

Annual Comprehensive Financial Report

of the

Essex Fells School District

Essex Fells, New Jersey

For the Fiscal Year Ended June 30, 2023

Prepared by

**Essex Fells School District
Board of Education**

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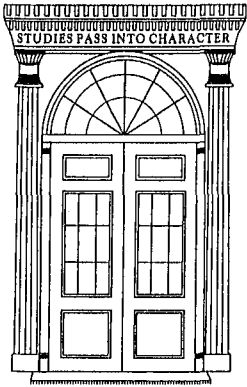
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INTRODUCTORY SECTION



Essex Fells School District
102 Hawthorne Road
Essex Fells, New Jersey 07021

November 30, 2023

Honorable President and Members
of the Board of Education
Essex Fells School District
County of Essex, New Jersey

Dear Board Members:

The Annual Comprehensive Financial Report of the Essex Fells School District for the fiscal year ended June 30, 2023, is respectfully submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Annual Comprehensive Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES

Essex Fells School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Essex Fells Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-School through 6. These include regular as well as special education for handicapped youngsters. The District completed the 2022-23 fiscal year with an enrollment of 244 students which is 4.69% below the previous year's enrollment. The following details the changes in the student enrollment of the District over the last five years.

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2022-23	244.0	(4.69%)
2021-22	256.0	1.99%
2020-21	251.0	(2.33%)
2019-20	257.0	2.80%
2018-19	250.0	9.65%

2. ECONOMIC CONDITION AND OUTLOOK

Essex Fells continues to be a very stable community relying solely on its residential tax base to meet the needs of its citizens. The Borough remains an attractive place to live with the quality of its housing stock being improved and upgraded on an ongoing basis by its residents.

3. MAJOR INITIATIVES

During the 2022-23 school year, the School District accomplished the following:

- In the 2022-23 school year an increase and restructuring of school-based counseling and art therapy supports were made to meet the increasing demands of student social-emotional learning.
- Teachers continued to differentiate instruction as an instructional methodology incorporating a hybrid of hands on and digital options for students. Formative as well as normed assessments are conducted ongoing in order to infuse enrichment and reinforcement lessons into the students’ instruction on individual levels. These assessments are documented and data is analyzed to inform future instruction. MAP, AIMSWEB, Lexiles and DRA levels are integrated with district assessments and intervention screeners to identify students in need of support beyond classroom differentiation.
- Students utilized MacBook Pros, IPAD Pros and IPADS on a daily basis. Devices are available for student and staff use in all classrooms. Every classroom is equipped with a smartboard and document camera. A one to one laptop program is evidenced in 2nd - 6th grades and for all staff where teachers and students utilize Google Classroom, Achieve 3000, Read Works, Newsela, IXL, Study Island, Freckle, and Kids A-Z to name a few resources to expand instruction through technology. The district wide STEAM program has proven to be successful as the classroom teachers have worked alongside the ART and Technology teachers to infuse Art and Tech projects into daily lessons, 3D printing, web design, drones, and Rigamajig engineering challenges set the tone for developing students into collaborative critical thinkers.

3. MAJOR INITIATIVES (Continued)

- Teachers received inservice staff development training as well as out-of-district professional development both in person as well as virtually in the areas of Language Arts, Math, Social Emotional Growth, Technology, Special Education, and Safety and Security. The Global Compliance Network is utilized to insure staff members meet all mandated training requirements.
- A full inclusion co-teaching model between the regular education teacher and the special education teachers 100% of the day continued to be the approach of instruction at each grade level, Preschool - Grade 6. Students with 504 and I&RS plans are supported by related service providers and student support teachers based on the needs of the children. Our formal and highly active intervention team meets monthly to review each student, modify plans as needed, or implement new supports to customize each child's learning experience at EFS.
- The District continued to communicate with the consortium districts of the West Essex Region. Joint meetings, training sessions, student activities, textbook sharing and curriculum writing are among many of the collaborative efforts. The continued transition of 6th grade students to the middle school is a priority of administration for the sending and receiving districts.
- The Visual and Performing Arts were celebrated in the 2022-2023 school year. A Variety Show and School Musical were presented on stage live with a packed audience. School events such as the Celebration of the Arts Festival, concerts, and grade level special projects for parent viewing provided opportunities for students to share their accomplishments and parents to relish in their successes. Weekly Character Education lessons with the Art Therapist and School Counselor in small groups as well as whole classes continued through the 2022-2023 school year. Special events such as assemblies and author visits were presented to enhance a comprehensive learning experience for our students. Despite the tragic loss of our 1st grade teacher in April, the District united to support one another in the second consecutive year of loss for our school community.
- In summary, during the 2022-2023 school year the Essex Fells School District continued to provide a high quality education to its students in a rigorous and customized manner within a safe and nurturing environment despite the challenges left by the pandemic as well as the tragic loss of another young beloved teacher. The students of EFS benefitted from customized learning from their teachers and surrounded by peers that in this community feel more like family. Instructional delivery and socialization returned to pre-pandemic procedures in an effort to regain growth in student academic development. Social emotional support continued to focus on the students as a whole as they navigate the ever-changing world.

4. INTERNAL ACCOUNTING CONTROLS

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable 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.

4. INTERNAL ACCOUNTING CONTROLS (Continued)

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

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

5. BUDGETARY CONTROLS

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts reappropriated were reported as reservations of fund balance at June 30, 2023.

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 and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7. FINANCIAL INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service revenues for the fiscal year ended June 30, 2023 and the amount and percentage of increase in relation to prior year revenues:

7. FINANCIAL INFORMATION AT FISCAL YEAR-END (Continued)

	<u>June 30, 2023</u>	<u>Percentage of Total</u>	<u>June 30, 2022</u>	<u>Increase/ Decrease from 2022</u>	<u>% of Increase/ Decrease</u>
<u>Revenues</u>					
Local Sources	\$ 5,770,242.65	72.87%	\$ 5,565,896.25	\$ 204,346.40	3.67%
State Sources	395,780.00	5.00%	261,512.00	134,268.00	51.34%
TPAF Pension, Medical and Disability Contributions	1,298,829.00	16.40%	1,250,073.00	48,756.00	3.90%
TPAF Social Security Contributions	188,036.10	2.37%	198,853.60	(10,817.50)	-5.44%
Federal Sources	<u>265,853.78</u>	<u>3.36%</u>	<u>259,505.55</u>	<u>6,348.23</u>	2.45%
Total Revenues	<u>\$ 7,918,741.53</u>	<u>100.00%</u>	<u>\$ 7,535,840.40</u>	<u>\$ 382,901.13</u>	
<u>Expenditures</u>					
Instruction	\$ 2,720,717.42	32.35%	\$ 2,846,471.67	\$ (125,754.25)	-4.42%
Undistributed Costs	4,598,182.16	54.66%	4,431,138.67	167,043.49	3.77%
Special Schools	18,659.23	0.22%	16,332.50	2,326.73	14.25%
Capital Outlay	<u>1,074,223.37</u>	<u>12.77%</u>	<u>100,954.02</u>	<u>973,269.35</u>	964.07%
Total Expenditures	<u>\$ 8,411,782.18</u>	<u>100.00%</u>	<u>\$ 7,394,896.86</u>	<u>\$ 1,016,885.32</u>	

8. CASH MANAGEMENT

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

9. RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, school board liability, errors and omissions and fidelity bonds. The District is a member of a pooled insurance group through the New Jersey School Boards Association Insurance Group (NJSBAIG).

10. OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Samuel Klein and Company, LLP, CPA's was selected by the Board of Education after reviewing the responses to a Request for Proposal issued prior to the end of the fiscal year. In addition to meeting the requirements set forth in state statutes, the audit also is designed to meet the requirements of the Uniform Guidance and State Treasury Circular Letter 15-08-OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports that relate specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Essex Fells Board of Education for their concern in providing educational leadership and fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of the educational programs and financial operation of the school community. The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire Essex Fells School staff.

Respectfully submitted,

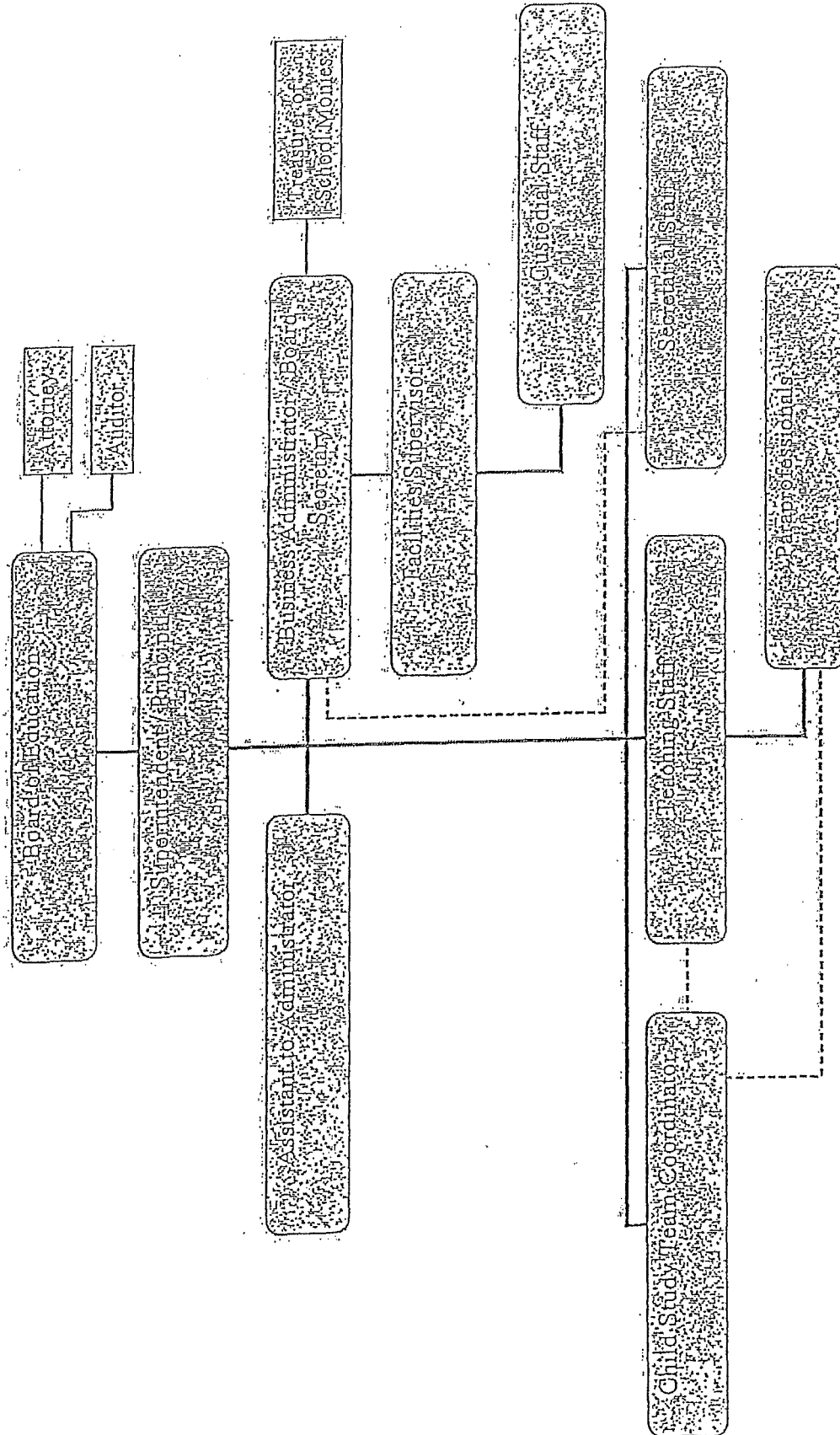
Michelle V. Gadaleta

Michelle V. Gadaleta
Superintendent of Schools/
Principal



Steven J. Lella
School Business Administrator/
Board Secretary

Essex Fells Public School
ORGANIZATIONAL CHART



— Direct Chain

- - - Indirect Chain

ESSEX FELLS SCHOOL DISTRICT
ESSEX FELLS, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2023

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Amanda Haber, President	2024
John Toth, Vice President	2024
Jacquelyn Burke, Board Member	2025
Caragh Lavoie, Board Member	2025
Raj Mehta, Board Member	2023

Other Officials

Michelle V. Gadaleta, Superintendent of Schools
Steven J. Lella, Business Administrator/Board Secretary
Marie Criscuolo, Treasurer of School Moneys

**ESSEX FELLS SCHOOL DISTRICT
CONSULTANTS AND ADVISORS**

Architect

El Associates
8 Ridgedale Avenue
Cedar Knolls, New Jersey 07927

Audit Firm

Samuel Klein and Company, LLP
Certified Public Accountants
550 Broad Street, 11th Floor
Newark, New Jersey 07102

Attorney

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

Official Depositories

Valley Bank
15 Roseland Avenue
Caldwell, New Jersey 07006

and

State of New Jersey Cash Management Fund
State Street Bank and Trust
P. O. Box 5994
Boston, MA 02206-5994

FINANCIAL SECTION

SAMUEL KLEIN AND COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR
NEWARK, N.J. 07102-9969
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303
FREEHOLD, N.J. 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Essex Fells School District
County of Essex
Essex Fells, New Jersey 07021

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Fells School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Essex Fells School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Fells School District as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. 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 Essex Fells School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Essex Fells School 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Essex Fells School 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 Essex Fells School 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, the schedules of the District's proportionate share of the net pension liability, the schedules of the District's contributions, the budgetary comparison information, the schedule of changes in the District's total OPEB liability, related ratios and notes, and the notes to the required supplementary information 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, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Essex Fells School District's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, the schedule of expenditures of federal awards and schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial 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 form any 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 November 30, 2023, on our consideration of the Essex Fells School 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 Essex Fells School 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 Essex Fells School District's internal control over financial reporting and compliance.



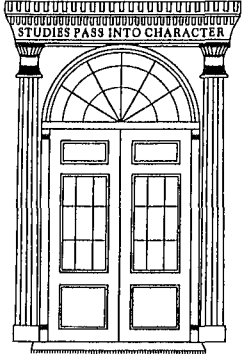
SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS



JOSEPH J. FACCONI
Licensed Public School Accountant #194

Newark, New Jersey
November 30, 2023

REQUIRED SUPPLEMENTARY INFORMATION - PART I



Essex Fells School District
102 Hawthorne Road
Essex Fells, New Jersey 07021

November 30, 2023

Honorable President and Members
of the Board of Education
Essex Fells Board of Education
102 Hawthorne Road
Essex Fells, New Jersey 07021

Dear Board Members:

Management's Discussion and Analysis of Financial Statements

The following analysis of Essex Fells Board of Education's financial performance provides a summary of the District's financial integrity. The intent of the analysis is to provide an interpretation of the financial statements. School districts operate as a non-profit organization, yet, GASB 34 is instrumental in providing outside entities the opportunity to measure for profit operations. Financial information that is analyzed utilizing GASB 34 for non-profit entities may well contain irrelevant and misleading reports. School districts are now being required to account for asset depreciation even though the need to match revenues with purchased assets are not necessary since all similar purchases are budgeted for in capital outlay and expensed in the operating year.

Statement of Net Position and the Statement of Activities

The statement of Net Position provides a summary of assets, items costing more than \$2,000 each, and their accumulated depreciation. Accumulated Depreciation is the yearly costing of an asset's useful life. Accrual accounting is utilized as prescribed by GAAP (Generally Accepted Accounting Principals).

Fund Financial Statements

School Districts utilize two categories for reporting assets. The first category identified as Governmental Funds, records the most activity. Governmental Funds reflects activity within the following sub-groups:

Governmental Funds

General Fund (Fund 10)

- Fund 11 Distributed and Undistributed Instructional Accounts - Asset Producing
- Fund 12 Capital Outlay - Asset Producing
- Fund 13 Special Schools - Non Asset Producing

Special Revenue (Fund 20)

Fund 20 Grants and Entitlements - Asset Producing

Capital Projects (Fund 30)

Fund 30 Capital Projects/Construction in Progress - Asset Producing

Debt Service (Fund 40)

Fund 40 Debt Service payments for Bonds and Interest - Non Asset Producing

Fixed Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

Table A

<u>Governmental Activities</u>	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance June 30, 2023</u>
Nondepreciable Assets:				
Land	\$ 101,069.00	\$	\$	\$ 101,069.00
Depreciable Assets:				
Building and Building Improvements	5,626,818.45	1,013,353.00	2,520.00	6,637,651.45
Machinery and Equipment	1,138,701.77	136,512.37		1,275,214.14
	<u>6,866,589.22</u>	<u>1,149,865.37</u>	<u>2,520.00</u>	<u>8,013,934.59</u>
Less Accumulated Depreciation:				
Building and Building Improvements	(2,403,971.00)	(173,939.00)	(2,520.00)	(2,575,390.00)
Machinery and Equipment	(941,287.00)	(32,432.00)		(973,719.00)
	<u>(3,345,258.00)</u>	<u>(206,371.00)</u>	<u>(2,520.00)</u>	<u>(3,549,109.00)</u>
Governmental Activities - Net Capital Assets	<u>\$ 3,521,331.22</u>	<u>\$ 943,494.37</u>	<u>\$ -</u>	<u>\$ 4,464,825.59</u>

GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2023, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group:

Table B

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Amounts Due Within One Year</u>	<u>Long-Term Portion</u>
Compensated Absences	\$ 117,170.68	\$	\$ 3,914.53	\$ 113,256.15	\$	\$ 113,256.15
Serial Bonds Payable		600,000.00		600,000.00	70,000.00	530,000.00
	<u>\$ 117,170.68</u>	<u>\$ 600,000.00</u>	<u>\$ 3,914.53</u>	<u>\$ 713,256.15</u>	<u>\$ 70,000.00</u>	<u>\$ 643,256.15</u>

**Table C
Change in Net Position**

	<u>Governmental Activities</u>
<u>Revenues</u>	
Local Tax	\$ 5,573,001.00
Federal and State Aid	395,780.00
Other	249,687.33
	<u>6,218,468.33</u>
 <u>Expenditures</u>	
Instruction	\$ 3,300,083.74
Student Support Services	967,042.78
Administration	542,682.38
Operations and Maintenance	561,887.28
Pupil Transportation	83,880.78
Special Schools	22,222.02
Interest on Debt Service	20,891.86
Unallocated Depreciation	206,371.00
Unallocated Amortization Expense - Leases	9,022.53
	<u>5,714,084.37</u>
Total Expenditures	<u>\$ 5,714,084.37</u>
Increase/Decrease	<u>\$ 504,383.96</u>

Governmental Activities

Local tax levy comprises 90.86% of the District's source of revenue. A small number of students received into a paid regular education Pre-School program generates tuition revenue.

Instructional expenses comprise 57.77% of the operating budget. Instructional expenses include teachers' salaries, supplies, and textbooks.

Student Support Services, including health services, social work, child study team, and guidance support, as well as supervision of instruction and staff development, account for 16.92% of the 2022-23 expenditures.

Operations and Maintenance are expenses mandated by the State Department of Education to maintain all building systems. Costs for the maintenance and custodial departments comprise 9.83% of the 2022-23 expenditures.

Business services are expenditures associated with the business and financial aspect of the District. Expenditures include payroll, accounting, accounts payable, benefits processing, technology, and personnel departments.

Special Schools include summer school.

Business Activities

A latch key program is no longer operated by the District. The District currently has an arrangement with outside vendors to provide this service directly to parents. The District does not operate a food service program.

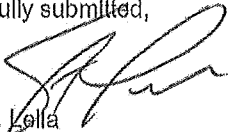
Future Outlook

The future fiscal outlook for the Essex Fells Board of Education is favorable. The School District is sufficiently funded to meet the educational and capital requirements. However, concern continues to be the budget cap restrictions recently imposed on school districts.

On a more global basis, the Essex Fells Borough is generally unable to increase the tax base. The Borough's tax base has remained relatively flat. The Borough is close to full build out, with very little space, if any, available for further development that might increase the ratable base. Because of this, in concert with fluctuations in state aid, the likelihood of continued tax increases for the average homeowner over the next five years is likely.

The Administration continues to be committed to addressing all of the educational needs of the Essex Fells students while delivering a responsible budget to the taxpayers.

Respectfully submitted,



Steven J. Kella
School Business Administrator/Board Secretary

BASIC FINANCIAL STATEMENTS

A. DISTRICT-WIDE FINANCIAL STATEMENTS

ESSEX FELLS SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 418,155.59	\$	\$ 418,155.59
Accounts Receivable, Net	733,681.15		733,681.15
Restricted Assets:			
Capital Reserve Account - Cash	<u>655,374.40</u>		<u>655,374.40</u>
Total Current Assets	<u>1,807,211.14</u>		<u>1,807,211.14</u>
Noncurrent Assets:			
Deferred Charges - Bond Issuance Costs	11,571.42		11,571.42
Capital Assets, Net (Note 6)	4,464,825.59		4,464,825.59
Right-of-Use Asset, Net - Financing Lease	<u>9,519.87</u>		<u>9,519.87</u>
	<u>4,485,916.88</u>		<u>4,485,916.88</u>
Total Assets	<u>6,293,128.02</u>		<u>6,293,128.02</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount Related to Pension	<u>393,291.00</u>		<u>393,291.00</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	179,101.04		179,101.04
Accrued Interest Payable	19,561.26		19,561.26
Deferred Inflows	<u>15,300.00</u>		<u>15,300.00</u>
Total Current Liabilities	<u>213,962.30</u>		<u>213,962.30</u>
Long-Term Liabilities:			
Due Beyond One Year (Note 7)	643,256.15		643,256.15
Net Pension Liability (Note 9)	1,084,324.00		1,084,324.00
Lease Liability - Financing Lease	<u>10,848.86</u>		<u>10,848.86</u>
Total Long-Term Liabilities	<u>1,808,429.01</u>		<u>1,808,429.01</u>
Total Liabilities	<u>2,022,391.31</u>		<u>2,022,391.31</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount Related to Pension	<u>192,247.00</u>		<u>192,247.00</u>
NET POSITION			
Investment in Capital Assets, Net of Related Debt	3,864,825.59		3,864,825.59
Restricted for:			
Capital Projects	775,321.30		775,321.30
Excess Surplus	400,000.00		400,000.00
Unemployment Compensation	47,718.55		47,718.55
Student Activities	5,902.85		5,902.85
Other Purposes	3,725.40		3,725.40
Unrestricted	<u>(625,712.98)</u>		<u>(625,712.98)</u>
Total Net Position	<u>\$4,471,780.71</u>	<u>\$ -</u>	<u>\$4,471,780.71</u>

See accompanying notes to financial statements.

ESSEX FELLS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

A-2

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:						
Instruction:						
Regular Instruction	\$3,154,895.47	\$	\$ 916,089.73	\$(2,238,805.73)	\$	\$(2,238,805.73)
Special Education Instruction	1,085,949.75		351,436.92	(734,512.83)		(734,512.83)
Other Instruction	480,889.37		155,626.24	(325,263.13)		(325,263.13)
School-Sponsored Activities	2,220.71		718.67	(1,502.04)		(1,502.04)
Support Services:						
Student and Instruction Related Services	1,554,761.65	21,602.32	566,116.55	(967,042.78)		(967,042.78)
General Administration Services	318,986.38		74,101.45	(244,884.93)		(244,884.93)
School Administration Services	202,740.02		65,022.45	(137,717.56)		(137,717.56)
Central Services	229,177.29		69,097.40	(160,079.89)		(160,079.89)
Plant Operations and Maintenance	701,440.44		139,553.17	(561,887.28)		(561,887.28)
Pupil Transportation	83,880.78			(83,880.78)		(83,880.78)
Special Schools	30,699.32		8,477.30	(22,222.02)		(22,222.02)
Debt Service:						
Interest	20,891.86			(20,891.86)		(20,891.86)
Unallocated Depreciation	206,371.00			(206,371.00)		(206,371.00)
Unallocated Amortization Expense - Leases	9,022.53			(9,022.53)		(9,022.53)
Total Governmental Activities	<u>\$8,081,926.57</u>	<u>\$21,602.32</u>	<u>\$2,346,239.88</u>	<u>\$(5,714,084.37)</u>	<u>\$ -</u>	<u>\$(5,714,084.37)</u>
General Revenues:						
Property Taxes:						
Levied for General Purposes				\$ 5,573,001.00	\$	\$ 5,573,001.00
Federal and State Aid - Unrestricted				395,780.00		395,780.00
Tuition Received				124,753.81		124,753.81
Miscellaneous				48,788.52		48,788.52
Special Item - Donated Assets				76,145.00		76,145.00
Total General Revenues				<u>6,218,468.33</u>		<u>6,218,468.33</u>
Change in Net Position				504,383.96		504,383.96
Net Position, July 1				3,967,396.75		3,967,396.75
Net Position, June 30				<u>\$ 4,471,780.71</u>	<u>\$ -</u>	<u>\$ 4,471,780.71</u>

B. FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

ESSEX FELLS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

B-1

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 1,043,092.57	\$	\$ 119,946.90	\$ 1,163,039.47
Intergovernmental Accounts Receivable:				
Federal		95,412.33		95,412.33
State	173,852.20			173,852.20
Other, Net	464,416.62			464,416.62
Total Assets	<u>\$ 1,681,361.39</u>	<u>\$ 95,412.33</u>	<u>\$ 119,946.90</u>	<u>\$ 1,896,720.62</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Cash Overdraft	\$	\$ 89,509.48	\$	\$ 89,509.48
Accounts Payable:				
Accrued Salaries and Wages	154,547.46			154,547.46
Payroll Deductions and Withholdings Payable	5,286.76			5,286.76
Unemployment Compensation Claims Payable	17,165.42			17,165.42
Other	2,101.40			2,101.40
Deferred Inflows	15,300.00			15,300.00
Total Liabilities	<u>194,401.04</u>	<u>89,509.48</u>		<u>283,910.52</u>
Fund Balances:				
Restricted for:				
Excess Surplus - Current Year	200,000.00			200,000.00
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	200,000.00			200,000.00
Capital Reserve	655,374.40			655,374.40
Unemployment Compensation	47,718.55			47,718.55
Capital Projects			119,946.90	119,946.90
Student Activities		5,902.85		5,902.85
Assigned:				
Other Purposes	3,725.40			3,725.40
Unassigned	380,142.00			380,142.00
Total Fund Balances	<u>1,486,960.35</u>	<u>5,902.85</u>	<u>119,946.90</u>	<u>1,612,810.10</u>
Total Liabilities and Fund Balances	<u>\$ 1,681,361.39</u>	<u>\$ 95,412.33</u>	<u>\$ 119,946.90</u>	<u>\$ 1,896,720.62</u>

Total Fund Balance above \$ 1,612,810.10

Amounts reported for governmental activities in the Statement of Net Position (A-1) are different because:

Deferred outflows and deferred inflows related to pensions represent the consumption and acquisition, respectively, of resources that relate to future periods; therefore, such amounts are not reported in the fund financial statements. (See Note 9).	201,044.00
Accounts Payable related to pensions are not liquidated with current financial resources; therefore, such amounts are not recorded in the fund financial statements. (See Note 9).	(1,084,324.00)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of capital assets is \$8,013,934.59 and the accumulated depreciation is \$3,549,109.00. (See Note 6).	4,464,825.59
Lease assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of capital assets is \$43,123.34 and the accumulated amortization is \$33,603.47. (See Note 8).	9,519.87
Long-term liabilities, including bonds payable, pension liability, lease liability, and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. (See Note 7).	
Bonds Payable, Net	\$ (600,000.00)
Deferred Charge for Bond Issuance Cost	11,571.42
Lease Liability - Financing Lease	(10,848.86)
Compensated Absences	<u>(113,256.15)</u>
	(712,533.59)

Accrued interest payable on long-term debt is not due and payable in the current period and therefore is not reported in the funds. (19,561.26)

Net Position of Governmental Activities (A-1) \$ 4,471,780.71 26

ESSEX FELLS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

B-2

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Local Property Tax Levy	\$5,573,001.00	\$	\$	\$5,573,001.00
Tuition Charges	124,753.81			124,753.81
Interest Earned on Capital Reserve Funds	9,758.76			9,758.76
Unrestricted Miscellaneous Revenue	39,029.76			39,029.76
State Sources	1,882,645.10			1,882,645.10
Federal Sources		265,853.78		265,853.78
Local Sources		23,699.32 *		23,699.32
Total Revenues	<u>7,629,188.43</u>	<u>289,553.10</u>		<u>7,918,741.53</u>
<u>Expenditures</u>				
Current:				
Regular Instruction	1,859,433.89	13,413.25		1,872,847.14
Special Education Instruction	586,812.88			586,812.88
Other Instruction	259,857.40			259,857.40
School Sponsored Activities	1,200.00			1,200.00
Support Services and Undistributed Costs:				
Student and Instruction Related Services	948,013.02	164,220.91 **		1,112,233.93
General Administrative Services	213,741.99			213,741.99
School Administrative Services	110,390.29			110,390.29
Central Services	131,040.02			131,040.02
Plant Operations and Maintenance	513,555.33			513,555.33
Pupil Transportation	83,880.78			83,880.78
Employee Benefits	2,433,339.82			2,433,339.82
Special Schools	18,659.23			18,659.23
Capital Outlay	38,046.60	111,123.67	925,053.10	1,074,223.37
Total Expenditures	<u>7,197,971.25</u>	<u>288,757.83</u>	<u>925,053.10</u>	<u>8,411,782.18</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>431,217.18</u>	<u>795.27</u>	<u>(925,053.10)</u>	<u>(493,040.65)</u>
Other Financing Sources (Uses):				
Bond Proceeds			600,000.00	600,000.00
Transfers In			445,000.00	445,000.00
Transfers Out	(445,000.00)			(445,000.00)
Total Other Financing Sources and Uses	<u>(445,000.00)</u>		<u>1,045,000.00</u>	<u>600,000.00</u>
Net Change in Fund Balances	<u>(13,782.82)</u>	<u>795.27</u>	<u>119,946.90</u>	<u>106,959.35</u>
Fund Balance, July 1	<u>1,500,743.17</u>	<u>5,107.58</u>		<u>1,505,850.75</u>
Fund Balance June 30	<u>\$1,486,960.35</u>	<u>\$ 5,902.85</u>	<u>\$ 119,946.90</u>	<u>\$1,612,810.10</u>

* Special Revenue Fund now includes revenues from student activities.

** Special Revenue Fund now includes expenditures from student activities.

ESSEX FELLS SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

B-3

	<u>Ref.</u>	
Total Net Change in Fund Balances - Governmental Funds	B-2	\$ 106,959.35
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	\$ (206,371.00)	
Donated Assets	76,145.00	
Capital Outlays	<u>1,073,720.37</u>	943,494.37
Governmental funds report lease principal payments as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. This is the amount by which amortization expense exceeded lease principal payments in the period.		
Amortization Expense	(9,022.53)	
Lease Principal Payment	<u>9,491.08</u>	468.55
Governmental funds report the effect of issuance costs when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Amortization of Issuance Costs		11,571.42
Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.		
		(600,000.00)
Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest cost, administrative costs, investment returns, and experience/assumption. This is the amount by which net position liability and deferred inflows/outflows related to pension changed during the period.		
		57,537.00
In the statement of activities, certain operating expenses, e.g., compensated absences (vacation) are measured by the amounts earned during the year. In the governmental fund, 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 reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
Compensated Absences		3,914.53
Accrued Interest Payable:		
Balance June 30, 2022	-	
Balance June 30, 2023	<u>(19,561.26)</u>	<u>(19,561.26)</u>
Change in Net Position of Governmental Activities	A-2	<u>\$ 504,383.96</u>

PROPRIETARY FUNDS

FIDUCIARY FUNDS (IF APPLICABLE)

NOTES TO THE FINANCIAL STATEMENTS

ESSEX FELLS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Essex Fells School District (the "District") is a Type II District located in the County of Essex, State of New Jersey. As a Type II District, the District functions independently through a Board of Education (the "Board"). The Board is comprised of five members elected to three-year terms. The purpose of the District is to educate students in grades K-6. The Essex Fells School District had an approximate enrollment at June 30, 2023 of 244 students.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Essex Fells School District, this includes general operations and student related activities of the School District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- . the organization is legally separate (can sue or be sued in their own name)
- . the District holds the corporate powers of the organization
- . the District appoints a voting majority of the organization's board
- . the District is able to impose its will on the organization
- . the organization has the potential to impose a financial benefit/burden on the District
- . there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

1. Government-Wide Financial Statements (Continued)

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements

During the 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.

Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund. This fund also includes payroll agency, payroll net and unemployment reserve accounts.

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

1. Governmental Funds (Continued)

General Fund (Continued)

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes. This fund also includes scholarship accounts and student activities accounts.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (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.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Permanent Fund - The Permanent Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. Resources are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting entity's programs - that is, for the benefit of the school district. The District presently has no resources that are considered permanent funds.

2. Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the District:

Enterprise Fund - The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **Fund Accounting (Continued)**

2. **Proprietary Fund Type (Continued)**

Enterprise Fund (Continued)

All Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total position) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position. The District does not currently utilize any enterprise funds.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund statement of net position. The District has no capital fixed assets acquired or utilized by the Enterprise Fund.

Internal Service Funds - These funds may be used to report any activity that provides goods or services to other funds, departments or agencies of the primary entity and its component units, or to other governments, on a cost-reimbursement basis. In addition, internal service funds are used only if the reporting school district is the predominant participant in the activity. The District does not currently utilize any internal service funds.

3. **Long-Term Debt**

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt, not in the governmental funds. This includes serial bonds outstanding that are expected to be financed from governmental funds, the outstanding principal balance on capital leases, lease-purchase agreements, compensated absences, claims and judgments, early retirement incentive programs and rebatable arbitrage.

C. **Measurement Focus**

1. **Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Position.

2. **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus (Continued)

2. Fund Financial Statements (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total position) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual and under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budgets are submitted to the County Office for approval. Budgets which meet the tax levy cap requirements do not require voter approval. Budgets which exceed the tax levy cap require voter approval for the excess amount at the November election. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of N.J.A.C. 6A:23A-2.3 (et seq.).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets/Budgetary Control

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The overexpenditures related to on-behalf payments in the general fund are due to the inclusion of the nonbudgeted on-behalf payments made by the State of New Jersey as district expenditures. These amounts are offset by related revenues and as such do not represent budgetary overexpenditures.

The following presents a reconciliation of the General Fund Revenue and Special Revenue Fund Revenue from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets/Budgetary Control (Continued)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 7,633,958.43	\$289,553.10
Difference - Budget-to-GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	19,529.00	
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(24,299.00)</u>	
Total revenue as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds.	<u>\$ 7,629,188.43</u>	<u>\$289,553.10</u>
Uses/Outflow of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$7,197,971.25	\$288,757.83
Difference - Budget-to-GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds	<u>\$7,197,971.25</u>	<u>\$288,757.83</u>

F. 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 reservations of 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 deferred inflows 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited to the types 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 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 public 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 at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

H. Tuition Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

I. Tuition Payable

Tuition charges for the fiscal years 2021-22 and 2022-23 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

J. 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.

K. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets (Continued)

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	40 years
Furniture and Equipment	5 - 20 years
Vehicles	5 years

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

M. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire sick leave and vacation leave liabilities are reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, the noncurrent portion of capital leases, compensated absences and loans payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Position

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

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

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

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

P. Deferred Inflows

Deferred Inflows in the Special Revenue Fund represents cash that has been received but not yet earned. Deferred Inflows in the General Fund represents prepaid fees collected for future programs.

Q. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

R. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five (5) categories, as defined below:

- a. Nonspendable - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, noncurrent receivables and corpus of any permanent funds.
- b. Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.
- c. Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revised or changes the specified use by taking the same action (resolution) taken to originally commit these funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balance (Continued)

- d. Assigned - amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or by the Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- e. Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a position unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

S. Proprietary Funds Revenues and Expenses

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on Capital Assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District does not currently utilize any enterprise funds.

T. Rebatable Arbitrage

Rebatable arbitrage results from investing the proceeds of borrowed funds either directly or indirectly into investments that are higher in yield than the bond yield incurred on the borrowed funds. In accordance with GASB 34, rebatable arbitrage is treated like a claim or judgment. All interest income is reported as revenue of the Capital Projects Fund. The liability, if any, is recorded in the "Statement of Net Position".

U. Allocation of Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Employee benefits, including the employer's share of social security, worker's compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the direct expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is reported separately on the Statement of Activities. No expenses were allocated as "Indirect Expenses".

V. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security and post-retirement medical and pension contributions for the certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the District's annual budget.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

W. Extraordinary and Special Items

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

X. Accounting and Financial Reporting for Pensions

In fiscal year 2018, the District implemented GASB 75. This Statement replaces the requirements of Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions as amended and No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, establish new accounting and financial reporting requirements for OPEB plans. This statement is effective for periods beginning after June 15, 2017.

In fiscal year 2015, the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement was effective for periods beginning after June 15, 2014.

The District has also implemented GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

X. Accounting and Financial Reporting for Pensions (Continued)

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Y. Accounting and Financial Reporting for Other Post-Retirement Benefits ("OPEB")

In 2018 the District implemented GASB #75 which addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, revenues and expense/expenditures. The Statement GASB #45 supersedes Accounting and Financial Reporting for Post-Employment Benefits with other than Pension.

The participating local education employer allocations included in the supplemental schedule of special funding amounts by employer are provided as each local education employer is required to record in their financial statements, as an expense and corresponding revenue, their respective amount of total OPEB expense attributable to the State of New Jersey under the special funding situation and to include their respective amount of total OPEB liability in their notes to their financial statements.

Z. GASB Statement No. 84 Fiduciary Activities

The District implemented GASB Statement No. 84 Fiduciary Activities on July 1, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The District reclassified the payroll agency, payroll net and unemployment reserve accounts to the General Fund. The Special Revenue Fund was adjusted to include student activities and scholarship accounts. There was no adverse impact on the financial statements of the District.

AA. Other Accounting Standards

The District is currently reviewing the following for applicability and potential impact on the financial statements:

- *GASB Statement No. 99. Summaries/Status.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Effective Dates: The requirements of this Statement that are effective are as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging government as, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AA. Other Accounting Standards (Continued)

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 101. Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

Effective Date: The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

3. CASH, 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.

Investments are stated at cost, which approximates market. The District classifies certificates of deposit that have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments. The District is in compliance with GASB Statement No. 3 as amended by GASB Statement No. 40.

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, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

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

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

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

Custodial Credit Risk - This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Board will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Board does not have a policy for custodial credit risk. Federal depository insurance and New Jersey's Governmental Unit Deposit Protection Act mitigate this risk.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk - This is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. The Board's investment policy does not include limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2023, the Board's cash, cash equivalents and investments consisted of:

	<u>2023</u>
Valley Bank - Checking Accounts	\$ 1,032,833.46
N.J. Cash Management Fund	<u>42,844.60</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 1,075,678.06</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2023 was \$1,183,305.44. Of the bank balance, \$250,000.00 was covered by Federal Depository Insurance and \$933,305.44 was covered by the Governmental Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental unit's deposits in excess of the Federal deposit maximums. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 40.

Of the total amount, deposits of \$655,374.40 have been earmarked towards the Capital Reserve Account (See Note 5).

As of June 30, 2023, the Board had investments in the State of New Jersey Cash Management Fund. The carrying amount of the investment at June 30, 2023 was \$42,844.60.

New Jersey P.L. 2017, c. 310 permits the Board of Education to purchase various investments in accordance with the Board's Cash Management Plan.

4. INTERGOVERNMENTAL ACCOUNTS RECEIVABLE

Intergovernmental Accounts Receivable at June 30, 2023 consisted of Federal and State sources. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>
General Fund:	
State Aid:	
Extraordinary Aid	\$ 154,441.00
TPAF FICA Reimbursement	<u>19,411.20</u>
	<u>\$ 173,852.20</u>
Special Revenue Fund:	
Federal Aid	<u>\$ 95,412.33</u>

5. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Essex Fells Board of Education during 1998 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 appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6A: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, 2022 to June 30, 2023 fiscal year is as follows:

Beginning Balance, July 1, 2022		\$ 745,269.52
Increased by:		
Deposits	\$345,346.12	
Interest Earned	<u>9,758.76</u>	
		<u>355,104.88</u>
		1,100,374.40
Decreased by:		
Budgeted Transfer to Capital Outlay		<u>445,000.00</u>
Ending Balance, June 30, 2023		<u><u>\$ 655,374.40</u></u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance June 30, 2023</u>
Nondepreciable Assets:				
Land	\$ 101,069.00	\$	\$	\$ 101,069.00
Depreciable Assets:				
Building and Building Improvements	5,626,818.45	1,013,353.00	2,520.00	6,637,651.45
Machinery and Equipment	1,138,701.77	136,512.37		1,275,214.14
	<u>6,866,589.22</u>	<u>1,149,865.37</u>	<u>2,520.00</u>	<u>8,013,934.59</u>
Less Accumulated Depreciation:				
Building and Building Improvements	(2,403,971.00)	(173,939.00)	(2,520.00)	(2,575,390.00)
Machinery and Equipment	(941,287.00)	(32,432.00)		(973,719.00)
	<u>(3,345,258.00)</u>	<u>(206,371.00)</u>	<u>(2,520.00)</u>	<u>(3,549,109.00)</u>
Governmental Activities - Net Capital Assets	<u>\$ 3,521,331.22</u>	<u>\$ 943,494.37</u>	<u>\$ -</u>	<u>\$ 4,464,825.59</u>
<u>Capital Outlay</u>				
General		\$ 38,046.60		
Special Revenue		111,123.67		
Capital Projects		925,053.10		
		<u>1,074,223.37</u>		
Adjustments:				
Donated Assets		76,145.00		
Assessment for Debt Service		(503.00)		
		<u>75,642.00</u>		
Total Additions to Capital Assets		<u>\$ 1,149,865.37</u>		

7. LONG-TERM LIABILITIES AND DEBT

Long-Term Liability Conversion - June 30, 2023

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Amounts Due Within One Year</u>	<u>Long-Term Portion</u>
Compensated Absences	\$ 117,170.68	\$	\$ 3,914.53	\$ 113,256.15	\$	\$ 113,256.15
Serial Bonds Payable		600,000.00		600,000.00	70,000.00	530,000.00
	<u>\$ 117,170.68</u>	<u>\$ 600,000.00</u>	<u>\$ 3,914.53</u>	<u>\$ 713,256.15</u>	<u>\$ 70,000.00</u>	<u>\$ 643,256.15</u>

7. LONG-TERM LIABILITIES AND DEBT (Continued)

A. Serial Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The interest rate on outstanding bonds is 3.514%.

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

<u>Fiscal Year</u>	<u>Total</u>	<u>Serial Bonds</u>	
		<u>Principal</u>	<u>Interest</u>
2024	\$ 99,751.87	\$ 70,000.00	\$ 29,751.87
2025	102,130.75	85,000.00	17,130.75
2026	99,143.85	85,000.00	14,143.85
2027	96,156.95	85,000.00	11,156.95
2028	98,082.20	90,000.00	8,082.20
2029	94,919.60	90,000.00	4,919.60
2030	96,669.15	95,000.00	1,669.15
	<u>\$ 686,854.37</u>	<u>\$ 600,000.00</u>	<u>\$ 86,854.37</u>

B. Bonds Authorized but Not Issued

As of June 30, 2023, the Board had no authorized but not issued bonds.

C. Capital Leases Payable

As of June 30, 2023, there were no capital leases obligating the District.

8. LEASES

In June 2017, the GASB issued GASB No. 87, Leases. This GASB increases the transparency and comparability of organizations by requiring the capitalization of substantially all leases on the balance sheet and disclosures of key information about leasing arrangements. Under this new guidance, at the lease commencement date, a lessee recognizes a right-of-use asset and lease liability, which is initially measured at the present value of the future lease payments. For income statement purposes, a dual model was retained for lessees, requiring leases to be classified as either operating or finance leases. Under the operation lease model, lease expense is recognized on a straight-line basis over the lease term. Under the finance lease model, interest on the lease liability is recognized separately from amortization of the right-of-use assets.

The District adopted this new accounting standard on June 15, 2021 on a modified retrospective basis and applied the new standard to all leases through a cumulative-effect adjustment to beginning retained earnings. As a result, comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods. The District elected a package of practical expedients permitted under the transition guidance, which among other things, allows the carryforward of historical lease classification. The adoption of this new accounting standard is expected to result in recognition of lease liabilities of approximately \$10,848.86 and recognition of the right-of-use assets of approximately \$9,519.87 net of liabilities. The adoption is also expected to result in a decrease to net position of approximately \$1,328.99 due to transition date impairment of right-of-use assets.

8. LEASES (Continued)

The District determines if an arrangement contains a lease at the inception of a contract. The lease classification is determined at the commencement date. Right-of-use assets represent the District's right to use an underlying asset for the lease term and lease liabilities represent the District's obligation to make lease payments arising from the lease during the lease term. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. Lease commencement is the date the District has the right to control the property. The District utilizes its incremental borrowing rate to discount the lease payments. The incremental borrowing rate is based on the District's estimated rate of interest for a collateralized borrowing over a similar term as the lease term. The operating lease right-of-use assets also include lease payments made before commencement, lease incentives and are recorded net of impairment. Operating leases are expensed on a straight line basis over the lease term.

The District accounts for lease components and non-lease components as a single lease component. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage, are not included in the right-of-use assets or lease liabilities. These are expensed as incurred.

Finance leases are recognized as a noncurrent asset and as a finance lease liability within accrued expenses and other liabilities and other noncurrent liabilities.

Supplemental balance sheet information related to leases were as follows:

Balance Sheet Supplemental Information:	<u>June 30, 2023</u>
Finance Leases:	
Right-of-Use Assets Included in:	
Property, Plant and Equipment, Net	<u>\$ 9,519.87</u>
Lease Obligations Included in:	
Other Noncurrent Liabilities	<u>\$ 10,848.86</u>
Total Finance Lease Obligations	<u>\$ 10,848.86</u>

Average lease term and discount rates as of June 30, 2023 were as follows:

Weighted Average Terms and Discount Rates:	<u>June 30, 2023</u>
Weighted Average Remaining Lease Terms in Years:	
Finance Leases	1.15%
Weighted Average Discount Rate:	
Finance Leases	4.18%

The aggregate future lease payments for operating and finance leases as of June 30, 2023 were as follows:

Future Lease Payments (Fiscal Years):	<u>Finance</u>
2024	<u>Lease</u>
2025	\$ 10,318.68
	<u>828.90</u>
Total Undiscounted Minimum Lease Payments	11,147.58
Less: Present Value Discount	<u>(298.72)</u>
Lease Liability	<u>\$ 10,848.86</u>

9. SUBSCRIPTION LEASES

In June 2022, GASB Statement No. 96, Subscription-Based Information Technology Arrangements was implemented providing School Districts guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Under this new guidance, the District must disclose and report any SBITAs in excess of one year with the following information. A general description of its SBITAs, including the basis, terms, and conditions on which variable payments not included in the measurement of the subscription liability are determined; the total amount of subscription assets, and the related accumulated amortization, disclosed separately from other capital assets; the amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability; the amount of outflows of resources recognized in the reporting period for other payments, such as termination penalties, not previously included in the measurement of the subscription liability; principal and interest requirements to maturity, presented separately, for the subscription liability for each of the five subsequent fiscal years and in five-year increments thereafter and commitments under SBITAs before the commencement of the subscription term; the components of any loss associated with an impairment. The Essex Fells School District has reviewed all their SBITAs and determined that they are all considered short-term and require no disclosure under GASB Statement No. 96.

10. PENSION PLANS

Description of Plans

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

Teachers' Pension and Annuity Fund (TPAF)

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

Public Employees' Retirement System (PERS)

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

10. PENSION PLANS (Continued)

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Pension benefits for members enrolled in PERS after May 21, 2010 would be based on 1/60th of the average annual compensation for the last five years of service or any five fiscal years of membership that provide the largest benefit to the member of the member's beneficiary. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the system.

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.

Significant Legislation

P.L. 2011, c. 78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operates and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

In accordance with the provisions of Chapter 78, P.L. 2011, employee pension contribution rates for TPAF and PERS is currently 7.50% of employees' annual compensation, as defined.

10. PENSION PLANS (Continued)

Contribution Requirements (Continued)

Employers are required to contribute at an actuarially determined rate in both PERS and TPAF. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the TPAF and PERS. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premium. Under current statute, the school is a noncontributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Net Cost to District</u>	<u>Percentage of APC Contributed</u>
June 30, 2023	\$ 90,607.00	\$ 90,607.00	100%
June 30, 2022	77,217.00	77,217.00	100%
June 30, 2021	68,298.00	68,298.00	100%

Three-Year Trend Information for TPAF (Paid On-Behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Retirement Medical Benefits</u>	<u>Long-Term Disability Insurance</u>
June 30, 2023	\$ 1,028,153.00	100%	\$ 270,093.00	\$ 583.00
June 30, 2022	1,012,863.00	100%	236,646.00	564.00
June 30, 2021	713,661.00	100%	223,650.00	663.00

During the fiscal year ended June 30, 2023, the State of New Jersey contributed \$1,028,153.00 to the TPAF for normal pension, \$270,093.00 for post-retirement medical benefits and \$583.00 for long-term disability insurance On-Behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$188,036.10 during the year ended June 30, 2023 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements and the individual fund statements and schedules as a revenue and expenditure in accordance with GASB 27.

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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 Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the district (employer) is 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 district (employer) does 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 district. However, the State's portion of the net pension liability that was associated with the district was \$12,517,692, as measured on June 30, 2022 and \$11,582,454, as measured on June 30, 2021.

10. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2023, the district recognized pension expense of \$336,886 and revenue of \$336,886 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2023 is based upon changes in the collective net pension liability with a measurement period of June 30, 2021 through June 30, 2022. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2021 and June 30, 2022.

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Collective Deferred Outflows of Resources	\$ 6,230,825,389	\$ 4,885,289,911
Collective Deferred Inflows of Resources	27,221,092,460	19,563,805,393
Collective Net Pension Liability (Nonemployer - State of New Jersey)	48,075,188,642	51,594,415,806
State's Portion of the Net Pension Liability that was Associated with the District	11,582,454	12,517,692
State's Portion of the Net Pension Liability that was Associated with the District as a Percentage of the Collective Net Pension Liability	0.0240923725%	0.0242617190%

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. 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:	2.75% - 5.65%
	Based on Years of Service
Investment Rate of Return:	7.00%

10. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Preretirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2022 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%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

10. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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

Since the District has no proportionate share of the net pension liability because of the special funding situation, the District would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/documents/financial/gasb/gasb68-tpaf23.pdf>.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

At June 30, 2023, the District reported a liability of \$1,084,324.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2021. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2022 and 2021. At June 30, 2022, the District's proportion was 0.0071850555%, which was an increase of 0.000591602% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$(44,147.00). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

10. **PENSION PLANS (Continued)**

Public Employees' Retirement System (PERS) (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 7,826	\$ 6,902
Changes of Assumptions	3,360	162,366
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	44,879	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	246,619	22,979
District Contributions Subsequent to the Measurement Date	<u>90,607</u>	
Total	<u>\$ 393,291</u>	<u>\$ 192,247</u>

The \$302,684.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2023 the plan measurement date is June 30, 2022) will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2023	\$ (93,012.21)
2024	(47,386.00)
2025	(23,109.52)
2026	50,416.23
2027	(110.74)
	<u>\$ (113,202.24)</u>

Additional Information:

Collective balances at June 30, 2021 and 2022 are as follows:

	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Collective Deferred Outflows of Resources	\$ 1,164,738,169	\$ 1,660,772,008
Collective Deferred Inflows of Resources	8,339,123,762	3,236,303,935
Collective Net Pension Liability (Nonstate - Local Group)	11,972,782,878	15,219,184,920
District's Portion of Net Pension Liability	781,093	1,084,324
District's Proportion %	0.0065934532%	0.0071850555%

10. **PENSION PLANS (Continued)**

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75% - 6.55%
	Based on Years of Service
Interest Rate of Return	7.00%

Preretirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 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%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

10. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability of the participating employers as of June 30, 2022, calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
District's Proportionate Share of the Collective Net Pension Liability	\$ 1,404,836	\$ 1,093,507	\$ 828,553

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

11. POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

State Health Benefit State Retired Employees Plan:

Pension and Other Postemployment Benefits (OPEB) Obligations in Fiscal Year 2022 the State funded the various defined benefit pension systems at 108 percent of the full actuarially determined contributions. Employer contributions to the pension plans are calculated per the requirements of the governing State statutes using generally accepted actuarial procedures and practices. The actuarial funding method used to determine the State's contribution is a matter of State law. Any change to the funding method requires the approval of the State Legislature and the Governor. The amount the State actually contributes to the pension plans may differ from the actuarially determined contributions of the pension plans because the State's contribution to the pension plans is subject to the appropriation of the State Legislature and actions by the Governor. GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers to recognize their proportionate share of the collective net pension liability. Under the new statement, the calculation of the pension liability was changed to a more conservative methodology and each employer was allocated a proportional share of the pension plans' net pension liability. The State's share of the net pension liability, based on a measurement date of June 30, 2021, which is required to be recorded on the financial statements, is \$75.1 billion. The Fiscal Year 2023 projected aggregate State contribution to the pension plans of \$6.8 billion represents 104 percent of the actuarially determined contribution. The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2022, the State paid PRM benefits for 161,238 State and local retirees. The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not prefund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2022, the State contributed \$1.9 billion to pay for "pay-as-you-go" PRM benefit costs incurred by covered populations, a slight increase from \$1.8 billion in Fiscal Year 2021. The State has appropriated \$2.1 billion in Fiscal Year 2023 as the State's contribution to fund increases in prescription drugs and medical claims costs. In accordance with the provisions of GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2022 State OPEB liability to provide these benefits is \$88.9 billion, a decrease of \$12.7 billion, or 12.5 percent from the \$101.6 billion liability recorded in Fiscal Year 2021. Additional information on Pensions and OPEB can be accessed on the Division of Pensions and Benefits [Financial Reports](https://www.state.nj.us/treasury/pensions/financial-reports.shtml) webpage: <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB's No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State CAFR on the [Office of Management and Budget webpage](http://nj.gov/treasury/omb/fr.shtml): nj.gov/treasury/omb/fr.shtml.

Actuarial assumptions and other imputes. The total OPEB liability in the June 30, 2021 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

11. POST-RETIREMENT BENEFITS (Continued)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. 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:

Total Nonemployer OPEB Liability	\$50,646,462,966	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases:	2.75% - 4.25%	2.75% - 6.55%
	Based on	Based on
	Service Years	Service Years

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

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of the TPAF, PERS and PFRS experience studies prepared for July 1, 2018 to June 30, 2021.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long-term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

11. **POST-RETIREMENT BENEFITS (Continued)**

Changes in the Total OPEB Liability Reported by the State of New Jersey

	<u>Increase/(Decrease)</u>
	<u>Total OPEB Liability</u>
Balance Recognized at June 30, 2022 (Based on June 30, 2021 Measurement Date)	<u>\$ 60,007,650,970</u>
Changes Recognized for the Fiscal Year:	
Service Cost	2,770,618,025
Interest on the Total OPEB Liability	1,342,187,139
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	1,399,200,736
Changes of Assumptions	(13,586,368,097)
Gross Benefit Payments ¹	(1,329,476,059)
Contributions from the Employer ¹	N/A
Contributions from the Member ¹	42,650,252
Net Investment Income ¹	N/A
Administrative Expense ¹	N/A
Net Changes	<u>(9,361,188,004)</u>
Balance Recognized at June 30, 2023 (Based on June 30, 2022 Measurement Date)	<u>\$ 50,646,462,966</u>

¹Data provided by the State.

At June 30, 2022, the State's proportionate share of the OPEB liability attributable to the District is \$8,704,126. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2022 to the total OPEB liability of the State Health Benefit Program Fund - Local Education Retired Employees Plan at June 30, 2022. At June 30, 2022, the State's share of the OPEB liability attributable to the District was .01718 percent, which was a decrease of 0.00016 percent from its proportionate share measured as of June 30, 2021 of .01734 percent.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.16 percent in 2021 to 3.54 percent in 2022.

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

The following presents the total nonemployer OPEB liability as of June 30, 2022 and 2021, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>June 30, 2022</u>		
	<u>At 1% Decrease (2.54%)</u>	<u>At Discount Rate (3.54%)</u>	<u>At 1% Increase (4.54%)</u>
Total OPEB Liability (School Retirees)	\$ 10,230,784	\$ 8,704,126	\$ 7,480,585

11. **POST-RETIREMENT BENEFITS (Continued)**

Sensitivity of the Total Nonemployer OPEB Liability to Changes in the Discount Rate (Continued)

	June 30, 2021		
	At 1% Decrease <u>(1.16%)</u>	At Discount Rate <u>(2.16%)</u>	At 1% Increase <u>(3.16%)</u>
Total OPEB Liability (School Retirees)	\$ 12,464,287	\$ 10,405,610	\$ 8,784,525

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

The following presents the total nonemployer OPEB liability as of June 30, 2022 and 2021, respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate:

	June 30, 2022		
	1% <u>Decrease</u>	Healthcare Cost Trend Rate	1% <u>Increase</u>
Total OPEB Liability (School Retirees)	\$ 7,194,492	\$ 8,704,126	\$ 10,687,122

	June 30, 2021		
	1% <u>Decrease</u>	Healthcare Cost Trend Rate	1% <u>Increase</u>
Total OPEB Liability (School Retirees)	\$ 8,423,375	\$ 10,405,610	\$ 13,067,604

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

For the year ended June 30, 2023, the board of education recognized OPEB expense of \$591,424 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB's No. 75 and in which there is a special funding situation. This amount has been included in the District-Wide Statement of Activities (accrual basis) as a Revenue and Expense in accordance with GASB No. 85.

In accordance with GASB's No. 75, the Essex Fells School District's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

11. POST-RETIREMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
(1) Difference Between Actual and Expected Experience	\$ 9,042,402,619	\$ 15,462,950,679
(2) Net Difference Between Expected and Actual Earnings on OPEB Plan Investments		
(3) Assumption Changes	<u>8,765,620,577</u>	<u>17,237,289,230</u>
(4) Sub-Total	17,808,023,196	32,700,239,909
(5) Contributions Made in Fiscal Year Ending June 30, 2023 After Measurement Date	<u>TBD</u>	<u>N/A</u>
(6) Total	<u><u>TBD</u></u>	<u><u>\$ 32,700,239,909</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2023	\$ (2,517,151,602)
2024	(2,517,151,602)
2025	(2,517,151,602)
2026	(2,175,449,761)
2027	(1,243,951,140)
Thereafter	<u>(3,921,361,006)</u>
	<u><u>\$ (14,892,216,713)</u></u>

12. DEFINED CONTRIBUTION RETIREMENT PROGRAM

Description of System

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

As of May 21, 2010, the minimum base salary required for eligibility in the DCRP was increased to \$5,000.00.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment options provided by the employer.

The law required that three classes of employees enroll in the DCRP, detailed as follows:

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System (PERS).

12. DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)

Description of System (Continued)

- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.
- Employees enrolled in the PERS on or after July 1, 2007 who earn salary in excess of established "maximum compensation" limits.
- Employees otherwise eligible to enroll in the PERS on or after November 2, 2008 who do not earn the minimum salary for PERS Tier 3, but who earn salary of at least \$5,000.00.
- Employees otherwise eligible to enroll in the PERS after May 21, 2010, who do not work the minimum number of hours per week required for PERS Tier 4 or Tier 5 enrollment (32 hours per week) but who earn salary of at least \$5,000.00 annually.

Notwithstanding the foregoing requirement, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions Required and Made

Contributions made by employees for DCRP are currently at 5.5% of their base wages. The employer contribution is 4.05%, which includes a member contribution match of 3.0%, Group Life Insurance is .74% of gross wages and Long-Term Disability is .31% of gross wages. Contributions to the plan for the past three (3) years are as follows:

<u>Fiscal</u> <u>Year</u>	<u>School</u> <u>District</u>	<u>Employees</u>
2023	\$3,638.50	\$6,965.12
2022	2,736.13	5,016.16
2021	3,531.60	6,474.40

13. COMPENSATED ABSENCES

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

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

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

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, 2023, no liability existed for compensated absences in the Enterprise Fund.

14. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits 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:

The Variable Annuity Life Insurance Company
AXA Equitable Life Insurance Company

15. RISK MANAGEMENT

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

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

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.

16. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2023, there were no interfund balances on the balance sheets.

17. FUND BALANCE APPROPRIATED

General Fund - Of the \$1,486,960.35 General Fund fund balance reported in Statement "B-1" at June 30, 2023, \$3,725.40 is reserved for encumbrances; \$400,000.00 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$200,000.00 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2024); \$47,718.55 is for unemployment compensation; \$655,374.40 is for capital reserve and \$380,142.00 is unreserved and undesignated.

Special Revenue Fund - Of the \$5,902.85 Special Revenue Fund fund balance at June 30, 2023, \$5,902.85 is restricted for student activities.

Debt Service Fund - The Debt Service Fund fund balance at June 30, 2023 is \$ - 0 -.

18. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Reserved 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 reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. Excess Surplus as of June 30, 2023 was \$200,000.00.

19. CONTINGENT LIABILITIES

A. Litigation

No litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material adverse impact on the financial condition of the Board of Education.

General liability and other claims, currently pending against the School District, are handled by insurance carriers.

B. Federal and State Awards

The School District participates in several federal and state grant and aid programs which are governed by various rules and regulations of the grantor agencies, therefore, to the extent that the School District has not complied with the rules and regulations governing the grants or aid, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2023 may be impaired. In the opinion of the management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provisions have been recorded in the accompanying general purpose financial statements for such contingencies.

20. SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 1602-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the requirements in accordance with Paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the municipality shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof various financial documents relating to the financial conditions of the Municipal Securities Rulemaking Board through the Electronic Municipal Access Data Port (the "MSRB").

21. RECONCILIATION OF FUND BALANCE - GENERAL FUND

The Surpluses are presented on a GAAP basis and a reconciliation from the budget basis to the GAAP basis is as follows:

	<u>Unreserved and Designated</u>
Balance on a Budget Basis on the General Fund Budgetary Basis Comparison	\$ 1,511,259.35
Less: Allocation of State Aid Payment of \$24,299.00 Not Recognized on a GAAP Basis	<u>(24,299.00)</u>
Balances on a GAAP Basis on the Governmental Fund Balance Sheet	<u>\$ 1,486,960.35</u>

22. TAX ABATEMENTS

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

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

23. SUBSEQUENT EVENT

The Essex Fells School District has evaluated subsequent events that occurred after the balance sheet date, but before November 30, 2023. Based upon this evaluation, the District has determined that no disclosures are needed.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

C. BUDGETARY COMPARISON SCHEDULES

ESSEX FELS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-1
Sheet #1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Revenues</u>					
Local Sources:					
Local Tax Levy	\$5,573,001.00	\$	\$5,573,001.00	\$5,573,001.00	\$
Tuition	94,500.00		94,500.00	124,753.81	30,253.81
Interest Earned on Capital Reserve Funds				9,758.76	9,758.76
Unrestricted Miscellaneous Revenues	<u>4,498.00</u>		<u>4,498.00</u>	<u>39,029.76</u>	<u>34,531.76</u>
Total - Local Sources	<u>5,671,999.00</u>		<u>5,671,999.00</u>	<u>5,746,543.33</u>	<u>74,544.33</u>
State Sources:					
Special Education Aid	217,134.00		217,134.00	217,134.00	
Security Aid	16,768.00		16,768.00	16,768.00	
Transportation Aid	9,597.00		9,597.00	9,597.00	
Nonpublic Transportation Aid	2,610.00		2,610.00	2,610.00	
Extraordinary Aid				154,441.00	154,441.00
Nonbudgeted:					
On-Behalf TPAF Post-Retirement Medical Contributions				270,093.00	270,093.00
On-Behalf Teacher's Pension and Annuity Fund Contributions				1,028,153.00	1,028,153.00
On-Behalf TPAF Long-Term Disability Insurance Contributions				583.00	583.00
Reimbursed TPAF Social Security Contributions				<u>188,036.10</u>	<u>188,036.10</u>
Total - State Sources	<u>246,109.00</u>		<u>246,109.00</u>	<u>1,887,415.10</u>	<u>1,641,306.10</u>
Total Revenues	<u>\$5,918,108.00</u>	<u>\$ -</u>	<u>\$5,918,108.00</u>	<u>\$7,633,958.43</u>	<u>\$1,715,850.43</u>

ESSEX FELLOWS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-1
Sheet #2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Preschool	\$ 84,649.00	\$ (0.12)	\$ 84,648.88	\$ 84,261.31	\$ 387.57
Kindergarten	188,856.00	(0.47)	188,855.53	177,383.49	11,472.04
Grades 1 - 5	1,082,665.00	(13,784.50)	1,068,880.50	1,003,671.82	65,208.68
Grades 6 - 8	223,175.00	18,625.22	241,800.22	241,800.22	
Total Instruction - Regular Programs	1,579,345.00	4,840.13	1,584,185.13	1,507,116.84	77,068.29
Regular Programs - Home Instruction:					
Salaries of Teachers	750.00	(32.50)	717.50	130.00	587.50
Total Regular Programs - Home Instruction	750.00	(32.50)	717.50	130.00	587.50
Regular Programs - Undistributed Instruction:					
Purchased Professional/Educational Services	7,092.00	(66.67)	7,025.33	3,994.04	3,031.29
Purchased Technical Services	86,220.00	7,468.75	93,688.75	93,688.75	
Other Purchased Services (400 - 500 Series)	34,100.00	13,282.71	47,382.71	44,845.04	2,537.67
General Supplies	186,182.00	(3,774.79)	182,407.21	167,155.91	15,251.30
Textbooks	50,919.00	(0.50)	50,918.50	42,503.31	8,415.19
Total Regular Programs - Undistributed Instruction	364,513.00	16,909.50	381,422.50	352,187.05	29,235.45
Total Regular Programs	1,944,608.00	21,717.13	1,966,325.13	1,859,433.89	106,891.24
Special Education:					
Resource Room/Resource Center:					
Salaries of Teachers	637,700.00	(31,743.40)	605,956.60	586,812.88	19,143.72
Total Resource Room/Resource Center	637,700.00	(31,743.40)	605,956.60	586,812.88	19,143.72
Total Special Education - Instruction	637,700.00	(31,743.40)	605,956.60	586,812.88	19,143.72

ESSEX FELLS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-1
Sheet #3

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Basic Skills:					
Salaries of Teachers	\$ 228,164.00	\$ 32,193.40	\$ 260,357.40	\$ 259,857.40	\$ 500.00
Total Basic Skills	<u>228,164.00</u>	<u>32,193.40</u>	<u>260,357.40</u>	<u>259,857.40</u>	<u>500.00</u>
School Sponsored Cocurricular Activities:					
Salaries	1,200.00		1,200.00	1,200.00	
Total School Sponsored Cocurricular Activities	<u>1,200.00</u>		<u>1,200.00</u>	<u>1,200.00</u>	
 Total - Instruction	 <u>2,811,672.00</u>	 <u>22,167.13</u>	 <u>2,833,839.13</u>	 <u>2,707,304.17</u>	 <u>126,534.96</u>
 Undistributed Expenditures:					
Instruction:					
Tuition to Private School for the Disabled - Within State	336,000.00		336,000.00	269,271.70	66,728.30
Total Instruction	<u>336,000.00</u>		<u>336,000.00</u>	<u>269,271.70</u>	<u>66,728.30</u>
Attendance and Social Work:					
Salaries	19,096.00	0.20	19,096.20	19,096.08	0.12
Other Purchased Services (400 - 500 Series)	6,154.00	4,547.00	10,701.00	10,701.00	
Total Attendance and Social Work	<u>25,250.00</u>	<u>4,547.20</u>	<u>29,797.20</u>	<u>29,797.08</u>	<u>0.12</u>
Health Services:					
Salaries	93,905.00	(2,656.51)	91,248.49	91,093.46	155.03
Purchased Professional and Technical Services	1,000.00		1,000.00		1,000.00
Other Purchased Services (400 - 500 Series)	4,485.00	(3,857.09)	627.91	627.91	
Supplies and Materials	2,535.00	1,187.35	3,722.35	3,686.44	35.91
Total Health Services	<u>101,925.00</u>	<u>(5,326.25)</u>	<u>96,598.75</u>	<u>95,407.81</u>	<u>1,190.94</u>
Speech, Occupational Therapy, Physical Therapy, and Related Services:					
Salaries	50,775.00	(0.50)	50,774.50	49,770.06	1,004.44
Purchased Professional/Educational Services	127,800.00	5,960.10	133,760.10	115,360.16	18,399.94

ESSEX FELLS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-1
Sheet #4

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Speech, Occupational Therapy, Physical Therapy, and Related Services:					
Supplies and Materials	\$ 2,629.00	\$	\$ 2,629.00	\$ 2,376.80	\$ 252.20
Total Speech, Occupational Therapy, Physical Therapy, and Related Services	181,204.00	5,959.60	187,163.60	167,507.02	19,656.58
Other Support Services - Students - Extra Services:					
Salaries	159,157.00		159,157.00	151,797.06	7,359.94
Total Other Support Services - Students - Extra Services	159,157.00		159,157.00	151,797.06	7,359.94
Child Study Teams:					
Salaries of Other Professional Staff	98,209.00	(2,249.46)	95,959.54	95,797.04	162.50
Salaries of Secretarial and Clerical Assistants	42,012.00	(0.36)	42,011.64	42,011.52	0.12
Other Purchased Professional and Technical Services	26,325.00	7,120.95	33,445.95	33,445.95	
Other Purchased Services (400 - 500 Series)	200.00		200.00	93.72	106.28
Supplies and Materials	17,678.00	567.49	18,245.49	17,553.48	692.01
Other Objects	9,362.00	(844.73)	8,517.27	7,991.73	525.54
Total Child Study Teams	193,786.00	4,593.89	198,379.89	196,893.44	1,486.45
Improvement of Instructional Services:					
Salaries of Other Professional Staff	11,100.00	13,278.56	24,378.56	24,378.56	
Purchased Professional/Educational Services	500.00		500.00		500.00
Supplies and Materials	250.00		250.00		250.00
Total Improvement of Instructional Services	11,850.00	13,278.56	25,128.56	24,378.56	750.00
Educational Media Services/School Library:					
Supplies and Materials	2,214.00	3,260.75	5,474.75	5,430.81	43.94
Other Objects	5,075.00	(664.25)	4,410.75	4,349.69	61.06
Total Educational Media Services/School Library	7,289.00	2,596.50	9,885.50	9,780.50	105.00

ESSEX FELLS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-1
 Sheet #5

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Other Purchased Services (400 - 500 Series)	\$ 27,575.00	\$ (2,424.00)	\$ 25,151.00	\$ 3,179.85	\$ 21,971.15
Total Instructional Staff Training Services	<u>27,575.00</u>	<u>(2,424.00)</u>	<u>25,151.00</u>	<u>3,179.85</u>	<u>21,971.15</u>
Support Services General Administration:					
Salaries	120,731.00	3,000.12	123,731.12	123,731.12	
Legal Services	15,000.00		15,000.00	9,786.75	5,213.25
Audit Fees	12,425.00	75.00	12,500.00	12,500.00	
Architectural/Engineering Services	25,000.00	2.97	25,002.97	22,221.90	2,781.07
Purchased Technical Services	2,600.00	45.00	2,645.00	2,645.00	
Communications/Telephone	3,050.00	(485.23)	2,564.77	2,326.82	237.95
Miscellaneous Purchased Services (400 - 500 Series Other than 530 and 585)	5,000.00	26,429.06	31,429.06	31,429.06	
General Supplies	1,005.00	1,405.67	2,410.67	2,410.67	
Miscellaneous Expenditures	3,875.00	125.79	4,000.79	3,952.77	48.02
Board of Education Membership Dues and Fees	2,800.00	(55.79)	2,744.21	2,737.90	6.31
Total Support Services General Administration	<u>191,486.00</u>	<u>30,542.59</u>	<u>222,028.59</u>	<u>213,741.99</u>	<u>8,286.60</u>
Support Services School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	99,660.00		99,660.00	99,660.00	
Salaries of Secretarial and Clerical Assistants	9,912.00	(578.89)	9,333.11	8,911.44	421.67
Purchased Professional and Technical Services	2,000.00	(1,499.95)	500.05		500.05
Other Purchased Services (400 - 500 Series)	250.00	1,000.00	1,250.00		1,250.00
Supplies and Materials	1,750.00	2,785.00	4,535.00	1,603.85	2,931.15
Other Objects		215.00	215.00	215.00	
Total Support Services School Administration	<u>113,572.00</u>	<u>1,921.16</u>	<u>115,493.16</u>	<u>110,390.29</u>	<u>5,102.87</u>
Central Services:					
Salaries	114,716.00	659.60	115,375.60	115,375.60	
Purchased Professional Services	10,950.00	3,340.08	14,290.08	11,753.54	2,536.54
Workshops	1,500.00		1,500.00	1,184.20	315.80

ESSEX FELLS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-1
Sheet #6

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Central Services:					
Supplies and Materials	\$ 1,500.00	\$ 4,000.00	\$ 5,500.00	\$ 1,736.68	\$ 3,763.32
Miscellaneous Expenditures	1,100.00	1,000.00	2,100.00	990.00	1,110.00
Total Central Services	<u>129,766.00</u>	<u>8,999.68</u>	<u>138,765.68</u>	<u>131,040.02</u>	<u>7,725.66</u>
Required Maintenance for School Facilities:					
Salaries	105,802.00	(3,874.91)	101,927.09	93,522.59	8,404.50
Cleaning, Repair and Maintenance Services	90,000.00	(13,952.36)	76,047.64	76,047.64	
Workshops		600.00	600.00		600.00
General Supplies	20,000.00	(6,374.88)	13,625.12	9,870.03	3,755.09
Total Required Maintenance for School Facilities	<u>215,802.00</u>	<u>(23,602.15)</u>	<u>192,199.85</u>	<u>179,440.26</u>	<u>12,759.59</u>
Custodial Services:					
Salaries	142,858.00	0.26	142,858.26	139,496.74	3,361.52
Purchased Professional and Technical Services	2,750.00		2,750.00		2,750.00
Cleaning, Repair and Maintenance Services	49,450.00	2,667.02	52,117.02	42,147.37	9,969.65
Other Purchased Property Services	1,000.00	400.00	1,400.00	1,400.00	
Insurance	39,215.00	(3,482.01)	35,732.99	34,456.96	1,276.03
Miscellaneous Purchased Services	875.00	(219.47)	655.53	446.00	209.53
General Supplies	20,000.00	7,396.90	27,396.90	27,396.90	
Energy (Natural Gas)	50,000.00	41.19	50,041.19	34,925.62	15,115.57
Energy (Electricity)	50,000.00	(1,004.07)	48,995.93	48,995.93	
Other Objects	1,000.00		1,000.00	224.55	775.45
Total Custodial Services	<u>357,148.00</u>	<u>5,799.82</u>	<u>362,947.82</u>	<u>329,490.07</u>	<u>33,457.75</u>
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	8,500.00	(500.00)	8,000.00	4,375.00	3,625.00
General Supplies	500.00		500.00	250.00	250.00
Total Care and Upkeep of Grounds	<u>9,000.00</u>	<u>(500.00)</u>	<u>8,500.00</u>	<u>4,625.00</u>	<u>3,875.00</u>
Student Transportation Services:					
Contracted Services - Aid in Lieu Payment for Nonpublic Students	25,000.00	1,000.00	26,000.00	8,176.00	17,824.00

ESSEX FELLS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-1
Sheet #7

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Student Transportation Services:					
Contract Services (Other than Between Home and School) - Vendors	\$ 11,750.00	\$	\$ 11,750.00	\$ 820.00	\$ 10,930.00
Contracted Services (Special Education Students) - ESC's and CTSA	131,329.00	(27,260.15)	104,068.85	74,884.78	29,184.07
Total Student Transportation Services	<u>168,079.00</u>	<u>(26,260.15)</u>	<u>141,818.85</u>	<u>83,880.78</u>	<u>57,938.07</u>
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	70,000.00	5,000.00	75,000.00	70,108.69	4,891.31
Other Retirement Contributions	85,000.00	10,607.00	95,607.00	94,245.50	1,361.50
Unemployment Compensation	20,000.00	(5,000.00)	15,000.00		15,000.00
Workers' Compensation	44,528.00		44,528.00	36,241.05	8,286.95
Health Benefits	806,710.00	(13,160.00)	793,550.00	728,294.98	65,255.02
Tuition Reimbursement	26,000.00		26,000.00	17,584.50	8,415.50
Total Unallocated Benefits - Employee Benefits	<u>1,052,238.00</u>	<u>(2,553.00)</u>	<u>1,049,685.00</u>	<u>946,474.72</u>	<u>103,210.28</u>
Nonbudgeted:					
On-Behalf TPAF Post-Retirement Medical Contributions				270,093.00	(270,093.00)
On-Behalf Teacher's Pension and Annuity Fund Contributions				1,028,153.00	(1,028,153.00)
On-Behalf TPAF Long-Term Disability Insurance Contributions				583.00	(583.00)
Reimbursed TPAF Social Security Contributions				188,036.10	(188,036.10)
Total Nonbudgeted				<u>1,486,865.10</u>	<u>(1,486,865.10)</u>
Total Undistributed Expenditures	<u>3,281,127.00</u>	<u>17,573.45</u>	<u>3,298,700.45</u>	<u>4,433,961.25</u>	<u>(1,135,260.80)</u>
Total Expenditures - Current Expense	<u>6,092,799.00</u>	<u>39,740.58</u>	<u>6,132,539.58</u>	<u>7,141,265.42</u>	<u>(1,008,725.84)</u>
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Non Instructional Equipment		37,543.60	37,543.60	37,543.60	
Total Equipment		<u>37,543.60</u>	<u>37,543.60</u>	<u>37,543.60</u>	

ESSEX FELLS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-1
Sheet #8

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on SDA Funding	\$ 503.00	\$	\$ 503.00	\$ 503.00	\$
Capital Reserve - Transfer to Capital Projects	445,000.00	(445,000.00)			
Capital Outlay - Transfer to Capital Projects	1.00	(1.00)			
Total Facilities Acquisition and Construction Services	<u>445,504.00</u>	<u>(445,001.00)</u>	<u>503.00</u>	<u>503.00</u>	
Total Capital Outlay	<u>445,504.00</u>	<u>(407,457.40)</u>	<u>38,046.60</u>	<u>38,046.60</u>	
Special Schools:					
Summer School - Instructional:					
Salaries of Teachers	11,525.00		11,525.00	11,115.00	410.00
Purchased Professional and Technical Services	7,170.00	(214.25)	6,955.75	4,289.98	2,665.77
Other Purchased Services (400 - 500 Series)		214.25	214.25	214.25	
Total Summer School - Instructional	<u>18,695.00</u>	<u>-</u>	<u>18,695.00</u>	<u>15,619.23</u>	<u>3,075.77</u>
Summer School - Support Services:					
Salaries	3,500.00		3,500.00	3,040.00	460.00
Total Summer School - Support Services	<u>3,500.00</u>		<u>3,500.00</u>	<u>3,040.00</u>	<u>460.00</u>
Total Special Schools	<u>22,195.00</u>	<u>-</u>	<u>22,195.00</u>	<u>18,659.23</u>	<u>3,535.77</u>
Total Expenditures	<u>6,560,498.00</u>	<u>(367,716.82)</u>	<u>6,192,781.18</u>	<u>7,197,971.25</u>	<u>(1,005,190.07)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(642,390.00)</u>	<u>367,716.82</u>	<u>(274,673.18)</u>	<u>435,987.18</u>	<u>710,660.36</u>
Other Financing Sources (Uses):					
Transfer to Capital Projects Fund				(445,000.00)	(445,000.00)
Total Other Financing Sources (Uses):				<u>(445,000.00)</u>	<u>(445,000.00)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>(642,390.00)</u>	<u>367,716.82</u>	<u>(274,673.18)</u>	<u>(9,012.82)</u>	<u>265,660.36</u>
Fund Balances, July 1	<u>1,520,272.17</u>		<u>1,520,272.17</u>	<u>1,520,272.17</u>	
Fund Balances, June 30	<u>\$ 877,882.17</u>	<u>\$ 367,716.82</u>	<u>\$1,245,598.99</u>	<u>\$1,511,259.35</u>	<u>\$ 265,660.36</u>

ESSEX FELLS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-1
Sheet #9

Recapitulation:	
Restricted Fund Balance:	
Capital Reserve	\$ 655,374.40
Excess Surplus - Designated for Subsequent Years' Expenditures	200,000.00
Excess Surplus - Current Year	200,000.00
Unemployment Compensation	47,718.55
Committed Fund Balance:	
Year End Encumbrances	3,725.40
Unassigned Fund Balance	<u>404,441.00</u>
 Total	 1,511,259.35
 Reconciliation to Governmental Funds Statements (GAAP):	
Last State Aid Payment Not Recognized on GAAP Basis	<u>(24,299.00)</u>
 Fund Balance Per Governmental Funds (GAAP)	 <u><u>\$1,486,960.35</u></u>

ESSEX FELLS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-2
Sheet #1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>REVENUES</u>					
Federal Sources:					
Title II, Part A	\$ 3,233.00	\$ 40.00	\$ 3,273.00	\$ 3,273.00	\$
Title IV, Part A	8,500.00	1,500.00	10,000.00	10,000.00	
I.D.E.A. Part B, Basic	48,713.00	6,428.00	55,141.00	55,141.00	
I.D.E.A. Part B, Preschool		4,136.00	4,136.00	4,136.00	
APR ESSER III	122,061.00	(10,937.33)	111,123.67	111,123.67	
APR ESSER - Accelerated Learning Grant	50,000.00	(30,912.39)	19,087.61	19,087.61	
APR ESSER - Evidence Based Summer Learning Grant	40,000.00	(33,223.75)	6,776.25	6,776.25	
APR ESSER - Evidence Based Comprehensive Beyond the School Day	40,000.00	(28,683.75)	11,316.25	11,316.25	
APR ESSER - NJTSS Mental Health Support Staffing Grant	45,000.00		45,000.00	45,000.00	
Total - Federal Sources	<u>357,507.00</u>	<u>(91,653.22)</u>	<u>265,853.78</u>	<u>265,853.78</u>	
Local Sources:					
Revenue from Local Sources	<u>2,000.00</u>	<u>97.00</u>	<u>2,097.00</u>	<u>23,699.32</u>	<u>21,602.32</u> *
Total - Local Sources	<u>2,000.00</u>	<u>97.00</u>	<u>2,097.00</u>	<u>23,699.32</u>	<u>21,602.32</u>
Total Revenues	<u>359,507.00</u>	<u>(91,556.22)</u>	<u>267,950.78</u>	<u>289,553.10</u>	<u>21,602.32</u>
<u>EXPENDITURES</u>					
Instruction:					
Salaries of Teachers	30,000.00	(28,683.75)	1,316.25	1,316.25	
Other Purchased Services (400 - 500 Series)	2,000.00	97.00	2,097.00	2,097.00	
Supplies	10,000.00		10,000.00	10,000.00	
Total Instruction	<u>42,000.00</u>	<u>(28,586.75)</u>	<u>13,413.25</u>	<u>13,413.25</u>	
Support Services:					
Salaries	45,000.00		45,000.00	45,000.00	

ESSEX FELS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-2
Sheet #2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>EXPENDITURES</u>					
Support Services:					
Purchased Professional and Technical Services	\$ 88,712.65	\$(22,659.40)	\$ 66,053.25	\$ 66,053.25	\$
Other Purchased Services	61,733.35	(29,372.74)	32,360.61	32,360.61	
Student Activities				20,807.05	(20,807.05) *
Total Support Services	<u>195,446.00</u>	<u>(52,032.14)</u>	<u>143,413.86</u>	<u>164,220.91</u>	<u>(20,807.05)</u>
Facilities Acquisition and Construction:					
Building	<u>122,061.00</u>	<u>(10,937.33)</u>	<u>111,123.67</u>	<u>111,123.67</u>	
Total Facilities Acquisition and Construction	<u>122,061.00</u>	<u>(10,937.33)</u>	<u>111,123.67</u>	<u>111,123.67</u>	
Total Expenditures	<u>359,507.00</u>	<u>(91,556.22)</u>	<u>267,950.78</u>	<u>288,757.83</u>	<u>(20,807.05)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>795.27</u>	<u>795.27</u>
Fund Balance, July 1				<u>5,107.58</u>	
Fund Balance, June 30				<u>\$ 5,902.85</u>	
Recapitulation:					
Restricted:					
Student Activities				<u>\$ 5,902.85</u>	
Total Fund Balance				<u>\$ 5,902.85</u>	

*Not required to budget for these funds.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART II

ESSEX FELLS SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C-3

Explanation of Differences between Budgetary Inflows and
 Outflows and GAAP Revenues and Expenditures

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	C-1	\$7,633,958.43	C-2	\$289,553.10
Difference - Budget-to-GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.				
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		19,529.00		
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.		<u>(24,299.00)</u>		
Total revenue as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds.	B-2	<u>\$7,629,188.43</u>	B-2	<u>\$289,553.10</u>
Uses/Outflow of Resources:				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	C-1	\$7,197,971.25	C-2	\$288,757.83
Difference - Budget-to-GAAP:				
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.				
Total expenditures as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds.	B-2	<u>\$7,197,971.25</u>	B-2	<u>\$288,757.83</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

L. SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS (GASB 68)

Note: GASB 68 requires that ten years of statistical data be presented. The following unaudited information is presented utilizing information available. Data for the latest years available has been presented. Each year hereafter, an additional year's data will be included until ten years of data is presented.

ESSEX FELLS SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
(Unaudited)

L-1

	Fiscal Year Ending June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.0072%	0.0066%	0.0062%	0.0059%	0.0044%	0.0053%	0.0030%	0.0037%	0.0039%	0.0036%
District's proportionate share of the net pension liability (asset)	\$ 1,084,324	\$ 781,093	\$ 1,018,111	\$ 1,060,523	\$ 873,963	\$ 1,245,193	\$ 874,993	\$ 834,699	\$ 732,048	\$ 691,119
State's proportionate share of the net pension liability (asset) associated with the District	<u>15,219,184,920</u>	<u>11,972,782,878</u>	<u>16,435,616,426</u>	<u>18,143,832,135</u>	<u>19,689,501,539</u>	<u>23,278,401,588</u>	<u>29,617,131,759</u>	<u>22,447,996,119</u>	<u>18,722,735,003</u>	<u>19,111,986,911</u>
Total	<u>\$ 15,220,269,244</u>	<u>\$ 11,973,563,971</u>	<u>\$ 16,436,634,537</u>	<u>\$ 18,144,892,658</u>	<u>\$ 19,690,375,502</u>	<u>\$ 23,279,646,781</u>	<u>\$ 29,618,006,752</u>	<u>\$ 22,448,830,818</u>	<u>\$ 18,723,467,051</u>	<u>\$ 19,112,678,030</u>
District's covered-employee payroll	\$ 484,228	\$ 472,596	\$ 456,569	\$ 410,552	\$ 395,014	\$ 321,626	\$ 266,581	\$ 215,620	\$ 262,939	*
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	223.93%	165.28%	222.99%	258.32%	221.25%	387.16%	328.23%	387.12%	278.41%	*
Plan fiduciary net position as a percentage of the total pension liability	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

*Data was not provided by School District

ESSEX FELLOWS SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS
 (Unaudited)

L-2

	Fiscal Year Ending June 30,									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 90,607	\$ 77,217	\$ 68,298	\$ 57,688	\$ 44,426	\$ 50,746	\$ 26,246	\$ 31,968	\$ 32,233	\$ 25,230
Contributions in relation to the contractually required contribution	<u>(90,607)</u>	<u>(77,217)</u>	<u>(68,298)</u>	<u>(57,688)</u>	<u>(44,426)</u>	<u>(50,746)</u>	<u>(26,246)</u>	<u>(31,968)</u>	<u>(32,233)</u>	<u>(25,230)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 525,506	\$ 484,228	\$ 472,596	\$ 456,569	\$ 410,552	\$ 395,014	\$ 321,626	\$ 266,581	\$ 215,620	\$ 262,939
Contributions as a percentage of covered-employee payroll	17.24%	15.95%	14.45%	12.64%	10.82%	12.85%	8.16%	11.99%	14.95%	9.60%

ESSEX FIELDS SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
TEACHERS' PENSION AND ANNUITY FUND
LAST TEN FISCAL YEARS
(Unaudited)

L-3

	Fiscal Year Ending June 30,									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.0247%	0.0241%	0.0223%	0.0220%	0.0211%	0.0209%	0.0200%	0.0217%	0.0199%	0.0216%
District's proportionate share of the net pension liability (asset)	\$ 12,517,692	\$ 11,582,454	\$ 14,712,359	\$ 13,503,776	\$ 13,418,357	\$ 14,085,154	\$ 15,742,010	\$ 13,696,839	\$ 10,655,663	\$ 10,929,693
State's proportionate share of the net pension liability (asset) associated with the District	<u>51,594,415,806</u>	<u>48,075,188,642</u>	<u>65,848,796,740</u>	<u>61,370,943,870</u>	<u>63,617,852,031</u>	<u>67,423,605,859</u>	<u>78,666,367,052</u>	<u>63,204,270,305</u>	<u>53,446,745,367</u>	<u>50,539,213,484</u>
Total	<u>\$ 51,606,933,498</u>	<u>\$ 48,086,771,096</u>	<u>\$ 65,863,509,099</u>	<u>\$ 61,384,447,646</u>	<u>\$ 63,631,270,388</u>	<u>\$ 67,437,691,013</u>	<u>\$ 78,682,109,062</u>	<u>\$ 63,217,967,144</u>	<u>\$ 53,457,401,030</u>	<u>\$ 50,550,143,177</u>
District's covered-employee payroll	\$ 2,659,267	\$ 2,764,519	\$ 2,728,049	\$ 2,593,248	\$ 2,421,568	\$ 2,308,767	\$ 2,155,910	\$ 2,144,244	\$ 2,095,183	*
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	470.72%	418.97%	539.30%	520.73%	554.12%	610.07%	730.18%	638.77%	508.58%	*
Plan fiduciary net position as a percentage of the total pension liability	32.29%	35.52%	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

*Data was not provided by School District.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III

**ESSEX FELS SCHOOL DISTRICT
COUNTY OF ESSEX**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III
FOR THE YEAR ENDED JUNE 30, 2023**

Changes of Benefit Terms and Changes of Assumptions

Refer to Note 10 on the Notes to Financial Statements for benefits and assumptions.

**M. SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Note: GASB 75 requires that ten years of statistical data be presented. The following unaudited information is presented utilizing information available. Data for the latest years available has been presented. Each year hereafter, an additional year's data will be included until ten years of data is presented.

ESSEX FELLS SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND TEACHERS' PENSION AND ANNUITY FUND
LAST SEVEN FISCAL YEARS
(Unaudited)

M-1

	Measurement Date						
	Fiscal Year Ending June 30,						
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB Liability							
Service Cost	\$ 657,215	\$ 763,395	\$ 397,976	\$ 346,349	\$ 396,540	\$ 479,289	\$ 260,886
Interest Cost	230,669	269,932	238,090	268,813	302,449	260,507	275,964
Change in Benefit Term	-	(11,076)	-	-	-	-	-
Difference Between Expected and Actual Experiences	(33,254)	(1,771,299)	2,332,822	(714,517)	(1,199,604)	-	-
Change in Assumptions	(2,334,960)	10,266	2,073,277	96,909	(768,355)	(1,172,261)	1,303,144
Contributions: Members*	7,330	6,901	5,989	5,914	6,188	6,940	7,002
Gross Benefit Payments*	<u>(228,484)</u>	<u>(212,631)</u>	<u>(197,596)</u>	<u>(199,517)</u>	<u>(179,038)</u>	<u>(188,480)</u>	<u>(185,116)</u>
Net Change in Total OPEB Liability	\$ (1,701,484)	\$ (944,512)	\$ 4,850,558	\$ (196,049)	\$(1,441,820)	\$ (614,005)	\$1,661,880
Total OPEB Liability (Beginning)	\$10,405,610	\$11,350,122	\$ 6,499,564	\$6,695,613	\$ 8,137,433	\$8,751,438	\$7,089,558
Total OPEB Liability (Ending)	\$ 8,704,126	\$10,405,610	\$11,350,122	\$6,499,564	\$ 6,695,613	\$8,137,433	\$8,751,438
Plan Fiduciary Net Position:							
Plan Fiduciary Net Position (Ending)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB Liability (Ending)	\$ 8,704,126	\$10,405,610	\$11,350,122	\$6,499,564	\$ 6,695,613	\$8,137,433	\$8,751,438
Net Position as a Percentage of OPEB Liability	0%	0%	0%	0%	0%	0%	0%
Covered Employee Payroll	\$ 3,143,495	\$ 3,237,115	\$ 3,184,618	\$3,003,800	\$ 2,816,582	\$2,630,393	\$2,422,491
Net OPEB Liability as a Percentage of Payroll	277%	321%	356%	216%	238%	309%	361%

*Data for Measurement Periods Ending June 30, 2016, June 30, 2017, June 30, 2018, June 30, 2019, June 30, 2020, June 30, 2021 and June 30, 2022 were provided by the State.

Notes to Schedule:

Changes in Assumptions: Assumptions used in calculating the OPEB liability are presented in Note 11.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III

**ESSEX FELLS SCHOOL DISTRICT
COUNTY OF ESSEX**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III
FOR THE YEAR ENDED JUNE 30, 2023**

Changes of Benefit Terms and Changes of Assumptions

Refer to Notes 11 and 12 on the Notes to Financial Statements for benefits and assumptions.

OTHER SUPPLEMENTARY INFORMATION

D. SCHOOL-BASED BUDGET SCHEDULES (IF APPLICABLE)

E. SPECIAL REVENUE FUND

ESSEX FELLS SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

E-1
Sheet #1

	Total Brought Forward <u>E-1B</u>	I.D.E.A. Part B Basic <u>2022-2023</u>	I.D.E.A. Part B Preschool <u>2022-2023</u>	Title II, Part A <u>2022-2023</u>	Title IV, Part A <u>2022-2023</u>	ARP ESSER NJTSS Mental Health Support Staffing Grant	Totals FY 2023
REVENUES							
Federal Sources	\$148,303.78	\$55,141.00	\$4,136.00	\$3,273.00	\$10,000.00	\$45,000.00	\$265,853.78
Local Sources	23,699.32						23,699.32
Total Revenues	<u>172,003.10</u>	<u>55,141.00</u>	<u>4,136.00</u>	<u>3,273.00</u>	<u>10,000.00</u>	<u>45,000.00</u>	<u>289,553.10</u>
EXPENDITURES							
Instruction:							
Salaries of Teachers	1,316.25						1,316.25
Other Purchased Services (400 - 500 Series)	2,097.00						2,097.00
Supplies	10,000.00						10,000.00
Total Instruction	<u>13,413.25</u>						<u>13,413.25</u>
Support Services:							
Salaries						45,000.00	45,000.00
Purchased Professional and Technical Services	6,776.25	55,141.00	4,136.00				66,053.25
Other Purchased Services	19,087.61			3,273.00	10,000.00		32,360.61
Student Activities	20,807.05						20,807.05
Total Support Services	<u>46,670.91</u>	<u>55,141.00</u>	<u>4,136.00</u>	<u>3,273.00</u>	<u>10,000.00</u>	<u>45,000.00</u>	<u>164,220.91</u>
Facilities Acquisition and Construction:							
Building	111,123.67						111,123.67
Total Facilities Acquisition and Construction	<u>111,123.67</u>						<u>111,123.67</u>
Total Expenditures	<u>171,207.83</u>	<u>55,141.00</u>	<u>4,136.00</u>	<u>3,273.00</u>	<u>10,000.00</u>	<u>45,000.00</u>	<u>288,757.83</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>795.27</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>795.27</u>
Fund Balance July 1	<u>5,107.58</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,107.58</u>
Fund Balance June 30	<u>\$ 5,902.85</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,902.85</u>

ESSEX FELLS SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

E-1
Sheet #2

	<u>ARP ESSER III</u>	<u>ARP ESSER Accelerated Learning Grant</u>	<u>ARP ESSER Evidence Based Summer Learning Grant</u>	<u>ARP ESSER Evidence Based Comprehensive Beyond the School Day</u>	<u>Safety Grant</u>	<u>Student Activity Fund</u>	<u>Totals Carried Forward 2023</u>
<u>REVENUES</u>							
Federal Sources	\$111,123.67	\$19,087.61	\$6,776.25	\$11,316.25	\$	\$	\$148,303.78
Local Sources					2,097.00	21,602.32	23,699.32
Total Revenues	<u>111,123.67</u>	<u>19,087.61</u>	<u>6,776.25</u>	<u>11,316.25</u>	<u>2,097.00</u>	<u>21,602.32</u>	<u>172,003.10</u>
<u>EXPENDITURES</u>							
Instruction:							
Salaries of Teachers				1,316.25			1,316.25
Other Purchased Services (400 - 500 Series)					2,097.00		2,097.00
Supplies				10,000.00			10,000.00
Total Instruction				<u>11,316.25</u>	<u>2,097.00</u>		<u>13,413.25</u>
Support Services:							
Salaries							
Purchased Professional and Technical Services			6,776.25				6,776.25
Other Purchased Services		19,087.61					19,087.61
Student Activities						20,807.05	20,807.05
Total Support Services		<u>19,087.61</u>	<u>6,776.25</u>			<u>20,807.05</u>	<u>46,670.91</u>
Facilities Acquisition and Construction:							
Building	111,123.67						111,123.67
Total Facilities Acquisition and Construction	<u>111,123.67</u>						<u>111,123.67</u>
Total Expenditures	<u>111,123.67</u>	<u>19,087.61</u>	<u>6,776.25</u>	<u>11,316.25</u>	<u>2,097.00</u>	<u>20,807.05</u>	<u>171,207.83</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>795.27</u>	<u>795.27</u>
Fund Balance July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,107.58</u>	<u>5,107.58</u>
Fund Balance June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,902.85</u>	<u>\$ 5,902.85</u>

F. CAPITAL PROJECTS FUND

ESSEX FELLS SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 YEAR ENDED JUNE 30, 2023

F-1

<u>Project Title</u>	<u>Approval Date</u>	<u>Revised Budgetary Appropriations</u>	<u>GAAP Expenditures to Date</u>		<u>Unexpended Appropriations June 30, 2023</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Roof Repairs to Elementary School	2-16-2022	<u>\$1,045,000.00</u>	<u>\$</u>	<u>\$925,053.10</u>	<u>\$ 119,946.90</u>
Totals		<u><u>\$1,045,000.00</u></u>	<u><u>\$ -</u></u>	<u><u>\$925,053.10</u></u>	<u><u>\$ 119,946.90</u></u>

ESSEX FELLOWS SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2023

F-2

<u>Revenues and Other Financing Sources</u>	
Bond Proceeds	\$ 600,000.00
Transfer from Capital Reserve	<u>445,000.00</u>
Total Revenues	<u>1,045,000.00</u>
 <u>Expenditures and Other Financing Uses</u>	
Purchased Professional and Technical Services	40,113.10
Construction Services	<u>884,940.00</u>
Total Expenditures	<u>925,053.10</u>
 Excess (Deficiency) of Revenues Over/(Under) Expenditures	 <u>119,946.90</u>
 Fund Balance - Beginning	 <u>-</u>
 Fund Balance - Ending	 <u>\$ 119,946.90</u>

ESSEX FELLS SCHOOL DISTRICT
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES,
 PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
 ROOF REPAIRS TO ELEMENTARY SCHOOL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

F-2a

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Period</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Cost</u>
<u>Revenues and Other Financing Sources</u>				
Bond Proceeds	\$ -	\$ 600,000.00	\$ 600,000.00	\$ 600,000.00
Transfer from Capital Reserve	-	445,000.00	445,000.00	445,000.00
Total Revenues	-	1,045,000.00	1,045,000.00	1,045,000.00
<u>Expenditures and Other Financing Uses</u>				
Purchased Professional and Technical Services	-	40,113.10	40,113.10	-
Construction Services	-	884,940.00	884,940.00	-
Total Expenditures	-	925,053.10	925,053.10	-
Excess (Deficiency) of Revenues Over/(Under) Expenses	\$ -	\$ 119,946.90	\$ 119,946.90	\$ 1,045,000.00

Additional Project Information

Project Number	1400-050-22-1000
Grant Date/Letter of Notification	
Bond Authorization/Referendum Date	3/8/2022
Bonds Authorized	\$ 600,000.00
Bonds Issued	\$ 600,000.00
Original Project Authorized Cost	\$ 1,045,000.00
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 1,045,000.00
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	88.5%
Original Target Completion Date	8/30/2023
Revised Target Completion Date	

G. PROPRIETARY FUNDS

ENTERPRISE FUND

INTERNAL SERVICE FUND

H. FIDUCIARY FUNDS (IF APPLICABLE)

I. LONG-TERM DEBT

ESSEX FELLS SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE YEAR ENDED JUNE 30, 2023

I-1

<u>Purpose</u>	<u>Issued</u>		<u>Annual Maturities of Bonds Outstanding June 30, 2023</u>		<u>Interest Rate</u>	<u>Issued</u>	<u>Balance June 30, 2023</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>			
School District Bonds	7/26/2022	\$600,000.00	7/15/2023	\$70,000.00	3.514%		
			7/15/2024	85,000.00	3.514%		
			7/15/2025	85,000.00	3.514%		
			7/15/2026	85,000.00	3.514%		
			7/15/2027	90,000.00	3.514%		
			7/15/2028	90,000.00	3.514%		
			7/15/2029	95,000.00	3.514%		
						<u>\$600,000.00</u>	<u>\$600,000.00</u>
						<u>\$600,000.00</u>	<u>\$600,000.00</u>

ESSEX FELLS SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASES
FOR THE YEAR ENDED JUNE 30, 2023

I-2

<u>Purpose</u>	<u>Date of Original Issue</u>	<u>Term of Lease</u>	<u>Amount of Original Lease</u>		<u>Interest Rate</u>	<u>Balance June 30, 2022</u>	<u>Retired</u>	<u>Balance June 30, 2023</u>
			<u>Principal</u>	<u>Interest</u>				
Copier	7/19/2019	5 Years	\$31,628.63	\$4,971.37	5.90%	\$13,777.34	\$6,686.01	\$ 7,091.33
Copier	7/19/2019	5 Years	8,510.67	1,509.33	6.62%	3,744.34	1,810.39	1,933.95
Copier	5/20/2022	3 Years	2,984.04		0.00%	<u>2,818.26</u>	<u>994.68</u>	<u>1,823.58</u>
						<u>\$20,339.94</u>	<u>\$9,491.08</u>	<u>\$10,848.86</u>

STATISTICAL SECTION (UNAUDITED)

INTRODUCTION TO THE STATISTICAL SECTION

FINANCIAL TRENDS

ESSEX FELS SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
Unaudited

J-1

	For Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities:										
Invested in Capital Assets - Net of Related Debt	\$ 3,957,074	\$ 3,930,593	\$ 3,932,370	\$ 3,835,356	\$ 3,837,784	\$ 3,739,787	\$ 3,751,927	\$ 3,595,363	\$ 3,521,331	\$ 3,864,826
Restricted	796,630	640,272	638,346	809,179	650,485	699,571	752,364	969,815	1,204,857	1,232,668
Unrestricted	<u>274,697</u>	<u>(418,832)</u>	<u>(412,079)</u>	<u>(510,061)</u>	<u>(576,405)</u>	<u>(623,808)</u>	<u>(711,820)</u>	<u>(630,865)</u>	<u>(758,791)</u>	<u>(625,713)</u>
Total Governmental Activities Net Position	<u>\$ 5,028,401</u>	<u>\$ 4,152,033</u>	<u>\$ 4,158,637</u>	<u>\$ 4,134,473</u>	<u>\$ 3,911,865</u>	<u>\$ 3,815,550</u>	<u>\$ 3,792,471</u>	<u>\$ 3,934,313</u>	<u>\$ 3,967,397</u>	<u>\$ 4,471,781</u>
District-Wide:										
Invested in Capital Assets - Net of Related Debt	\$ 3,957,074	\$ 3,930,593	\$ 3,932,370	\$ 3,835,356	\$ 3,837,784	\$ 3,739,787	\$ 3,751,927	\$ 3,595,363	\$ 3,521,331	\$ 3,864,826
Restricted	796,630	640,272	638,346	809,179	650,485	699,571	752,364	969,815	1,204,857	1,232,668
Unrestricted	<u>274,697</u>	<u>(418,832)</u>	<u>(412,079)</u>	<u>(510,061)</u>	<u>(576,405)</u>	<u>(623,808)</u>	<u>(711,820)</u>	<u>(630,865)</u>	<u>(758,791)</u>	<u>(625,713)</u>
Total District-Wide Net Position	<u>\$ 5,028,401</u>	<u>\$ 4,152,033</u>	<u>\$ 4,158,637</u>	<u>\$ 4,134,473</u>	<u>\$ 3,911,865</u>	<u>\$ 3,815,550</u>	<u>\$ 3,792,471</u>	<u>\$ 3,934,313</u>	<u>\$ 3,967,397</u>	<u>\$ 4,471,781</u>

Source: ACFR Schedule A-1

ESSEX FELLS SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
Unaudited

J-2
Sheet #1

	For Fiscal Year Ended June 30.,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental Activities:										
Instruction:										
Regular	\$ 2,000,441	\$ 2,175,382	\$ 2,254,466	\$ 2,246,338	\$ 2,834,241	\$ 2,930,897	\$ 2,977,104	\$ 3,376,282	\$ 3,473,526	\$ 3,154,895
Special Education	735,280	772,820	730,022	734,677	904,194	1,062,467	1,093,671	1,167,560	1,159,268	1,085,950
Other Instruction	94,358	81,042	78,763	188,938	227,784	222,603	229,879	310,585	500,002	480,889
School-Sponsored Activities	908	944	1,058	1,085	1,286	1,609	1,597	1,780	1,923	2,221
Support Services:										
Student and Instruction Related Services	842,162	824,147	845,674	872,699	957,958	919,198	951,735	1,226,741	1,580,575	1,554,762
General Administration	180,784	224,150	230,079	195,712	245,764	216,428	217,916	259,307	316,217	318,986
School Administrative Services	115,666	117,148	113,806	116,333	149,644	153,970	159,677	187,872	210,090	202,740
Central Services	182,018	156,808	156,146	168,391	203,412	171,790	175,415	203,328	227,240	229,177
Plant Operations and Maintenance	419,435	475,683	438,008	475,420	585,344	543,208	605,146	646,925	735,626	701,440
Pupil Transportation	45,293	100,710	111,696	120,260	196,238	119,514	96,958	85,370	44,178	83,881
Special Schools	39,026	42,315	33,946	17,042	17,314	19,256	19,285	20,936	30,776	30,699
Interest on Long-Term Debt					503	503	503	503	1,855	20,892
Unallocated Depreciation	127,173	135,984	140,065	143,821	148,170	158,834	172,851	174,904	174,483	206,371
Unallocated Amortization Expense - Leases									9,783	9,023
Total District Expenses	<u>\$ 4,782,544</u>	<u>\$ 5,107,133</u>	<u>\$ 5,133,730</u>	<u>\$ 5,280,716</u>	<u>\$ 6,471,851</u>	<u>\$ 6,520,275</u>	<u>\$ 6,701,737</u>	<u>\$ 7,662,093</u>	<u>\$ 8,465,542</u>	<u>\$ 8,081,927</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
Student and Instruction Related Services	\$	\$	\$	\$	\$	\$	\$	\$ 2,785	\$ 13,424	\$ 21,602
Operating Grants and Contributions	442,900	511,232	578,004	650,422	1,401,970	1,303,267	1,303,963	2,014,103	2,676,286	2,346,240
Total District Program Revenues	<u>\$ 442,900</u>	<u>\$ 511,232</u>	<u>\$ 578,004</u>	<u>\$ 650,422</u>	<u>\$ 1,401,970</u>	<u>\$ 1,303,267</u>	<u>1,303,963</u>	<u>\$ 2,016,888</u>	<u>\$ 2,689,710</u>	<u>\$ 2,367,842</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (4,339,644)	\$ (4,595,901)	\$ (4,555,726)	\$ (4,630,294)	\$ (5,069,882)	\$ (5,217,008)	\$ (5,397,774)	\$ (5,645,205)	\$ (5,775,832)	\$ (5,714,084)
Business-Type Activities										
Total District-Wide Net Expense	<u>\$ (4,339,644)</u>	<u>\$ (4,595,901)</u>	<u>\$ (4,555,726)</u>	<u>\$ (4,630,294)</u>	<u>\$ (5,069,882)</u>	<u>\$ (5,217,008)</u>	<u>\$ (5,397,774)</u>	<u>\$ (5,645,205)</u>	<u>\$ (5,775,832)</u>	<u>\$ (5,714,084)</u>

ESSEX FELLS SCHOOL DISTRICT
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (Accrual Basis of Accounting)
 Unaudited

J-2
 Sheet #2

	For Fiscal Year Ended June 30,									
	<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>	<u>2023</u>
General Revenue and Other Changes in Net Position										
Governmental Activities:										
General Purpose Property Taxes	\$ 4,082,052	\$ 4,163,693	\$ 4,317,282	\$ 4,403,627	\$ 4,606,699	\$ 4,836,633	\$ 5,077,916	\$ 5,331,304	\$ 5,437,397	\$ 5,573,001
Taxes Levied for Debt Service	215,197									
Grants and Contributions	152,511	161,466	184,168	129,674	156,992	171,726	181,963	306,766	261,512	395,780
Tuition Received				63,000	65,046	84,500	94,500	90,500	105,356	124,754
Special Item - Donated Assets										76,145
Miscellaneous	52,185	58,246	60,879	9,830	18,536	27,836	20,316	6,713	6,273	48,789
Total District-Wide	<u>\$ 4,501,945</u>	<u>\$ 4,383,405</u>	<u>\$ 4,562,329</u>	<u>\$ 4,606,131</u>	<u>\$ 4,847,273</u>	<u>\$ 5,120,695</u>	<u>\$ 5,374,695</u>	<u>\$ 5,735,283</u>	<u>\$ 5,810,538</u>	<u>\$ 6,218,468</u>
Change in Net Position										
Governmental Activities	<u>\$ 162,301</u>	<u>\$ (212,496)</u>	<u>\$ 6,604</u>	<u>\$ (24,163)</u>	<u>\$ (222,609)</u>	<u>\$ (96,314)</u>	<u>\$ (23,079)</u>	<u>\$ 90,078</u>	<u>\$ 34,706</u>	<u>\$ 504,384</u>
Total District	<u>\$ 162,301</u>	<u>\$ (212,496)</u>	<u>\$ 6,604</u>	<u>\$ (24,163)</u>	<u>\$ (222,609)</u>	<u>\$ (96,314)</u>	<u>\$ (23,079)</u>	<u>\$ 90,078</u>	<u>\$ 34,706</u>	<u>\$ 504,384</u>

Source: ACFR Schedule A-2

ESSEX FELLS SCHOOL DISTRICT
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)
 Unaudited

J-3

	For Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund:										
Reserved	\$ 796,630.00	\$640,272.05	\$638,346.10	\$ 809,178.92	\$650,485.25	\$699,571.10	\$ 802,260.37	\$ 965,233.39	\$1,199,749.17	\$1,106,818.35
Unreserved	<u>298,336.00</u>	<u>289,649.00</u>	<u>326,121.00</u>	<u>269,313.00</u>	<u>290,871.00</u>	<u>289,466.00</u>	<u>280,820.00</u>	<u>395,092.00</u>	<u>300,994.00</u>	<u>380,142.00</u>
Total General Fund	<u>\$1,094,966.00</u>	<u>\$929,921.05</u>	<u>\$964,467.10</u>	<u>\$1,078,491.92</u>	<u>\$941,356.25</u>	<u>\$989,037.10</u>	<u>\$1,083,080.37</u>	<u>\$1,360,325.39</u>	<u>\$1,500,743.17</u>	<u>\$1,486,960.35</u>
All Other Governmental Funds:										
Restricted, Reported in:										
Special Revenue	\$	\$	\$	\$	\$	\$	\$	\$ 4,581.82	\$ 5,107.58	\$ 5,902.85
Capital Projects Fund	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>119,946.90</u>
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,581.82</u>	<u>\$ 5,107.58</u>	<u>\$ 125,849.75</u>
Total Fund Balances	<u>\$1,094,966.00</u>	<u>\$929,921.05</u>	<u>\$964,467.10</u>	<u>\$1,078,491.92</u>	<u>\$941,356.25</u>	<u>\$989,037.10</u>	<u>\$1,083,080.37</u>	<u>\$1,364,907.21</u>	<u>\$1,505,850.75</u>	<u>\$1,612,810.10</u>

Source: ACFR Schedule B-1

ESSEX FELLS SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
Unaudited

J-4

	For Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Tax Levy	\$ 4,297,250	\$ 4,163,693	\$ 4,317,282	\$ 4,403,627	\$ 4,606,699	\$ 4,836,633	\$ 5,077,916	\$ 5,331,304	\$ 5,437,397	\$ 5,573,001
Tuition				63,000	65,046	84,500	94,500	90,500	105,356	124,754
Miscellaneous	52,185	58,246	60,879	9,830	18,536	27,836	20,316	6,713	6,273	48,789
State Sources	529,491	617,003	689,202	727,290	855,562	1,005,328	1,062,737	1,444,738	1,710,439	1,882,645
Federal Sources	46,909	50,695	70,470	50,306	64,990	66,274	68,463	111,068	259,506	265,854
Private Sources	19,011	5,000	2,500	2,500	11,968	24,750	90,101	4,794	16,871	23,699
Total Revenue	<u>4,944,846</u>	<u>4,894,637</u>	<u>5,140,333</u>	<u>5,256,552</u>	<u>5,622,802</u>	<u>6,045,320</u>	<u>6,414,032</u>	<u>6,989,117</u>	<u>7,535,840</u>	<u>7,918,742</u>
Expenditures										
Instruction:										
Regular	1,492,179	1,568,359	1,671,326	1,617,497	1,742,364	1,940,431	2,004,804	1,994,689	1,939,395	1,859,434
Special Education	526,278	532,212	517,282	507,936	527,404	660,457	685,086	655,963	602,828	586,813
Other Instruction	67,537	55,810	55,810	130,627	132,863	138,376	143,998	174,494	260,005	259,857
School-Sponsored Activities	650	650	750	750	750	1,000	1,000	1,000	1,000	1,200
Support Services and Undistributed Costs:										
Student and Instruction Related Services	695,227	662,478	701,145	706,748	748,481	707,053	729,048	928,261	1,139,007	1,125,647
General Administrative Services	140,724	178,284	188,111	149,891	164,518	154,965	154,755	171,335	210,113	213,742
School Administrative Services	83,935	81,081	80,886	80,657	87,578	96,235	100,356	106,147	110,181	110,390
Central Services	133,937	111,844	114,244	121,151	124,421	111,955	114,813	119,964	125,137	131,040
Plant Operation and Maintenance	351,314	383,697	352,531	379,473	423,359	400,637	461,163	446,883	528,217	513,555
Pupil Transportation	45,293	100,710	111,696	120,260	196,238	119,514	96,957	85,370	44,178	83,881
Employee Benefits	1,089,775	1,244,891	1,144,904	1,268,176	1,450,189	1,592,066	1,679,407	1,993,169	2,317,550	2,433,340
Special Schools	30,354	30,163	25,260	12,555	10,670	13,610	13,004	13,039	16,333	18,659
Debt Service:										
Principal	210,000									
Interest	5,197									
Capital Outlay	210,504	109,503	141,842	46,807	151,101	61,340	185,494	18,844	100,954	1,074,223
Total Expenditures	<u>5,082,904</u>	<u>5,059,682</u>	<u>5,105,787</u>	<u>5,142,527</u>	<u>5,759,937</u>	<u>5,997,639</u>	<u>6,369,885</u>	<u>6,709,158</u>	<u>7,394,897</u>	<u>8,411,782</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(138,058)</u>	<u>(165,045)</u>	<u>34,546</u>	<u>114,025</u>	<u>(137,136)</u>	<u>47,681</u>	<u>44,147</u>	<u>279,959</u>	<u>140,944</u>	<u>(493,041)</u>
Other Financing Sources (Uses)										
Bond Proceeds										600,000
Transfers In										445,000
Transfers Out										<u>(445,000)</u>
Total Other Financing Sources (Uses)										<u>600,000</u>
Net Change in Fund Balances	<u>\$ (138,058)</u>	<u>\$ (165,045)</u>	<u>\$ 34,546</u>	<u>\$ 114,025</u>	<u>\$ (137,136)</u>	<u>\$ 47,681</u>	<u>\$ 44,147</u>	<u>\$ 279,959</u>	<u>\$ 140,944</u>	<u>\$ 106,959</u>
Debt Service as a Percentage of Noncapital Expenditures	4.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: School District Financial Reports.

Note: Noncapital expenditures are total expenditures less capital outlay.

**ESSEX FELLS SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
Unaudited**

J-5

	For Fiscal Year Ended June 30,									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Extended School Year - Special	\$	\$	\$	\$	\$	\$	\$	\$50,500.00	\$48,500.00	\$43,000.00
Interest Earned	38,077.34	684.77	772.89	16,247.75	19,981.38	8,228.71	2,852.52	2,384.95	2,103.54	1,288.79
Miscellaneous	80.66	2,855.24	97.36	46.69	137.69	363.39	2,759.68	369.44	345.78	1,383.36
Donations	250.00		210.00	1,030.00	300.00					
E-Rate Reimbursement		2,268.00	3,672.00	1,752.00	1,754.19	1,344.00	335.64	1,954.19	1,837.27	1,964.93
Refund and Rebates	621.76			798.19	286.21	2,087.55	559.44	2,699.39	3,303.62	
Flexible Spending Forfeiture							2,500.00	1,888.05	1,231.26	
Prior Year Appropriation Refund			1,800.00	312.69	1,419.00	2,883.91	305.00	1,041.69	609.60	4,374.45
Total	<u>\$39,029.76</u>	<u>\$5,808.01</u>	<u>\$6,552.25</u>	<u>\$20,187.32</u>	<u>\$23,878.47</u>	<u>\$14,907.56</u>	<u>\$9,312.28</u>	<u>\$60,837.71</u>	<u>\$57,931.07</u>	<u>\$52,011.53</u>

Source: District Records

REVENUE CAPACITY

ESSEX FELLS SCHOOL DISTRICT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
Unaudited

J-6

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total Assessed Value</u>	<u>Tax-Exempt Property</u>	<u>Public Utilities</u>	<u>Net Valuation Taxable</u>	<u>Estimated Actual (County Equalized Value)</u>	<u>Total Direct School Tax Rate</u>
2014	\$6,463,200	\$728,166,000	\$19,793,000	\$754,422,200	\$	\$221,600	\$754,643,800	\$732,622,134	\$1.007
2015	7,175,100	725,189,000	19,793,000	752,157,100		221,600	752,378,700	753,878,797	1.024
2016	6,455,100	725,508,700	19,793,000	751,756,800		202,000	751,958,800	763,902,855	1.010
2017	6,455,100	731,480,500	19,793,000	757,728,600		203,486	757,932,086	768,555,249	0.967
2018	6,351,800	796,248,600	19,073,100	821,673,500		248,500	821,922,000	810,710,150	1.007
2019	6,945,800	791,430,900	19,073,100	817,449,800		265,500	817,715,300	796,292,180	1.002
2020	7,686,600	777,715,300	18,869,800	804,271,700		266,538	804,538,238	813,484,648	1.050
2021	7,809,800	726,443,600	17,193,350	751,446,750		251,451	751,698,201	796,856,246	1.133
2022	7,809,800	728,009,600	17,193,400	753,012,800		251,451	753,264,251	809,798,124	1.137
2023	5,961,300	733,491,900	14,330,400	753,783,600		251,300	754,034,900	815,535,511	1.134

Source: Table of Aggregates from the Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation.

**ESSEX FELLS SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of Assessed Value)
*Unaudited***

J-7

Fiscal Year Ended June 30,	Board of Education Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate (1)	Essex Fells Borough	Essex County	
2014	\$ 0.979	\$ 0.028	\$ 1.007	\$ 0.465	\$ 0.505	\$ 1.977
2015	1.024	-	1.024	0.480	0.521	2.025
2016	1.010	-	1.010	0.493	0.528	2.031
2017	0.967	-	0.967	0.459	0.480	1.906
2018	1.007	-	1.007	0.469	0.496	1.972
2019	1.002	-	1.002	0.485	0.473	1.960
2020	1.050	-	1.050	0.499	0.489	2.038
2021	1.133	-	1.133	0.547	0.508	2.188
2022	1.137	-	1.137	0.557	0.478	2.172
2023	1.134	-	1.134	0.571	0.447	2.152

Source: Municipal Tax Collector

N.J.S.A. 10A:7F-5d limits the amount that the District can submit for a general fund tax levy. The levy, when added to other components of the District's net budget, may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

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

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

(1) Includes Regional School District Taxes.

**ESSEX FELLS SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
*Unaudited***

J-8

<u>Taxpayer</u>	<u>2023</u>			<u>2014</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Essex Fells Country Club	\$12,000,000	1	1.47%	\$16,075,800	1	2.19%
Taxpayer #2	4,341,100	2	0.53%			
Taxpayer #3	3,187,900	3	0.39%			
Taxpayer #4	3,135,400	4	0.38%			
Taxpayer #5	3,118,100	5	0.38%			
Taxpayer #6	3,115,200	6	0.38%			
Taxpayer #7	2,890,800	7	0.35%			
Taxpayer #8	2,811,900	8	0.34%			
Taxpayer #9	2,803,900	9	0.34%			
Taxpayer #10	2,794,300	10	0.34%			
Taxpayer #11				4,511,100	2	0.62%
Taxpayer #12				3,569,200	3	0.49%
Taxpayer #13				3,441,900	4	0.47%
Taxpayer #14				3,272,200	5	0.45%
Taxpayer #15				3,234,800	6	0.44%
Taxpayer #16				3,198,500	7	0.44%
Taxpayer #17				2,927,500	8	0.40%
Taxpayer #18				2,916,200	9	0.40%
Taxpayer #19				2,909,800	10	0.40%
	<u>\$40,198,600</u>		<u>4.93%</u>	<u>\$46,057,000</u>		<u>6.29%</u>

Source: Municipal Tax Assessor

**ESSEX FELLS SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS
SCHOOL DISTRICT COLLECTION ONLY
*Unaudited***

J-9

Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2014	\$ 4,297,250	\$ 4,297,250	100.00%	\$
2015	4,163,693	4,163,693	100.00%	
2016	4,317,282	4,317,282	100.00%	
2017	4,403,627	4,403,627	100.00%	
2018	4,606,699	4,606,699	100.00%	
2019	4,836,633	4,836,633	100.00%	
2020	5,077,916	5,077,916	100.00%	
2021	5,331,304	5,331,304	100.00%	
2022	5,437,397	5,437,397	100.00%	
2023	5,573,001	5,108,584	91.67%	464,417

Source: Township 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.

DEBT CAPACITY

**ESSEX FELLS SCHOOL DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
Unaudited**

J-10

Year Ended June 30,	Governmental Activities			Business- Type Capital Leases	Total District	Percentage of Personal Income (a)	Per Capita (a)
	Serial Bonds	Capital Leases	Bond Anticipation Notes (BANS)				
2014	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-
2022	-	20,340	-	-	20,340	0.01%	9.32
2023	600,000	10,849	-	-	610,849	*	281.76

Source: School District Financial Records

*Data was not provided by School District.

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.

ESSEX FELLS SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
Unaudited

J-11

Fiscal Year Ended June 30,	General Obligation <u>Bonds</u>	<u>Deductions</u>	Net General Bonded Debt <u>Outstanding</u>	Percentage of Actual Taxable Value of <u>Property (a)</u>	Per Capita (b)
2014	\$ -	\$ -	\$ -	-	\$ -
2015	-		-	-	-
2016	-		-	-	-
2017	-		-	-	-
2018	-		-	-	-
2019	-		-	-	-
2020	-		-	-	-
2021	-		-	-	-
2022	-		-	-	-
2023	600,000		600,000	0.08%	277

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 data.

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

ESSEX FELLS SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2023
Unaudited

J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Essex Fells	\$ 4,011,898	100.00%	\$ 4,011,898
Essex County General Obligation Debt	685,637,111	0.82%	<u>5,627,887</u>
Sub-Total Overlapping Debt			9,639,785
Essex Fells School District Direct Debt			<u>600,000</u>
Total Direct and Overlapping Debt			<u><u>\$10,239,785</u></u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Essex Fells. 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 payment.

(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.

**ESSEX FELLS SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)
Unaudited**

J-13

Legal Debt Margin Calculation for Fiscal Year 2022

		<u>Equalized Valuation Basis</u>
	2022	\$ 814,155,909
	2021	808,199,624
	2020	<u>796,099,222</u>
	(a)	<u>\$ 2,418,454,755</u>
Average Equalized Valuation of Taxable Property	[A/3]	<u>\$806,151,585.00</u>
Debt Limit (2.5% of Average Equalization Value)	[B]	\$ 20,153,790
Net Bonded School Debt	[C]	<u>600,000</u>
Legal Debt Margin	[B-C]	<u>\$ 19,553,790</u>

	<u>Fiscal Year</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>
Debt Limit	\$ 18,727,131	\$ 18,671,713	\$ 18,821,780	\$ 19,035,420	\$ 19,496,488	\$ 19,792,558	\$ 20,314,691	\$ 20,153,367	\$ 20,223,047	\$ 20,153,790
Total Net Debt Applicable to Limit										<u>600,000</u>
Legal Debt Margin	<u>\$ 18,727,131</u>	<u>\$ 18,671,713</u>	<u>\$ 18,821,780</u>	<u>\$ 19,035,420</u>	<u>\$ 19,496,488</u>	<u>\$ 19,792,558</u>	<u>\$ 20,314,691</u>	<u>\$ 20,153,367</u>	<u>\$ 20,223,047</u>	<u>\$ 19,553,790</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.98%

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

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

**ESSEX FELLS SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
*Unaudited***

J-14

<u>Year</u>	<u>Population (a)</u>		<u>Personal Income (b)</u>	<u>Essex County Per Capita Personal Income (c)</u>	<u>Unemployment Rate (d)</u>
2013	2,190	R	\$121,258,110	\$ 55,369 R	2.40%
2014	2,162	R	125,000,354	57,817 R	4.40%
2015	2,135	R	128,379,685	60,131 R	3.80%
2016	2,102	R	128,825,274	61,287 R	2.90%
2017	2,092	R	132,954,968	63,554	3.10%
2018	2,085		140,652,015	67,459	2.60%
2019	2,088		141,267,816	67,657	2.30%
2020	2,071		145,999,287	70,497	6.40%
2021	2,182		162,144,420	74,310	3.60%
2022	2,168		*	*	2.50%

*Data was not provided by School District.

R - Data Revised

Source:

a = Population information provided by the N.J. Department 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 U.S. Bureau of Economic Analysis.

d = Unemployment Data provided by the N.J. Department of Labor and Workforce Development.

**ESSEX FELLS SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
*Unaudited***

J-15

<u>Employer</u>	<u>2023</u>		<u>2014</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
Essex Fells Country Club	106	*	59	*
Essex Fells Board of Education	49	*	46	*
Borough of Essex Fells	32	*	31	*

*Data was not provided by School District.

Districts may obtain principal employer information from various sources such as their local Chamber of Commerce, local Economic Development Agency, or other creditable source for their municipality.

OPERATING INFORMATION

ESSEX FELLS SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Unaudited

J-16

<u>Function/Program</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>	<u>2023</u>
Instruction:										
Regular	28.0	27.7	28.0	29.0	30.6	33.0	33.0	33.0	31.0	31.4
Support Services:										
Student and Instruction Related Services	10.0	7.6	6.6	6.6	4.2	5.2	5.2	6.2	8.3	9.3
General Administration	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
School Administration Services	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Central Services	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0
Plant Operations and Maintenance	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.4</u>	<u>3.0</u>	<u>3.0</u>
Total	<u>46.0</u>	<u>44.3</u>	<u>43.6</u>	<u>44.6</u>	<u>43.8</u>	<u>47.2</u>	<u>47.2</u>	<u>48.6</u>	<u>48.3</u>	<u>48.7</u>

Source: District Personnel Office

**ESSEX FELLS SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
Unaudited**

J-17

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff Elementary (b)</u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE) (c)</u>	<u>Average Daily Attendance (ADA) (c)</u>	<u>Percentage Change in (ADE)</u>	<u>Student Attendance Percentage</u>
2014	209	\$4,657,203	\$22,283	2.87%	31.2	6.7	207.3	197.1	-1.43%	95.08%
2015	210	4,950,179	23,572	5.78%	31.3	6.7	208.9	199.3	0.77%	95.40%
2016	209	4,963,945	23,751	0.76%	31.0	6.9	207.2	198.0	-0.81%	95.56%
2017	223	5,095,720	22,851	-3.79%	31.0	7.3	223.4	211.4	7.82%	94.63%
2018	228	5,608,836	24,600	7.66%	31.6	7.9	228.3	217.0	2.19%	95.05%
2019	250	5,936,299	23,745	-3.48%	34.0	7.4	250.0	249.9	9.51%	99.96%
2020	257	6,184,392	24,064	1.34%	34.0	7.6	251.0	249.3	0.40%	99.32%
2021	251	6,690,314	26,655	10.77%	33.0	7.6	253.7	250.4	1.08%	98.70%
2022	256	7,293,943	28,492	6.89%	31.0	8.3	254.2	239.3	0.20%	94.14%
2023	242	7,448,682	30,780	8.03%	31.4	7.7	244.9	230.5	-3.65%	94.12%

Source: School District Financial Records

Note: Enrollment based on annual October District count.

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

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

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

**ESSEX FELLS SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
*Unaudited***

J-18

<u>District Building</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>	<u>2023</u>
Primary:										
Square Feet	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600
Capacity Students	180	180	250	310	310	310	310	310	310	310
Enrollment	242	242	141	151	156	160	134	148	148	148
Upper Building:										
Square Feet	26,400	26,400	26,400	26,400	26,400	26,400	26,400	26,400	26,400	26,400
Capacity Students	205	205	128	179	179	179	179	179	179	179
Enrollment	26	26	68	72	73	93	123	103	103	103
Other:										
Garage	530	530	530	530	530	530	530	530	530	530

Source: School District Facilities Office

ESSEX FELS SCHOOL DISTRICT
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITIES
 LAST TEN FISCAL YEARS
Unaudited

J-19

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

School Facilities*	School #	Fiscal Years Ending June 30,									
		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Building A	N/A	<u>\$179,440.26</u>	<u>\$187,723.19</u>	<u>\$153,235.28</u>	<u>\$180,776.82</u>	<u>\$130,929.80</u>	<u>\$166,759.08</u>	<u>\$142,195.04</u>	<u>\$118,250.52</u>	<u>\$136,024.08</u>	<u>\$95,119.31</u>

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

Source: School District Records

**ESSEX FELLS SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2023
Unaudited**

J-20

<u>Policy Type</u>	<u>Coverage</u>	<u>Deductible</u>
<u>New Jersey Schools Insurance Group</u>		
Property Section:		
Blanket Real and Personal Property per Occurrence	\$500,000,000	\$1,000
Extra Expense per Occurrence	50,000,000	
Equipment Breakdown	100,000,000	
Boiler and Machinery Limit	100,000,000	
General and Auto Liability Coverage:		
Primary Limit of Liability per Occurrence - No Aggregate	21,000,000	
Workers' Compensation:		
Employers' Liability per Occurrence/Aggregate	3,000,000	
<u>Travelers Casualty and Surety Company of America</u>		
Surety Bonds:		
Board Secretary/Business Administrator	160,000	
Treasurer	160,000	

Source: School District Records

SINGLE AUDIT SECTION

550 BROAD STREET, 11TH FLOOR
NEWARK, N.J. 07102-9969
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303
FREEHOLD, N.J. 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

**INDEPENDENT AUDITOR'S 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**

The Honorable President and Members
of the Board of Education
Essex Fells School District
County of Essex
Essex Fells, New Jersey 07021

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 *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Essex Fells School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Essex Fells School District's basic financial statements, and have issued our report thereon dated November 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Essex Fells School 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 Essex Fells School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Essex Fells School District's internal control.

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

Our consideration of 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 Essex Fells School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS



JOSEPH J. FACCONI
Licensed Public School Accountant #194

Newark, New Jersey
November 30, 2023

550 BROAD STREET, 11TH FLOOR
NEWARK, N.J. 07102-9969
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303
FREEHOLD, N.J. 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
NEW JERSEY OMB CIRCULAR 15-08**

The Honorable President and Members
of the Board of Education
Essex Fells School District
County of Essex
Essex Fells, New Jersey 07021

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Essex Fells School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement and New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Essex Fells School District's major state programs for the year ended June 30, 2023. The Essex Fells School District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Essex Fells School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

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 as prescribed by the Office of School Finance, Department of Education, State of New Jersey*; 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 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 Essex Fells School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Essex Fells School 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 Essex Fells School District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Essex Fells School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the *Office of School Finance, Department of Education, State of New Jersey*, and New Jersey OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting 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 Essex Fells School District's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and New Jersey 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 Essex Fells School 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 Essex Fells School 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 New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the Essex Fells School 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 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 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 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.

Report on Internal Control over Compliance (Continued)

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 New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS



JOSEPH J. FACCONI
Licensed Public School Accountant #194

Newark, New Jersey
November 30, 2023

**ESSEX FELLS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

SCHEDULE A

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Award Amount	Grant Period	Balance at June 30, 2022	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	June 30, 2023		
												(Accounts Receivable)	Deferred Inflows	Due to Grantor
U.S. Department of Education: Passed-Through State Department of Education:														
Special Revenue Fund:														
Title I, Part A	84.010	S010A210030	NCLB-1400-22	\$ 10,797.00	07/01/21 - 09/30/22	\$ (10,797.00)	\$ -	\$ 10,797.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Title II, Part A	84.367A	S367A220029	NCLB-1400-23	3,273.00	07/01/22 - 09/30/23	-	-	2,994.00	(3,273.00)	-	-	(279.00)	-	-
Title II, Part A	84.367A	S367A210029	NCLB-1400-22	3,803.00	07/01/21 - 09/30/22	(3,803.00)	-	3,803.00	-	-	-	-	-	-
Title IV	84.424A	S424A220031	NCLB-1400-23	10,000.00	07/01/22 - 09/30/23	-	-	8,521.00	(10,000.00)	-	-	(1,479.00)	-	-
Title IV	84.424A	S424A210031	NCLB-1400-22	10,000.00	07/01/21 - 09/30/22	(10,000.00)	-	10,000.00	-	-	-	-	-	-
I.D.E.A. Part B, Basic Regular	84.027A	H027A220100	IDEA-1400-23	55,141.00	07/01/22 - 09/30/23	-	-	50,804.00	(55,141.00)	-	-	(4,337.00)	-	-
I.D.E.A. Part B, Basic Regular	84.027A	H027A210100	IDEA-1400-22	53,407.00	07/01/21 - 09/30/22	(53,407.00)	-	53,407.00	-	-	-	-	-	-
I.D.E.A. Part B, Preschool	84.173A	H173A220114	IDEA-1400-23	4,136.00	07/01/22 - 09/30/23	-	-	4,013.00	(4,136.00)	-	-	(123.00)	-	-
I.D.E.A. Part B, Preschool	84.173A	H173A210114	IDEA-1400-22	3,902.00	07/01/21 - 09/30/22	(3,902.00)	-	3,902.00	-	-	-	-	-	-
ARP - I.D.E.A. Basic Regular	84.027X	H027X210100	-	10,615.00	07/01/21 - 09/30/22	(10,615.00)	-	10,615.00	-	-	-	-	-	-
ARP - I.D.E.A. Preschool	84.173X	H173X210114	-	907.00	07/01/21 - 09/30/22	(907.00)	-	907.00	-	-	-	-	-	-
CRRSA Act - ESSER II	84.425D	S425D210027	-	67,172.00	03/13/20 - 09/30/23	(37,172.00)	-	-	-	-	-	(37,172.00)	-	-
CRRSA Act - Learning Acceleration Grant	84.425D	S425D210027	-	25,000.00	03/13/20 - 09/30/23	(18,750.00)	-	18,750.00	-	-	-	-	-	-
ARP ESSER III	84.425U	S425U210027	-	150,964.00	03/13/20 - 09/30/24	(28,902.55)	-	108,604.00	(111,123.67)	-	-	(31,422.22)	-	-
ARP ESSER - Accelerated Learning Grant	84.425U	S425U210027	-	50,000.00	03/13/20 - 09/30/24	-	-	6,781.00	(19,087.61)	-	-	(12,306.61)	-	-
ARP ESSER - Evidence Based Summer Learning Grant	84.425U	S425U210027	-	40,000.00	03/13/20 - 09/30/24	-	-	-	(6,776.25)	-	-	(6,776.25)	-	-
ARP ESSER - Evidence Based Comprehensive Beyond the School Day	84.425U	S425U210027	-	40,000.00	03/13/20 - 09/30/24	-	-	9,799.00	(11,316.25)	-	-	(1,517.25)	-	-
ARP ESSER - NJTSS Mental Health Support Staffing Grant	84.425U	S425U210027	-	45,000.00	03/13/20 - 09/30/24	-	-	45,000.00	(45,000.00)	-	-	-	-	-
Total Special Revenue Fund						<u>(178,255.55)</u>		<u>348,697.00</u>	<u>(265,853.78)</u>			<u>(95,412.33)</u>		
Total Federal Awards						<u>\$ (178,255.55)</u>	<u>\$ -</u>	<u>\$348,697.00</u>	<u>\$(265,853.78)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(95,412.33)</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

ESSEX FELLS SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SCHEDULE B

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2022				June 30, 2023					MEMO		
				Deferred Inflows (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures Pass-Through Funds	Budgetary Expenditures Direct	Adjustments/ Repayment of Prior Years' Balances	Intergovernmental (Accounts Receivable)	Deferred Inflows/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:															
General Fund:															
Special Education Aid	23-495-034-5120-089	\$ 217,134.00	7/01/22-6/30/23	\$	\$	\$	\$ 217,134.00	\$ (217,134.00)	\$	\$	\$	\$	\$	* \$21,671.50	\$ 217,134.00
Extraordinary Aid	22-495-034-5120-044	70,523.00	7/01/21-6/30/22	(70,523.00)			70,523.00							*	
Extraordinary Aid	23-495-034-5120-044	154,441.00	7/01/22-6/30/23					(154,441.00)			(154,441.00)			*	154,441.00
Security Aid	23-495-034-5120-084	16,768.00	7/01/22-6/30/23				16,768.00	(16,768.00)						*	1,667.80
Transportation Aid	23-495-034-5120-014	9,597.00	7/01/22-6/30/23				9,597.00	(9,597.00)						*	959.70
Non-Public Transportation Aid	22-495-034-5120-014	2,610.00	7/01/21-6/30/22				2,610.00	(2,610.00)						*	
On-Behalf TPAF Post-Retirement Medical	23-495-034-5094-001	270,093.00	7/01/22-6/30/23				270,093.00	(270,093.00)						*	270,093.00
On-Behalf TPAF Pension Contributions	23-495-034-5094-002	1,028,153.00	7/01/22-6/30/23				1,028,153.00	(1,028,153.00)						*	1,028,153.00
On-Behalf TPAF Noncontributory Insurance	23-495-034-5094-004	583.00	7/01/22-6/30/23				583.00	(583.00)						*	583.00
Reimbursed TPAF Social Security	22-495-034-5094-003	198,853.60	7/01/21-6/30/22	(9,488.90)			9,488.90							*	
Reimbursed TPAF Social Security	23-495-034-5094-003	188,036.10	7/01/22-6/30/23				188,036.10	(188,036.10)			(19,411.20)			*	188,036.10
Total General Fund				(80,011.90)			1,793,574.80	(1,887,415.10)			(173,852.20)			*	24,299.00
Total State Financial Assistance				<u>\$(80,011.90)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,793,574.80</u>	<u>\$(1,887,415.10)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (173,852.20)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>\$24,299.00</u>
Less: On-Behalf TPAF Pension System Contributions:															
On-Behalf TPAF Post-Retirement Medical	23-495-034-5094-001	270,093.00	7/01/22-6/30/23				\$ 270,093.00	\$ (270,093.00)							
On-Behalf TPAF Pension Contributions	23-495-034-5094-002	1,028,153.00	7/01/22-6/30/23				1,028,153.00	(1,028,153.00)							
On-Behalf TPAF Noncontributory Insurance	23-495-034-5094-004	583.00	7/01/22-6/30/23				583.00	(583.00)							
Total for State Financial Assistance Subject to Single Audit Major Program Determination							<u>\$ 494,745.80</u>	<u>\$ (588,586.10)</u>							

The accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

ESSEX FELLS SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2023

1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of the Essex Fells School District. The School District is defined in Note 1(A) to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed-through other government agencies is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Awards and Financial Assistance are presented on the budgetary basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in these schedules are presented in accordance with the requirements of *Title 2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or 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 one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund and capital projects fund are presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(4,770.00) for the general fund and \$ - 0 - for the special revenue fund. See Note 2 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

**ESSEX FELLS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified? Yes √ No
- 2) Significant deficiencies identified? Yes √ None Reported

Noncompliance material to basic financial statements noted? Yes √ No

Federal Awards

Not Applicable

State Financial Assistance

Internal control over major programs:

- 1) Material weakness(es) identified) Yes √ No
- 2) Significant deficiencies identified that are not considered to be material weaknesses? Yes √ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08? Yes √ No

Identification of major programs:

<u>State Grant Number(s)</u>	<u>Name of State Program</u>
23-495-034-5094-003	Reimbursed TPAF Social Security

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee? √ Yes No

Section II - Financial Statement Findings:

NONE

**ESSEX FELLS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)**

Section III - State Financial Assistance Findings and Questioned Costs:

NONE

**ESSEX FELLS SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2023**

NONE

