	327	331	341	347	370	271	274	263
Bayberry										
Square Feet	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629
Capacity (students)	638	638	638	638	638	638	638	638	638	638
Enrollment	383	413	364	350	363	376	371	352	346	378

Number of Schools at June 30, 2022
 Elementary = 2

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

Source: District Facilities Office

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

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

<u>*School Facility</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Bayberry Elementary	\$ 80,193	\$ 103,601	\$ 116,276	\$ 199,010	\$ 37,635
Valley View	39,850	21,220	23,816	42,165	59,992
District Total	<u>\$ 120,043</u>	<u>\$ 124,821</u>	<u>\$ 140,092</u>	<u>\$ 241,175</u>	<u>\$ 97,627</u>

<u>*School Facility</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Bayberry Elementary	\$ 44,220	\$ 67,286	\$ 50,885	\$ 42,778	\$ 84,421
Valley View	67,747	76,766	54,888	50,641	41,413
District Total	<u>\$ 111,967</u>	<u>\$ 144,052</u>	<u>\$ 105,773</u>	<u>\$ 93,419</u>	<u>\$ 125,834</u>

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

Source: District records

WATCHUNG BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2022
UNAUDITED

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Diploma Joint Insurance Fund		
Package Policy:		
Blanket Real and Personal Property	\$ 500,000,000	\$ 5,000
Earthquake	25,000,000	5,000
Flood	10,000,000	5,000
Boiler and Machinery	100,000,000	5,000
Cyber Liability	2,000,000	10,000
Crime Coverage:		
Faithful Performance	500,000	1,000
Money and Securities	50,000	1,000
General Liability	10,000,000	
Automobile	5,000,000	
School Board Legal Liability	5,000,000	5,000
Workers Compensation	Statutory 5,000,000	
Excess Umbrella Liability	10,000,000	
Catastrophe Umbrella Liability	40,000,000	
Environmental Liability	1,000,000	50,000
Selective Insurance:		
Surety Bonds:		
Board Secretary/Business Administrator	225,000	
Treasurer of School Moneys	225,000	

Source: District records

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Office"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Watchung Borough, (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, and have issued our report thereon dated October 27, 2022. That report included a qualified opinion on the financial statements as the District's note disclosure on postemployment benefits other than pensions (OPEB) contains the June 30, 2020 information and not the June 30, 2021 information as the report for Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the State of New Jersey State Health Benefits Local Education Retired Employees Plan ("SHBP") has not been released by the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, as of the date of this report. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

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.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

October 27, 2022
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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



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Independent Member
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Report on Compliance For Each Major State Program;
 Report on Internal Control Over Compliance Required by NJOMB 15-08

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Watchung Borough's (the "District's") compliance with the types of compliance requirements identified as subject to audit in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2022. The District's major state program is 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 its major state programs for the fiscal year ended June 30, 2022.

Basis for Opinion on Each Major 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 the major state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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 the major 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.

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.

October 27, 2022
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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

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

Federal Grantor/Pass Through Grantor/Program Title/Cluster Title	Assistance Listing	Assistance Number	Grant Period	Award Amount	Balance at June 30, 2021		Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Adjustment	Balance at June 30, 2022	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue					Budgetary Accounts Receivable	Budgetary Unearned Revenue
U.S. Department of Education Passed-through State Department of Education: Elementary and Secondary Education Act Consolidated Grant:												
Title I, Part A	84.010A	ESEA 554022	7/1/21-9/30/22	\$ 58,588			\$ 43,647	\$ (48,565)			\$ (4,918)	
Title I, Part A	84.010A	ESEA 554021	7/1/20-9/30/21	67,153			6,479					
Title II, Part A	84.367A	ESEA 554022	7/1/21-9/30/22	16,584			1,999	(4,450)			(2,451)	
Title IV	84.424A	ESEA 554022	7/1/21-9/30/22	11,591			7,929	(7,929)				
Title IV	84.424A	ESEA 554021	7/1/20-9/30/21	10,000			7,524					
							<u>(7,524)</u>					
							<u>(14,003)</u>				<u>(7,369)</u>	
Special Education Cluster:												
IDEA Combined Grant:												
COVID 19 - ARP:												
I.D.E.A. Part B, Basic	84.027X	IDEA 554022	7/1/21-9/30/22	25,606			25,606	(25,606)				
I.D.E.A. Part B, Preschool	84.173X	IDEA 554022	7/1/21-9/30/22	2,187			2,002	(2,002)				
I.D.E.A. Part B, Basic	84.027	IDEA 554022	7/1/21-9/30/22	123,115			111,575	(123,115)			(11,540)	
I.D.E.A. Part B, Basic	84.027	IDEA 554021	7/1/20-9/30/21	122,843			70,000					
I.D.E.A. Part B, Preschool	84.173	IDEA 554022	7/1/21-9/30/22	6,733			6,773	(6,773)				
I.D.E.A. Part B, Preschool	84.173	IDEA 554021	7/1/20-9/30/21	8,386			124	(44)				
							<u>(80)</u>					
							<u>(70,080)</u>				<u>(11,540)</u>	
Subtotal Special Education Cluster												
Education Stabilization Fund:												
COVID-19 - CARES Emergency Relief	84.425D	CARES 554020	3/13/20-9/30/22	28,391			22,822	(2,195)				
COVID-19 - CRRSA:												
ESSER II	84.425D	S425D210027	3/13/20-9/30/23	110,351			82,748	(102,920)			(20,172)	
Learning Acceleration	84.425D	S425D210027	3/13/20-9/30/23	25,000			10,111	(12,839)			(2,728)	
Mental Health	84.425D	S425D210027	3/13/20-9/30/23	45,000			22,254	(8,550)				
							<u>(13,704)</u>					
							<u>(34,331)</u>				<u>(22,900)</u>	
Subtotal Education Stabilization Fund												
Total U.S. Department of Education / Special Revenue Fund												
							<u>(118,414)</u>				<u>(41,809)</u>	
U.S. Department of Agriculture:												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Special Milk Program	10.556	N/A	7/1/21-6/30/22	2,325			2,170	(2,325)			(155)	
							<u>2,170</u>				<u>(155)</u>	
Total U.S. Department of Agriculture/Child Nutrition Cluster												
							<u>\$ (118,414)</u>				<u>\$ (41,964)</u>	
Total Federal Awards												
							<u>\$ -0-</u>				<u>\$ -0-</u>	
							<u>\$ 423,763</u>				<u>\$ (41,964)</u>	<u>\$ -0-</u>

N/A - Not Applicable/Available

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

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

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2021		Cash Received	Budgetary Expenditures	Balance at June 30, 2022		MEMO	
				Budgetary Accounts Receivable	Due to Grantor			GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education											
General Fund:											
Categorical Transportation Aid	22-495-034-5120-014	7/1/21-6/30/22	\$ 160,229		\$ 146,990	\$ (160,229)	\$	\$ 13,239	\$	\$ 160,229	
Categorical Special Education Aid	22-495-034-5120-089	7/1/21-6/30/22	560,244		513,954	(560,244)		46,290		560,244	
Categorical Security Aid	22-495-034-5120-078	7/1/21-6/30/22	12,631		11,587	(12,631)		1,044		12,631	
Extraordinary Aid	22-495-034-5120-044	7/1/21-6/30/22	454,942			(454,942)	\$ 454,942			454,942	
Nonpublic Transportation	22-495-035-5120-014	7/1/21-6/30/22	9,570			(9,570)	9,570			9,570	
Securing our Children's Future Bond Act	N/A	7/1/21-6/30/22	20,298		20,298	(20,298)				20,298	
Reimbursed TPAF Social Security Contributions	22-495-034-5094-003	7/1/21-6/30/22	431,396		409,749	(431,396)		21,647		431,396	
On-Behalf TPAF Post Retirement Contributions	22-495-034-5094-001	7/1/21-6/30/22	471,458		471,458	(471,458)				471,458	
On-Behalf Long Term Disability Insurance Contributions	22-495-034-5094-004	7/1/21-6/30/22	573		573	(573)				573	
On-Behalf TPAF Pension Contributions	22-495-034-5094-002	7/1/21-6/30/22	1,989,805		1,989,805	(1,989,805)				1,989,805	
On-Behalf TPAF Non-Contributory Insurance	22-495-034-5094-004	7/1/21-6/30/22	28,073		28,073	(28,073)				28,073	
Categorical Transportation Aid	21-495-034-5120-014	7/1/20-6/30/21	160,229	\$ 12,988	12,988					160,229	
Categorical Special Education Aid	21-495-034-5120-089	7/1/20-6/30/21	442,886	35,899	35,899					442,886	
Categorical Security Aid	21-495-034-5120-078	7/1/20-6/30/21	12,631	1,024	1,024					12,631	
Extraordinary Aid	21-495-034-5120-044	7/1/20-6/30/21	612,805	612,805	612,805					612,805	
Nonpublic Transportation	21-495-035-5120-014	7/1/20-6/30/21	8,990	8,990	8,990					8,990	
Reimbursed TPAF Social Security Contributions	21-495-034-5094-003	7/1/20-6/30/21	397,705	20,004	20,004					397,705	
Total General Fund				691,710	4,284,197	(4,139,219)		486,159		546,732	5,774,465
Special Revenue Fund:											
School Development Authority:											
Emergent and Capital Maintenance Needs	N/A	11/19/21-6/30/22	14,483		14,483	(14,483)				14,483	
Total Special Revenue Fund											
Total State Department of Education				\$ 691,710	\$ 4,298,680	\$ (4,153,702)		\$ 486,159	\$ -0-	\$ 546,732	\$ 5,788,948
Less: On-Behalf TPAF Pension System Contributions:											
On-Behalf TPAF Post Retirement Contributions						471,458					
On-Behalf Long Term Disability Insurance Contributions						573					
On-Behalf TPAF Pension Contributions						1,989,805					
On-Behalf TPAF Non-Contributory Insurance						28,073					
Subtotal - On-Behalf TPAF Pension System Contributions						2,489,909					
Total State Awards - for Major Program Determination						\$ (1,663,793)					
N/A - Not Applicable/Available											

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

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

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$10,662) for the general fund, and \$11,351 for the special revenue fund of which (\$5,862) is for local grants. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

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

(Continued)

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

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

	Federal	State	Total
General Fund		\$ 4,128,557	\$ 4,128,557
Special Revenue Fund	\$ 356,338	13,908	370,246
Food Service Fund	2,325		2,325
Total Awards	\$ 358,663	\$ 4,142,465	\$ 4,501,128

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2022.

WATCHUNG 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 a qualified opinion on the financial statements as the District's note disclosure on postemployment benefits other than pensions (OPEB) contains the June 30, 2020 information and not the June 30, 2021 information as the report for Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the State of New Jersey State Health Benefits Local Education Retired Employees Plan ("SHBP") has not been released by the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, as of the date of this report. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance* required by NJOMB 15-08.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2022 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

	State Grant Number	Grant Period	Award Amount	Budgetary Expenditures
<u>State:</u>				
Reimbursed TPAF Social Security Contributions	22-495-034-5094-003	7/1/21-6/30/22	\$ 431,396	\$ 431,396

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

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

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(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:

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

Findings and Questioned Costs for State Awards:

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

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

Status of Prior Year Findings:

The District had no prior year audit findings.