

**WATCHUNG BOROUGH
SCHOOL DISTRICT**

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

**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023**

**Annual Comprehensive
Financial Report**

of the

WATCHUNG BOROUGH SCHOOL DISTRICT

Watchung, New Jersey

For the Fiscal Year Ended June 30, 2023

Watchung Borough School District

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

WATCHUNG BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION
(UNAUDITED)



WATCHUNG

BOROUGH SCHOOL DISTRICT

DR. JULIE GLAZER
SUPERINTENDENT

PATRICIA RODGERS
BUSINESS ADMINISTRATOR

NICOLE DITOTA
DIRECTOR OF SPECIAL SERVICES

October 20, 2023

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

Dear Board Members and Citizens:

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

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, as well as special education for students with disabilities. The District completed the 2022-2023 fiscal year with an enrollment of 674 students, which is 33 more students than the previous year's enrollment.

2. ECONOMIC CONDITION AND OUTLOOK: The Borough of Watchung was organized on April 20, 1926 and covers an area of approximately 6.2 square miles. Watchung was settled in the early eighteenth century and grew slowly until the second half of the 20th century. In 1960, the population was 3,312 and in 2020 it was 6,449. Watchung Borough is primarily a suburban residential community with approximately 2,382 residential units. The Borough also has a number of substantial commercial ratables, principally located on State Highway 22 on the outskirts of the Borough. The Watchung Square Mall, a 750,000 square foot shopping center, is currently assessed for over \$128 million. Crystal Ridge, a 280-unit apartment complex, located next to the shopping center, is assessed at over \$40 million. A new affordable housing project on the eastern end of town is in the early stages of the development process.

The District's fund balance position and the ability to guarantee the adoption of prudent budgets will enable the District to continue to provide its students with a high-quality educational program, but capital improvements are necessary and will go beyond the limits of a 2% tax levy cap that has been imposed by the State. On December 13, 2022, the residents of Watchung Borough approved a referendum consisting of two separate questions. The first question, with a cost not to exceed \$12,807,985 encompasses upgrades to HVAC systems, interior renovations, security upgrades, roof replacements and maintenance, replacement of exterior doors, electrical and plumbing upgrades, and other expenses associated with fixtures, furniture, equipment, and any site work. The second question, with a cost not to exceed \$2,926,503 encompasses the installation of air conditioning for the gymnasiums at Bayberry and Valley View Schools and the renovation of the existing softball field to create a multi-purpose field at Valley View School.

3. MAJOR INITIATIVES: The Watchung Borough School District has continued to provide excellence in education for all students (PreK-8). The District maintains a tuition-based, integrated preschool program for 3- and 4-year-old children. A full-day academic kindergarten is offered to students who reach age five by October 1. Spanish is offered to students in grades K-4. Spanish and French are offered to students in grades 5-8. Mathematics in middle school includes accelerated algebra and geometry. A state-of-the-art STEM Lab was opened during the 2019-2020 school year and all students take a half-year STEM class that is based on the state curricular standards. Students enjoy vocal and instrumental music and fine and performing arts opportunities. The District's program for gifted and talented students, SOAR, is offered to students identified as eligible in grades K-8. Guidance counselors in both schools assist teachers and administrators in assessing and meeting the academic, social, and emotional needs of the students. An Autism Class for students ages 5-8 is housed in the Bayberry Elementary School. A preschool disabled program is available for students beginning at age 3. Resource center and in-class support programs are available in both schools.

A link to the public portal for parents to view the district curriculum is available through Rubicon Atlas, a software program, which is linked to the District's website. Curriculum is reviewed and updated in accordance with the periodic adoption of the New Jersey Student Learning Standards by the New Jersey Department of Education. Curriculum articulation occurs with other sending districts and Watchung Hills Regional High School. The district promotes professional learning for its staff and continues to support training on the various instructional and administrative software applications that are used by teachers and students. The District has an ESL program that serves students in grades K-8.

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

Genesis continues to serve as the District's student information system (SIS). The Genesis Parent Portal allows easy access for parents to check their children's academic progress. The District regularly uses School Messenger for promoting ongoing communication with families and the school community. The District launched a new website in 2022-2023 with a view toward broadening and enhancing its communication with the community and improving public relations.

The District continued its use of the 2022 version of the Danielson Framework for Teaching as the observation and evaluation framework for certified teaching staff members. Administrators are observed and evaluated through the use of the Marshall Rubric. Both rubrics are incorporated into Genesis for efficient use, communication, and documentation. In compliance with state requirements, mandated training for staff is conducted through in-person professional development and online through Safe Schools.

The Somerset County Youth Service Commission (YSC) provided a grant that sponsored the Pursuit of Excellence programs and Valley View and Bayberry Schools. These after school and summer programs are designed to accelerate learning for our most vulnerable students. In addition, the YSC grant supported the TREP\$ (Entrepreneurship) program at Valley View School. This innovative program encourages students to develop their own marketable products and develop a marketing plan for the product. Students also benefit from instruction in the Watchung Police Department's D.A.R.E. program. Beginning in September 2023, through a shared service agreement with the Borough of Watchung, the District will have an assigned School Resource Officer to be shared between the two school buildings.

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

With the resignation of Superintendent George Alexis effective June 30, 2023, the Board of Education entered into an agreement with the New Jersey School Boards Association to conduct a Superintendent Search. Input was gathered from staff members, administrators and community residents with regard to the qualities and qualifications desired in a new superintendent. The Board appointed a new superintendent, Dr. Julie Glazer, on August 30, 2023 for the 2023-2024 school year.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 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. These funds are explained in "Notes to the Basic Financial Statements," Note 1.

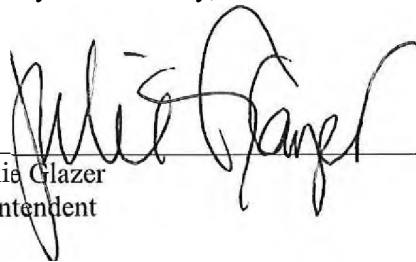
7. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 3. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under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

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

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

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

Respectfully submitted by,



Dr. Julie Glazer
Superintendent



Patricia Rodgers, Business Administrator



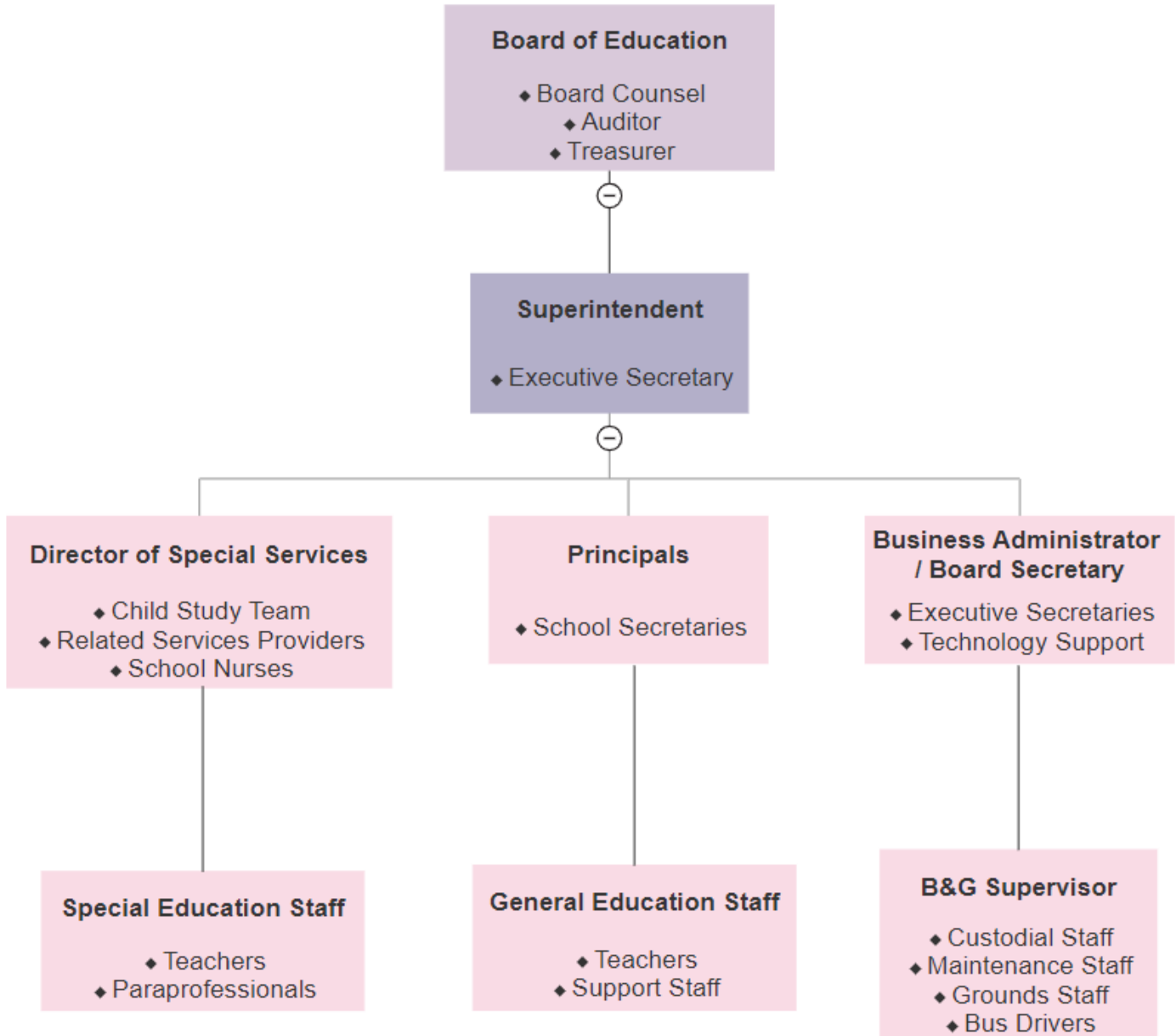
WATCHUNG

BOROUGH SCHOOL DISTRICT

DR. JULIE GLAZER
SUPERINTENDENT

PATRICIA RODGERS
BUSINESS ADMINISTRATOR

NICOLE DITOTA
DIRECTOR OF SPECIAL SERVICES



WATCHUNG BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2022

Members of the Board of Education	Term Expires
Amber Murad, President	2023
Anthony Ingrassia, Vice President	2024
Richard Buccarelli	2024
Manuel Gonzalez	2025
Mohamed Freij	2025
Dorie Harvey	2024
Phyllis Juette	2025
Peter Morales	2023
Gail O'Donnell	2023

Other Officials

Dr. George Alexis, Superintendent of Schools (till 6/30/2023)
Dr. Rene Rovtar, Interim Superintendent of Schools
Dr. Julie Glazer, Superintendent of Schools (from 8/30/2023)
Patricia Rodgers, School Business Administrator/Board Secretary
Nicole DiTota, Director of Special Services Karin Kidd, Valley
View School Principal
Denise Fichner, Bayberry School Principal
Ricky Boyd, Supervisor of Buildings & Grounds
William J. Hance, Treasurer
Comegno Law Group, Legal Counsel

**WATCHUNG BOROUGH SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

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

Attorney at Law

Comegno Law Group, PC
521 Pleasant Valley Avenue
Moorestown, NJ 08873

Architect

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

Benefit Advisor

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

Property Insurance Advisor

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

Official Depository

Investors Bank
1153 Valley Road
Stirling, NJ 07980

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Watchung Borough School District (the “District”), in the County of Somerset, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
October 20, 2023

Nisivoccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

This section of Watchung Borough School District’s annual financial report presents its discussion and analysis of the District’s financial performance during the fiscal year ending June 30, 2023. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

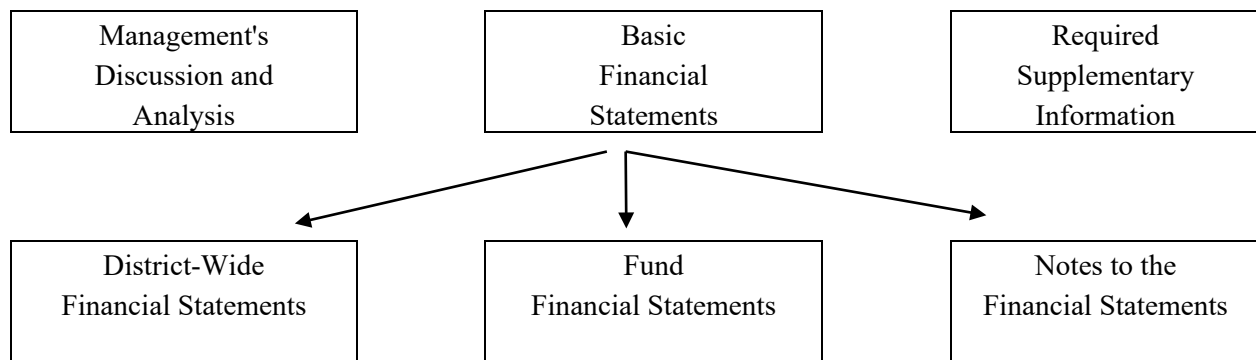
Overview of the Financial Statements

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

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

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

Figure A-1



WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

WATCHUNG BOROUGH SCHOOL DISTRICT Management Discussion and Analysis

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

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

Financial Analysis of the District as a Whole

Net Position. The District’s combined net position increased \$130,256. Net position from governmental activities increased by \$134,740 and net position from business activities decreased by \$4,484. Net investment in capital assets decreased by \$435,193, restricted net position increased by \$374,395 and unrestricted net position increased by \$190,054.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	
Current and Other Assets	\$ 19,917,999	\$ 3,658,565	\$ 35,240	\$ 40,841	\$19,953,239	\$ 3,699,406	
Capital Assets, Net	13,584,229	13,467,236		2,290	13,584,229	13,469,526	
Total Assets	<u>33,502,228</u>	<u>17,125,801</u>	<u>35,240</u>	<u>43,131</u>	<u>33,537,468</u>	<u>17,168,932</u>	95.34%
Deferred Outflows of Resources	489,490	308,291			489,490	308,291	58.78%
Other Liabilities	1,503,469	480,053	68	3,475	1,503,537	483,528	
Long-Term Liabilities	18,136,106	2,024,303			18,136,106	2,024,303	
Total Liabilities	<u>19,639,575</u>	<u>2,504,356</u>	<u>68</u>	<u>3,475</u>	<u>19,639,643</u>	<u>2,507,831</u>	683.13%
Deferred Inflows of Resources	441,794	1,150,846			441,794	1,150,846	-61.61%
Net Position:							
Investment in Capital							
Assets	13,034,333	13,467,236		2,290	13,034,333	13,469,526	
Restricted	2,654,042	2,279,647			2,654,042	2,279,647	
Unrestricted/(Deficit)	<u>(1,778,026)</u>	<u>(1,971,274)</u>	<u>35,172</u>	<u>37,366</u>	<u>(1,742,854)</u>	<u>(1,933,908)</u>	
Total Net Position	<u>\$ 13,910,349</u>	<u>\$ 13,775,609</u>	<u>\$ 35,172</u>	<u>\$ 39,656</u>	<u>\$13,945,521</u>	<u>\$13,815,265</u>	0.94%

Changes in Net Position. Net position in the Governmental Activities increased due primarily to the issuance of serial bonds, capital assets additions offset by depreciation expense as well as excess revenues and unexpended budget balances in the General Fund. An explanation for the change in Net Position for Business-Type Activities is included later in this section of the report.

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	
Revenue:							
Program Revenue:							
Tuition	\$ 223,400	\$ 157,006			\$ 223,400	\$ 157,006	
Charges for Services	74,267	19,138	\$ 107,250	\$ 83,081	181,517	102,219	
Operating Grants & Contributions	3,548,573	3,562,760	3,357	2,325	3,551,930	3,565,085	
General Revenue:							
Property Taxes	12,536,093	12,290,287			12,536,093	12,290,287	
Unrestricted Federal & State Aid	487,734	497,441			487,734	497,441	
Other	357,335	43,049			357,335	43,049	
Total Revenue	<u>17,227,402</u>	<u>16,569,681</u>	<u>110,607</u>	<u>85,406</u>	<u>17,338,009</u>	<u>16,655,087</u>	4.10%
Expenses:							
Instruction	10,420,066	10,226,600			10,420,066	10,226,600	
Pupil and Instruction Services	2,937,845	2,552,389			2,937,845	2,552,389	
Administrative and Business	1,337,585	1,535,368			1,337,585	1,535,368	
Maintenance and Operations	1,401,247	1,248,406			1,401,247	1,248,406	
Transportation	948,781	801,679			948,781	801,679	
Other	47,138	47,138	115,091	56,653	162,229	103,791	
Total Expenses	<u>17,092,662</u>	<u>16,411,580</u>	<u>115,091</u>	<u>56,653</u>	<u>17,207,753</u>	<u>16,468,233</u>	4.49%
Change in Net Position	<u>\$ 134,740</u>	<u>\$ 158,101</u>	<u>\$ (4,484)</u>	<u>\$ 28,753</u>	<u>\$ 130,256</u>	<u>\$ 186,854</u>	30.29%

Governmental Activities

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

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

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

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

**WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis**

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

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

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2022/2023</u>	<u>2021/2022</u>	<u>2022/2023</u>	<u>2021/2022</u>
Instruction	\$ 10,420,066	\$ 10,226,600	\$ 6,901,500	\$ 6,773,552
Pupil and Instruction Services	2,937,845	2,552,389	2,815,228	2,461,730
Administrative and Business	1,337,585	1,535,368	1,132,528	1,340,171
Maintenance and Operations	1,401,247	1,248,406	1,401,247	1,248,406
Transportation	948,781	801,679	948,781	801,679
Other	47,138	47,138	47,138	47,138
	<u>\$ 17,092,662</u>	<u>\$ 16,411,580</u>	<u>\$ 13,246,422</u>	<u>\$ 12,672,676</u>

Business-Type Activities

Net position from the District’s business-type activities decreased by \$4,484 due to increased sales. (Refer to Figure A-4).

Financial Analysis of the District’s Funds

The District’s financial position in the General Fund has been in a decline for the last few years with a slight increase in the current year. This is a result of significant changes in the student clientele and difficult economic times.

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

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

General Fund Budgetary Highlights

Over the course of the fiscal year, the District revised the annual operating budget between budgetary line items for changes in school-based needs. Student support services increased \$223,400 over budgeted amounts.

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

Capital Asset and Long-Term Liabilities

Current year capital additions were \$552,169 and annual depreciation was \$517,203 (\$514,913 from governmental activities and \$2,290 from business-type activities). (More information on the District’s capital assets is presented in Note 6 to the financial statements.)

Figure A-6

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	Percentage Change
Land	\$ 411,364	\$ 411,364			\$ 411,364	\$ 411,364	
Building and Building Improvements	11,997,209	12,359,630			11,997,209	12,359,630	
Machinery and Equipment	666,527	777,004		\$ 2,290	666,527	779,294	
Construction in Progress	509,129				509,129		
Total Capital Assets (Net of Depreciation)	\$ 13,584,229	\$ 13,547,998	\$ -0-	\$ 2,290	\$ 13,584,229	\$ 13,550,288	0.25%

Long-Term Liabilities

At year-end, the District had \$18,136,106 in long term liabilities – an increase of \$16,112,803 from the prior year – as shown in Figure A-7. (More detailed information about the District’s long-term liabilities is presented in Note 7 to the financial statements.)

Figure A-7

Outstanding Long-Term Liabilities

	Total School District		Percentage
	2022/2023	2021/2022	Change 2022/2023
Serial Bonds	\$ 15,734,000		
Compensated Absences	314,375	\$ 416,941	
Financed Purchases Payable	40,767	80,762	
Net Pension Liability	2,046,964	1,526,600	
	\$ 18,136,106	\$ 2,024,303	795.92%

- Serial Bonds were issued for \$15,734,000.
- Compensated absences payable decreased by a net amount of \$101,566.
- The net pension liability increased by \$520,364 from the prior year.
- The District continued to pay down it’s debt, which included retiring \$39,995 of financed purchases obligations.

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

Factors Bearing on the District's Future

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

- Tax Levy - The Board opted to prepare its 2023-2024 budget with a 2.0% tax levy increase. The district used some of the accrued interest from the sale of bonds authorized at the December 2022 referendum election as miscellaneous revenue to support the general fund budget in part. As this is not a sustainable source of revenue for the general fund budget, the district will need to explore alternatives which may include an increase to the tax levy through the use of banked cap as permitted by the New Jersey Department of Education.
- Personnel - As there continues to be a focus on the social and emotional wellness of our students and staff, the provision of a full-time guidance counselor for each school building becomes a priority. The district would also benefit from additional staffing in the areas of supervision of instruction, library/media services and technology as the number of devices to be supported may create an untenable situation for a department of one.
- Special Education Costs - The Director of Special Services continues to work to reduce out-of-district placements and to attract tuition students to District programs. This is an area of continued focus.

The District is fortunate to have strong community support for its schools. The support of our various community organizations and individual residents is generous with regard to the sharing of time and talent and the students of the Watchung Borough School District are the ultimate beneficiaries of this assistance. The current funding formula for public school districts in the State of New Jersey provides only a small fraction of the revenue needed with the majority of the District's funding coming from the local tax levy. We expect the current formula parameters to remain in place for the foreseeable future.

As the District begins to plan for the 2024-2025 fiscal year, it is important to formulate a general fiscal plan for the next several years. to ensure the ongoing fiscal stability of the district.

Request for Information

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 17,913,456	\$ 30,714	\$ 17,944,170
Receivable from State Government	465,514		465,514
Receivable from Federal Government	275,303	170	275,473
Other Accounts Receivable	34,834	4,356	39,190
Restricted Cash and Cash Equivalents	1,228,892		1,228,892
Capital Assets:			
Sites (Land) and Construction in Progress	920,493		920,493
Depreciable Buildings and Building Improvements and Machinery and Equipment	12,663,736		12,663,736
Total Assets	<u>33,502,228</u>	<u>35,240</u>	<u>33,537,468</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	489,490		489,490
Total Deferred Outflows of Resources	<u>489,490</u>		<u>489,490</u>
LIABILITIES			
Accounts Payable	696,026	68	696,094
Unearned Revenue	807,443		807,443
Noncurrent Liabilities:			
Due Within One Year	40,767		40,767
Due Beyond One Year	18,095,339		18,095,339
Total Liabilities	<u>19,639,575</u>	<u>68</u>	<u>19,639,643</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	441,794		441,794
Total Deferred Inflows of Resources	<u>441,794</u>		<u>441,794</u>
NET POSITION			
Investment in Capital Assets	13,034,333		13,034,333
Restricted for:			
Capital Projects	1,089,311		1,089,311
Excess Surplus	1,425,150		1,425,150
Unemployment Compensation	67,289		67,289
Student Activities	72,292		72,292
Unrestricted/(Deficit)	(1,778,026)	35,172	(1,742,854)
Total Net Position	<u>\$ 13,910,349</u>	<u>\$ 35,172</u>	<u>\$ 13,945,521</u>

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

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Functions/Programs	Program Revenue					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-Type Activities	Total	
			Grants and Contributions					
Governmental Activities:								
Instruction:								
Regular	\$ 7,322,029	\$ 223,400	\$ 2,001,018	\$ (5,097,611)	\$ (5,097,611)		\$ (5,097,611)	
Special Education	2,542,224		1,168,409	(1,373,815)	(1,373,815)		(1,373,815)	
Other Special Instruction	434,430		100,223.00	(334,207)	(334,207)		(334,207)	
School-Sponsored Other Instruction	121,383		25,516.00	(95,867)	(95,867)		(95,867)	
Support Services:								
Tuition	702,508			(702,508)	(702,508)		(702,508)	
Student & Instruction Related Services	2,235,337	74,267	48,350.00	(2,112,720)	(2,112,720)		(2,112,720)	
General Administrative Services	373,044		205,057.00	(167,987)	(167,987)		(167,987)	
School Administrative Services	531,440			(531,440)	(531,440)		(531,440)	
Central Services	307,241			(307,241)	(307,241)		(307,241)	
Administrative Information Technology	125,860			(125,860)	(125,860)		(125,860)	
Plant Operations and Maintenance	1,401,247			(1,401,247)	(1,401,247)		(1,401,247)	
Pupil Transportation	948,781			(948,781)	(948,781)		(948,781)	
Capital Outlay	47,138			(47,138)	(47,138)		(47,138)	
Total Governmental Activities	17,092,662	297,667	3,548,573	(13,246,422)	(13,246,422)		(13,246,422)	

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:						
Milk Program	\$ 8,681	\$ 2,624	\$ 3,357		\$ (2,700)	\$ (2,700)
Care Program	106,410	104,626			(1,784)	(1,784)
Total Business-Type Activities	115,091	107,250	3,357		(4,484)	(4,484)
Total Primary Government	\$ 17,207,753	\$ 404,917	\$ 3,551,930	\$ (13,246,422)	(4,484)	(13,250,906)
General Revenue:						
Taxes:						
Property Taxes, Levied for General Purposes, Net			\$ 12,536,093	\$ 12,536,093	\$	\$ 12,536,093
Federal and State Aid not Restricted			487,734	487,734		487,734
Interest and Miscellaneous Income			357,335	357,335		357,335
Total General Revenue			13,381,162	13,381,162		13,381,162
Change in Net Position			134,740	134,740	\$ (4,484)	130,256
Net Position - Beginning			13,775,609	13,775,609	39,656	13,815,265
Net Position - Ending			\$ 13,910,349	\$ 13,910,349	\$ 35,172	\$ 13,945,521

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

FUND FINANCIAL STATEMENTS

WATCHUNG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 2,244,929		\$ 15,668,527	\$ 17,913,456
Receivables From Federal Government		\$ 275,849		275,849
Receivables From State Government	458,936	6,578		465,514
Other Receivables	16,266	18,022		34,288
Interfund Receivables	499,549			499,549
Restricted Cash and Cash Equivalents	1,156,600	72,292		1,228,892
Total Assets	\$ 4,376,280	\$ 372,741	\$ 15,668,527	\$ 20,417,548
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 289,840	\$ 1,610	\$ 208,962	\$ 500,412
Interfund Payable		264,855	234,694	499,549
Unearned Revenue	773,459	33,984		807,443
Total Liabilities	1,063,299	300,449	443,656	1,807,404
Fund Balances:				
Restricted:				
Capital Reserve	1,089,311			1,089,311
Excess Surplus - 2024-2025	801,242			801,242
Excess Surplus - 2023-2024	623,908			623,908
Unemployment Compensation	67,289			67,289
Student Activities		72,292		72,292
Capital Projects Fund			15,224,871	15,224,871
Assigned:				
Encumbrances	2,689			2,689
Designated for Subsequent Year's Expenditures	231,482			231,482
Unassigned:				
General Fund	497,060			497,060
Total Fund Balances	3,312,981	72,292	15,224,871	18,610,144
Total Liabilities and Fund Balances	\$ 4,376,280	\$ 372,741	\$ 15,668,527	

WATCHUNG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

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

Total Fund Balances from previous page	\$ 18,610,144
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds.	13,584,229
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(2,046,964)
Long-Term Liabilities, including Bonds Payable, Financed Purchases Payable are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(16,090,142)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Deferred Outflows	293,876
Deferred Inflows	<u>(441,794)</u>
Net Position of Governmental Activities	<u><u>\$ 13,909,349</u></u>

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

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 12,536,093			\$ 12,536,093
Tuition from Individuals	223,400			223,400
Interest Earned on Capital Reserve Funds	11,163			11,163
Restricted Miscellaneous Revenue	15,355	\$ 93,680		109,035
Unrestricted Miscellaneous Revenue	96,123		\$ 234,694	330,817
Total - Local Sources	12,882,134	93,680	234,694	13,210,508
State Sources	4,396,936	20,872		4,417,808
Federal Sources		423,102		423,102
Total Revenue	17,279,070	537,654	234,694	18,051,418
EXPENDITURES				
Current:				
Regular Instruction	4,147,406	328,981		4,476,387
Special Education Instruction	1,628,385	134,406		1,762,791
Other Special Instruction	258,866			258,866
School Sponsored/Other Instruction	75,800			75,800
Support Services and Undistributed Costs:				
Tuition	702,508			702,508
Student & Instruction Related Services	1,630,902	56,987		1,687,889
General Administrative Services	383,331			383,331
School Administrative Services	349,364			349,364
Central Services	244,004			244,004
Administrative Information Technology	99,106			99,106
Plant Operations and Maintenance	1,167,150			1,167,150
Pupil Transportation	932,379			932,379
Unallocated Benefits	5,720,463			5,720,463
Capital Outlay	61,029		509,129	570,158
Total Expenditures	17,400,693	520,374	509,129	18,430,196
Excess/(Deficiency) of Revenues				
Over/(Under) Expenditures	(121,623)	17,280	(274,435)	(378,778)
OTHER FINANCING SOURCES/(USES)				
Serial Bonds Issued			15,734,000	15,734,000
Transfers	234,694		(234,694)	
Total Other Financing Sources/(Uses)	234,694		15,499,306	15,734,000
Net Change in Fund Balances	113,071	17,280	15,224,871	15,355,222
Fund Balance—July 1	3,199,910	55,012		3,254,922
Fund Balance—June 30	\$ 3,312,981	\$ 72,292	\$ 15,224,871	\$ 18,610,144

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

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

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 15,355,222

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

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

	Depreciation Expense	\$ (514,913)	
	Disposal of Capital Assets with Carrying Value	(1,025)	
	Capital Asset Additions	<u>552,169</u>	
			36,231

Proceeds from school bonds issued 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 position. (15,734,000)

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

	Change in Net Pension Liability	(520,364)	
	Change in Deferred Inflows	142,757	
	Change in Deferred Outflows	<u>712,333</u>	
			334,726

Repayment of financed purchases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. 39,995

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). 102,566

Change in Net Position of Governmental Activities (Exhibit A-2) \$ 134,740

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

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	<u>Business-Type Enterprise Funds</u> <u>Non-Major Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 30,714
Intergovernmental Accounts Receivable:	
Federal	170
Accounts Receivable	<u>4,356</u>
Total Current Assets	<u>35,240</u>
Non-Current Assets:	
Capital Assets	41,166
Less: Accumulated Depreciation	<u>(41,166)</u>
Total Non-Current Assets	<u>-0-</u>
Total Assets	<u>35,240</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	<u>68</u>
Total Current Liabilities	<u>68</u>
NET POSITION:	
Unrestricted	<u>35,172</u>
Total Net Position	<u><u>\$ 35,172</u></u>

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

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-Type Enterprise Funds <hr/> Non-Major Funds <hr/>
Operating Revenue:	
Local Sources:	
Milk Sales	\$ 2,624
Child Care Fees	<hr/> 104,626
Total Operating Revenue	<hr/> 107,250
Operating Expenses:	
Cost of Sales- Reimbursable Programs	6,391
Salaries, Benefits & Payroll Taxes	82,864
Miscellaneous Expenses	23,546
Depreciation Expense	<hr/> 2,290
Total Operating Expenses	<hr/> 115,091
Operating (Loss)	(7,841)
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	<hr/> 3,357
Total Non-Operating Revenue	<hr/> 3,357
Change in Net Position	(4,484)
Net Position - Beginning of Year	<hr/> 39,656
Net Position - End of Year	<hr/> <hr/> \$ 35,172

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

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-Type Enterprise Funds <u>Non-Major Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 108,355
Payments to Employees	(82,796)
Payments to Milk Vendor	(6,391)
Payment for Suppliers	<u>(26,886)</u>
Net Cash (Used for) Operating Activities	<u>(7,718)</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources:	
Special Milk Program	<u>3,342</u>
Net Cash Provided by Noncapital Financing Activities	<u>3,342</u>
Net (Decrease) in Cash and Cash Equivalents	(4,376)
Cash and Cash Equivalents, July 1	<u>35,090</u>
Cash and Cash Equivalents, June 30	<u>\$ 30,714</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating Income/(Loss)	\$ (7,841)
Adjustment to Reconcile Operating Loss to Cash (Used for) Operating Activities:	
Depreciation	2,290
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	1,240
(Decrease) in Accounts Payable	(3,272)
(Decrease) in Unearned Revenue	<u>(135)</u>
Net Cash (Used for) Operating Activities	<u>\$ (7,718)</u>

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd):

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

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

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

The District reports the following proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2023 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 17,294,213	\$ 527,673
Differences - Budgetary to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		9,981
Prior Year State Aid Payments Recognized for GAAP Statements	60,573	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(75,716)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 17,279,070	\$ 537,654
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 17,400,693	\$ 510,393
Differences - Budgetary to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		9,981
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 17,400,693	\$ 520,374

E. Cash and Cash Equivalents:

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

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

E. Cash and Cash Equivalents: (Cont'd)

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2023.

K. Capital Assets:

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

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

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

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

L. Lease Assets

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

M. Subscription Assets

Intangible right-to-use subscription assets are subscription-based information technology arrangements (SBITAs) with subscription terms of more than one year. The value of subscription assets is determined by the sum of the subscription liability and payments made to the SBITA vendor, including capitalizable initial implementation costs, before the commencement date of the subscription term.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

N. Long Term Liabilities:

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

O. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2023, the amount earned by these employees but not yet disbursed was \$247,415.

P. Compensated Absences:

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

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

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

Q. Lease Payable:

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

R. Subscription Payable:

In the district-wide financial statements, subscription payables are reported as liabilities in the Statement of Net Position. In the governmental Fund financial statements, the present value of subscription payments at the District's incremental borrowing rate over the subscription term is reported as other financing sources.

S. Unearned Revenue:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

T. Fund Balance Appropriated:

General Fund: Of the \$3,312,981 General Fund fund balance at June 30, 2023, \$1,089,311 is restricted in the capital reserve account; \$623,908 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2024; \$801,242 is restricted for current year excess surplus in accordance with N.J.S.A.18A:7F-7 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2025; \$2,689 is assigned for year-end encumbrances and \$231,482 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year end June 30, 2024; \$67,289 is restricted for unemployment compensation; and \$497,060 is unassigned fund balance, which is \$75,716 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2024.

Special Revenue Fund: The Special Revenue Fund balance at June 30, 2023 of \$72,292 is restricted for student activities.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2023 is \$15,224,871 is restricted.

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

Unassigned fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of \$75,716 as of June 30, 2023 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

U. Fund Balance Restrictions, Commitments and Assignments:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2023.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and designated for subsequent year's expenditures at June 30, 2023 in the General Fund.

V. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows and inflows of resources at June 30, 2023 related to pensions.

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

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

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

W. Deficit Net Position:

The District has a deficit of \$1,778,026 in unrestricted net position in its governmental activities, which is due to unassigned General Fund balance, assigned fund balance and deferred outflows of resources related to pensions; offset by net pension liability, compensated absences payable and deferred inflows of resources related to pensions. This deficit does not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

X. Revenue - Exchange and Nonexchange Transactions:

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

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

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

Y. Operating Revenue and Expenses:

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

Z. Management Estimates:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

AA. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

Deposits:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

Deposits: Cont'd

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

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

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

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

Investments:

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

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

Investments: (Cont'd)

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

As of June 30, 2023, cash and cash equivalents of the District consisted of the following:

Cash and Cash Equivalents	Restricted Cash and Cash Equivalents			Total	
	Capital Reserve Account	Unemployment Compensation	Student Activities		
Checking Accounts	\$ 17,944,170	\$ 1,089,311	\$ 67,289	\$ 72,292	\$ 19,173,062
	\$ 17,944,170	\$ 1,089,311	\$ 67,289	\$ 72,292	\$ 19,173,062

During the period ended June 30, 2023, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2023, was \$19,173,062 and the bank balance was \$19,779,461.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2022 to June 30, 2023 fiscal year is as follows:

Beginning Balance, July 1, 2022		\$ 1,078,148
Increased by:		
Unexpended Funds Returned to Capital Reserve	\$ 642,807	
Interest Earnings	<u>11,163</u>	
		<u>653,970</u>
		1,732,118
Decreased by:		
Budgeted Withdrawal from Capital Reserve		<u>642,807</u>
Ending Balance, June 30, 2023		<u><u>\$ 1,089,311</u></u>

The balance in the capital reserve account at June 30, 2023 did not exceed the balance of local support costs of uncompleted capital projects in the District’s approved Long Range Facilities Plan. Withdrawals from the capital reserve can be used in DOE approved facilities projects, consistent with the District’s LRFP.

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2023, the District made transfers into capital outlay accounts which the required approval of the County Superintendent was obtained.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023 were as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 411,364			\$ 411,364
Construction in Progress	-0-	\$ 509,129		509,129
Total Capital Assets Not Being Depreciated	411,364	509,129		920,493
Capital Assets Being Depreciated:				
Buildings and Building Improvements	19,904,476			19,904,476
Machinery and Equipment	2,286,588	43,040	\$ (1,025)	2,328,603
Total Capital Assets Being Depreciated	22,191,064	43,040	(1,025)	22,233,079
Governmental Activities Capital Assets	22,602,428	552,169	(1,025)	23,153,572
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(7,544,846)	(362,421)		(7,907,267)
Machinery and Equipment	(1,509,584)	(152,492)		(1,662,076)
	(9,054,430)	(514,913)		(9,569,343)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 13,547,998	\$ 37,256	\$ (1,025)	\$ 13,584,229
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 41,166			\$ 41,166
Less Accumulated Depreciation	(38,876)	\$ (2,290)		(41,166)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 2,290	\$ (2,290)	\$ - 0 -	\$ - 0 -

Depreciation expense was charged to governmental functions as follows:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2023, the following changes occurred in liabilities reported in the District-wide financial statements:

	Beginning Balance	Accrued	Retired	Ending Balance
Serial Bonds Payable		\$ 15,734,000		\$ 15,734,000
Financed Purchases Payable	\$ 80,762		\$ 39,995	40,767
Compensated Absences Payable	416,941	5,447	108,013	314,375
Net Pension Liability	1,526,600	520,364		2,046,964
	\$ 2,024,303	\$ 16,259,811	\$ 148,008	\$ 18,136,106

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

On March 8, 2023, the District issued debt in the amount of \$15,734,000 with interest rates ranging from 3.00% - 4.00% with consent of the taxpayers through a referendum to repair the infrastructure of its buildings. The bonds mature on March 1, 2023 through 2043.

The District has bonds outstanding of June 30, 2023 as follows:

Purpose	Final Maturity Date	Interest Rates	Principal Amount
School Bonds	3/1/2043	3.00% - 4.00%	\$ 15,734,000

Principal and interest due on Serial Bonds outstanding are as follows:

Fiscal Year	Principal	Interest	Total
2024		\$ 556,503	\$ 556,503
2025	\$ 639,000	567,539	1,206,539
2026	580,000	548,369	1,128,369
2027	605,000	530,969	1,135,969
2028	630,000	512,062	1,142,062
2029-2033	3,575,000	2,229,875	5,804,875
2034-2038	4,380,000	1,553,925	5,933,925
2039-2043	5,325,000	652,800	5,977,800
	\$ 15,734,000	\$ 7,152,042	\$ 22,886,042

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

B. Bonds Authorized But Not Issued:

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

C. Financed Purchases Payable:

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

The following is a schedule of the future minimum financed purchase payments under the finance purchase agreements, and the present value of the net minimum financed purchase payments at June 30, 2023.

<u>Year</u>	<u>Amount</u>
2024	\$ 41,553
Less: Amount Representing Interest	<u>(786)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 40,767</u>

The current portion of the financed purchase payable at June 30, 2023 is \$40,767 and the long-term portion is \$-0-. The General Fund will be used to liquidate the financed purchase payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance for compensated absences is \$314,375. The compensated absences payable will be liquidated through the General Fund.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2023, no liability existed for compensated absences in the Milk Program or Care Program.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2023 is \$-0- and the long-term portion is \$2,046,964. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

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

District contributions to PERS amounted to \$171,766 for the fiscal year. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$4,307 to the PERS for normal pension benefits on behalf of the District.

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

Special Funding Situation

A special funding situation exists for certain local employers of the PERS. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers Chapter 133, P.L. 2001. The special funding situation for Chapter 133, P.L. 2001 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation and there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The State special funding situation for the fiscal year ending June 30, 2022, is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2022. The pension expense is deemed to be a State administrative expense due to the special funding situation.

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

At June 30, 2023, the District's liability was \$2,046,964 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 used 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022, the District's proportion was 0.0136%, which was an increase of 0.0007% from its proportion measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the District recognized an actual pension benefit in the amount of \$163,680 related to the District's proportionate share of the net pension liability. Additionally, for the fiscal year ended June 30, 2022, the State recognized pension expense on behalf of the District in the amount of \$4,307 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2023 financial statements.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

There was no state proportionate share of net pension liability attributable to the District as of June 30, 2023.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2018	5.63		\$ 49,205
	2019	5.21		61,490
	2020	5.16		180,813
	2021	5.13		15,004
	2022	5.04	\$ 6,342	306,512
			<u>6,342</u>	<u>306,512</u>
Changes in Proportion	2018	5.63		10,949
	2019	5.21	14,268	
	2020	5.16		111,304
	2021	5.13	70,504	
	2022	5.04	103,266	122,253
			<u>188,038</u>	<u>122,253</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2019	5.00	2,025	
	2020	5.00	60,850	
	2021	5.00	(379,542)	
	2022	5.00	401,389	84,722
			<u>84,722</u>	
Difference Between Expected and Actual Experience	2018	5.63		1,874
	2019	5.21	4,700	
	2020	5.16	10,074	
	2021	5.13		5,044
	2022	5.04		6,111
			<u>14,774</u>	<u>13,029</u>
District Contribution Subsequent to the Measurement Date	2022	1.00	195,614	
			<u>\$ 489,490</u>	<u>\$ 441,794</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2023	\$ (175,588)
2024	(89,455)
2025	(43,626)
2026	95,175
2027	(209)
	\$ (213,703)

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:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75 – 6.55% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2022.

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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 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 and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2022 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
District's proportionate share of the Net Pension Liability	\$ 2,629,749	\$ 2,046,964	\$ 1,550,990

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

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

Benefits Provided

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2022, the State's pension contribution was more than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer. During the fiscal year ended 2023, the State of New Jersey contributed \$2,064,787 to the TPAF for normal pension benefits on behalf of the District, which is more than the contractually required contribution of \$671,162.

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

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

At June 30, 2023, the State's proportionate share of the net pension liability associated with the District was \$24,938,397. The net pension liability was measured as of June 30, 2022, and the total pension liability used 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022, the District's proportion was 0.0483%, which was an increase of 0.0045% from its proportion measured as of June 30, 2021.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		24,938,397
Total	\$	24,938,397

For the fiscal year ended June 30, 2022, the State recognized pension expense on behalf of the District in the amount of \$671,162 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2023 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2015	8.30	\$ 213,742,984	
	2016	8.30	1,695,809,748	
	2017	8.30		\$ 3,681,530,748
	2018	8.29		2,705,362,525
	2019	8.04		2,012,738,111
	2020	7.99	1,007,402,060	
	2021	7.93		11,041,509,093
	2022	7.83	96,143,072	
			3,013,097,864	19,441,140,477
Difference Between Expected and Actual Experience	2015	8.30	13,201,022	
	2016	8.30		21,088,845.00
	2017	8.30	65,502,212	
	2018	8.29	474,592,771	
	2019	8.04		78,198,040
	2020	7.99		5,368,990
	2021	7.93	146,524,969	
	2022	7.83		18,009,041
			699,820,974	122,664,916

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual	2016	5.00		
Net Difference Between Projected and	2019	5.00	\$ 36,220,692	
Actual Investment Earnings on Pension	2020	5.00	482,791,080	
Plan Investments	2021	5.00	(2,665,975,358)	
	2022	5.00	3,319,334,659	
			<u>1,172,371,073</u>	
			<u>\$ 4,885,289,911</u>	<u>\$ 19,563,805,393</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2023	\$ (2,658,825,381)
2024	(3,823,762,872)
2025	(3,351,102,048)
2026	(1,509,375,379)
2027	(1,647,727,819)
Thereafter	<u>(1,687,721,983)</u>
	<u>\$ (14,678,515,482)</u>

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%

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Actuarial Assumptions (Cont'd)

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2022.

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 pension 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%

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 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 made based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments in determining the total pension liability.

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2022 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 29,240,800	\$ 24,938,397	\$ 21,314,163

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

For DCRP, the District recognized pension expense of \$2,367 for the fiscal year ended June 30, 2023. Employee contributions to DCRP amounted to \$3,204 for the year ended June 30, 2023.

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired Employees Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided

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

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

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

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

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division's annual financial statements which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notice-oheb.shtml>.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

Employees Covered by Benefit Terms

At June 30, 2021, the plan membership consisted of the following:

Retirees Plan Members and Spouses of Retirees Currently Receiving Benefit Paymer	151,669
Active Plan Members	213,148
Total	364,817

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.

Actuarial Assumptions and Other Inputs

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

	TPAF/ABP	PERS	PFRS
Salary Increases:	2.75 - 4.25%	2.75 - 6.55%	3.25 - 16.25%
	based on years of service	based on years of service	based on years of service

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

Mortality Rates

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

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

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

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

	<u>Total OPEB Liability</u>
Balance at June 30, 2021	\$ 24,924,312
Changes for Year:	
Service Cost	1,288,174
Interest Cost	579,593
Difference between Actual and Expected Experience	1,501,102
Changes of Assumptions	(5,866,966)
Gross Benefit Payments by the State	(574,104)
Contributions from Members	18,418
Net Changes	<u>(3,053,783)</u>
Balance at June 30, 2022	<u>\$ 21,870,529</u>

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2022, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate (Cont'd)

	June 30, 2022		
	At 1% Decrease (2.54%)	At Discount Rate (3.54%)	At 1% Increase (4.54%)
Total OPEB Liability Attributable to the District	\$ 25,706,506	\$ 21,870,529	\$ 18,796,185

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2022, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 18,077,329	\$ 21,870,529	\$ 26,853,128

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

For the fiscal year ended June 30, 2023 the District recognized OPEB expense of \$1,119,955 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2022 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

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

	Deferral Year	Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 1,135,541
	2018	9.51		1,083,629
	2019	9.29	\$ 152,992	
	2020	9.24	3,612,211	
	2021	9.24	20,032	
	2022	9.13		5,224,363
				<u>3,785,235</u>
Differences Between Expected and Actual Experience	2018	9.51		1,024,367
	2019	9.29		1,800,725
	2020	9.24	3,366,723	
	2021	9.24		3,852,233
	2022	9.13	538,034	
				<u>3,904,757</u>
Changes in Proportion	N/A	N/A	<u>2,744,171</u>	<u>306,481</u>
			<u>\$ 10,434,163</u>	<u>\$ 14,427,340</u>

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

Fiscal Year Ending June 30,	Total
2023	\$ (1,086,975)
2024	(1,086,975)
2026	(1,086,975)
2026	(939,419)
2027	(537,172)
Thereafter	<u>(1,693,351)</u>
	<u>\$ (6,430,867)</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

NOTE 10. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

The June 30, 2023 financial information for the Fund are not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2022 is as follows:

	<u>Diploma Joint Insurance Fund</u>
Total Assets	\$ 22,628,660
Net Position	\$ 12,420,996
Total Revenue	\$ 10,348,927
Total Expenses	\$ 8,409,310
Change in Net Position	\$ 1,939,617
Members Dividends	\$ -0-

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

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

New Jersey Unemployment Compensation Insurance

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2023	-0-	\$ 15,355	\$ 13,668	\$ 67,289
2022	-0-	14,951	212	65,602
2021	-0-	11,210	223	50,863

NOTE 11. ECONOMIC DEPENDENCY

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

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2023:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 499,549	
Special Revenue Fund		\$ 264,855
Capital Projects Fund		234,694
	<u>\$ 499,549</u>	<u>\$ 499,549</u>

The interfund between General Fund and Special Revenue Fund is due to the cash deficit in the Special Revenue Fund due to the timing of reimbursements for grants. The interfund between General Fund and Capital Projects Fund is for interest earned on the referendum not transferred at year end.

NOTE 13. CONTINGENT LIABILITIES

Grant Programs

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 13. CONTINGENT LIABILITIES (Cont'd)

Litigation

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

Encumbrances

At June 30, 2023, there were encumbrances as detailed below in the governmental funds.

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 2,689	\$ 2,421	\$ 1,067,887	\$ 1,072,997

On the District's Governmental Funds Balance Sheet as of June 30, 2023, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$12,401 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund. The \$1,067,887 of year-end encumbrances in the Capital Projects Fund are included in the restricted fund balance amount on the Governmental Funds Balance Sheet as of June 30, 2023.

NOTE 14. ACCOUNTS PAYABLE

At June 30, 2023, there were accounts payable as detailed below:

	<u>Governmental Funds</u>			<u>District Contribution</u>	<u>Total Governmental Activities</u>	<u>Business- Type Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Subsequent to Measurement Date</u>		
Vendors	\$ 31,661	\$ 1,610	\$ 208,962		\$ 242,233	\$ 68
Payroll Deductions and Withholdings	10,764				10,764	
Accrued Salaries and Wages	247,415				247,415	
Due to State of New Jersey				\$ 195,614	195,614	
	<u>\$ 289,840</u>	<u>\$ 1,610</u>	<u>\$ 208,962</u>	<u>\$ 195,614</u>	<u>\$ 696,026</u>	<u>\$ 68</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 15. DEFERRED COMPENSATION

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

The plan administrators are as follows:

- AIG (V.A.L.I.C.)
- AXA Equitable Life Assurance
- Metropolitan Life Insurance Company

NOTE 16. TAX CALENDAR

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

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

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's proportion of the net pension liability	0.0155507330%	0.0150279424%	0.0140359078%	0.0137002301%
District's proportionate share of the net pension liability	\$ 2,911,523	\$ 3,373,472	\$ 4,157,033	\$ 3,189,195
District's covered employee payroll	\$ 1,006,888	\$ 952,957	\$ 955,122	\$ 923,519
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	289.16%	354.00%	435.24%	345.33%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%
				53.60%
				276.03%
				2,612,092
				946,298
				0.0001326642%
				0.0135637975%
				2,046,964
				1,025,859
				199.54%
				62.91%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 128,198	\$ 129,200	\$ 124,693	\$ 128,417
Contributions in relation to the contractually required contribution	(128,198)	(129,200)	(124,693)	(128,417)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 952,957	\$ 955,122	\$ 923,519	\$ 946,298
Contributions as a percentage of covered employee payroll	13.45%	13.53%	13.50%	13.57%

	Fiscal Year Ending June 30,		
	2020	2021	2022
Contractually required contribution	\$ 131,963	\$ 135,176	\$ 153,773
Contributions in relation to the contractually required contribution	(131,963)	(135,176)	(153,773)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 911,410	\$ 921,675	\$ 1,025,859
Contributions as a percentage of covered employee payroll	14.48%	14.67%	14.99%

	Fiscal Year Ending June 30,	
	2018	2019
Contractually required contribution	\$ 128,417	\$ 132,313
Contributions in relation to the contractually required contribution	(128,417)	(132,313)
Contribution deficiency/(excess)	\$ -0-	\$ -0-
District's covered employee payroll	\$ 946,298	\$ 935,785
Contributions as a percentage of covered employee payroll	13.57%	14.14%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's proportion of the net pension liability attributable to the District	0.0459199119%	0.0452895715%	0.0459795512%	0.0478369854%
State's proportionate share of the net pension liability attributable to the District	\$ 24,922,223	\$ 28,624,943	\$ 36,170,443	\$ 32,253,421
District's covered employee payroll	\$ 4,674,455	\$ 4,807,187	\$ 4,951,413	\$ 5,048,273
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	533.16%	595.46%	730.51%	638.90%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%
				638.93%
				26.49%
				0.0486004563%
				\$ 30,918,566
				\$ 4,839,145
				\$ 24,938,397
				\$ 6,033,093
				\$ 413,366
				\$ 32,299

	Fiscal Year Ending June 30,		
	2020	2021	2022
State's proportion of the net pension liability attributable to the District	0.0473583810%	0.0461751367%	0.0438261483%
State's proportionate share of the net pension liability attributable to the District	\$ 29,064,285	\$ 30,405,772	\$ 21,069,503
District's covered employee payroll	\$ 4,850,113	\$ 5,037,547	\$ 5,616,652
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	599.25%	603.58%	375.13%
Plan fiduciary net position as a percentage of the total pension liability	26.95%	24.60%	35.52%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 1,341,050	\$ 1,747,808	\$ 2,717,705	\$ 2,234,354	\$ 1,802,444
Contributions in relation to the contractually required contribution	(244,852)	(368,130)	(519,258)	(715,713)	(931,425)
Contribution deficiency/(excess)	\$ 1,096,198	\$ 1,379,678	\$ 2,198,447	\$ 1,518,641	\$ 871,019
District's covered employee payroll	\$ 4,807,187	\$ 4,951,413	\$ 5,048,273	\$ 4,839,145	\$ 4,850,113
Contributions as a percentage of covered employee payroll	27.90%	35.30%	53.83%	46.17%	37.16%
	Fiscal Year Ending June 30,				
	2020	2021	2022	2023	
Contractually required contribution	\$ 1,714,289	\$ 1,890,760	\$ 495,775	\$ 671,162	
Contributions in relation to the contractually required contribution	(1,012,798)	(1,273,973)	(1,989,805)	(2,064,787)	
Contribution deficiency/(excess)	\$ 701,491	\$ 616,787	\$ (1,494,030)	\$ (1,393,625)	
District's covered employee payroll	\$ 5,037,547	\$ 5,616,652	\$ 6,033,093	\$ 6,170,263	
Contributions as a percentage of covered employee payroll	34.03%	33.66%	8.22%	10.88%	

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

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

	Fiscal Year Ending June 30,					
	2017	2018	2019	2020	2021	2022
Total OPEB Liability						
Service Cost	\$ 1,062,895	\$ 878,584	\$ 721,342	\$ 781,193	\$ 1,423,380	\$ 1,288,174
Interest on the Total OPEB Liability	653,827	761,302	684,934	590,394	646,563	579,593
Changes of Benefit Terms					(26,529)	
Changes in Assumptions	(2,756,523)	(1,975,836)	243,232	4,934,062	24,590	(5,866,966)
Differences between Expected and Actual Experience		(2,608,820)	(2,068,195)	4,848,535	(3,662,352)	1,501,102
Contributions from Members	17,576	15,912	14,844	14,253	16,529	18,418
Gross Benefit Payments by the State	(477,305)	(460,399)	(500,768)	(470,247)	(509,310)	(574,104)
Net Change in Total OPEB Liability	(1,499,530)	(3,389,257)	(904,611)	10,698,190	(2,087,129)	(3,053,783)
Total OPEB Liability - Beginning	22,106,649	20,607,119	17,217,862	16,313,251	27,011,441	24,924,312
Total OPEB Liability - Ending	<u>\$ 20,607,119</u>	<u>\$ 17,217,862</u>	<u>\$ 16,313,251</u>	<u>\$ 27,011,441</u>	<u>\$ 24,924,312</u>	<u>\$ 21,870,529</u>
District's Covered Employee Payroll *	\$ 5,971,792	\$ 5,785,443	\$ 5,785,898	\$ 5,948,957	\$ 6,538,327	\$ 7,058,952
Total OPEB Liability as a Percentage of Covered Employee Payroll	345%	298%	282%	454%	381%	310%

* - Covered payroll for the fiscal years ending June 30, 2017 - 2022 are based on the payroll on the June 30, 2016 - 2021 census data.

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2021 actuarial valuation the salary increases were 2.75% – 6.55% based on years of service while in the July 1, 2020 actuarial valuation the salary increases were 2.00%-6.00% through 2026 and 3.00-7.00% thereafter based on years of service.

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

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2021 actuarial valuation the salary increases were 2.75% – 5.65% based on years of service while in the July 1, 2020 actuarial valuation the salary increases were 1.55%-4.45% through 2026 and 2.75%-5.65% thereafter based on years of service.

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

C. STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate for June 30, 2022 was 3.54%. The discount rate for June 30, 2021 was 2.16%, a change of 1.38%.

The salary increases for TPAF/ABP thereafter were 1.55% - 4.45% through 2026 and 2.75% - 5.65% for thereafter in the valuation as of June 30, 2021. The salary increases for TPAF/ABP were 2.75% - 4.25% in the valuation as of June 30, 2022.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

The salary increases for PERS were 2.00% - 6.00% through 2026 and 3.00% - 7.00% for thereafter in the valuation as of June 30, 2021. The salary increases for PERS were 2.75% - 6.55% in the valuation as of June 30, 2022.

The salary increases for PFRS were 3.25% - 15.25% through 2026 and not applicable for thereafter in the valuation as of June 30, 2021. The salary increases for PFRS were 3.25% - 16.25% in the valuation as of June 30, 2022.

The health care trend rates in the valuation as of June 30, 2022 were based on the following:

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 4.5% 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 rate after eight years.

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

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

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues from Local Sources:					
Local Tax Levy	\$ 12,536,093		\$ 12,536,093	\$ 12,536,093	
Tuition From Individuals	160,000		160,000	223,400	\$ 63,400
Unrestricted Miscellaneous Revenues	50,000		50,000	96,123	46,123
Interest Earned on Capital Reserve Funds	10,000		10,000	11,163	1,163
Other Restricted Miscellaneous Revenues				15,355	15,355
Total Revenues from Local Sources	12,756,093		12,756,093	12,882,134	126,041
Revenues from State Sources:					
Categorical Transportation Aid	222,795		222,795	222,795	
Extraordinary Aid	150,000		150,000	425,921	275,921
Categorical Special Education Aid	613,252		613,252	613,252	
Categorical Security Aid	51,205		51,205	51,205	
Additional Nonpublic Transportation Aid				10,608	10,608
TPAF Post Retirement Contributions (Non-Budgeted)				549,940	549,940
TPAF Pension Contributions (Non-Budgeted)				2,064,787	2,064,787
TPAF Non-Contributory Insurance (Non-Budgeted)				28,647	28,647
TPAF Long-Term Disability Insurance (Non-Budgeted)				782	782
Reimbursed TPAF Social Security Contributions				444,142	444,142
Total Revenues from State Sources	1,037,252		1,037,252	4,412,079	3,374,827
TOTAL REVENUE	13,793,345		13,793,345	17,294,213	3,500,868

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
GENERAL CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 120,575	\$ (2,007)	\$ 118,568	\$ 118,568	
Kindergarten - Salaries of Teachers	315,543	(1,582)	313,961	313,961	
Grades 1-5 - Salaries of Teachers	1,915,815	(34,269)	1,881,546	1,870,938	\$ 10,608
Grades 6-8 - Salaries of Teachers	1,396,510	70,239	1,466,749	1,440,246	26,503
Regular Programs - Home Instruction:					
Salaries of Teachers	2,606		2,606	560	2,046
Regular Programs - Undistributed Instruction:					
Unused Vacation Payment to Terminated/Retired Staff	3,988	(2,572)	1,416	1,416	
Purchased Professional-Educational Services	260,234	(91,875)	168,359	162,852	5,507
Purchased Technical Services	14,170	(1,360)	12,810	12,810	
Other Purchased Services (400-500 series)	169,840	1,600	1,600	1,010	590
General Supplies	40,000	33,004	202,844	190,006	12,838
Textbooks	1,720	(5,926)	34,074	34,074	
Other Objects			1,720	965	755
Total Regular Programs - Instruction	4,241,001	(34,748)	4,206,253	4,147,406	58,847
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	804,117	(3,657)	800,460	799,304	1,156
Other Salaries for Instruction	148,506	(40,418)	108,088	103,132	4,956
Purchased Professional-Educational Services	349,391	66,368	415,759	356,723	59,036
General Supplies	8,134	(547)	7,587	6,069	1,518
Total Resource Room/Resource Center	1,310,148	21,746	1,331,894	1,265,228	66,666

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Autism:					
Salaries of Teachers	\$ 72,378	\$ (2,646)	\$ 69,732	\$ 64,998	\$ 4,734
Other Salaries for Instruction	40,746	(12,518)	28,228	28,164	64
Purchased Professional-Educational Services	120,946	(84,051)	36,895	26,550	10,345
General Supplies	6,293	(642)	5,651	5,651	
Total Autism	240,363	(99,857)	140,506	125,363	15,143
Preschool Disabilities - Full-Time:					
Salaries of Teachers	108,720	(6,681)	102,039	102,039	
Other Salaries for Instruction	39,941	(11,713)	28,228	28,228	
Purchased Professional-Educational Services	239,311	(104,102)	135,209	107,527	27,682
Total Preschool Disabilities - Full-Time	387,972	(122,496)	265,476	237,794	27,682
TOTAL SPECIAL EDUCATION - INSTRUCTION	1,938,483	(200,607)	1,737,876	1,628,385	109,491
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	172,571	1,132	173,703	173,703	
Total Basic Skills/Remedial - Instruction	172,571	1,132	173,703	173,703	
Bilingual Education - Instruction:					
Salaries of Teachers		86,121	86,121	85,163	958
Total Bilingual Education - Instruction		86,121	86,121	85,163	958
School-Spon. Coccirricular & Extracurricular Actvts. - Inst.:					
Salaries	49,000	20,143	69,143	56,054	13,089
Supplies and Materials	3,500	(3,500)			
Total School-Spon. Coccirricular & Extracurricular Actvts. - Inst.	52,500	16,643	69,143	56,054	13,089

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
School-Sponsored Athletics - Instruction:					
Salaries	\$ 23,714		\$ 23,714	\$ 9,852	\$ 13,862
Purchased Services (300-500 series)	5,000		5,000	5,000	
Supplies and Materials	10,000		10,000	4,894	5,106
Total School-Sponsored Athletics - Instruction	38,714		38,714	19,746	18,968
TOTAL INSTRUCTION	6,443,269	\$ (131,459)	6,311,810	6,110,457	201,353
Undistributed Expenditures - Instruction:					
Tuition to Priv. Sch. for the Handicap. W/I State	688,998	28,878	717,876	702,508	15,368
Total Undistributed Expenditures - Instruction	688,998	28,878	717,876	702,508	15,368
Undistributed Expend. - Attend. & Social Work:					
Salaries	38,562	831	39,393	39,206	187
Total Undist. Expend. - Attendance and Social Work	38,562	831	39,393	39,206	187
Undistributed Expenditures - Health Services:					
Salaries	156,491	(3,890)	152,601	152,601	
Purchased Professional and Technical Services	3,147	32,372	35,519	30,546	4,973
Other Purchased Services (400-500 series)	150	(150)			
Supplies and Materials	5,000	(1,102)	3,898	3,765	133
Other Objects		189	189	189	
Total Undist. Expenditures - Health Services	164,788	27,419	192,207	187,101	5,106

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Speech, OT, PT, Related Svcs:					
Salaries	\$ 296,368	\$ (33,334)	\$ 263,034	\$ 262,872	\$ 162
Purchased Professional - Educational Services	47,141	229,917	277,058	274,404	2,654
Supplies and Materials	1,965	(100)	1,865	998	867
Total Undist. Expend. - Speech, OT, PT, Related Svcs	345,474	196,483	541,957	538,274	3,683
Undist.Expend.-Other Supp.Serv.Students-Extra.Serv.:					
Purchased Professional - Educational Services		20,687	20,687	20,465	222
Total Undist. Expend. - Other Supp. Svcs. Students - Extra. Serv.		20,687	20,687	20,465	222
Undist.Expend.-Guidance:					
Salaries of Other Professional Staff	143,992	2,445	146,437	146,099	338
Other Purchased Prof. and Tech. Services	2,000	300	2,300	2,300	
Other Purchased Services (400-500 series)	500		500		500
Supplies and Materials	260	40	300	40	260
Total Undist Expend. - Guidance	146,752	2,785	149,537	148,439	1,098
Undist. Expend.-Child Study Team:					
Salaries of Other Professional Staff	237,786	3,917	241,703	238,522	3,181
Salaries of Secretarial and Clerical Assistants	39,961	471	40,432	40,432	
Other Purchased Prof. and Tech. Services	10,000	(3,410)	6,590	6,590	
Other Purchased Services (400-500 series)	4,150	(3,650)	500	500	
Supplies and Materials	9,250		9,250	8,623	627
Total Undist Expend. - Child Study Team	301,147	(2,672)	298,475	294,667	3,808

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Improv. of Inst. Serv.:					
Salaries of Supervisors of Instruction	\$ 193,417	\$ 2,280	\$ 195,697	\$ 195,697	
Salaries of Other Professional Staff	20,496	(6,591)	13,905	13,905	
Total Undist. Expend.-Improv. of Inst. Serv.	<u>213,913</u>	<u>(4,311)</u>	<u>209,602</u>	<u>209,602</u>	
Undist. Expend.-Edu. Media Serv./Sch. Library:					
Salaries	168,304	13,245	181,549	181,549	
Other Purchased Services (400-500 series)	2,550		2,550	2,405	\$ 145
Supplies and Materials	4,193		4,193	2,885	1,308
Other Objects	1,140		1,140	640	500
Total Undist Expend.-Edu. Media Serv./Sch. Library	<u>176,187</u>	<u>13,245</u>	<u>189,432</u>	<u>187,479</u>	<u>1,953</u>
Undist.Expend.-Instructional Staff Training Services:					
Other Salaries	2,750	(2,750)			
Other Purchased Prof. And Tech. Services	159	5,597	5,756	2,455	3,301
Other Purchased Services (400-500 series)	7,760	(2,136)	5,624	3,214	2,410
Total Undist.Expend.-Instructional Staff Training Services	<u>10,669</u>	<u>711</u>	<u>11,380</u>	<u>5,669</u>	<u>5,711</u>

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Support Serv.-Gen. Admin.:					
Salaries	\$ 248,851	\$ 9,100	\$ 257,951	\$ 257,331	\$ 620
Legal Services	11,700	15,012	26,712	26,712	
Audit Fees	31,032	(4,032)	27,000	27,000	
Architectural/Engineering Services	5,250	393	5,643	750	4,893
Other Purchased Professional Services	3,550	(905)	2,645	2,645	
Purchased Technical Services	1,857	(1)	1,856	1,856	
Communications / Telephone	51,929	1,523	53,452	48,706	4,746
BOE Other Purchased Services	3,100	(133)	2,967	2,684	283
Other Purch. Serv. (400-500 series other than 530 & 585)	1,500	(98)	1,402	1,320	82
General Supplies	3,500	(134)	3,366	3,366	
BOE In-house training/ Meeting Supplies	250	667	917	917	
Miscellaneous Expenditures	3,049	1,209	4,258	4,247	11
BOE Membership Dues and Fees	5,797		5,797	5,797	
Total Undist. Expend.-Support Serv.-Gen. Admin.	371,365	22,601	393,966	383,331	10,635
Undist. Expend.-Support Serv.-School Admin.:					
Salaries of Principals/Assistant Principals/Prog Director	207,651	2,448	210,099	210,099	
Salaries of Secretarial and Clerical Assistants	127,467	5,649	133,116	132,228	888
Other Purchased Services (400-500 series)	600	200	800	310	490
Supplies and Materials	4,540	(220)	4,320	3,992	328
Other Objects	3,604	(595)	3,009	2,735	274
Total Undist. Expend.-Support Serv.-School Adm.	343,862	7,482	351,344	349,364	1,980

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Central Services:					
Salaries	\$ 211,682	\$ 12,551	\$ 224,233	\$ 217,287	\$ 6,946
Purchased Professional Services		36,370	36,370	20,155	16,215
Miscellaneous Purchased Services (400-500 series other than 594)	1,600	3,414	5,014	4,922	92
Supplies and Materials	827	(348)	479	450	29
Other Objects	1,190		1,190	1,190	
Total Undist. Expend. - Central Services	215,299	51,987	267,286	244,004	23,282
Undist. Expend. - Admin. Info. Technology:					
Salaries	97,321	(32,881)	64,440	64,440	
Purchased Technical Services	6,250	24,851	31,101	30,762	339
Other Purchased Services (400-500 series)		1,066	1,066	976	90
Supplies and Materials	7,810	(2,032)	5,778	2,928	2,850
Total Undist. Expend. - Admin. Info. Technology	111,381	(8,996)	102,385	99,106	3,279
Undist. Expend.-Required Maintenance for School Facilities:					
Salaries	61,630	(16,090)	45,540	45,540	
Cleaning, Repair, and Maintenance Services	207,085	(37,354)	169,731	149,072	20,659
General Supplies	46,056	(8,015)	38,041	23,991	14,050
Total Undist. Expend.- Required Maint. for School Facilities	314,771	(61,459)	253,312	218,603	34,709

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Custodial Services:					
Salaries	\$ 377,942	\$ 28,660	\$ 406,602	\$ 404,894	\$ 1,708
Cleaning, Repair, and Maintenance Services	6,000	12,430	18,430	18,418	12
Other Purchased Property Services	12,600	28,617	41,217	39,915	1,302
Insurance	197,000	(17,292)	179,708	179,708	
General Supplies	22,173	(2,816)	19,357	16,854	2,503
Energy (Natural Gas)	52,038	22,867	74,905	69,417	5,488
Energy (Electricity)	114,660	43,609	158,269	158,269	
Other Objects	5,850	1,745	7,595	7,595	
Total Undist. Expend.-Custodial Services	788,263	117,820	906,083	895,070	11,013
Care and Upkeep of Grounds:					
Salaries	39,072	1,021	40,093	40,093	
Cleaning, Repair, and Maintenance Services	9,419		9,419	6,139	3,280
General Supplies	5,000		5,000	4,332	668
Total Care And Upkeep Of Grounds	53,491	1,021	54,512	50,564	3,948
Security:					
General Supplies		2,913	2,913	2,913	
Total Security		2,913	2,913	2,913	
Total Undist. Expend.-oper. And Maint. Of Plant Serv.	1,156,525	60,295	1,216,820	1,167,150	49,670

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Student Transportation Serv.:					
Sal. for Pupil Trans. (Bet. Home and Sch.)-Reg.	\$ 40,838	\$ 2,948	\$ 2,948	\$ 2,948	
Sal. for Pupil Trans. (Bet. Home and Sch.)-Spl. Ed.	7,920	15,017	55,855	53,418	\$ 2,437
Management Fee - ESC&CTSA Transportation Program	3,639	5,499	13,419	13,172	247
Other Purchased Professional and Technical Services	3,000	10,090	13,729	7,957	5,772
Cleaning, Repair, and Maint. Services	40,000	(2,964)	3,000	2,753	247
Contract. Serv. - Aid in Lieu of Payments-Nonpublic Studts		17,486	37,036	37,036	
Contract. Serv.(Bet. Home & Sch.)-Vendors	10,300	4,165	17,486	17,486	
Contract. Serv.(Oth. than Bet. Home & Sch.)-Vend.	501,512	(74,453)	14,465	14,465	
Contract. Serv.(Bet. Home & Sch.)-Joint Agrmnts.	252,000	115,248	427,059	423,012	4,047
Contract. Serv.(Spl. Ed. Students)-ESCs & CTSA	4,633	(1,780)	367,248	357,279	9,969
Transportation Supplies	863,842	91,256	2,853	2,853	
Total Undist. Expend.-Student Trans. Serv.	1,14,753	35,453	955,098	932,379	22,719
UNALLOCATED BENEFITS					
Social Security Contributions	157,172	14,594	150,206	147,799	2,407
Other Retirement Contributions - PERS	1,603	764	171,766	171,766	
Other Retirement Contributions - Regular		15,342	2,367	2,367	
Unemployment Compensation	62,000	(5,649)	15,342	13,667	1,675
Workers Compensation	2,393,128	(164,183)	56,351	56,351	
Health Benefits	29,000	(14,190)	2,228,945	2,198,245	30,700
Tuition Reimbursement	13,800	5,023	14,810	10,419	4,391
Other Employee Benefits	11,667	3,333	18,823	16,551	2,272
Unused Sick Payment to Terminated/Retired Staff	2,783,123	(109,513)	15,000	15,000	
TOTAL UNALLOCATED BENEFITS			2,673,610	2,632,165	41,445

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)					
TPAF Post Retirement Contributions (Non-Budgeted)			\$ 549,940	\$ (549,940)	(549,940)
TPAF Pension Contributions (Non-Budgeted)			2,064,787	(2,064,787)	(2,064,787)
TPAF Non-Contributory Insurance (Non-Budgeted)			28,647	(28,647)	(28,647)
TPAF Long-Term Disability Insurance (Non-Budgeted)			782	(782)	(782)
Reimbursed TPAF Social Security Contributions			444,142	(444,142)	(444,142)
TOTAL ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)			3,088,298	(3,088,298)	(3,088,298)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	\$ 2,783,123	\$ (109,513)	\$ 2,673,610	5,720,463	(3,046,853)
TOTAL UNDISTRIBUTED EXPENDITURES	7,931,887	399,168	8,331,055	11,229,207	(2,898,152)
TOTAL GENERAL CURRENT EXPENSE	14,375,156	267,709	14,642,865	17,339,664	(2,696,799)
CAPITAL OUTLAY					
Facilities Acquisition and Construction Serv.:		46,803	46,803	9,962	36,841
Architectural/Engineering Services	646,736		646,736	3,929	642,807
Construction Services	47,138		47,138	47,138	
Assessment for Debt Service on SDA Funding	693,874	46,803	740,677	61,029	679,648
Total Facilities Acquisition and Const. Serv.					
TOTAL CAPITAL OUTLAY	693,874	46,803	740,677	61,029	679,648
TOTAL EXPENDITURES	15,069,030	314,512	15,383,542	17,400,693	(2,017,151)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(1,275,685)	(314,512)	(1,590,197)	(106,480)	1,483,717

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/(Uses):					
Transfer from Capital Projects Fund				\$ 234,694	\$ 234,694
Total Other Financing Sources/(Uses)				234,694	234,694
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	\$ (1,275,685)	\$ (314,512)	\$ (1,590,197)	128,214	1,718,411
Fund Balance, July 1	3,260,483		3,260,483	3,260,483	
Fund Balance, June 30	\$ 1,984,798	\$ (314,512)	\$ 1,670,286	\$ 3,388,697	\$ 1,718,411
<u>Recapitulation:</u>					
Restricted Fund Balance:					
Excess Surplus - Restricted For 2024-2025				\$ 801,242	
Excess Surplus - Restricted For 2023-2024				623,908	
Capital Reserve				1,089,311	
Unemployment Compensation				67,289	
Assigned Fund Balance:					
Year End Encumbrances				2,689	
Designated for Subsequent Year's Expenditures				231,482	
Unassigned Fund Balance				572,776	
				3,388,697	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP basis				(75,716)	
Fund Balance per Governmental Funds (GAAP)				\$ 3,312,981	

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 75,000	\$ 36,992	\$ 111,992	\$ 94,226	\$ (17,766)
State Sources		20,379	20,379	20,297	(82)
Federal Sources	600,870	101,025	701,895	413,150	(288,745)
Total Revenues	675,870	158,396	834,266	527,673	(306,593)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	39,372	95,951	135,323	84,962	50,361
Purchased Professional and Technical Services		21,898	21,898	20,687	1,211
Other Purchased Services		25	25		25
Tuition	138,198	(11,125)	127,073	127,073	
General Supplies	27,500	27,278	54,778	17,850	36,928
Total Instruction	205,070	134,027	339,097	250,572	88,525
Support Services:					
Salaries of Other Professional Staff	179,000	(44,573)	134,427	54,822	79,605
Personal Services - Employee Benefits	119,866	(101,748)	18,118	9,997	8,121
Purchased Professional and Technical Services	74,950	116,305	191,255	111,842	79,413
Other Purchased Services	16,631	38,325	54,956	18,997	35,959
Supplies and Materials	5,353	16,060	21,413	7,176	14,237
Student Activities	75,000		75,000	56,987	18,013
Total Support Services	470,800	24,369	495,169	259,821	235,348
Total Expenditures	\$ 675,870	\$ 158,396	\$ 834,266	\$ 510,393	\$ 323,873
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ 17,280	\$ 17,280

WATCHUNG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 17,294,213	\$ 527,673
Differences - Budgetary to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Prior Year Encumbrances		11,997
Prior Year Encumbrances Canceled		405
Current Year Encumbrances		(2,421)
Prior Year State Aid Payments Recognized for GAAP Statements	60,573	
Current year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(75,716)	
	\$ 17,279,070	\$ 537,654
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.		
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 17,400,693	\$ 510,393
Differences - Budgetary to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		9,981
	\$ 17,400,693	\$ 520,374
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds		

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budget for the fiscal year ended June 30, 2023 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m). All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

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

	Student Activities	Local Grants	SDA		Climate Awareness Grant	IDEA Part B		Elementary and Secondary Education Act				
			Emergent and Capital Maintenance	Preschool		Basic	Title I Part A	Title II Part A	Title IV Part A			
REVENUE:												
Local Sources	\$ 74,267	\$ 19,959	\$ 13,719		\$ 6,578	\$ 127,073	\$ 7,333	\$ 40,620	\$ 7,854	\$ 2,329		
State Sources												
Federal Sources												
Total Revenue	74,267	19,959	13,719		6,578	127,073	7,333	40,620	7,854	2,329		
EXPENDITURES:												
Instruction:												
Salaries of Teachers		3,242						27,500				
Purchased Professional and Technical Services		8,308			4,200	127,073	5,850					2,329
Tuition												
General Supplies		7,624			2,378		1,054	435				
Total Instruction		19,174			6,578	127,073	6,904	27,935				2,329
Support Services:												
Salaries of Other Professional Staff									2,104			
Personal Services - Employee Benefits										3,900		
Purchased Professional and Technical Services			13,719						10,581	3,795		
Other Purchased Services							429			159		
Supplies and Materials												
Student Activities	56,987											
Total Support Services	56,987	785	13,719				429		12,685	7,854		
Total Expenditures	\$ 56,987	\$ 19,959	\$ 13,719		\$ 6,578	\$ 127,073	\$ 7,333	\$ 40,620	\$ 7,854	\$ 2,329		

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

	ARP							IDEA Part B, ARP Preschool	Totals
	Accelerated Learning Coach and Educator Support	Evidence Based Summer Learning and Enrichment	Evidence Based Comprehensive Beyond the School Day	ESSER II	CRRSA Learning Acceleration	Mental Health			
REVENUE:									
Local Sources									\$ 94,226
State Sources									20,297
Federal Sources	\$ 152,308	\$ 29,804	\$ 18,356	\$ 7,163	\$ 7,431	\$ 9,162	\$ 3,531	\$ 186	413,150
Total Revenue	152,308	29,804	18,356	7,163	7,431	9,162	3,531	186	527,673
EXPENDITURES:									
Instruction:									
Salaries of Teachers	29,332		14,222	6,102		4,564			84,962
Purchased Professional and Technical Services									20,687
Tuition									127,073
General Supplies			2,800	899		393	2,081	186	17,850
Total Instruction	29,332		17,022	7,001		4,957	2,081	186	250,572
Support Services:									
Salaries of Other Professional Staff	54,822								54,822
Personal Services - Employee Benefits	6,438		1,088	162		205			9,997
Purchased Professional and Technical Services	55,730	25,612			7,431	4,000	1,450		111,842
Other Purchased Services		4,192							18,997
Supplies and Materials	5,986		246						7,176
Student Activities									56,987
Total Support Services	122,976	29,804	1,334	162	7,431	4,205	1,450		259,821
Total Expenditures	\$ 152,308	\$ 29,804	\$ 18,356	\$ 7,163	\$ 7,431	\$ 9,162	\$ 3,531	\$ 186	\$ 510,393

CAPITAL PROJECTS FUND

WATCHUNG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Revenue and Other Financing Sources:	
Bond Proceeds	\$ 15,734,000
Interest Revenue	233,703
Bond Premium	991
	<hr/>
Total Revenue and Other Financing Sources	15,968,694
	<hr/>
Expenditures:	
Project Expenditures:	
Legal Services	113,782
Purchased Professional Technical Services	136,931
Construction Services	132,023
Supplies and Materials	126,393
	<hr/>
Total Expenditures	509,129
	<hr/>
Excess of Revenue Over Expenditures	15,459,565
Other Financing Uses:	
Operating Transfer Out - General Fund	(234,694)
	<hr/>
Total Other Financing Uses	(234,694)
	<hr/>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	15,224,871
Beginning Fund Balance	-0-
	<hr/>
Ending Fund Balance	\$ 15,224,871
	<hr/> <hr/>
Recapitulation:	
Restricted	\$ 14,156,984
Restricted- Year End Encumbrances	1,067,887
	<hr/>
	\$ 15,224,871
	<hr/> <hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 15,224,871
	<hr/> <hr/>

WATCHUNG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
IMPROVEMENTS, ALTERATIONS, RENOVATIONS AND UPGRADES
TO THE BAYBERRY AND VALLEY VIEW SCHOOLS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Cost</u>
Revenue and Other Financing Sources:				
Bond Proceeds		\$ 15,734,000	\$ 15,734,000	\$ 15,734,000
Total Revenue and Other Financing Sources		15,734,000	15,734,000	15,734,000
Expenditures and Other Financing Uses:				
Legal Services		113,782	113,782	181,552
Purchased Professional Technical Services		136,931	136,931	2,432,795
Construction Services		132,023	132,023	12,211,893
General Supplies		126,393	126,393	907,760
Total Expenditures and Other Financing Uses		509,129	509,129	15,734,000
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ -0-	\$ 15,224,871	\$ 15,224,871	\$ -0-

Additional Project Information:

Grant Date	N/A
Bond Authorization Date	3/8/23
Bonds Authorized	\$ 15,734,000
Bonds Issued	\$ 15,734,000
Original Authorized Cost	\$ 15,734,000
Additional Authorized Cost	\$ -0-
Revised Authorized Cost	\$ 15,734,000
Percentage Completion	3.24%
Original Target Completion Date	6/30/24

PROPRIETARY FUNDS

WATCHUNG BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Non -Major Funds		Total
	Milk Program	Care Program	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents		\$ 30,714	\$ 30,714
Intergovernmental Accounts Receivable:			
Federal	\$ 170		170
Accounts Receivable		4,356	4,356
Total Current Assets	170	35,070	35,240
Non-Current Assets:			
Capital Assets	41,166		41,166
Less: Accumulated Depreciation	(41,166)		(41,166)
Total Non-Current Assets			
Total Assets	170	35,070	35,240
LIABILITIES:			
Current Liabilities:			
Accounts Payable		68	68
Total Current Liabilities		68	68
NET POSITION:			
Unrestricted	170	35,002	35,172
Total Net Position	\$ 170	\$ 35,002	\$ 35,172

WATCHUNG BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Non -Major Funds</u>		<u>Total</u>
	<u>Milk Program</u>	<u>Care Program</u>	
Operating Revenue:			
Local Sources:			
Milk Sales	\$ 2,624		\$ 2,624
Child Care Fees		\$ 104,626	104,626
Total Operating Revenue	<u>2,624</u>	<u>104,626</u>	<u>107,250</u>
Operating Expenses:			
Cost of Sales - Reimbursable Programs	6,391		6,391
Miscellaneous Expenses		23,546	23,546
Salaries, Benefits & Payroll Taxes		82,864	82,864
Depreciation Expense	2,290		2,290
Total Operating Expenses	<u>8,681</u>	<u>106,410</u>	<u>115,091</u>
Operating (Loss)	(6,057)	(1,784)	(7,841)
Non-Operating Revenue:			
Federal Sources:			
Special Milk Program	3,357		3,357
Total Non-Operating Revenue	<u>3,357</u>		<u>3,357</u>
Change in Net Position	(2,700)	(1,784)	(4,484)
Net Position - Beginning of Year	<u>2,870</u>	<u>36,786</u>	<u>39,656</u>
Net Position - End of Year	<u>\$ 170</u>	<u>\$ 35,002</u>	<u>\$ 35,172</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Non -Major Funds</u>		<u>Total</u>
	<u>Milk Program</u>	<u>Care Program</u>	
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 2,624	\$ 105,731	\$ 108,355
Payments to Employees		(82,796)	(82,796)
Payments to Milk Vendor	(6,391)		(6,391)
Payment for Supplies		(26,886)	(26,886)
Net Cash Provided by/(Used for) Operating Activities	<u>(3,767)</u>	<u>(3,951)</u>	<u>(7,718)</u>
Cash Flows from Noncapital Financing Activities:			
Federal Sources:			
Special Milk Program	3,342		3,342
Net Cash Provided by Noncapital Financing Activities	<u>3,342</u>		<u>3,342</u>
Net (Decrease) in Cash and Cash Equivalents	(425)	(3,951)	(4,376)
Cash and Cash Equivalents, July 1	<u>425</u>	<u>34,665</u>	<u>35,090</u>
Cash and Cash Equivalents, June 30	<u>\$ -0-</u>	<u>\$ 30,714</u>	<u>\$ 30,714</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:			
Operating (Loss)	\$ (6,057)	\$ (1,784)	\$ (7,841)
Adjustment to Reconcile Operating Loss to Net Cash Provided by/(Used for) Operating Activities:			
Depreciation	2,290		2,290
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable		1,240	1,240
(Decrease) in Accounts Payable		(3,272)	(3,272)
(Decrease) in Unearned Revenue		(135)	(135)
Net Cash (Used by) Operating Activities	<u>\$ (3,767)</u>	<u>\$ (3,951)</u>	<u>\$ (7,718)</u>

FIDUCIARY ACTIVITIES
(NOT APPLICABLE)

LONG-TERM LIABILITIES

WATCHUNG BOROUGH SCHOOL DISTRICT
LONG-TERM LIABILITIES
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds				Interest Rate	Balance July 1, 2022	Bonds Issued	Balance June 30, 2023		
			Outstanding		Amount	Balance July 1, 2022					Bonds Issued	Balance June 30, 2023
			Date	June 30, 2023								
School Bonds, Series 2023	3/8/2023	\$ 15,734,000	3/1/2025	\$ 639,000		3.000%						
			3/1/2026	580,000		3.000%						
			3/1/2027	605,000		3.125%						
			3/1/2028	630,000		3.250%						
			3/1/2029	655,000		3.250%						
			3/1/2030	685,000		3.250%						
			3/1/2031	715,000		3.500%						
			3/1/2032	745,000		3.500%						
			3/1/2033	775,000		3.500%						
			3/1/2034	805,000		3.500%						
			3/1/2035	840,000		3.500%						
			3/1/2036	875,000		3.500%						
			3/1/2037	910,000		3.625%						
			3/1/2038	950,000		3.750%						
			3/1/2039	990,000		4.000%						
			3/1/2040	1,030,000		4.000%						
			3/1/2041	1,070,000		4.000%						
			3/1/2042	1,115,000		4.000%						
			3/1/2043	1,120,000		4.000%						
								\$ 15,734,000	\$ 15,734,000			
								\$ -0-	\$ 15,734,000			

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

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2022</u>	<u>Matured</u>	<u>Balance June 30, 2023</u>
Network Switches	1.93%	\$ 120,000	<u>\$ 80,762</u>	<u>\$ 39,995</u>	<u>\$ 40,767</u>
			<u>\$ 80,762</u>	<u>\$ 39,995</u>	<u>\$ 40,767</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
LONG-TERM LIABILITES
SCHEDULE OF OBLIGATIONS UNDER LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT
LONG-TERM LIABILITES
SCHEDULE OF OBLIGATIONS SUBSCRIPTION-BASED INFORMATION
TECHNOLOGY ARRANGEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOT APPLICABLE

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

	June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities										
Net Investment in Capital Assets	\$ 8,949,657	\$ 10,919,958	\$ 12,602,386	\$ 14,301,211	\$ 13,956,016	\$ 14,179,082	\$ 14,243,591	\$ 13,904,424	\$ 13,467,236	\$ 13,034,333
Restricted	2,812,843	2,746,220	2,614,922	2,635,626	2,700,925	2,067,169	1,533,752	1,801,440	2,279,647	2,654,042
Unrestricted/(Deficit)	(3,138,438)	(3,186,255)	(2,873,757)	(3,041,167)	(3,166,695)	(3,023,353)	(2,876,420)	(2,088,355)	(1,971,274)	(1,778,026)
Total Governmental Activities Net Position	\$ 8,624,062	\$ 10,479,923	\$ 12,343,551	\$ 13,895,670	\$ 13,490,246	\$ 13,222,898	\$ 12,900,923	\$ 13,617,509	\$ 13,775,609	\$ 13,910,349
Business-type Activities										
Investment in Capital Assets	\$ 17,604	\$ 15,011	\$ 12,418	\$ 9,825	\$ 7,232	\$ 7,621	\$ 5,028	\$ 5,071	\$ 2,290	\$ 35,172
Unrestricted	3,953	6,836	2,640	5,046	5,221	5,281	7,999	5,832	37,366	\$ 35,172
Total Business-type Activities Net Position	\$ 21,557	\$ 21,847	\$ 15,058	\$ 14,871	\$ 12,453	\$ 12,902	\$ 13,027	\$ 10,903	\$ 39,656	\$ 35,172
District-wide										
Net Investment in Capital Assets	\$ 8,967,261	\$ 10,934,969	\$ 12,614,804	\$ 14,311,036	\$ 13,963,248	\$ 14,186,703	\$ 14,248,619	\$ 13,909,495	\$ 13,469,526	\$ 13,034,333
Restricted	2,812,843	2,746,220	2,614,922	2,635,626	2,700,925	2,067,169	1,533,752	1,801,440	2,279,647	2,654,042
Unrestricted/(Deficit)	(3,134,485)	(3,179,419)	(2,871,117)	(3,036,121)	(3,161,474)	(3,018,072)	(2,868,421)	(2,082,523)	(1,933,908)	(1,742,854)
Total District Net Position	\$ 8,645,619	\$ 10,501,770	\$ 12,358,609	\$ 13,910,541	\$ 13,502,699	\$ 13,235,800	\$ 12,913,950	\$ 13,628,412	\$ 13,815,265	\$ 13,945,521

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental Activities										
Instruction:										
Regular	\$ 6,085,168	\$ 6,972,932	\$ 7,007,650	\$ 8,035,539	\$ 7,984,272	\$ 7,895,450	\$ 7,692,796	\$ 7,232,937	\$ 7,363,678	\$ 7,322,029
Special Education	1,012,370	1,206,798	1,502,409	1,612,823	1,816,370	1,583,897	1,537,951	2,214,799	2,377,611	2,542,224
Other Special Instruction	235,535	214,587	141,104	158,855	164,581	233,819	140,846	368,713	343,591	434,430
School-Sponsored/ Other Instruction	134,127	60,608	69,464	56,003	120,525	108,882	107,857	44,981	141,720	121,383
Support Services:										
Tuition	209,674	22,822	17,995	19,325	228,446	289,162	627,554	708,576	512,757	702,508
Student & Instruction Related Services	1,515,248	1,761,908	2,124,045	2,327,979	2,248,761	2,391,228	2,276,851	1,907,285	2,039,632	2,235,337
General Administrative Services	426,100	470,641	512,228	505,382	609,460	547,496	528,001	501,816	545,841	373,044
School Administrative Services	467,853	597,384	663,060	765,508	842,695	748,723	914,662	671,091	556,389	531,440
Plant Operations and Maintenance	1,106,697	1,267,013	1,326,845	1,367,852	1,315,847	1,539,005	1,330,194	1,210,576	1,248,406	1,401,247
Pupil Transportation	492,628	514,800	558,121	566,912	576,507	573,894	496,207	537,183	801,679	948,781
Central Services and Administrative										
Information Technology	273,991	326,803	352,306	365,243	373,888	311,557	371,596	376,744	433,138	433,101
Capital Outlay	129,852	47,138	56,138	59,532	47,138	50,917	47,138	47,138	47,138	47,138
Interest on Long-term Debt	157,031	87,246	1,759	(36,853)						
Total Governmental Activities Expenses	12,246,274	13,550,680	14,333,124	15,804,100	16,328,490	16,274,030	16,071,653	15,821,839	16,411,580	17,092,662
Business-type Activities:										
Food Service	21,698	12,621	17,329	13,037	13,733	10,643	7,662	2,781	11,800	8,681
Care Program								22,245	44,853	106,410
Total Business-type Activities Expense	21,698	12,621	17,329	13,037	13,733	10,643	7,662	25,026	56,653	115,091
Total District Expenses	\$ 12,267,972	\$ 13,563,301	\$ 14,350,453	\$ 15,817,137	\$ 16,342,223	\$ 16,284,673	\$ 16,079,315	\$ 15,846,865	\$ 16,468,233	\$ 17,207,753
Program Revenues										
Governmental Activities:										
Charges for Services	\$ 26,102	\$ 155,457	\$ 149,674	\$ 163,725	\$ 176,427	\$ 136,020	\$ 67,180	\$ 87,640	\$ 176,144	\$ 223,400
Instruction (Tuition)										74,267
Student & Instruction Related Services										3,548,573
Operating Grants and Contributions	1,550,169	2,763,449	3,177,650	4,216,211	4,719,114	3,851,269	3,482,140	3,704,391	3,562,760	
Capital Grants and Contributions			229,897	930		569,425				
Total Governmental Activities Program Revenues	1,576,271	2,918,906	3,557,221	4,380,866	4,895,541	4,556,714	3,549,320	3,792,031	3,738,904	3,846,240
Business-type Activities:										
Charges for Services	7,235	6,450	5,640	7,335	6,046	6,797	4,834	19,419	2,099	2,624
Milk Program									80,982	104,626
Care Program									2,325	3,357
Operating Grants and Contributions	6,407	6,461	4,900	5,477	5,157	4,138	2,872	19,419	85,406	110,607
Total Business-type Activities Program Revenues	13,642	12,911	10,540	12,812	11,203	10,935	7,706	19,419	88,406	110,607
Total District Program Revenues	\$ 1,589,913	\$ 2,931,817	\$ 3,567,761	\$ 4,393,678	\$ 4,906,744	\$ 4,567,649	\$ 3,557,026	\$ 3,811,450	\$ 3,824,310	\$ 3,956,847

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

	Fiscal Year Ending June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net (Expense)/Revenue										
Governmental Activities	\$ (10,670,003)	\$ (10,631,774)	\$ (10,775,903)	\$ (11,423,234)	\$ (11,432,949)	\$ (11,717,316)	\$ (12,522,333)	\$ (12,029,808)	\$ (12,672,676)	\$ (13,246,422)
Business-type Activities	(8,056)	290	(6,789)	(225)	(2,530)	292	44	(5,607)	28,753	(4,484)
Total District-wide Net Expense	\$ (10,678,059)	\$ (10,631,484)	\$ (10,782,692)	\$ (11,423,459)	\$ (11,435,479)	\$ (11,717,024)	\$ (12,522,289)	\$ (12,035,415)	\$ (12,643,923)	\$ (13,250,906)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 10,137,302	\$ 10,319,773	\$ 10,474,570	\$ 10,673,587	\$ 10,887,059	\$ 11,151,041	\$ 11,813,040	\$ 12,049,301	\$ 12,290,287	\$ 12,536,093
Taxes Levied for Debt Service	1,865,300	1,934,688	1,999,100	2,053,613						487,734
Federal and State Aid not Restricted	38,852	166,027	144,323	174,936	64,714	216,199	234,872	634,426	497,441	341,980
Investment Earnings								20,730	15,317	
Cancellation of Prior Year Accounts Payable	250							25,276		
Transfers								(3,483)		
Miscellaneous Income	168,159	67,147	21,539	73,217	75,752	82,728	55,489	20,144	27,732	15,355
Total Governmental Activities	12,209,863	12,487,635	12,639,532	12,975,353	11,027,525	11,449,968	12,103,401	12,746,394	12,830,777	13,381,162
Business-type Activities:										
Investment Earnings										
Transfers								3,483		
Total Business-type Activities								3,483		
Total District-wide	\$ 12,209,863	\$ 12,487,635	\$ 12,639,532	\$ 12,975,391	\$ 11,027,637	\$ 11,450,125	\$ 12,103,482	\$ 12,749,877	\$ 12,830,777	\$ 13,381,162
Change in Net Position										
Governmental Activities	\$ 1,539,860	\$ 1,855,861	\$ 1,863,629	\$ 1,552,119	\$ (405,424)	\$ (267,348)	\$ (418,932)	\$ 716,586	\$ 158,101	\$ 134,740
Business-type Activities	(8,056)	290	(6,789)	(187)	(2,418)	449	125	(2,124)	28,753	(4,484)
Total District	\$ 1,531,804	\$ 1,856,151	\$ 1,856,840	\$ 1,551,932	\$ (407,842)	\$ (266,899)	\$ (418,807)	\$ 714,462	\$ 186,854	\$ 130,256

Source: School District Financial Reports

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

June 30,

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Restricted	\$ 2,667,619	\$ 2,600,495	\$ 2,469,697	\$ 2,490,401	\$ 2,555,700	\$ 2,067,169	\$ 1,533,752	\$ 1,746,246	\$ 2,224,635	\$ 2,581,750
Assigned	145,240	52,856	155,042	113,407	162,332	86,762	223,576	149,839	185,901	234,171
Unassigned	241,364	367,781	345,453	375,947	262,147	333,988	388,500	992,108	789,374	497,060
Total General Fund	\$ 3,054,223	\$ 3,021,132	\$ 2,970,192	\$ 2,979,755	\$ 2,980,179	\$ 2,487,919	\$ 2,145,828	\$ 2,888,193	\$ 3,199,910	\$ 3,312,981
All Other Governmental Funds										
Restricted	\$ 145,224	\$ 145,225	\$ 145,225	\$ 145,225	\$ 145,225			\$ 55,194	\$ 55,012	\$ 15,297,163
Committed	31,937		104,928							
Unassigned / (Deficit)		(124,969)								
Total All Other Governmental Funds	\$ 177,161	\$ 20,256	\$ 250,153	\$ 145,225	\$ 145,225	\$ -0-	\$ -0-	\$ 55,194	\$ 55,012	\$ 15,297,163
Total Governmental Funds	\$ 3,231,384	\$ 3,041,388	\$ 3,220,345	\$ 3,124,980	\$ 3,125,404	\$ 2,487,919	\$ 2,145,828	\$ 2,943,387	\$ 3,254,922	\$ 18,610,144

Source: School District Financial Reports

WATCHUNG BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

For Fiscal Year Ending June 30,

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Tax Levy	\$ 12,002,602	\$ 12,254,461	\$ 12,473,670	\$ 12,727,200	\$ 10,887,059	\$ 11,151,041	\$ 11,813,040	\$ 12,049,301	\$ 12,290,287	\$ 12,536,093
Tuition Charges	7,909	141,637	149,674	147,425	176,427	136,020	67,180	80,906	157,006	223,400
Interest Earnings	250	2,690	5,328	8,467	19,893	57,730	39,015	20,730	578	11,163
Miscellaneous	268,467	155,107	47,064	148,277	107,945	132,894	205,604	129,606	85,484	439,852
State Sources	1,360,164	1,603,795	1,949,840	1,942,946	2,067,349	2,479,781	2,581,349	3,340,474	4,142,465	4,417,808
Federal Sources	146,742	152,653	191,499	183,456	190,329	176,067	148,024	212,271	356,338	423,102
Total Revenue	13,786,134	14,310,343	14,817,075	15,157,771	13,449,002	14,133,533	14,854,212	15,833,288	17,032,158	18,051,418
Expenditures										
Instruction										
Regular Instruction	3,967,409	4,124,329	3,867,652	4,096,740	3,894,239	4,225,685	4,387,173	4,002,211	4,388,170	4,476,387
Special Education Instruction	705,291	832,760	1,050,456	1,114,342	1,159,346	1,070,407	1,016,985	1,450,029	1,570,010	1,762,791
Other Special Instruction	156,157	140,597	93,469	99,721	99,630	125,489	80,131	204,002	200,865	258,866
School-Sponsored/Other Instruction	81,780	38,760	39,548	37,201	43,504	59,687	53,086	35,524	68,916	75,800
Support Services:										
Tuition	209,674	22,822	17,995	19,325	228,446	289,162	627,554	708,576	512,757	702,508
Student & Other Instruction Related Services	1,120,431	1,265,711	1,518,646	1,656,886	1,658,157	1,898,411	1,713,959	1,375,029	1,526,830	1,687,889
General Administrative Services	354,460	318,630	363,595	325,429	385,076	420,548	408,155	363,447	401,704	383,331
School Administrative Services	333,337	371,366	384,089	407,581	430,713	440,764	520,119	421,564	340,023	349,364
Central Services and Administrative										
Information Technology	215,309	227,030	245,846	229,326	241,232	219,488	274,814	275,301	353,165	343,110
Plant Operations and Maintenance	942,759	1,000,008	1,042,561	1,007,285	935,726	1,208,747	1,002,816	981,348	990,432	1,167,150
Pupil Transportation	468,272	477,048	514,096	510,818	512,601	516,379	470,914	519,554	790,712	932,379
Unallocated Benefits	2,992,923	3,048,256	3,307,827	3,459,394	3,739,770	4,107,395	4,127,826	4,498,053	5,438,891	5,720,463
Capital Outlay	639,556	698,334	193,238	235,475	120,138	188,856	609,728	342,884	138,147	570,158
Debt Service:										
Principal	1,595,000	1,730,000	1,875,000	2,015,000						
Interest and Other Charges	270,300	204,688	124,100	38,613						
Total Expenditures	14,052,658	14,500,339	14,638,118	15,253,136	13,448,578	14,771,018	15,293,260	15,177,522	16,720,622	18,430,196
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(266,524)	(189,996)	178,957	(95,365)	424	(637,485)	(439,048)	655,766	311,536	(378,778)
Other Financing Sources/(Uses)										
Serial Bonds Issued										15,734,000
Financed Purchases (Non-Budgeted)								120,000		
Cancellation of Prior Year Accounts Payable								25,276		
Transfers in		408,988		105,858		141,446				234,694
Transfers out		(408,988)		(105,858)		(141,446)		(3,483)		(234,694)
Total Other Financing Sources/(Uses)								141,793		15,734,000
Net Change in Fund Balances	\$ (266,524)	\$ (189,996)	\$ 178,957	\$ (95,365)	\$ 424	\$ (637,485)	\$ (439,048)	\$ 797,559	\$ 311,536	\$ 1,535,222
Debt Service as a Percentage of Noncapital Expenditures	13.91%	14.02%	13.84%	13.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: School District Financial Reports

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2014	\$ 250	\$ 146,749	\$ 47,512	\$ 194,511
2015	11,694	141,637	55,453	208,784
2016	19,135	149,674	2,404	171,213
2017	17,103	163,725	56,114	236,942
2018	37,268	176,427	38,484	252,179
2019	57,730	136,020	24,998	218,748
2020	39,015	67,180	16,474	122,669
2021	20,730	80,906	20,144	121,780
2022	8,450	157,006	34,599	200,055
2023	11,163	223,400	111,478	346,041

Source: School District of the Borough of Watchung records

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2013	\$ 31,860,700	\$ 1,214,066,800	377,200	5,280	\$ 294,459,700	\$ 6,237,300	\$ 47,400,000	\$ 1,594,406,980	\$ 1,484,459	\$ 1,595,891,439	0.732	\$ 1,641,460,927
2014	31,400,800	1,246,894,300	355,000	5,280	296,015,200	6,237,500	47,400,000	1,628,308,080	1,151,575	1,629,459,655	0.737	1,684,505,323
2015	32,019,400	1,280,593,700	334,100	5,280	297,786,500	6,359,500	47,850,000	1,664,948,480	1,138,954	1,666,087,434	0.766	1,687,333,485
2016	31,504,200	1,334,125,900	342,600	5,280	303,605,500	6,414,300	47,850,000	1,723,847,780	1,140,757	1,724,988,537	0.764	1,723,610,561
2017	30,704,300	1,365,322,000	348,000	5,280	304,472,700	6,439,400	48,325,000	1,755,616,680	1,127,931	1,756,744,611	0.620	1,765,566,805
2018	27,590,500	1,390,517,700	357,900	5,490	310,132,800	6,509,200	61,600,000	1,796,713,590	1,170,134	1,797,883,724	0.613	1,807,638,654
2019	29,597,800	1,399,713,780	362,400	5,490	304,417,300	6,576,700	59,900,000	1,800,573,470	1,213,534	1,801,787,004	0.638	1,819,199,015
2020	27,890,400	1,413,129,200	365,400	6,000	307,515,400	6,700,200	59,900,000	1,815,506,600	1,293,654	1,816,800,254	0.656	1,831,904,726
2021	28,239,600	1,435,923,400	372,800	6,000	303,640,200	6,700,300	59,900,000	1,834,782,300	1,328,571	1,836,110,871	0.663	1,841,618,510
2022	28,718,400	1,497,440,500	387,000	6,000	310,313,800	8,276,600	62,020,000	1,907,162,300	1,338,600	1,908,500,900	0.674	1,898,045,165

N/A - Not Applicable

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

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

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

Source: Municipal Tax Assessor

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

Year Ended December 31,	School District of the Borough of Watchung Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	Debt Service ^b	Total Direct	Municipality	Regional High School District	County	
2013	\$ 0.618	\$ 0.114	\$ 0.732	\$ 0.546	\$ 0.400	\$ 0.390	\$ 2.068
2014	0.621	0.116	0.737	0.573	0.388	0.396	2.094
2015	0.643	0.123	0.766	0.589	0.362	0.400	2.117
2016	0.641	0.123	0.764	0.595	0.334	0.397	2.090
2017	0.620		0.620	0.603	0.349	0.396	1.968
2018	0.613		0.613	0.611	0.372	0.394	1.990
2019	0.638		0.638	0.625	0.409	0.403	2.075
2020	0.656		0.656	0.644	0.434	0.393	2.127
2021	0.663		0.663	0.658	0.430	0.395	2.146
2022	0.674		0.674	0.650	0.419	0.381	2.124

Note:

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

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

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

Source: Municipal Tax Collector and School Business Administrator

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

Taxpayer	2023		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Crystal Ridge Owner, LLC & ET AL	\$ 70,000,000	1	3.67%
Watchung Square Associates, LLC	68,778,000	2	3.60%
Levin Properties LP	50,451,400	3	2.64%
Watchung UE LLC	25,234,900	4	1.32%
Sears Roebuck & Company	18,585,000	5	0.97%
Walmart	17,575,000	6	0.92%
Target Corp.	16,305,000	7	0.85%
HD Development of Maryland, Inc	14,984,000	8	0.79%
680 Mountain Boulevard, LLC	12,485,000	9	0.65%
Weldon Materials Inc.	11,276,100	10	0.59%
	<u>\$ 305,674,400</u>		<u>16.02%</u>

Taxpayer	2014		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value

INFORMATION NOT AVAILABLE

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the</u> <u>Fiscal Year of the Levy^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2014	\$ 12,002,602	\$ 12,002,602	100.00%	-0-
2015	12,254,461	12,254,461	100.00%	-0-
2016	12,473,670	12,473,670	100.00%	-0-
2017	12,727,200	12,727,200	100.00%	-0-
2018	10,887,059	10,887,059	100.00%	-0-
2019	11,151,041	11,151,041	100.00%	-0-
2020	11,813,040	11,813,040	100.00%	-0-
2021	12,049,301	12,049,301	100.00%	-0-
2022	12,290,287	12,290,287	100.00%	-0-
2023	12,536,093	12,536,093	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities		Business-Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Financed Purchases	Financed Purchases			
2014	\$ 5,620,000	\$ -0-	\$ -0-	\$ 5,620,000	1.11%	\$ 928
2015	3,890,000	-0-	-0-	3,890,000	0.73%	645
2016	2,015,000	-0-	-0-	2,015,000	0.36%	334
2017	-0-	-0-	-0-	-0-	-0-	-0-
2018	-0-	-0-	-0-	-0-	-0-	-0-
2019	-0-	-0-	-0-	-0-	-0-	-0-
2020	-0-	-0-	-0-	-0-	-0-	-0-
2021	-0-	120,000	-0-	120,000	0.02%	19
2022	-0-	80,762	-0-	80,762	0.01%	13
2023	15,734,000	40,767	-0-	15,774,767	2.15%	2,454

Source: School District Financial Reports

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation ^a Taxable	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2014	\$ 5,620,000	-0-	\$ 5,620,000	0.35%	\$ 926
2015	3,890,000	-0-	3,890,000	0.24%	642
2016	2,015,000	-0-	2,015,000	0.12%	334
2017	-0-	-0-	-0-	-0-	-0-
2018	-0-	-0-	-0-	-0-	-0-
2019	-0-	-0-	-0-	-0-	-0-
2020	-0-	-0-	-0-	-0-	-0-
2021	-0-	-0-	-0-	-0-	-0-
2022	-0-	-0-	-0-	-0-	-0-
2023	15,734,000	-0-	15,734,000	0.82%	2,448

Source: School District Financial Reports

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

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2022
UNAUDITED

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable ^a</u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Debt Repaid With Property Taxes			
Watchung Hills Regional High School	\$ 20,987,000	22.51%	\$ 4,724,618
Borough of Watchung	15,491,863	100%	15,491,863
County of Somerset - Borough's Share	26,523,760	2.97%	788,374
Subtotal, Overlapping Debt			21,004,855
Watchung Borough School District Direct Debt			-0-
Total Direct and Overlapping Debt			<u>\$ 21,004,855</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2023

	Equalized valuation basis
2020	\$ 1,817,505,856
2021	1,855,940,016
2022	1,984,560,146
	\$ 5,658,006,018
Average Equalized Valuation of Taxable Property	\$ 1,886,002,006
Debt Limit (3% of average equalization value)	\$ 56,580,060 ^a
Net Bonded School Debt	15,734,000
Legal Debt Margin	\$ 40,846,060

	Fiscal Year				
	2019	2020	2021	2022	2023
Debt Limit	\$ 52,533,061	\$ 53,808,928	\$ 54,339,598	\$ 54,339,598	\$ 56,580,060
Total Net Debt Applicable to Limit	-0-	-0-	-0-	-0-	15,734,000
Legal Debt Margin	\$ 52,533,061	\$ 53,808,928	\$ 54,339,598	\$ 54,339,598	\$ 40,846,060
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	27.81%

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt Limit	\$ 49,853,252	\$ 49,422,708	\$ 49,998,213	\$ 50,931,588	\$ 51,330,321
Total Net Debt Applicable to Limit	5,620,000	3,890,000	2,015,000	-0-	-0-
Legal Debt Margin	\$ 44,233,252	\$ 45,532,708	\$ 47,983,213	\$ 50,931,588	\$ 51,330,321
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	11.27%	7.87%	4.03%	0.00%	0.00%

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

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

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

Year	Population ^a	Borough of Watchung Personal Income ^b	Somerset County Per Capita Personal Income ^c	Unemployment Rate ^d
2014	6,058	\$ 505,152,388	\$ 83,386	4.80%
2015	6,034	533,399,566	88,399	4.20%
2016	6,038	557,621,376	92,352	4.00%
2017	6,050	600,220,500	99,210	3.40%
2018	6,060	633,997,200	104,620	3.10%
2019	6,023	665,336,718	110,466	2.80%
2020	6,007	677,739,775	112,825	8.10%
2021	6,486	739,241,850	113,975	5.30%
2022	6,428	732,631,300	113,975 *	3.10%
2023	6,428 **	732,631,300 ***	113,975 *	N/A

* - Latest Somerset County per capita personal income available (2021) was used for calculation purposes.

** - Latest population data available (2022) was used for calculation purposes.

***- Latest Borough personal income available (2022) was used for calculation purposes.

N/A - Information not available

Source:

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

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

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

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

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

Employer	2023		Percentage of Total Employment
	Employees	Rank	
AT&T	4,100	1	N/A
Janssen Pharmaceuticals, Inc.	1,800	2	N/A
The Chubb Corporation	1,800	3	N/A
Johnson and Johnson Pharmaceuticals	1,700	4	N/A
Bloomberg	1,380	5	N/A
Ethicon, Inc.	1,100	6	N/A
E-Z Go	1,050	7	N/A
Personal Products Company (J&J)	1,000	8	N/A
Ortho Clinical Diagnostics	1,000	9	N/A
Hooper Homes Inc.	900	10	
	15,830		

Employer	2014		Percentage of Total Employment
	Employees	Rank	

INFORMATION NOT AVAILABLE

N/A - Not Available

Source: Somerset County Business Partnership Website

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

<u>Function/Program</u>	<u>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	51	50	50	52	52	52	48.3	50.7	48.3	47
Special education	28	14	15	15	15	16	17	16.5	16.5	17
Other instruction	0	0	0	0	0	0	2.83	2.83	7	6
Support Services:										
Student & instruction related services	9	9	9	9	9	9	10.8	16	13.8	14.5
School administrative services	6	6	6	6	6	6	8	6	6	6
General and business administrative services	3	5	5	5	5	5	5	7	7	6.5
Plant operations and maintenance	11	10	10	10	10	10	9.8	8.8	7.8	9.75
Pupil transportation	3	1	1	1	1	1	0.2	0.2	0.2	1.25
Total	111	95	96	98	98	99	101.93	108.03	106.6	108

WATCHUNG BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2014	716	\$ 11,547,802	\$ 16,128	1.73%	67	N/A	N/A	688.5	663.0	-4.48%	96.30%
2015	691	11,867,317	17,174	6.48%	61	N/A	N/A	670.4	645.6	-2.63%	96.30%
2016	681	12,445,780	18,276	6.41%	60	N/A	N/A	683.7	655.2	1.98%	95.83%
2017	704	12,964,048	18,415	0.76%	63	N/A	N/A	707.6	676.9	3.50%	95.66%
2018	723	13,328,440	18,435	0.11%	63	N/A	N/A	688.5	657.9	-2.69%	95.55%
2019	741	14,582,162	19,679	6.75%	68	N/A	N/A	624.0	597.2	-9.37%	95.71%
2020	623	14,683,532	23,569	19.77%	68	N/A	N/A	609.3	592.0	-2.36%	97.16%
2021	620	14,834,638	23,927	1.52%	70	N/A	N/A	605.7	604.3	-0.59%	99.77%
2022	641	16,582,475	25,870	8.12%	67	N/A	N/A	623.1	588.2	2.87%	94.40%
2023	674	17,860,038	26,499	2.43%	67	N/A	N/A	666.7	627.9	7.00%	94.18%

Note: Enrollment based on annual October district count.

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

N/A: Information not available

Source: Borough of Watchung District Records

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

<u>District Building</u>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Valley View										
Square Feet	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960
Capacity (students)	470	470	470	470	470	470	470	470	470	470
Enrollment	303	327	331	341	347	370	271	274	263	253
Bayberry										
Square Feet	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629
Capacity (students)	638	638	638	638	638	638	638	638	638	638
Enrollment	413	364	350	363	376	371	352	346	378	421

Number of Schools at June 30, 2023
 Elementary = 2

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

Source: District Facilities Office

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

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

<u>*School Facility</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Bayberry Elementary	\$ 146,464	\$ 80,193	\$ 103,601	\$ 116,276	\$ 199,010
Valley View	72,139	39,850	21,220	23,816	42,165
District Total	<u>\$ 218,603</u>	<u>\$ 120,043</u>	<u>\$ 124,821</u>	<u>\$ 140,092</u>	<u>\$ 241,175</u>

<u>*School Facility</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bayberry Elementary	\$ 37,635	\$ 44,220	\$ 67,286	\$ 50,885	\$ 42,778
Valley View	59,992	67,747	76,766	54,888	50,641
District Total	<u>\$ 97,627</u>	<u>\$ 111,967</u>	<u>\$ 144,052</u>	<u>\$ 105,773</u>	<u>\$ 93,419</u>

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

Source: District records

WATCHUNG BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2023
UNAUDITED

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

Source: District records

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Office"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watchung Borough School District (the "District"), in the County of Somerset, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 20, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

October 20, 2023
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Watchung Borough's (the "District's") compliance with the types of compliance requirements identified as subject to audit in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2023. The District's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state programs for the fiscal year ended June 30, 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 of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Our responsibilities under those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

October 20, 2023
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

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

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Assistance Listing	Assistance Number	Grant Period	Award Amount	Balance at June 30, 2022			Balance at June 30, 2023		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Amounts Provided to Subrecipients
U.S. Department of Education Passed-through State Department of Education:										
Elementary and Secondary Education Act Consolidated Grant:										
Title I, Part A	84.010A	ESEA 554023	7/1/21-9/30/23	\$ 46,479			\$ 38,335	\$ (22,170)		\$ 16,165
Title I, Part A	84.010A	ESEA 554022	7/1/21-9/30/22	58,588			23,346	(18,450)	22	
Subtotal Title I, A							61,681	(40,620)	22	16,165
Title II, Part A	84.367A	ESEA 554023	7/1/21-9/30/23	17,888			6,377	(7,079)		(702)
Title II, Part A	84.367A	ESEA 554022	7/1/21-9/30/22	16,584			2,451	(775)	775	
Subtotal Title II, A							8,828	(7,854)	775	(702)
Title IV	84.424A	ESEA 554023	7/1/21-9/30/23	20,000			2,329	(2,329)		
							72,838	(50,803)	797	(702)
Special Education Cluster:										
IDEA Combined Grant:										
COVID 19 - ARP:										
I.D.E.A. Part B, Preschool	84.173X	IDEA 554022	7/1/21-9/30/22	2,187				(186)		(186)
I.D.E.A. Part B, Basic	84.027	IDEA 554023	7/1/21-9/30/23	127,073			67,179	(127,073)		(59,894)
I.D.E.A. Part B, Basic	84.027	IDEA 554022	7/1/21-9/30/22	123,115			11,540			
I.D.E.A. Part B, Preschool	84.173	IDEA 554023	7/1/21-9/30/23	7,333			3,608	(7,333)		(3,725)
Subtotal Special Education Cluster							82,327	(134,592)		(63,805)
Education Stabilization Fund:										
COVID-19 - CRRSA:										
ESSER II	84.425D	S425D210027	3/13/20-9/30/23	110,351			9,821	(7,431)	383	(17,399)
Learning Acceleration	84.425D	S425D210027	3/13/20-9/30/23	25,000				(9,162)		(11,890)
Mental Health	84.425D	S425D210027	3/13/20-9/30/23	45,000			5,125	(3,531)		1,594
COVID-19 - ARP:										
ESSER III	84.425U	S425U210027	3/13/20-9/30/24	248,006			23,703	(152,308)		(128,605)
Accelerated Learning Coach and Educator Support	84.425U	S425U210027	3/13/20-9/30/24	50,000				(29,804)		(29,804)
Evidence Based Summer Learning and Enrichment	84.425U	S425U210027	3/13/20-9/30/24	40,000				(18,356)		(18,356)
Evidence Based Comprehensive Beyond the School Day	84.425U	S425U210027	3/13/20-9/30/24	40,000				(7,163)		(7,163)
Subtotal Education Stabilization Fund							38,649	(227,755)	383	(213,217)
Total U.S. Department of Education / Special Revenue Fund							193,814	(413,150)	1,180	(277,724)
										17,759

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Assistance Listing	Assistance Listing Number	Grant Period	Award Amount	Balance at June 30, 2022		Cash Received	Budgetary Expenditures	Cancellations	Balance at June 30, 2023		Amounts Provided to Subrecipients
					Budgetary Accounts Receivable	Budgetary Unearned Revenue				Budgetary Accounts Receivable	Budgetary Unearned Revenue	
U.S. Department of Agriculture:												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Special Milk Program	10.556	N/A	7/1/22-6/30/23	\$ 3,357			\$ 3,187	\$ (3,357)		\$ (170)		
Special Milk Program	10.556	N/A	7/1/21-6/30/22	2,325			155					
Total U.S. Department of Agriculture/Child Nutrition Cluster					(155)		3,342	(3,357)		(170)		
Total Federal Awards					(41,964)		197,156	(416,507)	1,180	(277,894)	17,759	-0-

Accounts Payable	\$ 775
Encumbrances	405
	<u>\$ 1,180</u>

N/A - Not Applicable/Available

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

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

State Grantor/Program Title	Project Number	Grant or State Period	Award Amount	Balance at June 30, 2022		Cash Received	Budgetary Expenditures	Balance at June 30, 2023		MEMO		
				Budgetary Accounts Receivable	Due to Grantor			GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures	
General Fund:												
Categorical Transportation Aid	23-495-034-5120-014	7/1/22-6/30/23	\$ 222,795			\$ 203,782	\$ (222,795)		\$ (19,013)	\$ 222,795		
Categorical Special Education Aid	23-495-034-5120-089	7/1/22-6/30/23	613,252		560,919	(613,252)	(613,252)		(52,333)	613,252		
Categorical Security Aid	23-495-034-5120-078	7/1/22-6/30/23	51,205		46,835	(51,205)	(51,205)		(4,370)	51,205		
Extraordinary Aid	23-495-034-5120-044	7/1/22-6/30/23	425,921			(425,921)	(425,921)	\$ (425,921)	(425,921)	425,921		
Nonpublic Transportation	23-495-035-5120-014	7/1/22-6/30/23	10,608			(10,608)	(10,608)	(10,608)	(10,608)	10,608		
Reimbursed TPAF Social Security Contributions	23-495-034-5094-003	7/1/22-6/30/23	444,142		421,735	(444,142)	(444,142)	(22,407)	(22,407)	444,142		
On-Behalf TPAF Post Retirement Contributions	23-495-034-5094-001	7/1/22-6/30/23	549,940		549,940	(549,940)	(549,940)			549,940		
On-Behalf Long Term Disability Insurance Contributions	23-495-034-5094-004	7/1/22-6/30/23	782		782	(782)	(782)			782		
On-Behalf TPAF Pension Contributions	23-495-034-5094-002	7/1/22-6/30/23	2,064,787		2,064,787	(2,064,787)	(2,064,787)			2,064,787		
On-Behalf TPAF Non-Contributory Insurance	23-495-034-5094-004	7/1/22-6/30/23	28,647		28,647	(28,647)	(28,647)			28,647		
Categorical Transportation Aid	22-495-034-5120-014	7/1/21-6/30/22	160,229	\$ (13,239)	13,239					160,229		
Categorical Special Education Aid	22-495-034-5120-089	7/1/21-6/30/22	560,244	(46,290)	46,290					560,244		
Categorical Security Aid	22-495-034-5120-078	7/1/21-6/30/22	12,631	(1,044)	1,044					12,631		
Extraordinary Aid	22-495-034-5120-044	7/1/21-6/30/22	454,942	(454,942)	454,942					454,942		
Nonpublic Transportation	22-495-035-5120-014	7/1/21-6/30/22	9,570	(9,570)	9,570					9,570		
Reimbursed TPAF Social Security Contributions	22-495-034-5094-003	7/1/21-6/30/22	431,396	(21,647)	21,647					431,396		
Total General Fund				(546,732)	4,424,159		(4,412,079)		(534,652)	6,041,091		
Special Revenue Fund:												
School Development Authority:												
Emergent and Capital Maintenance Needs		7/1/22-6/30/23	13,719		13,719		(13,719)			13,719		
Climate Awareness		7/1/22-6/30/23	6,660				(6,578)		(6,578)	6,578		
Total Special Revenue Fund					13,719		(20,297)		(6,578)	20,297		
Total State Awards				(546,732)	\$ 4,437,878		\$ (4,432,376)		\$ (465,514)	\$ 6,061,388		
Less: On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions							549,940			549,940		
On-Behalf Long Term Disability Insurance Contributions							782			782		
On-Behalf TPAF Pension Contributions							2,064,787			2,064,787		
On-Behalf TPAF Non-Contributory Insurance							28,647			28,647		
Subtotal - On-Behalf TPAF Pension System Contributions							2,644,156			2,644,156		
Total State Awards - for Major Program Determination							\$ (1,788,220)			\$ 6,061,388		
N/A - Not Applicable/Available												

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Watchung School District under programs of the federal and state governments for the fiscal year ended June 30, 2023. The information in these schedules are presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$15,143) for the general fund, and \$9,981 for the special revenue fund of which (\$546) is for local grants. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

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

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

	Federal	State	Total
General Fund		\$ 4,396,936	\$ 4,396,936
Special Revenue Fund	\$ 423,102	20,872	443,974
Food Service Fund	3,357		3,357
Total Awards	\$ 426,459	\$ 4,417,808	\$ 4,844,267

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2023.

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance* required by NJOMB 15-08.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2023 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

	<u>State</u>		<u>Award</u>	<u>Budgetary</u>
	<u>Grant Number</u>	<u>Grant Period</u>	<u>Amount</u>	<u>Expenditures</u>
<u>State:</u>				
Categorical Special Education Aid	23-495-034-5120-089	7/1/22-6/30/23	\$ 613,252	\$ 613,252
Categorical Security Aid	23-495-034-5120-078	7/1/22-6/30/23	51,205	51,205
Reimbursed TPAF Social Security Contributions	23-495-034-5094-003	7/1/22-6/30/23	444,142	444,142

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The District was not determined to be a "low-risk" auditee for state programs.

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

WATCHUNG BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

Status of Prior Year Findings:

The District had no prior year audit findings.