

**WATCHUNG BOROUGH
SCHOOL DISTRICT**

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

**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025**

**Annual Comprehensive
Financial Report**

of the

WATCHUNG BOROUGH SCHOOL DISTRICT

Watchung, New Jersey

For the Fiscal Year Ended June 30, 2025

Watchung Borough School District

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

WATCHUNG BOROUGH SCHOOL DISTRICT
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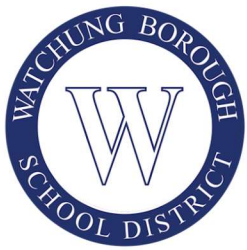
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INTRODUCTORY SECTION
(UNAUDITED)



WATCHUNG

BOROUGH SCHOOL DISTRICT

DR. JULIE GLAZER
SUPERINTENDENT

KAREN BISHOP-JOHNSON
BUSINESS ADMINISTRATOR

October 10, 2025

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, 2025, is hereby submitted. Responsibility for both the accuracy of the data and the 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 2024-2025 fiscal year with an enrollment of 674 students, which is 5 fewer students than the previous year's enrollment.

2. ECONOMIC CONDITION AND OUTLOOK: The Borough of Watchung was organized on April 20, 1926, and covers an area of approximately 6.2 square miles. Watchung was settled in the early eighteenth century and grew slowly until the second half of the 20th century. In 1960, the population was 3,312, and in 2020 it was 6,449. Watchung Borough is primarily a suburban residential community with approximately 2,382 residential units. The Borough also has several 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 \$75 million. Crystal Ridge, a 280-unit apartment complex located next to the shopping center, is assessed at over \$77 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. 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. This work is in progress.

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 is offered to students in grades 5-8, and French is offered to students in grades 7-8. Mathematics in middle school includes accelerated algebra and geometry. STEAM programming is offered in grades K-8. A state-of-the-art STEM Lab was opened during the 2019-2020 school year at Valley View School, 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 5-10 is housed in the Bayberry Elementary School. An Autism class for students beginning at age 11 was opened at Valley View in 2025. A preschool disabled program is available for students beginning at age 3. Resource classroom and in-class support programs are available in both schools.

Parents are able to view the district curriculum available through Rubicon Atlas, a software program, linked to the District's website. Curriculum has been reviewed and updated in accordance with 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, administrative, and software applications that are used by teachers and students. The District has a Multilingual language program that serves students in grades K-8.

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 to promote 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. Communication is also a stated goal in the District's recently completed 5-year Strategic Plan.

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. The 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), through a grant, contributed to the Pursuit of Excellence programs at Valley View and Bayberry Schools. These after-school 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 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 September 2023, through a shared service agreement with the Borough of Watchung, the District has an assigned School Resource Officer shared between the two school buildings.

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

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

As a recipient of federal and state financial assistance, the District is also 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, 2025.

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.

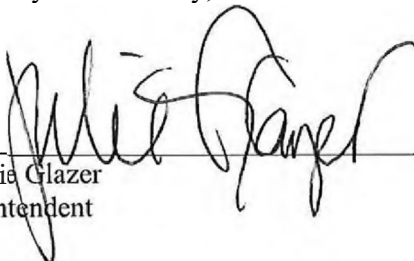
8. RISK MANAGEMENT: The Board carries various forms of insurance that include, but not limited to, general liability, automobile liability, and comprehensive/collision, hazard, and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on J-20.

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 the combined 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



Karen Bishop
Business Administrator



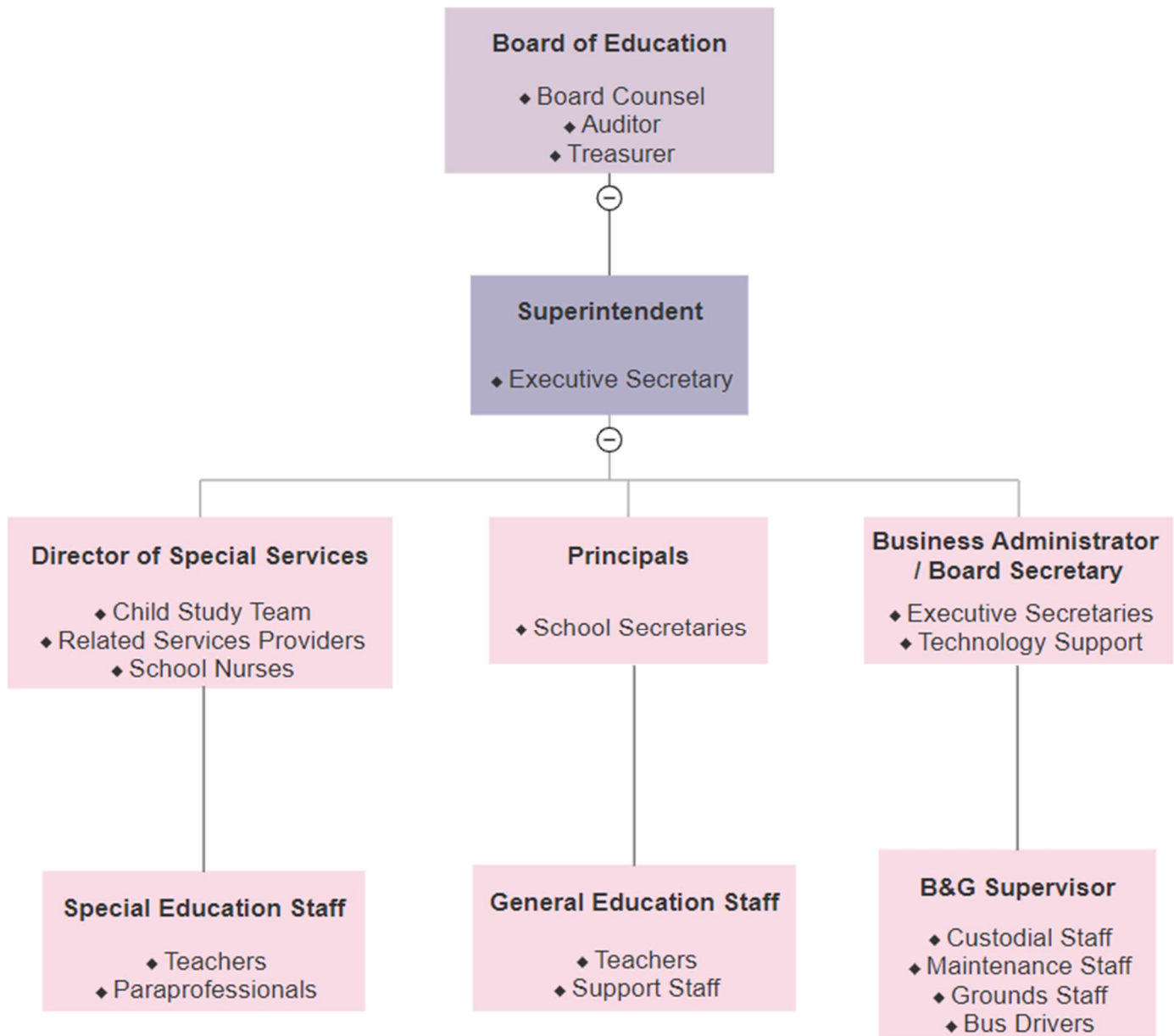


WATCHUNG

BOROUGH SCHOOL DISTRICT

DR. JULIE GLAZER
SUPERINTENDENT

KAREN BISHOP-JOHNSON
BUSINESS ADMINISTRATOR



WATCHUNG BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2025

Members of the Board of Education

Term Expires

Jennifer Agugliaro, President	2026
Manuel Gonzalez, Vice President	2025
Danielle Amedeo	2026
Mohamad Freij	2025
Dorie Harvey	2027
Phyllis Juetten	2025
Adam Kraft	2027
Jessica Maddox	2027
Fatima Santos	2026

Other Officials

Dr. Julie Glazer, Superintendent of Schools
Karen Bishop-Johnson, 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
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856
and
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860
and
1140 Route 22 East, Suite 203
Bridgewater, New Jersey 08807

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

Citizens 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, 2025, 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, 2025, 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 10, 2025 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 10, 2025

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, 2025. 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.

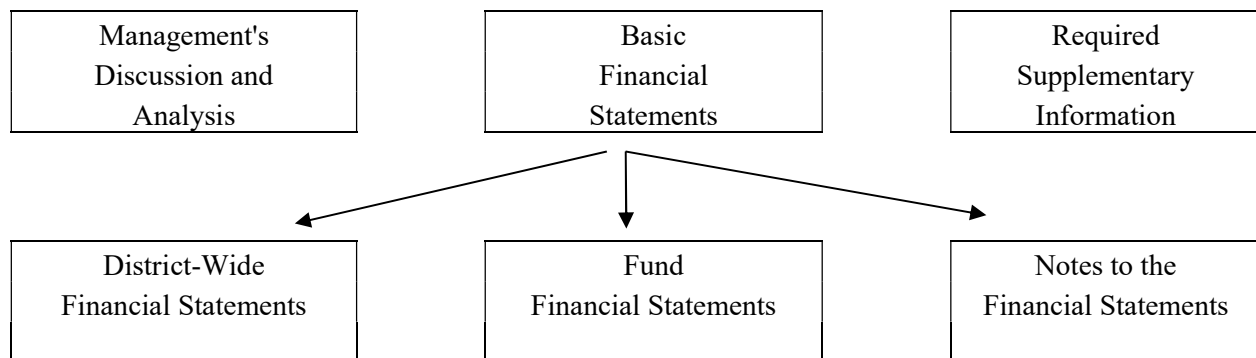
Overview of the Financial Statements

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 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: before and after school care program
Required Financial Statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balances	• Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 by \$910,057. Net position from governmental activities increased by \$881,732 and net position from business activities increased by \$28,325. Net investment in capital assets decreased by \$485,898, restricted net position increased by \$1,571,519 and unrestricted net position decreased by \$175,564.

Changes in Net Position. Net position in the Governmental Activities increased due primarily 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.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2024/2025	(Restated) 2023/2024	2024/2025	2023/2024	2024/2025	(Restated) 2023/2024	
Current and Other Assets	\$ 10,020,883	\$ 17,848,666	\$ 51,137	\$ 25,432	\$ 10,072,020	\$ 17,874,098	
Capital Assets, Net	24,287,724	15,959,539			24,287,724	15,959,539	
Total Assets	34,308,607	33,808,205	51,137	25,432	34,359,744	33,833,637	1.55%
Deferred Outflows of Resources	377,190	383,727			377,190	383,727	-1.70%
Other Liabilities	1,743,084	1,677,883		2,620	1,743,084	1,680,503	
Long-Term Liabilities	18,503,653	18,891,915			18,503,653	18,891,915	
Total Liabilities	20,246,737	20,569,798		2,620	20,246,737	20,572,418	-1.58%
Deferred Inflows of Resources	123,319	188,125			123,319	188,125	-34.45%
Net Position:							
Investment in Capital Assets	11,773,560	12,259,458			11,773,560	12,259,458	
Restricted	4,842,531	3,271,012			4,842,531	3,271,012	
Unrestricted/(Deficit)	(2,300,350)	(2,096,461)	51,137	22,812	(2,249,213)	(2,073,649)	
Total Net Position	\$ 14,315,741	\$ 13,434,009	\$ 51,137	\$ 22,812	\$ 14,366,878	\$ 13,456,821	6.76%

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
	2024/2025	2023/2024	2024/2025	2023/2024	2024/2025	2023/2024	Percentage Change
Revenue:							
Program Revenue:							
Tuition	\$ 216,700	\$ 205,500			\$ 216,700	\$ 205,500	
Charges for Services	65,964	79,536	\$ 183,062	\$ 174,557	249,026	254,093	
Operating Grants & Contributions	3,350,235	3,609,874			3,350,235	3,609,874	
General Revenue:							
Property Taxes	15,014,134	13,343,318			15,014,134	13,343,318	
Unrestricted Federal & State Aid	1,217,471	795,106			1,217,471	795,106	
Other	548,042	994,657			548,042	994,657	
Total Revenue	20,412,546	19,027,991	183,062	174,557	20,595,608	19,202,548	7.25%
Expenses:							
Instruction	11,728,400	11,742,315			11,728,400	11,742,315	
Pupil and Instruction Services	2,727,156	2,614,155			2,727,156	2,614,155	
Administrative and Business	1,638,732	1,516,824			1,638,732	1,516,824	
Maintenance and Operations	1,618,278	1,620,171			1,618,278	1,620,171	
Transportation	1,096,608	895,673			1,096,608	895,673	
Other	721,640	927,115	154,737	186,747	876,377	1,113,862	
Total Expenses	19,530,814	19,316,253	154,737	186,747	19,685,551	19,503,000	0.94%
Transfer		170		(170)			
Change in Net Position	\$ 881,732	\$ (288,092)	\$ 28,325	\$ (12,360)	\$ 910,057	\$ (300,452)	-402.90%

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

	Total Costs of Services		Net Cost of Services	
	2024/2025	2023/2024	2024/2025	2023/2024
Instruction	\$ 11,728,400	\$ 11,742,315	\$ 8,342,743	\$ 8,162,810
Pupil and Instruction Services	2,727,156	2,614,155	2,666,679	2,499,180
Administrative and Business	1,638,732	1,516,824	1,451,967	1,316,394
Maintenance and Operations	1,618,278	1,620,171	1,618,278	1,620,171
Transportation	1,096,608	895,673	1,096,608	895,673
Other	721,640	927,115	721,640	927,115
	<u>\$ 19,530,814</u>	<u>\$ 19,316,253</u>	<u>\$ 15,897,915</u>	<u>\$ 15,421,343</u>

Business-Type Activities

Net position from the District's business-type activities increased by \$28,325 due to a decrease in expenses related to the program in the current year . (Refer to Figure A-4).

Financial Analysis of the District's Funds

The District's financial position in the General Fund has been increasing in the last few years. This is a result of significant changes in the financial planning and budget management.

In an effort to return special education students to the District, the District has increased classroom teaching staff, special education aides and 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.

WATCHUNG BOROUGH SCHOOL DISTRICT
Management Discussion and Analysis

Capital Asset and Long-Term Liabilities

Current year capital additions were \$8,843,098 and annual depreciation was \$514,913 from governmental activities. (More information on the District's capital assets is presented in Note 6 to the financial statements.)

Figure A-6

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2024/2025	2023/2024	2024/2025	2023/2024	2024/2025	2023/2024	
Land	\$ 411,364	\$ 411,364			\$ 411,364	\$ 411,364	
Building and Building Improvements	11,272,367	11,634,788			11,272,367	11,634,788	
Machinery and Equipment	361,543	514,035			361,543	514,035	
Construction in Progress	12,242,450	3,399,352			12,242,450	3,399,352	
Total Capital Assets (Net of Depreciation)	<u>\$ 24,287,724</u>	<u>\$ 15,959,539</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 24,287,724</u>	<u>\$ 15,959,539</u>	52.18%

Long-Term Liabilities

At year-end, the District had \$18,503,653 in long term liabilities – a decrease of \$388,262 from the prior year – as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

Figure A-7

Outstanding Long-Term Liabilities

	Total School District (Restated)		Percentage Change 2024/2025
	2024/2025	2023/2024	
Serial Bonds	\$ 15,095,000	\$ 15,734,000	
Compensated Absences	801,518	549,680	
Arbitrage Rebate Payable	430,437	323,474	
Financed Purchases Payable	271,714	300,729	
Net Pension Liability	<u>1,904,984</u>	<u>1,984,032</u>	
	<u>\$ 18,503,653</u>	<u>\$ 18,891,915</u>	-2.06%

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 supported the 2024-2025 budget with a 12.0% tax levy increase. In October 2023, the Board was required to reopen and reapprove its budget with additional revenues to cover a projected shortfall from unbudgeted expenses. The district used Extraordinary Aid, transportation aid, and 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. For 2024-2025, the district also used a portion of banked cap as permitted by the New Jersey Department of Education. The 12% largely represented a maintenance of effort.
- **Increased transportation and healthcare expenses**, planned collective bargaining with the Teachers Association, restoring professional learning, librarians, and learning support teachers, as well as interventions to respond to students' academic, social, and emotional needs that had previously been cut, have been a step forward towards stabilizing the budget and returning to a focus of enhancing the educational environment for our students.
- **Personnel** - As there continues to be a focus on the social and emotional wellness of our students and staff, restoring the guidance counselor full-time at Bayberry and making the district social worker full-time became a priority. The district would also benefit from additional staffing in the areas of supervision of instruction, technology, and restoring a position cut from the Business Office.
- **Unpredictable state and federal aid** create challenges for long-term planning.
- Additionally, proposed housing developments in the Borough will impact student enrollment in the near future. With unpredictable state and federal aid, rising employee salary and benefits costs, continued maintenance costs, as well as inflation causing a significant increase in fixed expenses, we will need to put a focus on generating revenue and shared services.

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.

As the District begins to plan for the 2026-2027 fiscal year, it is important to formulate a general fiscal plan that continues to look at a period of years to sustain the efforts made this year to cover the projected shortfalls and balance the budget, and 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 the 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, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 7,609,823	\$ 47,331	\$ 7,657,154
Receivable from State Government	607,380		607,380
Other Accounts Receivable	25,768	3,806	29,574
Restricted Cash and Cash Equivalents	1,777,912		1,777,912
Capital Assets:			
Sites (Land) and Construction in Progress	12,653,814		12,653,814
Depreciable Buildings and Building Improvements and Machinery and Equipment	11,633,910		11,633,910
Total Assets	<u>34,308,607</u>	<u>51,137</u>	<u>34,359,744</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	377,190		377,190
Total Deferred Outflows of Resources	<u>377,190</u>		<u>377,190</u>
LIABILITIES			
Accounts Payable	665,361		665,361
Payable to Federal Government	1,025		1,025
Unearned Revenue	893,908		893,908
Accrued Interest Payable	182,790		182,790
Noncurrent Liabilities:			
Due Within One Year	675,651		675,651
Due Beyond One Year	17,828,002		17,828,002
Total Liabilities	<u>20,246,737</u>		<u>20,246,737</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	123,319		123,319
Total Deferred Inflows of Resources	<u>123,319</u>		<u>123,319</u>
NET POSITION			
Investment in Capital Assets	11,773,560		11,773,560
Restricted for:			
Capital Projects	1,796,367		1,796,367
Maintenance	500,000		500,000
Excess Surplus	2,425,619		2,425,619
Unemployment Compensation	35,933		35,933
Student Activities	84,612		84,612
Unrestricted/(Deficit)	(2,300,350)	51,137	(2,249,213)
Total Net Position	<u>\$ 14,315,741</u>	<u>\$ 51,137</u>	<u>\$ 14,366,878</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, 2025

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
Governmental Activities:							
Instruction:							
Regular	\$ 7,507,752	\$ 216,700	\$ 1,621,334	\$ (5,669,718)	\$		\$ (5,669,718)
Special Education	3,258,097		1,260,771	(1,997,326)			(1,997,326)
Other Special Instruction	820,530		270,477.00	(550,053)			(550,053)
School-Sponsored Other Instruction	142,021		16,375.00	(125,646)			(125,646)
Support Services:							
Tuition	322,549			(322,549)			(322,549)
Student & Instruction Related Services	2,404,607	65,964	(5,487.00)	(2,344,130)			(2,344,130)
General Administrative Services	612,023		193,909.00	(418,114)			(418,114)
School Administrative Services	551,480		(7,144.00)	(558,624)			(558,624)
Central Services	358,373			(358,373)			(358,373)
Administrative Information Technology	116,856			(116,856)			(116,856)
Plant Operations and Maintenance	1,618,278			(1,618,278)			(1,618,278)
Pupil Transportation	1,096,608			(1,096,608)			(1,096,608)
Interest on Long Term Debt	674,502			(674,502)			(674,502)
Capital Outlay	47,138			(47,138)			(47,138)
Total Governmental Activities	19,530,814	282,664	3,350,235	(15,897,915)			(15,897,915)

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(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:						
Before and After School Care Program	\$ 154,737	\$ 183,062			\$ 28,325	\$ 28,325
Total Business-Type Activities	154,737	183,062			28,325	28,325
Total Primary Government	\$ 19,685,551	\$ 465,726	\$ 3,350,235	\$ (15,897,915)	28,325	(15,869,590)
General Revenue:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 14,374,143		\$ 14,374,143
Taxes Levied for Debt Service				639,991		639,991
Federal and State Aid not Restricted				1,217,471		1,217,471
Interest and Miscellaneous Income				548,042		548,042
Total General Revenue				16,779,647		16,779,647
Change in Net Position				881,732	28,325	910,057
Net Position - Beginning (Restated)				13,434,009	22,812	13,456,821
Net Position - Ending				\$ 14,315,741	\$ 51,137	\$ 14,366,878

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, 2025

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 2,565,335		\$ 4,948,738	\$ 95,750	\$ 7,609,823
Receivables From Federal Government					
Receivables From State Government	607,380				607,380
Other Receivables	16,469	\$ 9,299			25,768
Interfund Receivables	1,034,948				1,034,948
Restricted Cash and Cash Equivalents	1,693,300	84,612			1,777,912
Total Assets	<u>\$ 5,917,432</u>	<u>\$ 93,911</u>	<u>\$ 4,948,738</u>	<u>\$ 95,750</u>	<u>\$ 11,055,831</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 459,072	\$ 5			\$ 459,077
Interfund Payable		8,197	\$ 1,026,751		1,034,948
Payable to Federal Government		1,025			1,025
Unearned Revenue	798,086	72		\$ 95,750	893,908
Total Liabilities	<u>1,257,158</u>	<u>9,299</u>	<u>1,026,751</u>	<u>95,750</u>	<u>2,388,958</u>
Fund Balances:					
Restricted:					
Capital Reserve	1,157,367				1,157,367
Maintenance Reserve Account	500,000				500,000
Excess Surplus - 2026-2027	1,200,772				1,200,772
Excess Surplus - 2025-2026	1,224,847				1,224,847
Unemployment Compensation	35,933				35,933
Student Activities		84,612			84,612
Capital Projects Fund			3,491,550		3,491,550
Assigned:					
Capital Projects Fund			430,437		430,437
Encumbrances	29,658				29,658
Unassigned:					
General Fund	511,697				511,697
Total Fund Balances	<u>4,660,274</u>	<u>84,612</u>	<u>3,921,987</u>		<u>8,666,873</u>
Total Liabilities and Fund Balances	<u>\$ 5,917,432</u>	<u>\$ 93,911</u>	<u>\$ 4,948,738</u>	<u>\$ 95,750</u>	<u>\$ 11,055,831</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025
(Continued)

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

Total Fund Balances from previous page	\$ 8,666,873
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds.	24,287,724
Interest on long-term debt is not accrued in Governmental Funds, but rather is recognized as an expenditure when due.	(182,790)
Long-Term Liabilities, including Bonds Payable, Compensated Absences Payable, Net Pension Liability Arbitrage Rebate Liability and Financed Purchases Payable are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(18,503,653)
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	170,906
Deferred Inflows	<u>(123,319)</u>
Net Position of Governmental Activities	<u><u>\$ 14,315,741</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, 2025

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 14,374,143			\$ 639,991	\$ 15,014,134
Tuition from Individuals	216,700				216,700
Interest Earned on Capital Reserve Funds	52,030				52,030
Restricted Miscellaneous Revenue		\$ 65,964			65,964
Unrestricted Miscellaneous Revenue	105,120	39,934	\$ 390,892		535,946
Total - Local Sources	14,747,993	105,898	390,892	639,991	15,884,774
State Sources	5,173,288			566,548	5,739,836
Federal Sources		288,457			288,457
Total Revenue	19,921,281	394,355	390,892	1,206,539	21,913,067
EXPENDITURES:					
Current:					
Regular Instruction	4,587,223	178,119			4,765,342
Special Education Instruction	2,319,508	150,272			2,469,780
Other Special Instruction	203,192				203,192
School Sponsored/Other Instruction	72,195				72,195
Support Services and Undistributed Costs:					
Tuition	322,549				322,549
Student & Instruction Related Services	1,752,757	62,619			1,815,376
General Administrative Services	486,156				486,156
School Administrative Services	363,171				363,171
Central Services	274,547				274,547
Administrative Information Technology	92,191				92,191
Plant Operations and Maintenance	1,360,502				1,360,502

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Pupil Transportation	\$ 1,080,104				\$ 1,080,104
Unallocated Benefits	6,409,452				6,409,452
Capital Outlay	112,138		\$ 8,843,098		8,955,236
Debt Service:					
Principal				\$ 639,000	639,000
Interest and Other Charges				567,539	567,539
Total Expenditures	19,435,685	\$ 391,010	8,843,098	1,206,539	29,876,332
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	485,596	3,345	(8,452,206)		(7,963,265)
OTHER FINANCING SOURCES/(USES)					
Financed Purchases (Non-Budgeted)	65,000				65,000
Transfers	283,929		(283,929)		
Total Other Financing Sources/(Uses)	348,929		(283,929)		65,000
Net Change in Fund Balances	834,525	3,345	(8,736,135)		(7,898,265)
Fund Balance—July 1	3,825,749	81,267	12,658,122		16,565,138
Fund Balance—June 30	\$ 4,660,274	\$ 84,612	\$ 3,921,987	\$ - 0 -	\$ 8,666,873

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, 2025

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (7,898,265)

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 differs from capital outlays in the period.

Depreciation Expense	\$ (514,913)
Capital Asset Additions	8,843,098

8,328,185

Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+)

639,000

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	79,048
Change in Deferred Inflows	(7,646)
Change in Deferred Outflows	64,806

136,208

Financed Purchases entered into by the District are an other financing source in the Governmental Funds, but the acquisition increases Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.

(65,000)

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.

94,015

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, 2025
(Continued)

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation. (+)

\$ 6,390

In the statement of activities, arbitrage rebate liability is accrued, regardless of when due. In the governmental funds, arbitrage rebate payable is reported when due.

(106,963)

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 (+).

(251,838)

Change in Net Position of Governmental Activities (Exhibit A-2)

\$ 881,732

WATCHUNG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Business-Type Enterprise Fund
	<u>Non-Major Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 47,331
Accounts Receivable	<u>3,806</u>
Total Assets	<u>51,137</u>
NET POSITION:	
Unrestricted	<u>51,137</u>
Total Net Position	<u><u>\$ 51,137</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, 2025

	Business-Type Enterprise Fund Non-Major Fund
Operating Revenue:	
Local Sources:	
Child Care Fees	\$ 183,062
Total Operating Revenue	183,062
Operating Expenses:	
Salaries, Benefits & Payroll Taxes	154,737
Total Operating Expenses	154,737
Change in Net Position	28,325
Net Position - Beginning of Year	22,812
Net Position - End of Year	\$ 51,137

THE ACCOMPANYING NOTES TO THE BASIC 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, 2025

	Business-Type Enterprise Fund Non-Major Fund
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 183,062
Payments to Employees	(154,737)
Payment for Suppliers	(2,620)
Net Cash Provided by Operating Activities	25,705
Net Increase in Cash and Cash Equivalents	25,705
Cash and Cash Equivalents, July 1	21,626
Cash and Cash Equivalents, June 30	\$ 47,331
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 28,325
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
(Decrease) in Accounts Payable	(2,620)
Net Cash Provided by Operating Activities	\$ 25,705

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, 2025

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, 2025
(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, 2025
(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 (Before and After School Care Program) Funds: The Enterprise Fund account for all revenue and expenses pertaining to the Board's Before and After School Care Program. This Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. 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, 2025
(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, 2025 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, 2025
(Continued)

D. Budgets/Budgetary Control (Cont'd)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 19,940,054	\$ 393,211
Differences - Budgetary to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		1,144
Prior Year State Aid Payments Recognized for GAAP Statements	98,662	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(117,435)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 19,921,281</u>	<u>\$ 394,355</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 19,435,685	\$ 389,866
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.		<u>1,144</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 19,435,685</u>	<u>\$ 391,010</u>

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, 2025
(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 a pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

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, 2025
(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, 2025.

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, 2025
(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, 2025, the amount earned by these employees but not yet disbursed was \$263,485.

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, 2025
(Continued)

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

T. Fund Balance Appropriated:

General Fund: Of the \$4,660,274 General Fund fund balance at June 30, 2025, \$1,157,367 is restricted in the capital reserve account; \$500,000 is restricted in the maintenance reserve account; \$1,224,847 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2026; \$1,200,772 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, 2027; \$29,658 is assigned for year-end encumbrances; \$35,933 is restricted for unemployment compensation; and \$511,697 is unassigned fund balance, which is \$117,435 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, 2026.

Special Revenue Fund: The Special Revenue Fund balance at June 30, 2025 of \$84,612 is restricted for student activities.

Capital Projects Fund: Of the \$3,921,987 Capital Projects Fund fund balance as of June 30, 2025, \$3,491,550 is restricted; and \$430,437 is assigned.

Debt Service Fund: Debt Service Fund fund balance is \$-0- at June 30, 2025.

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.

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, 2025
(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, maintenance reserve, excess surplus, unemployment compensation, and student activities and the capital projects fund 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, 2025.

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 in the General Fund and for arbitrage rebate in the Capital Projects Fund at June 30, 2025.

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, 2025 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, 2025
(Continued)

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

W. Deficit Net Position:

The District has a deficit of \$2,300,350 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 program fees for the care program. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Before and After School Care Program.

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, 2025
(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, 2025
(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, 2025

(Continued)

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

Investments (Cont'd)

- (8) Agreements for the repurchase of fully collateralized securities if:
 - (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, 2025, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking and Savings Accounts	\$ 771,373	\$ 623,575	\$ 1,394,948
NJ Asset and Rebate Management Program (NJ ARM)	6,885,781	1,154,337	8,040,118
	<u>\$ 7,657,154</u>	<u>\$ 1,777,912</u>	<u>\$ 9,435,066</u>

During the period ended June 30, 2025, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2025, was \$9,435,066 and the bank balance was \$10,540,508. The balance of \$8,040,118 in NJ ARM is uninsured and unregistered.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(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, 2024 to June 30, 2025 fiscal year is as follows:

Beginning Balance, July 1, 2024	\$ 1,105,337
Increased by:	
Interest Earnings	<u>52,030</u>
Ending Balance, June 30, 2025	<u><u>\$ 1,157,367</u></u>

The balance in the capital reserve account at June 30, 2025 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$100,000 was established by the Watchung Borough School District during the fiscal year ended June 30, 2010. The funds for the establishment of this reserve were transferred from current year surplus. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2024 to June 30, 2025 fiscal year is as follows:

Balance July 1, 2024	\$ -0-
Increased by:	
Deposit by Board Resolution June 19, 2025	<u>500,000</u>
Balance June 30, 2025	<u><u>\$ 500,000</u></u>

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2025 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	3,399,352	\$ 8,843,098		12,242,450
Total Capital Assets Not Being Depreciated	<u>3,810,716</u>	<u>8,843,098</u>		<u>12,653,814</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	19,904,476			19,904,476
Machinery and Equipment	2,328,603			2,328,603
Total Capital Assets Being Depreciated	<u>22,233,079</u>			<u>22,233,079</u>
Governmental Activities Capital Assets	<u>26,043,795</u>	<u>8,843,098</u>		<u>34,886,893</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(8,269,688)	(362,421)		(8,632,109)
Machinery and Equipment	(1,814,568)	(152,492)		(1,967,060)
	<u>(10,084,256)</u>	<u>(514,913)</u>		<u>(10,599,169)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 15,959,539</u></u>	<u><u>\$ 8,328,185</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 24,287,724</u></u>

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

The District expended \$8,843,098 on capitalized expenditures during the fiscal year which is in construction in progress. The District has \$15,734,000 in active construction projects of which \$941,985 represents open encumbrances as of June 30, 2025.

Depreciation expense was charged to governmental functions as follows:

General Administration	\$ 22,383
Plant Operations and Maintenance	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>

NOTE 7. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2025, the District did not make any transfers into capital outlay accounts.

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2025, the following changes occurred in liabilities reported in the District-wide financial statements:

	Restated Beginning Balance	Accrued	Retired	Ending Balance	Payable in 1 Year
Serial Bonds Payable	\$ 15,734,000		\$ 639,000	\$ 15,095,000	\$ 580,000
Financed Purchases Payable	300,729	\$ 65,000	94,015	271,714	95,651
Arbitrage Rebate Payable	323,474	106,963		430,437	
Compensated Absences Payable	549,680	251,838		801,518	
Net Pension Liability	1,984,032		79,048	1,904,984	
	<u>\$ 18,891,915</u>	<u>\$ 423,801</u>	<u>\$ 812,063</u>	<u>\$ 18,503,653</u>	<u>\$ 675,651</u>

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, 2025 through 2043.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

The District has bonds outstanding of June 30, 2025 as follows:

<u>Purpose</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
School Bonds	3/1/2043	3.00% - 4.00%	<u>\$ 15,095,000</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	655,000	491,587	1,146,587
2030	685,000	470,300	1,155,300
2031-2035	3,880,000	1,979,438	5,859,438
2036-2040	4,755,000	1,228,875	5,983,875
2041-2043	3,305,000	266,400	3,571,400
	<u>\$ 15,095,000</u>	<u>\$ 6,028,000</u>	<u>\$ 21,123,000</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2025, the Board had no bonds authorized but not issued.

C. Financed Purchases Payable:

The District has two financed purchase agreement for various technology equipment. The financed purchases are for terms of three years and will be retired through the General Fund. The District also has two financed purchase agreements for energy efficiency equipment installed at both schools. The finance terms are for five 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, 2025.

<u>Year</u>	<u>Amount</u>
2026	\$ 102,921
2027	102,921
2028	78,873
2029	1,489
Total Minimum Financed Purchases Payments	286,204
Less: Amount Representing Interest	(14,490)
Present Value of Net Minimum Lease Payments	<u>\$ 271,714</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

C. Financed Purchases Payable: (Cont'd)

The current portion of the financed purchase payable at June 30, 2025 is \$95,651 and the long-term portion is \$176,063. 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 long-term liabilities. The long-term portion for compensated absences is \$801,518. 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, 2025, no liability existed for compensated absences in the Before and After Care Program.

E. Arbitrage Rebate Liability

The District is subject to liability for arbitrage rebate to the federal government relative to its \$15,734,000 Bonds dated March 8, 2023. The long-term portion for arbitrage rebate liability is \$430,437. The arbitrage rebate liability will be liquidated through the Debt Service Fund.

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2025 is \$0 and the long-term portion is \$1,904,984. See Note 9 for further information on the PERS.

NOTE 9. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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:

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

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

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. For fiscal year 2024, the State's pension contribution was more than the actuarial determined amount.

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 have determined the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being 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 is adjusted by the rate of return on the actuarial value of assets.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

District contributions to PERS amounted to \$190,769 for the fiscal year. During the fiscal year ended June 30, 2024, the State of New Jersey contributed \$6,142 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

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the legislation is considered to be 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 under the legislation 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 statement of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entity's total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must disclose pension expense as well as revenue associated with the employers in an amount equal to the nonemployer contributing entity's total proportionate share of the collective pension expense associated with the local participating employer.

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

At June 30, 2025, the District's liability was \$1,904,984 for its proportionate share of the net pension liability, which was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. 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, 2024, the District's proportion was 0.0140%, which was an increase of .0003 from its proportion measured as of June 30, 2023.

For the fiscal year ended June 30, 2024, the District recognized an actual pension expense of \$54,559 for PERS. Additionally, for the fiscal year ended June 30, 2024, the State recognized pension expense for PERS on behalf of the District in the amount of \$6,142 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2025 financial statements. There was no state proportionate share of net pension liability attributable to the District as of June 30, 2025.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 9. 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)

At June 30, 2025, 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	2020	5.16		\$ (13,843)
	2021	5.13	\$ 2,367	
	2022	5.04		(7,831)
			<u>2,367</u>	<u>(21,674)</u>
Changes in Proportion	2020	5.16		(8,244)
	2021	5.13	25,468	
	2022	5.04	52,111	
	2023	5.08	13,547	
	2024	5.08	<u>39,253</u>	<u>(8,244)</u>
			<u>130,379</u>	<u>(8,244)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2021	5.00		(130,765)
	2022	5.00		207,438
	2023	5.00		(53,792)
	2024	5.00		<u>(111,210)</u>
				<u>(88,329)</u>
Difference Between Expected and Actual Experience	2020	5.16	771	
	2021	5.13		(1,882)
	2022	5.04		(3,190)
	2023	5.08	9,799	
	2024	5.18	<u>27,590</u>	<u>(5,072)</u>
			<u>38,160</u>	<u>(5,072)</u>
District Contribution Subsequent to the Measurement Date	2024	1.00	<u>206,284</u>	
			<u>\$ 377,190</u>	<u>\$ (123,319)</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding 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
2025	\$ (27,033)
2026	105,105
2027	(21,033)
2028	(10,787)
2029	1,334
	<u>\$ 47,586</u>

Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. 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-2024.

The actuarial assumptions used in the July 1, 2023 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, 2025
(Continued)

NOTE 9. 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, 2024) 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, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	28.00%	8.63%
Non-U.S. Developed Market Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. 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, 2025

(Continued)

NOTE 9. 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, 2024 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, 2024		
	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	\$ 2,531,255	\$ 1,904,984	\$ 1,372,031

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, 2025
(Continued)

NOTE 9. 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 2024, 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 2025, the State of New Jersey contributed \$2,146,691 to the TPAF for normal pension benefits on behalf of the District, which is more than the contractually required benefit of \$(94,339).

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2025, the State's proportionate share of the net pension liability associated with the District was \$25,861,534. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. 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, 2024, the District's proportion was 0.0523%, which was an increase of 0.0018% from its proportion measured as of June 30, 2023.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>25,861,534</u>
Total	<u>\$ 25,861,534</u>

For the fiscal year ended June 30, 2024, the State recognized pension benefit on behalf of the District in the amount of \$(94,339) and the District recognized pension benefit and revenue for that same amount in the fiscal year ended June 30, 2025 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	2017	8.30		\$ 480,199,664
	2018	8.29		1,060,765,245
	2019	8.04		1,016,333,107
	2020	7.99	\$ 603,633,698	
	2021	7.93		7,317,559,989
	2022	7.83	67,989,902	

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 9. 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
Difference Between Expected and Actual Experience	2017	8.30	\$ 8,543,764	
	2018	8.29	186,086,527	
	2019	8.04		\$ 39,486,140
	2020	7.99		3,217,090
	2021	7.93	97,106,767	
	2022	7.83		12,735,529
	2023	7.93	144,751,819	
	2024	7.84		211,440,707
			<u>436,488,877</u>	<u>266,879,466</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2021	5.00		888,658,452
	2022	5.00		(1,659,667,329)
	2023	5.00		357,972,332
	2024	5.00		816,400,864
				<u>403,364,319</u>
			<u>\$ 1,108,112,477</u>	<u>\$ 10,545,101,790</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>
2025	\$ (3,681,028,670)
2026	(1,839,302,001)
2027	(1,977,654,443)
2028	(1,907,819,552)
2029	2,992,761
Thereafter	<u>(34,177,408)</u>
	<u>\$ (9,436,989,313)</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. 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%

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-2024.

The actuarial assumptions used in the July 1, 2023 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, 2024) 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, 2024 are summarized in the following table:

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	28.00%	8.63%
Non-U.S. Developed Market Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. 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, 2024 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.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired Employees Plan

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

	June 30, 2024		
	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	\$ 30,740,094	\$ 25,861,534	\$ 21,752,864

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$10,797 for the fiscal year ended June 30, 2025. Employee contributions to DCRP amounted to \$16,735 for the year ended June 30, 2025.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

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 local 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.nj.gov/treasury/pensions/gasb-notices-opeb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2023, the plan membership consisted of the following:

Retirees Plan Members and Spouses of Retirees Currently Receiving Benefit Payments	153,556
Active Plan Members	<u>219,185</u>
Total	<u><u>372,741</u></u>

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024.

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.

	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:	2.75 - 5.65%	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 July 1, 2023 valuation were based on the results of the TPAF, PERS and PFRS experience studies prepared for July 1, 2018 – June 30, 2021.

100% of active members are considered to participate in the Plan upon retirement.

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.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 7.50% and decreases to a 4.50% long term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 19.36% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO the trend is increasing to 22.88% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.25% and decreases to a 4.50% long term rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93%. This represents the municipal bond return 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, 2023	\$ 22,894,010
Changes for Year:	
Service Cost	1,089,135
Interest Cost	851,601
Difference between Actual and Expected Experience	(271,434)
Changes of Assumptions	1,935,470
Gross Benefit Payments by the State	(650,382)
Contributions from Members	<u>22,270</u>
Net Changes	<u>2,976,660</u>
Balance at June 30, 2024	<u>\$ 25,870,670</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, 2024, 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 was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>June 30, 2024</u>		
	<u>At 1% Decrease (2.93%)</u>	<u>At Discount Rate (3.93%)</u>	<u>At 1% Increase (4.93%)</u>
Total OPEB Liability Attributable to the District	\$ 30,300,095	\$ 25,870,670	\$ 22,269,459

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2024, 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 was calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2024		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase
Total OPEB Liability Attributable to the District	\$ 21,550,456	\$ 25,870,670	\$ 31,498,033

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

For the fiscal year ended June 30, 2025 the District recognized OPEB expense of \$1,375,544 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, 2024 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, 2025
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

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

	<u>Deferral Year</u>	<u>Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2017	9.54		\$ 496,138
	2018	9.51		605,704
	2019	9.29	\$ 95,563	
	2020	9.24	2,465,112	
	2021	9.24	14,561	
	2022	9.13		3,956,267
	2023	9.30	35,929	
	2024	9.33	1,728,024	
			<u>4,339,189</u>	<u>5,058,109</u>
Differences Between Expected and Actual Experience	2018	9.51		572,579
	2019	9.29		1,124,787
	2020	9.24	2,297,582	
	2021	9.24		2,800,191
	2022	9.13	407,439	
	2023	9.30		333,770
	2024	9.33	61,542	
			<u>2,766,563</u>	<u>4,831,327</u>
Changes in Proportion	N/A	N/A	<u>2,207,787</u>	<u>376,778</u>
			<u>\$ 9,313,539</u>	<u>\$ 10,266,214</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2025	\$ (917,663)
2026	(769,466)
2027	(365,472)
2028	96,052
2029	(666,917)
Thereafter	<u>(160,218)</u>
	<u>\$ (2,783,684)</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 11. 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, 2025 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, 2024 is as follows:

	<u>Diploma Joint Insurance Fund</u>
Total Assets	\$ 26,941,780
Net Position	\$ 12,869,982
Total Revenue	\$ 12,755,100
Total Expenses	\$ 10,892,287
Change in Net Position	\$ 1,862,813
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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2025	-0-	\$ 39,249	\$ 61,635	\$ 35,933
2024	-0-	25,069	34,039	58,319
2023	-0-	15,355	13,668	67,289

NOTE 12. 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 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2025:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,034,948	
Special Revenue Fund		\$ 8,197
Capital Projects Fund		1,026,751
	<u>\$ 1,034,948</u>	<u>\$ 1,034,948</u>

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 14. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, 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 15. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2025, 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>
<u>\$ 29,658</u>	<u>\$ 856</u>	<u>\$ 941,985</u>	<u>\$ 972,499</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2025, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$856 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. On the District's Governmental Funds Balance Sheet as of June 30, 2025, \$-0- is assigned for year-end encumbrances in the Capital Projects Fund. The \$941,985 encumbrances are included in the \$3,491,550 Restricted Capital Projects fund balance.

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 16. ACCOUNTS PAYABLE

At June 30, 2025, there were accounts payable as detailed below:

	<u>Governmental Funds</u>		<u>District Contribution Subsequent to Measurement Date</u>	<u>Total Governmental Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>		
Vendors	\$ 149,511	\$ 5		\$ 149,516
Payroll Deductions and Withholdings	46,076			46,076
Accrued Salaries and Wages	263,485			263,485
Due to State of New Jersey			\$ 206,284	206,284
	<u>\$ 459,072</u>	<u>\$ 5</u>	<u>\$ 206,284</u>	<u>\$ 665,361</u>

NOTE 17. TAX CALENDAR

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(Continued)

NOTE 18. PRIOR YEAR ADJUSTMENT

As required, the District made a restatement in the district-wide financial statements at June 30, 2025, to reflect financed purchase agreements for two energy savings programs that were not reported in previous years.

	Balance 6/30/24 as Previously Reported	Error Correction	Balance 6/30/24 as Restated
Liabilities:			
Non-Current Liabilities:			
Due Within One Year	\$ 665,946	\$ 53,074	\$ 719,020
Due Beyond One Year	18,037,721	135,174	18,172,895
Total Liabilities	20,381,550	188,248	20,569,798
Net Position:			
Net Investment in Capital Assets	12,447,706	(188,248)	12,259,458
Total Net Position	13,622,257	(188,248)	13,434,009

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 TEN FISCAL YEARS

	Fiscal Year Ending June 30,				
	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.0150279424%	0.0140359078%	0.0137002301%	0.0001326642%	0.0135377058%
District's proportionate share of the net pension liability	\$ 3,373,472	\$ 4,157,033	\$ 3,189,195	\$ 2,612,092	\$ 2,439,289
District's covered employee payroll	952,957	955,122	923,519	946,298	935,785
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	354.00%	435.24%	345.33%	276.03%	260.67%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	40.14%	48.10%	53.60%	56.27%

	Fiscal Year Ending June 30,				
	2021	2022	2023	2024	2025
District's proportion of the net pension liability	0.0123566940%	0.0128865092%	0.0135637975%	0.0136977378%	0.0140195583%
District's proportionate share of the net pension liability	\$ 2,015,054	\$ 1,526,600	\$ 2,046,964	\$ 1,984,032	\$ 1,904,984
District's covered employee payroll	911,410	921,675	1,025,859	1,021,514	1,153,319
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	221.09%	165.63%	199.54%	194.22%	165.17%
Plan fiduciary net position as a percentage of the total pension liability	58.32%	70.33%	62.91%	65.23%	68.22%

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

	Fiscal Year Ending June 30,				
	2016	2017	2018	2019	2020
Contractually required contribution	\$ 129,200	\$ 124,693	\$ 128,417	\$ 132,313	\$ 132,313
Contributions in relation to the contractually required contribution	(129,200)	(124,693)	(128,417)	(132,313)	(132,313)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 955,122	\$ 923,519	\$ 946,298	\$ 935,785	\$ 911,410
Contributions as a percentage of covered employee payroll	13.53%	13.50%	13.57%	14.14%	14.52%
	Fiscal Year Ending June 30,				
	2021	2022	2023	2024	2025
Contractually required contribution	\$ 135,176	\$ 153,773	\$ 171,766	\$ 185,144	\$ 190,769
Contributions in relation to the contractually required contribution	(135,176)	(153,773)	(171,766)	(185,144)	(190,769)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 921,675	\$ 1,025,859	\$ 1,021,514	\$ 1,153,319	\$ 1,186,250
Contributions as a percentage of covered employee payroll	14.67%	14.99%	16.81%	16.05%	16.08%

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 TEN FISCAL YEARS

	Fiscal Year Ending June 30,				
	2016	2017	2018	2019	2020
State's proportion of the net pension liability attributable to the District	0.0452895715%	0.0459795512%	0.0478369854%	0.0486004563%	0.0486004563%
State's proportionate share of the net pension liability attributable to the District	\$ 28,624,943	\$ 36,170,443	\$ 32,253,421	\$ 30,918,566	\$ 30,918,566
District's covered employee payroll	4,807,187	4,951,413	5,048,273	4,839,145	4,850,113
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	595.46%	730.51%	638.90%	638.93%	637.48%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	22.33%	25.41%	26.49%	26.49%
Fiscal Year Ending June 30,					
	2021	2022	2023	2024	2025
State's proportion of the net pension liability attributable to the District	0.0461751367%	0.0438261483%	0.0483354577%	0.0505077449%	0.0523246906%
State's proportionate share of the net pension liability attributable to the District	\$ 30,405,772	\$ 21,069,503	\$ 24,938,397	\$ 25,775,451	\$ 25,861,534
District's covered employee payroll	5,037,547	5,616,652	6,033,093	6,170,263	6,394,302
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	603.58%	375.13%	413.36%	417.74%	404.45%
Plan fiduciary net position as a percentage of the total pension liability	24.60%	35.52%	32.29%	34.68%	37.99%

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

	Fiscal Year Ending June 30,				
	2016	2017	2018	2019	2020
Contractually required contribution	\$ 1,747,808	\$ 2,717,705	\$ 2,234,354	\$ 1,802,444	\$ 1,802,444
Contributions in relation to the contractually required contribution	(368,130)	(519,258)	(715,713)	(931,425)	(931,425)
Contribution deficiency/(excess)	<u>\$ 1,379,678</u>	<u>\$ 2,198,447</u>	<u>\$ 1,518,641</u>	<u>\$ 871,019</u>	<u>\$ 871,019</u>
District's covered employee payroll	\$ 4,951,413	\$ 5,048,273	\$ 4,839,145	\$ 4,850,113	\$ 5,037,547
Contributions as a percentage of covered employee payroll	35.30%	53.83%	46.17%	37.16%	35.78%

	Fiscal Year Ending June 30,				
	2021	2022	2023	2024	2025
Contractually required contribution	\$ 1,890,760	\$ 495,775	\$ 671,162	\$ 633,228	\$ (94,339)
Contributions in relation to the contractually required contribution	(1,273,973)	(1,989,805)	(2,064,787)	(2,229,730)	(2,146,691)
Contribution deficiency/(excess)	<u>\$ 616,787</u>	<u>\$ (1,494,030)</u>	<u>\$ (1,393,625)</u>	<u>\$ (1,596,502)</u>	<u>\$ (2,241,030)</u>
District's covered employee payroll	\$ 5,616,652	\$ 6,033,093	\$ 6,170,263	\$ 6,394,302	\$ 6,543,612
Contributions as a percentage of covered employee payroll	33.66%	8.22%	10.88%	9.90%	1.44%

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 EIGHT FISCAL YEARS

	Fiscal Year Ending June 30,					
	2017	2018	2019	2020	2021	2022 2023 2024
Total OPEB Liability						
Service Cost	\$ 1,062,895	\$ 878,584	\$ 721,342	\$ 781,193	\$ 1,423,380	\$ 1,288,174 \$ 1,049,497 \$ 1,089,135
Interest on the Total OPEB Liability	653,827	761,302	684,934	590,394	646,563	806,299 851,601
Changes of Benefit Terms					(26,529)	
Changes in Assumptions	(2,756,523)	(1,975,836)	243,232	4,934,062	24,590	46,145 1,935,470
Differences between Expected and Actual Experience						(5,866,966)
Contributions from Members	17,576	(2,608,820)	(2,068,195)	4,848,535	(3,662,352)	1,501,102 (270,600) (271,434)
Gross Benefit Payments by the State	(477,305)	(460,399)	(500,768)	(470,247)	(509,310)	18,418 20,663 22,270
						(574,104) (628,523) (650,382)
Net Change in Total OPEB Liability	(1,499,530)	(3,389,257)	(904,611)	10,698,190	(2,087,129)	1,023,481 2,976,660
Total OPEB Liability - Beginning	22,106,649	20,607,119	17,217,862	16,313,251	27,011,441	24,924,312 21,870,529 22,894,010
Total OPEB Liability - Ending	\$ 20,607,119	\$ 17,217,862	\$ 16,313,251	\$ 27,011,441	\$ 24,924,312	\$ 21,870,529 \$ 22,894,010 \$ 25,870,670
District's Covered Employee Payroll *	\$ 5,971,792	\$ 5,785,443	\$ 5,785,898	\$ 5,948,957	\$ 6,538,327	\$ 7,058,952 \$ 7,191,777 \$ 7,547,621
Total OPEB Liability as a Percentage of Covered Employee Payroll	345%	298%	282%	454%	381%	310% 318% 343%

* - Covered payroll for the fiscal years ending June 30, 2017 - 2024 are based on the payroll on the June 30, 2016 - 2023 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, 2025

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

There were none.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2022 actuarial valuation the salary increases were 2.75 – 4.25% based on years of service while in the July 1, 2021 actuarial valuation the salary increases were 2.75% – 5.65% based on years of service.

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, 2024 was 3.93%. The discount rate for June 30, 2023 was 3.65%, a change of .28%.

The health care trend rates in the valuation as of June 30, 2024 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 7.50% and decreases to a 4.50% long term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 19.36% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO the trend is increasing to 22.88% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.25% and decreases to a 4.50% long term rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

The health care trend rates in the valuation as of June 30, 2023 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 6.50% and decreases to a 4.50% long term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 14.8% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.50% and decreases to a 4.50% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

BUDGETARY COMPARISON SCHEDULES

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues from Local Sources:					
Local Tax Levy	\$ 14,374,143		\$ 14,374,143	\$ 14,374,143	
Tuition From Individuals	252,000		252,000	216,700	\$ (35,300)
Unrestricted Miscellaneous Revenues	20,000		20,000	105,120	85,120
Interest Earned on Capital Reserve Funds	5,000		5,000	52,030	47,030
Total Revenues from Local Sources	14,651,143		14,651,143	14,747,993	96,850
Revenues from State Sources:					
Categorical Transportation Aid	451,320		451,320	451,320	
Extraordinary Aid	275,921		275,921	556,197	280,276
Categorical Special Education Aid	807,647		807,647	807,647	
Categorical Security Aid	67,026		67,026	67,026	
Additional Nonpublic Transportation Aid				27,086	27,086
Other State Aids	614		614	614	
TPAF Post Retirement Contributions (Non-Budgeted)				635,035	635,035
TPAF Pension Contributions (Non-Budgeted)				2,146,691	2,146,691
TPAF Non-Contributory Insurance (Non-Budgeted)				26,592	26,592
TPAF Long-Term Disability Insurance (Non-Budgeted)				996	996
Reimbursed TPAF Social Security Contributions				472,857	472,857
Total Revenues from State Sources	1,602,528		1,602,528	5,192,061	3,589,533
TOTAL REVENUE	16,253,671		16,253,671	19,940,054	3,686,383

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
GENERAL CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 148,330	\$ (27,021)	\$ 121,309	\$ 120,114	\$ 1,195
Kindergarten - Salaries of Teachers	338,239	(3,000)	335,239	325,114	10,125
Grades 1-5 - Salaries of Teachers	2,402,862	(132,973)	2,269,889	2,188,419	81,470
Grades 6-8 - Salaries of Teachers	1,349,191	21,973	1,371,164	1,340,346	30,818
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000	26,709	27,709	19,495	8,214
Purchased Professional-Educational Services		3,224	3,224	3,224	
Regular Programs - Undistributed Instruction:					
Unused Vacation Payment to Terminated/Retired Staff	5,000		5,000	3,837	1,163
Purchased Professional-Educational Services	274,204	(133,306)	140,898	131,125	9,773
Purchased Technical Services	13,000	145,142	158,142	155,258	2,884
Other Purchased Services (400-500 series)	1,550	2,596	4,146	2,635	1,511
General Supplies	184,706	109,186	293,892	258,750	35,142
Textbooks	12,000		12,000	11,340	660
Other Objects	500	350	850	550	300
Total Regular Programs - Instruction	4,730,582	39,896	4,770,478	4,587,223	183,255
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	891,544	584	892,128	887,728	4,400
Other Salaries for Instruction	130,844	(1,410)	129,434	95,297	34,137
Purchased Professional-Educational Services	745,290	(136,766)	608,524	590,083	18,441
General Supplies	9,250		9,250	7,183	2,067
Total Resource Room/Resource Center	1,776,928	(137,592)	1,639,336	1,580,291	59,045

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Autism:					
Salaries of Teachers	\$ 168,574	\$ 1,128	\$ 169,702	\$ 158,829	\$ 10,873
Other Salaries for Instruction	28,194		28,194	26,694	1,500
Purchased Professional-Educational Services	217,125	110,289	327,414	319,051	8,363
General Supplies	2,400		2,400	1,504	896
Total Autism	416,293	111,417	527,710	506,078	21,632
Preschool Disabilities - Full-Time:					
Salaries of Teachers	107,008	(734)	106,274	105,499	775
Other Salaries for Instruction	54,474	(23,020)	31,454	29,613	1,841
Purchased Professional-Educational Services	45,005	53,056	98,061	98,027	34
Total Preschool Disabilities - Full-Time	206,887	29,302	236,189	233,139	3,050
TOTAL SPECIAL EDUCATION - INSTRUCTION	2,400,108	3,127	2,403,235	2,319,508	83,727
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	99,325		99,325	99,325	
Total Basic Skills/Remedial - Instruction	99,725		99,725	99,325	400
Bilingual Education - Instruction:					
Salaries of Teachers	115,763	(11,035)	104,728	103,013	1,715
General Supplies	400		400	64	336
Total Bilingual Education - Instruction	116,563	(10,245)	106,318	103,867	2,451
School-Spon. Cocurricular & Extracurricular Actvts. - Inst.:					
Salaries	59,000	(1,500)	57,500	50,162	7,338
Supplies and Materials	1,000		1,000	878	122
Total School-Spon. Cocurricular & Extracurricular Actvts. - Inst.	60,000	(1,500)	58,500	51,040	7,460

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
School-Sponsored Athletics - Instruction:					
Salaries	\$ 25,940	\$ 5,000	\$ 30,940	\$ 16,209	\$ 14,731
Purchased Services (300-500 series)	7,500	(5,000)	2,500		2,500
Supplies and Materials	5,000		5,000	4,946	54
Total School-Sponsored Athletics - Instruction	38,440		38,440	21,155	17,285
TOTAL INSTRUCTION	7,445,418	31,278	7,476,696	7,182,118	294,578
Undistributed Expenditures - Instruction:					
Tuition to Priv. Sch. for the Handicap. W/I State	833,452	(83,285)	750,167	322,549	427,618
Total Undistributed Expenditures - Instruction	833,452	(83,285)	750,167	322,549	427,618
Undistributed Expend. - Attend. & Social Work:					
Salaries	47,021	(1,869)	45,152	41,660	3,492
Total Undist. Expend. - Attendance and Social Work	47,021	(1,869)	45,152	41,660	3,492
Undistributed Expenditures - Health Services:					
Salaries	163,324	(14,475)	148,849	146,794	2,055
Purchased Professional and Technical Services	7,500	104,319	111,819	111,707	112
Other Purchased Services (400-500 series)	500	395	895	750	145
Supplies and Materials	3,450	430	3,880	3,733	147
Other Objects		400	400	299	101
Total Undist. Expenditures - Health Services	174,774	91,069	265,843	263,283	2,560

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Speech, OT, PT, Related Svcs:					
Salaries	\$ 308,333	\$ (4,650)	\$ 303,683	\$ 289,169	\$ 14,514
Purchased Professional - Educational Services	146,000	(76,189)	69,811	43,500	26,311
Supplies and Materials	12,000		12,000	5,412	6,588
Total Undist. Expend. - Speech, OT, PT, Related Svcs	466,333	(80,839)	385,494	338,081	47,413
Undist.Expend.-Other Supp.Serv.Students-Extra.Serv.:					
Salaries		4,620	4,620	4,620	
Purchased Professional - Educational Services		86,985	86,985	78,930	8,055
Total Undist. Expend. - Other Supp. Svcs. Students - Extra. Serv.		91,605	91,605	83,550	8,055
Undist.Expend.-Guidance:					
Salaries of Other Professional Staff	200,520	(175)	200,345	195,086	5,259
Other Purchased Prof. and Tech. Services	4,360		4,360	1,500	2,860
Other Purchased Services (400-500 series)	1,110		1,110	170	940
Supplies and Materials	250		250		250
Total Undist Expend. - Guidance	206,240	(175)	206,065	196,756	9,309
Undist. Expend.-Child Study Team:					
Salaries of Other Professional Staff	280,971	(2,805)	278,166	278,119	47
Salaries of Secretarial and Clerical Assistants	42,770	5,412	48,182	48,007	175
Other Purchased Prof. and Tech. Services	4,650	15,000	19,650	18,270	1,380
Other Purchased Services (400-500 series)		2,434	2,434	2,104	330
Supplies and Materials	26,500	(429)	26,071	12,351	13,720
Total Undist Expend. - Child Study Team	369,891	4,612	374,503	358,851	15,652

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Improv. of Inst. Serv.:					
Salaries of Supervisors of Instruction	\$ 207,010		\$ 207,010	\$ 207,010	
Salaries of Other Professional Staff	15,200		15,200	13,995	\$ 1,205
Other Objects	500	\$ (500)			
Total Undist. Expend.-Improv. of Inst. Serv.	222,710	(500)	222,210	221,005	1,205
Undist. Expend.-Edu. Media Serv./Sch. Library:					
Salaries	251,473	(28,841)	222,632	218,748	3,884
Other Purchased Services (400-500 series)	26,550	(21,915)	4,635	4,603	32
Supplies and Materials	3,007	4,724	7,731	7,396	335
Other Objects		1,000	1,000	705	295
Total Undist Expend-Edu. Media Serv./Sch. Library	281,030	(45,032)	235,998	231,452	4,546
Undist.Expend.-Instructional Staff Training Services:					
Other Salaries	2,000	650	2,650	2,100	550
Other Purchased Prof. And Tech. Services	40,000		40,000	9,895	30,105
Other Purchased Services (400-500 series)	19,000	(7,954)	11,046	6,124	4,922
Total Undist.Expend.-Instructional Staff Training Services	61,000	(7,304)	53,696	18,119	35,577
Undist. Expend.-Support Serv.-Gen. Admin.:					
Salaries	262,138	2,889	265,027	262,965	2,062
Legal Services	75,000	10,488	85,488	84,879	609
Audit Fees	35,000		35,000	32,500	2,500
Other Purchased Professional Services	4,000	23,212	27,212	27,015	197
Purchased Technical Services	2,200		2,200	1,856	344
Communications / Telephone	53,600	7,292	60,892	54,420	6,472
BOE Other Purchased Services	8,800	2,095	10,895	9,607	1,288
Other Purch. Serv. (400-500 series other than 530 & 585)	1,500	(151)	1,349	1,328	21

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expnd.-Support Serv.-Gen. Admin. (Cont'd):					
General Supplies	\$ 2,000	\$ (100)	\$ 1,900	\$ 777	\$ 1,123
BOE In-house training/ Meeting Supplies	700	100	800	783	17
Miscellaneous Expenditures	4,000	(500)	3,500	3,331	169
BOE Membership Dues and Fees	6,695		6,695	6,695	
Total Undist. Expnd.-Support Serv.-Gen. Admin.	455,633	45,325	500,958	486,156	14,802
Undist. Expnd.-Support Serv.-School Admin.:					
Salaries of Principals/Assistant Principals/Prog Director	222,245		222,245	222,245	
Salaries of Secretarial and Clerical Assistants	136,086	1,869	137,955	133,867	4,088
Other Purchased Services (400-500 series)	2,400	1,074	3,474	2,274	1,200
Supplies and Materials		2,225	2,225	1,715	510
Other Objects	1,850	1,290	3,140	3,070	70
Total Undist. Expnd.-Support Serv.-School Adm.	362,581	6,458	369,039	363,171	5,868
Undist. Expnd. - Central Services:					
Salaries	265,011	514	265,525	264,950	575
Purchased Professional Services		4,000	4,000	4,000	
Miscellaneous Purchased Services (400-500 series other than 594	4,000	(500)	3,500	2,150	1,350
Supplies and Materials	600	1,400	2,000	1,997	3
Other Objects	1,500	(14)	1,486	1,450	36
Total Undist. Expnd. - Central Services	271,111	5,400	276,511	274,547	1,964
Undist. Expnd. - Admin. Info. Technology:					
Salaries	49,228	3,448	52,676	52,676	
Purchased Technical Services	30,000	7,380	37,380	36,146	1,234
Other Purchased Services (400-500 series)		1,000	1,000	988	12
Supplies and Materials	4,950	(2,564)	2,386	2,381	5
Total Undist. Expnd. - Admin. Info. Technology	84,178	9,264	93,442	92,191	1,251

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Required Maintenance for School Facilities:					
Salaries	\$ 58,778		\$ 58,778	\$ 58,778	
Cleaning, Repair, and Maintenance Services	80,000	\$ 74,671	154,671	127,530	\$ 27,141
General Supplies	30,000	(25,865)	4,135		4,135
Total Undist. Expend.- Required Maint. for School Facilities	168,778	48,806	217,584	186,308	31,276
Undist. Expend.-Custodial Services:					
Salaries	478,576	(17,693)	460,883	457,633	3,250
Other Purchased Property Services	70,881	3,783	74,664	72,230	2,434
Insurance	233,058	(7,304)	225,754	224,925	829
General Supplies	34,750	307	35,057	34,389	668
Energy (Natural Gas)	78,430	16,608	95,038	91,334	3,704
Energy (Electricity)	212,063	981	213,044	213,044	
Other Objects	6,600		6,600	3,677	2,923
Total Undist. Expend.-Custodial Services	1,114,358	(3,318)	1,111,040	1,097,232	13,808
Care and Upkeep of Grounds:					
Cleaning, Repair, and Maintenance Services	40,000	(625)	39,375	39,375	
General Supplies	9,000	(4,817)	4,183	1,041	3,142
Total Care And Upkeep Of Grounds	49,000	(5,442)	43,558	40,416	3,142
Security:					
Salaries	3,000		3,000	3,000	
Purchased Professional and Technical Services	33,333		33,333	33,333	
General Supplies	800		800	213	587
Total Security	37,133		37,133	36,546	587
Total Undist. Expend.-oper. And Maint. Of Plant Serv.	1,369,269	40,046	1,409,315	1,360,502	48,813

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Student Transportation Serv.:					
Sal. for Pupil Trans. (Bet. Home and Sch.)-Spl. Ed.	\$ 28,937	\$ (102)	\$ 28,835	\$ 26,374	\$ 2,461
Management Fee - ESC&CTSA Transportation Program	4,500	(4,500)			
Other Purchased Professional and Technical Services	30,500	(2,323)	28,177	24,876	3,301
Cleaning, Repair, and Maint. Services	3,000	1,858	4,858	4,073	785
Contract. Serv. - Aid in Lieu of Payments-Nonpublic Studts	52,425	20,000	72,425	68,325	4,100
Contract. Serv.(Bet. Home & Sch.)-Vendors	17,000	(10,000)	7,000	4,440	2,560
Contract. Serv.(Oth. than Bet. Home & Sch.)-Vend.	15,000		15,000	10,930	4,070
Contract. Serv.(Bet. Home & Sch.)-Joint Agrmnts.	563,579	56,668	620,247	620,247	
Contract. Serv.(Spl. Ed. Students)-ESCs & CTSA's	380,000	(65,500)	314,500	298,318	16,182
Transportation Supplies	3,000	(2,257)	743	100	643
Other Objects	139		139		139
Total Undist. Expend.-Student Trans. Serv.	1,098,080	16,669	1,114,749	1,080,104	34,645
UNALLOCATED BENEFITS					
Social Security Contributions	174,449		174,449	169,093	5,356
Other Retirement Contributions - PERS	205,175	(6,000)	199,175	190,769	8,406
Other Retirement Contributions - Regular	5,000	6,000	11,000	10,797	203
Unemployment Compensation		22,387	22,387	22,387	
Workers Compensation	67,352		67,352	63,792	3,560
Health Benefits	2,735,043	(130,195)	2,604,848	2,428,852	175,996
Tuition Reimbursement	27,000		27,000	17,876	9,124
Other Employee Benefits	201,000	(13,414)	187,586	177,215	10,371
Unused Sick Payment to Terminated/Retired Staff	48,000	(1,500)	46,500	46,500	
TOTAL UNALLOCATED BENEFITS	3,463,019	(122,722)	3,340,297	3,127,281	213,016

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)					
TPAF Post Retirement Contributions (Non-Budgeted)				\$ 635,035	\$ (635,035)
TPAF Pension Contributions (Non-Budgeted)				2,146,691	(2,146,691)
TPAF Non-Contributory Insurance (Non-Budgeted)				26,592	(26,592)
TPAF Long-Term Disability Insurance (Non-Budgeted)				996	(996)
Reimbursed TPAF Social Security Contributions				472,857	(472,857)
TOTAL ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)				3,282,171	(3,282,171)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	\$ 3,463,019	\$ (122,722)	\$ 3,340,297	6,409,452	(3,069,155)
TOTAL UNDISTRIBUTED EXPENDITURES	9,766,322	(31,278)	9,735,044	12,141,429	(2,406,385)
TOTAL GENERAL CURRENT EXPENSE	17,211,740		17,211,740	19,323,547	(2,111,807)
CAPITAL OUTLAY					
Facilities Acquisition and Construction Serv.:					
Assessment for Debt Service on SDA Funding	47,138		47,138	47,138	
Total Facilities Acquisition and Const. Serv.	47,138		47,138	47,138	
Assets Acquired Under Financed Purchases (Non-Budgeted):					
Regular Programs - Equipment				65,000	(65,000)
Total Assets Acquired Under Financed Purchases (Non-Budgeted)				65,000	(65,000)
TOTAL CAPITAL OUTLAY	47,138		47,138	112,138	(65,000)
TOTAL EXPENDITURES	17,258,878		17,258,878	19,435,685	(2,176,807)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(1,005,207)		(1,005,207)	504,369	1,509,576

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/(Uses):					
Transfers from Capital Projects Fund - Interest Earnings	\$ 200,000		\$ 200,000	\$ 283,929	\$ 83,929
Financed Purchases (Non-budgeted)				65,000	65,000
Total Other Financing Sources/(Uses)	200,000		200,000	348,929	148,929
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(805,207)		(805,207)	853,298	1,658,505
Fund Balance, July 1	3,924,411		3,924,411	3,924,411	
Fund Balance, June 30	\$ 3,119,204	\$ -0-	\$ 3,119,204	\$ 4,777,709	\$ 1,658,505
<u>Recapitulation:</u>					
Restricted Fund Balance:					
Excess Surplus - Restricted For 2026-2027				\$ 1,200,772	
Excess Surplus - Restricted For 2025-2026				1,224,847	
Capital Reserve				1,157,367	
Maintenance Reserve				500,000	
Unemployment Compensation				35,933	
Assigned Fund Balance:					
Year End Encumbrances				29,658	
Unassigned Fund Balance				629,132	
				<u>4,777,709</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP basis				(117,435)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 4,660,274</u>	

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 75,000	\$ 53,761	\$ 128,761	\$ 106,754	\$ (22,007)
Federal Sources	170,664	133,131	303,795	286,457	(17,338)
Total Revenues	259,664	172,892	432,556	393,211	(39,345)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	19,993	16,617	36,610	15,302	21,308
Purchased Professional and Technical Services		2,877	2,877	2,867	10
Tuition	121,392	30,650	152,042	150,272	1,770
General Supplies		71,133	71,133	64,692	6,441
Total Instruction	141,385	121,277	262,662	233,133	29,529
Support Services:					
Salaries of Other Professional Staff		12,000	12,000	12,000	
Personal Services - Employee Benefits		2,918	2,918	2,001	917
Purchased Professional and Technical Services	29,279	27,684	56,963	56,963	
Other Purchased Services		12,808	12,808	12,808	
Supplies and Materials		10,205	10,205	8,755	1,450
Student Activities	75,000		75,000	64,206	10,794
Total Support Services	104,279	65,615	169,894	156,733	13,161
Facilities Acquisition and Construction Services:					
Construction Services	14,000	(14,000)			
Total Facilities Acquisition and Construction Services	14,000	(14,000)			
Total Expenditures	\$ 259,664	\$ 172,892	\$ 432,556	\$ 389,866	\$ 42,690
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ 3,345	\$ 3,345

WATCHUNG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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"	\$ 19,940,054	\$ 393,211
Difference - Budgetary to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(856)
Prior Year Encumbrances		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	98,662	2,000
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(117,435)	
	<u>\$ 19,921,281</u>	<u>\$ 394,355</u>
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	\$ 19,435,685	\$ 389,866
Differences - Budgetary to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, not in the Year the Supplies are Received for Financial Reporting Purposes.		1,144
	<u>\$ 19,435,685</u>	<u>\$ 391,010</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		

WATCHUNG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ending June 30, 2025, was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

WATCHUNG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Local Grants	IDEA Part B		Elementary and Secondary Education Act		
		Basic	Preschool	Title I Part A	Title II Part A	Title IV Part A
REVENUE:						
Local Sources	\$ 40,790					
Federal Sources		\$ 142,998	\$ 7,274	\$ 20,617	\$ 22,163	\$ 24,000
Total Revenue	40,790	142,998	7,274	20,617	22,163	24,000
EXPENDITURES:						
Instruction:						
Salaries of Teachers	1,128			10,904		
Purchased Professional and Technical Services	2,867					
Tuition		142,998	7,274			312
General Supplies	36,063			4,794		
Total Instruction	40,058	142,998	7,274	15,698		312
Support Services:						
Salaries of Other Professional Staff				3,000		9,000
Personal Services - Employee Benefits				1,064		688
Purchased Professional and Technical Services					22,163	10,000
Other Purchased Services						4,000
Supplies and Materials	732			855		
Student Activities						
Total Support Services	732			4,919	22,163	23,688
Total Expenditures	\$ 40,790	\$ 142,998	\$ 7,274	\$ 20,617	\$ 22,163	\$ 24,000

WATCHUNG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	ARP					
	Accelerated Learning Coach and Educator Support	Evidence Based Comprehensive Beyond the School Day	NJTSS Mental Health	ESSER III	Student Activities	Totals
REVENUE:						
Local Sources						
Federal Sources	\$ 11,285	\$ 25,820	\$ 29,800	\$ 2,500	\$ 65,964	\$ 106,754
Total Revenue	11,285	25,820	29,800	2,500	65,964	393,211
EXPENDITURES:						
Instruction:						
Salaries of Teachers		3,270				15,302
Purchased Professional and Technical Services						2,867
Tuition						150,272
General Supplies	2,477	21,046				64,692
Total Instruction	2,477	24,316				233,133
Support Services:						
Salaries of Other Professional Staff		249				12,000
Personal Services - Employee Benefits			24,800			2,001
Purchased Professional and Technical Services			1,500	2,500		56,963
Other Purchased Services	8,808	1,255	3,500			12,808
Supplies and Materials						8,755
Student Activities					62,619	64,206
Total Support Services	8,808	1,504	29,800	2,500	62,619	156,733
Total Expenditures	\$ 11,285	\$ 25,820	\$ 29,800	\$ 2,500	\$ 62,619	\$ 389,866

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, 2025

Revenue and Other Financing Sources:	
Interest Revenue	\$ 390,892
Total Revenue and Other Financing Sources	<u>390,892</u>
Expenditures:	
Project Expenditures:	
Legal Services	7,067
Purchased Professional Technical Services	203,936
Construction Services	8,538,849
Supplies and Materials	<u>93,246</u>
Total Expenditures	<u>8,843,098</u>
Other Financing Uses:	
Operating Transfer Out - General Fund	<u>(283,929)</u>
Total Other Financing Uses	<u>(283,929)</u>
Deficit of Revenues and Other Financing Sources Under	
Expenditures and Other Financing Uses	(8,736,135)
Beginning Fund Balance	<u>12,658,122</u>
Ending Fund Balance	<u><u>\$ 3,921,987</u></u>
Recapitulation:	
Assigned	\$ 430,437
Restricted- Year End Encumbrances	941,985
Restricted	<u>2,549,565</u>
Fund Balance per Governmental Funds Budgetary/(GAAP)	<u><u>\$ 3,921,987</u></u>

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, 2025

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Cost</u>
Revenue and Other Financing Sources:				
Bond Proceeds	<u>\$ 15,734,000</u>		<u>\$ 15,734,000</u>	<u>\$ 15,734,000</u>
Total Revenue and Other Financing Sources	<u>15,734,000</u>		<u>15,734,000</u>	<u>15,734,000</u>
Expenditures:				
Legal Services	127,640	\$ 7,067	134,707	181,552
Purchased Professional Technical Services	783,566	203,936	987,502	2,432,795
Construction Services	2,320,380	8,538,849	10,859,229	12,211,893
General Supplies	<u>167,766</u>	<u>93,246</u>	<u>261,012</u>	<u>907,760</u>
Total Expenditures	<u>3,399,352</u>	<u>8,843,098</u>	<u>12,242,450</u>	<u>15,734,000</u>
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	<u>\$ 12,334,648</u>	<u>\$ (8,843,098)</u>	<u>\$ 3,491,550</u>	<u>\$ -0-</u>

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	77.81%
Original Target Completion Date	6/30/26

PROPRIETARY FUNDS

WATCHUNG BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Before and After School Care Program
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 47,331
Accounts Receivable	3,806
Total Assets	51,137
NET POSITION:	
Unrestricted	51,137
Total Net Position	\$ 51,137

WATCHUNG BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Before and After School Care Program
Operating Revenue:	
Local Sources:	
Child Care Fees	\$ 183,062
Total Operating Revenue	183,062
Operating Expenses:	
Salaries, Benefits & Payroll Taxes	154,737
Total Operating Expenses	154,737
Change in Net Position	28,325
Net Position - Beginning of Year	22,812
Net Position - End of Year	\$ 51,137

WATCHUNG BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Before and After School Care Program
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 183,062
Payments to Employees	(154,737)
Payment for Supplies	(2,620)
Net Cash Provided by Operating Activities	25,705
Net Increase in Cash and Cash Equivalents	25,705
Cash and Cash Equivalents, July 1	21,626
Cash and Cash Equivalents, June 30	\$ 47,331
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 28,325
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
(Decrease) in Accounts Payable	(2,620)
Net Cash Provided by Operating Activities	\$ 25,705

FIDUCIARY ACTIVITIES
(NOT APPLICABLE)

LONG-TERM LIABILITIES

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

Maturities of Bonds										
Purpose	Date of Issue	Original Issue	Outstanding		Interest Rate	Balance July 1, 2024	Retired or Matured	Balance June 30, 2025		
			Date	Amount						
School Bonds, Series 2023	3/8/2023	\$ 15,734,000	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	\$ 639,000	\$ 15,095,000			
					\$ 15,734,000	\$ 639,000	\$ 15,095,000			

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

Item	Interest Rate	Original Issue	Restated		Matured	Balance June 30, 2025
			Balance July 1, 2024	Issued		
Various Technology Equipment	5.965%	\$ 112,481	\$ 112,481		\$ 26,946	\$ 85,535
Various Technology Equipment	4.940%	65,000		\$ 65,000	13,995	51,005
Energy Savings Program:						
Valley View Middle School	0.000%	127,137	86,877		25,427	61,450
Bayberry Elementary School	0.000%	138,233	101,371		27,647	73,724
			\$ 300,729	\$ 65,000	\$ 94,015	\$ 271,714

WATCHUNG BOROUGH SCHOOL DISTRICT
LONG-TERM LIABILITIES
SCHEDULE OF OBLIGATIONS UNDER LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT
LONG-TERM LIABILITIES
SCHEDULE OF OBLIGATIONS SUBSCRIPTION-BASED INFORMATION
TECHNOLOGY ARRANGEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 639,991		\$ 639,991	\$ 639,991	
Debt Service Aid Type II	566,548		566,548	566,548	
Total Revenue	1,206,539		1,206,539	1,206,539	
EXPENDITURES:					
Regular Debt Service:					
Interest	567,539		567,539	567,539	
Redemption of Principal	639,000		639,000	639,000	
Total Expenditures	1,206,539		1,206,539	1,206,539	
Excess of Revenue Over Expenditures					
Fund Balance, July 1					
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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,									
	2016	2017	2018	2019	2020	2021	2022	2023	(Restated) 2024	2025
Governmental Activities										
Net Investment in Capital Assets	\$ 12,602,386	\$ 14,301,211	\$ 13,956,016	\$ 14,179,082	\$ 14,243,591	\$ 13,904,424	\$ 13,467,236	\$ 13,034,333	\$ 12,259,458	\$ 11,773,560
Restricted	2,614,922	2,635,626	2,700,925	2,067,169	1,533,752	1,801,440	2,279,647	2,654,042	3,271,012	4,842,531
Unrestricted/(Deficit)	(2,873,757)	(3,041,167)	(3,166,695)	(3,023,353)	(2,876,420)	(2,088,355)	(1,971,274)	(1,778,026)	(2,096,461)	(2,300,350)
Total Governmental Activities Net Position	\$ 12,343,551	\$ 13,895,670	\$ 13,490,246	\$ 13,222,898	\$ 12,900,923	\$ 13,617,509	\$ 13,775,609	\$ 13,910,349	\$ 13,434,009	\$ 14,315,741
Business-type Activities										
Investment in Capital Assets	\$ 12,418	\$ 9,825	\$ 7,232	\$ 7,621	\$ 5,028	\$ 5,071	\$ 2,290			
Unrestricted	2,640	5,046	5,221	5,281	7,999	5,832	37,366	\$ 35,172	\$ 22,812	\$ 51,137
Total Business-type Activities Net Position	\$ 15,058	\$ 14,871	\$ 12,453	\$ 12,902	\$ 13,027	\$ 10,903	\$ 39,656	\$ 35,172	\$ 22,812	\$ 51,137
District-wide										
Net Investment in Capital Assets	\$ 12,614,804	\$ 14,311,036	\$ 13,963,248	\$ 14,186,703	\$ 14,248,619	\$ 13,909,495	\$ 13,469,526	\$ 13,034,333	\$ 12,259,458	\$ 11,773,560
Restricted	2,614,922	2,635,626	2,700,925	2,067,169	1,533,752	1,801,440	2,279,647	2,654,042	3,271,012	4,842,531
Unrestricted/(Deficit)	(2,871,117)	(3,036,121)	(3,161,474)	(3,018,072)	(2,868,421)	(2,082,523)	(1,933,908)	(1,742,854)	(2,073,649)	(2,249,213)
Total District Net Position	\$ 12,358,609	\$ 13,910,541	\$ 13,502,699	\$ 13,235,800	\$ 12,913,950	\$ 13,628,412	\$ 13,815,265	\$ 13,945,521	\$ 13,456,821	\$ 14,366,878

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,									
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses											
Governmental Activities											
Instruction:											
Regular		\$ 7,007,650	\$ 8,035,539	\$ 7,984,272	\$ 7,895,450	\$ 7,692,796	\$ 7,232,937	\$ 7,363,678	\$ 7,322,029	\$ 7,807,369	\$ 7,507,752
Special Education		1,502,409	1,612,823	1,816,370	1,583,897	1,537,951	2,214,799	2,377,611	2,542,224	3,307,868	3,258,097
Other Special Instruction		141,104	158,855	164,581	233,819	140,846	368,713	343,591	434,430	470,438	820,530
School-Sponsored/ Other Instruction		69,464	56,003	120,525	108,882	107,857	44,981	141,720	121,383	156,640	142,021
Support Services:											
Tuition		17,995	19,325	228,446	289,162	627,554	708,576	512,757	702,508	497,750	322,549
Student & Instruction Related Services		2,124,045	2,327,979	2,248,761	2,391,228	2,276,851	1,907,285	2,039,632	2,235,337	2,116,405	2,404,607
General Administrative Services		512,228	505,382	609,460	547,496	528,001	501,816	545,841	373,044	546,662	612,023
School Administrative Services		663,060	765,508	842,695	748,723	914,662	671,091	556,389	531,440	526,178	551,480
Plant Operations and Maintenance		1,326,845	1,367,852	1,315,847	1,539,005	1,330,194	1,210,576	1,248,406	1,401,247	1,620,171	1,618,278
Pupil Transportation		558,121	566,912	576,507	573,894	496,207	537,183	801,679	948,781	895,673	1,096,608
Central Services and Administrative											
Information Technology		352,306	365,243	373,888	311,557	371,596	376,744	433,138	433,101	443,984	475,229
Capital Outlay		56,138	59,532	47,138	50,917	47,138	47,138	47,138	47,138	47,138	47,138
Interest on Long-term Debt		1,759	(36,853)							879,977	674,502
Total Governmental Activities Expenses		14,333,124	15,804,100	16,328,490	16,274,030	16,071,653	15,821,839	16,411,580	17,092,662	19,316,253	19,530,814
Business-type Activities:											
Food Service		17,329	13,037	13,733	10,643	7,662	2,781	11,800	8,681	186,747	154,737
Before and After School Care Program							22,245	44,853	106,410		
Total Business-type Activities Expense		17,329	13,037	13,733	10,643	7,662	25,026	56,653	115,091	186,747	154,737
Total District Expenses		\$ 14,350,453	\$ 15,817,137	\$ 16,342,223	\$ 16,284,673	\$ 16,079,315	\$ 15,846,865	\$ 16,468,233	\$ 17,207,753	\$ 19,503,000	\$ 19,685,551
Program Revenues											
Governmental Activities:											
Charges for Services											
Instruction (Tuition)		\$ 149,674	\$ 163,725	\$ 176,427	\$ 136,020	\$ 67,180	\$ 87,640	\$ 176,144	\$ 223,400	\$ 205,500	\$ 216,700
Student & Instruction Related Services											
Operating Grants and Contributions		3,177,650	4,216,211	4,719,114	3,851,269	3,482,140	3,704,391	3,562,760	74,267	79,536	65,964
Capital Grants and Contributions		229,897	930		569,425				3,548,573	3,609,874	3,350,235
Total Governmental Activities Program Revenues		3,557,221	4,380,866	4,895,541	4,556,714	3,549,320	3,792,031	3,738,904	3,846,240	3,894,910	3,632,899
Business-type Activities:											
Charges for Services											
Milk Program		5,640	7,335	6,046	6,797	4,834	19,419	2,099	2,624		
Before and After School Care Program								80,982	104,626	174,557	183,062
Operating Grants and Contributions		4,900	5,477	5,157	4,138	2,872		2,325	3,357		
Total Business-type Activities Program Revenues		10,540	12,812	11,203	10,935	7,706	19,419	85,406	110,607	174,557	183,062
Total District Program Revenues		\$ 3,567,761	\$ 4,393,678	\$ 4,906,744	\$ 4,567,649	\$ 3,557,026	\$ 3,811,450	\$ 3,824,310	\$ 3,956,847	\$ 4,069,467	\$ 3,815,961

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

	Fiscal year Ending June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net (Expense)/Revenue										
Governmental Activities	\$ (10,775,903)	\$ (11,423,234)	\$ (11,432,949)	\$ (11,717,316)	\$ (12,522,333)	\$ (12,029,808)	\$ (12,672,676)	\$ (13,246,422)	\$ (15,421,343)	\$ (15,897,915)
Business-type Activities	(6,789)	(225)	(2,530)	292	44	(5,607)	28,753	(4,484)	(12,190)	28,325
Total District-wide Net Expense	<u>\$ (10,782,692)</u>	<u>\$ (11,423,459)</u>	<u>\$ (11,435,479)</u>	<u>\$ (11,717,024)</u>	<u>\$ (12,522,289)</u>	<u>\$ (12,035,415)</u>	<u>\$ (12,643,923)</u>	<u>\$ (13,250,906)</u>	<u>\$ (15,433,533)</u>	<u>\$ (15,869,590)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 10,474,570	\$ 10,673,587	\$ 10,887,059	\$ 11,151,041	\$ 11,813,040	\$ 12,049,301	\$ 12,290,287	\$ 12,536,093	\$ 12,786,815	\$ 14,374,143
Taxes Levied for Debt Service	1,999,100	2,053,613				634,426	497,441	487,734	556,503	639,991
Federal and State Aid not Restricted	144,323	174,936	64,714	216,199	234,872	20,730	15,317	341,980	795,106	1,217,471
Investment Earnings						25,276			807,854	504,754
Cancellation of Prior Year Accounts Payable Transfers						(3,483)			160,797	
Miscellaneous Income	21,539	73,217	75,752	82,728	55,489	20,144	27,732	15,355	186,803	43,288
Total Governmental Activities	<u>12,639,532</u>	<u>12,975,353</u>	<u>11,027,525</u>	<u>11,449,968</u>	<u>12,103,401</u>	<u>12,746,394</u>	<u>12,830,777</u>	<u>13,381,162</u>	<u>15,294,048</u>	<u>16,779,647</u>
Business-type Activities:										
Investment Earnings Transfers	\$	38	\$ 112	\$ 157	\$ 81	\$ 3,483			\$ (170)	
Total Business-type Activities		<u>38</u>	<u>112</u>	<u>157</u>	<u>81</u>	<u>3,483</u>			<u>(170)</u>	
Total District-wide	<u>\$ 12,639,532</u>	<u>\$ 12,975,391</u>	<u>\$ 11,027,637</u>	<u>\$ 11,450,125</u>	<u>\$ 12,103,482</u>	<u>\$ 12,749,877</u>	<u>\$ 12,830,777</u>	<u>\$ 13,381,162</u>	<u>\$ 15,293,878</u>	<u>\$ 16,779,647</u>
Change in Net Position										
Governmental Activities	\$ 1,863,629	\$ 1,552,119	\$ (405,424)	\$ (267,348)	\$ (418,932)	\$ 716,586	\$ 158,101	\$ 134,740	\$ (127,295)	\$ 881,732
Business-type Activities	(6,789)	(187)	(2,418)	449	125	(2,124)	28,753	(4,484)	(12,360)	28,325
Total District	<u>\$ 1,856,840</u>	<u>\$ 1,551,932</u>	<u>\$ (407,842)</u>	<u>\$ (266,899)</u>	<u>\$ (418,807)</u>	<u>\$ 714,462</u>	<u>\$ 186,854</u>	<u>\$ 130,256</u>	<u>\$ (139,655)</u>	<u>\$ 910,057</u>

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,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Restricted	\$ 2,469,697	\$ 2,490,401	\$ 2,555,700	\$ 2,067,169	\$ 1,533,752	\$ 1,746,246	\$ 2,224,635	\$ 2,581,750	\$ 3,189,745	\$ 4,118,919
Assigned	155,042	113,407	162,332	86,762	223,576	149,839	185,901	234,171	9,579	29,658
Unassigned	345,453	375,947	262,147	333,988	388,500	992,108	789,374	497,060	626,425	511,697
Total General Fund	\$ 2,970,192	\$ 2,979,755	\$ 2,980,179	\$ 2,487,919	\$ 2,145,828	\$ 2,888,193	\$ 3,199,910	\$ 3,312,981	\$ 3,825,749	\$ 4,660,274
All Other Governmental Funds										
Restricted	\$ 145,225	\$ 145,225	\$ 145,225			\$ 55,194	\$ 55,012	\$ 15,297,163	\$ 12,415,915	\$ 3,576,162
Committed	104,928								323,474	430,437
Assigned										
Unassigned / (Deficit)										
Total All Other Governmental Funds	\$ 250,153	\$ 145,225	\$ 145,225	\$ -0-	\$ -0-	\$ 55,194	\$ 55,012	\$ 15,297,163	\$ 12,739,389	\$ 4,006,599
Total Governmental Funds	\$ 3,220,345	\$ 3,124,980	\$ 3,125,404	\$ 2,487,919	\$ 2,145,828	\$ 2,943,387	\$ 3,254,922	\$ 18,610,144	\$ 16,565,138	\$ 8,666,873

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

	Fiscal year Ending June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Tax Levy	\$ 12,473,670	\$ 12,727,200	\$ 10,887,059	\$ 11,151,041	\$ 11,813,040	\$ 12,049,301	\$ 12,290,287	\$ 12,536,093	\$ 13,343,318	\$ 15,014,134
Tuition Charges	149,674	147,425	176,427	136,020	67,180	80,906	157,006	223,400	205,500	216,700
Interest Earnings	5,328	8,467	19,893	57,730	39,015	20,730	578	11,163	968,652	504,754
Miscellaneous	47,064	148,277	107,945	132,894	205,604	129,606	85,484	439,852	112,177	149,186
State Sources	1,949,840	1,942,946	2,067,349	2,479,781	2,581,349	3,340,474	4,142,465	4,417,808	5,169,047	5,739,836
Federal Sources	191,499	183,456	190,329	176,067	148,024	212,271	356,338	423,102	348,251	288,457
Total Revenue	14,817,075	15,157,771	13,449,002	14,133,533	14,854,212	15,833,288	17,032,158	18,051,418	20,146,945	21,913,067
Expenditures										
Instruction										
Regular Instruction	3,867,652	4,096,740	3,894,239	4,225,685	4,387,173	4,002,211	4,388,170	4,476,387	4,486,160	4,765,342
Special Education Instruction	1,050,456	1,114,342	1,159,346	1,070,407	1,016,985	1,450,029	1,570,010	1,762,791	2,344,872	2,469,780
Other Special Instruction	93,469	99,721	99,630	125,489	80,131	204,002	200,865	258,866	278,164	203,192
School-Sponsored/Other Instruction	39,548	37,201	43,504	59,687	53,086	35,524	68,916	75,800	80,563	72,195
Support Services:										
Tuition	17,995	19,325	228,446	289,162	627,554	708,576	512,757	702,508	497,750	322,549
Student & Other Instruction Related Services	1,518,646	1,656,886	1,658,157	1,898,411	1,713,959	1,375,029	1,526,830	1,687,889	1,527,860	1,815,376
General Administrative Services	363,595	325,429	385,076	420,548	408,155	363,447	401,704	383,331	430,489	486,156
School Administrative Services	384,089	407,581	430,713	440,764	520,119	421,564	340,023	349,364	359,641	363,171
Central Services and Administrative										
Information Technology	245,846	229,326	241,232	219,488	274,814	275,301	353,165	343,110	339,800	366,738
Plant Operations and Maintenance	1,042,561	1,007,285	935,726	1,208,747	1,002,816	981,348	990,432	1,167,150	1,180,552	1,360,502
Pupil Transportation	514,096	510,818	512,601	516,379	470,914	519,554	790,712	932,379	883,520	1,080,104
Unallocated Benefits	3,307,827	3,459,394	3,739,770	4,107,395	4,127,826	4,498,053	5,438,891	5,720,463	6,288,886	6,409,452
Capital Outlay	193,238	235,475	120,138	188,856	609,728	342,884	138,147	570,158	3,049,842	8,955,236
Debt Service:										
Principal	1,875,000	2,015,000							556,503	639,000
Interest and Other Charges	124,100	38,613								567,539
Total Expenditures	14,638,118	15,253,136	13,448,578	14,771,018	15,293,260	15,177,522	16,720,622	18,430,196	22,304,602	29,876,332
Excess/(Deficit) of Revenues Over/(Under) Expenditures	178,957	(95,365)	424	(637,485)	(439,048)	655,766	311,536	(378,778)	(2,157,657)	(7,963,265)
Other Financing Sources/(Uses)										
Serial Bonds Issued								15,734,000	112,481	65,000
Financed Purchases (Non-Budgeted)										
Cancellation of Prior Year Accounts Payable										
Transfers in		105,858		141,446		120,000		234,694	484,551	283,929
Transfers out		(105,858)		(141,446)		(3,483)		(234,694)	(484,381)	(283,929)
Total Other Financing Sources/(Uses)						141,793		15,734,000	112,651	65,000
Net Change in Fund Balances	\$ 178,957	\$ (95,365)	\$ 424	\$ (637,485)	\$ (439,048)	\$ 797,559	\$ 311,536	\$ 15,355,222	\$ (2,045,006)	\$ (7,898,265)
Debt Service as a Percentage of Noncapital Expenditures	13.84%	13.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.89%	5.77%

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>
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
2024	160,797	205,500	26,005	392,302
2025	113,862	216,700	43,288	373,850

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)
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
2023	30,303,100	1,584,527,400	403,600	6,000	318,307,300	8,524,200	70,000,000	2,012,071,600	1,373,300	2,013,444,900	0.729	2,022,041,002
2024	31,468,200	1,696,431,800	429,000	6,000	341,389,200	9,622,000	77,000,000	2,156,346,200	1,381,500	2,157,727,700	0.760	2,135,633,247

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

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

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

Source: Municipal Tax Assessor

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

Year Ended December 31,	School District of the Borough of Watchung Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	General Obligation		Total Direct	Regional High School			
	Basic Rate ^a	Debt Service ^b		Municipailty	District	County	
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
2023	0.699	0.030	0.729	0.630	0.394	0.373	2.126
2024	0.726	0.034	0.760	0.619	0.367	0.355	2.100

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	2025		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Watchung Square Associates, LLC	\$ 81,125,000	1	3.76%
Crystal Ridge Owner, LLC & ET AL	80,080,000	2	3.71%
Levin Properties LP	47,813,700	3	2.22%
Watchung UE LLC	30,631,400	4	1.42%
UE Heritage Square LLC	24,383,000	5	1.13%
Walmart	19,006,000	6	0.88%
Target Corp.	17,610,000	7	0.82%
HD Development of Maryland, Inc	16,705,000	8	0.77%
680 Mountain Boulevard, LLC	13,500,000	9	0.63%
Weldon Materials Inc.	12,790,600	10	0.59%
	<u>\$ 343,644,700</u>		<u>15.93%</u>

Taxpayer	2016		
	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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2024	13,343,318	13,343,318	100.00%	-0-
2025	15,014,134	15,014,134	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	Financed	Financed			
	Obligation Bonds	Purchases	Purchases			
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	2.02%	2,452
2024	15,734,000	300,729	-0-	16,034,729	2.00%	2,427
2025	15,095,000	271,714	-0-	15,366,714	1.92%	2,326

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		
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%	2,445
2024	15,734,000	-0-	15,734,000	0.78%	2,382
2025	15,095,000	-0-	15,095,000	0.70%	2,285

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, 2024
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Watchung Hills Regional High School	\$ 17,922,000	35.82%	\$ 6,419,829
Borough of Watchung	12,427,920	100%	12,427,920
County of Somerset - Borough's Share	276,384,694	2.58%	7,122,470
Subtotal, Overlapping Debt			25,970,219
Watchung Borough School District Direct Debt			15,734,000
Total Direct and Overlapping Debt			<u>\$ 41,704,219</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 2025

	<u>Equalized valuation basis</u>
2022	1,984,560,146
2023	2,079,875,543
2024	2,128,673,445
	<u>\$ 6,193,109,134</u>
Average Equalized Valuation of Taxable Property	<u>\$ 2,064,369,711</u>
Debt Limit (3% of average equalization value)	\$ 61,931,091 ^a
Net Bonded School Debt	<u>15,734,000</u>
Legal Debt Margin	<u>\$ 46,197,091</u>

	<u>Fiscal Year</u>				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Debt Limit	\$ 54,339,598	\$ 54,339,598	\$ 56,580,060	\$ 59,203,757	\$ 61,931,091
Total Net Debt Applicable to Limit	<u>-0-</u>	<u>-0-</u>	<u>15,734,000</u>	<u>15,734,000</u>	<u>15,734,000</u>
Legal Debt Margin	<u>\$ 54,339,598</u>	<u>\$ 54,339,598</u>	<u>\$ 40,846,060</u>	<u>\$ 43,469,757</u>	<u>\$ 46,197,091</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	27.81%	26.58%	25.41%

	<u>Fiscal Year</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt Limit	\$ 49,998,213	\$ 50,931,588	\$ 51,330,321	\$ 52,533,061	\$ 53,808,928
Total Net Debt Applicable to Limit	<u>2,015,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Legal Debt Margin	<u>\$ 47,983,213</u>	<u>\$ 50,931,588</u>	<u>\$ 51,330,321</u>	<u>\$ 52,533,061</u>	<u>\$ 53,808,928</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	4.03%	0.00%	0.00%	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

<u>Year</u>	<u>Population ^a</u>	<u>Borough of Watchung Personal Income ^b</u>	<u>Somerset County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
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	711,920,284	110,753	3.10%
2023	6,434	779,002,984	121,076	3.30%
2024	6,606	799,828,056 ***	121,076 *	3.60%
2025	6,606 **	799,828,056 ***	121,076 *	N/A

* - Latest Somerset County per capita personal income available (2023) was used for calculation purposes.

** - Latest population data available (2024) was used for calculation purposes.

***- Latest Borough personal income available (2024) 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	2025		Percentage of Total Employment
	Employees	Rank	
AT&T	4,100	1	2.46%
Janssen Pharmaceuticals, Inc.	1,800	2	1.08%
The Chubb Corporation	1,800	3	1.08%
Johnson and Johnson Pharmaceuticals	1,700	4	1.02%
Bloomberg (Princeton Engineering Office)	1,380	5	0.83%
Ethicon, Inc.	1,100	6	0.66%
E-Z Go	1,050	7	0.63%
Personal Products Company (J&J)	1,000	8	0.60%
Ortho Clinical Diagnostics	1,000	9	0.60%
Hooper Homes Inc.	900	10	0.54%
	<u>15,830</u>		<u>9.51%</u>
Total County Employment	<u>166,372</u>		
Employer	2016		Percentage of Total Employment
	Employees	Rank	

INFORMATION 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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Instruction										
Regular	50	52	52	52	48.3	50.7	48.3	47	51.5	51
Special education	15	15	15	16	17	16.5	16.5	17	15.5	16.5
Other instruction	0	0	0	0	2.83	2.83	7	6	5	6
Support Services:										
Student & instruction related services	9	9	9	9	10.8	16	13.8	14.5	15.8	15
School administrative services	6	6	6	6	8	6	6	6	4.5	4.5
General and business administrative services	5	5	5	5	5	7	7	6.5	6.2	5.5
Plant operations and maintenance	10	10	10	10	9.8	8.8	7.8	9.75	9.75	9.72
Pupil transportation	1	1	1	1	0.2	0.2	0.2	1.25	0.62	0.62
Total	<u>96</u>	<u>98</u>	<u>98</u>	<u>99</u>	<u>101.93</u>	<u>108.03</u>	<u>106.6</u>	<u>108</u>	<u>108.87</u>	<u>108.84</u>

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				
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%
2024	680	18,698,257	27,497	3.77%	69	N/A	N/A	672.3	662.3	0.85%	98.50%
2025	667	19,714,557	29,557	7.49%	71	N/A	N/A	666.7	632.6	-0.84%	94.89%

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>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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	331	341	347	370	271	274	263	253	276	276
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	350	363	376	371	352	346	378	421	403	391

Number of Schools at June 30, 2025
 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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Bayberry Elementary	\$ 96,818	\$ 78,112	\$ 146,464	\$ 80,193	\$ 103,601
Valley View	89,490	54,623	72,139	39,850	21,220
District Total	<u>\$ 186,308</u>	<u>\$ 132,735</u>	<u>\$ 218,603</u>	<u>\$ 120,043</u>	<u>\$ 124,821</u>

<u>*School Facility</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Bayberry Elementary	\$ 116,276	\$ 199,010	\$ 37,635	\$ 44,220	\$ 67,286
Valley View	23,816	42,165	59,992	67,747	76,766
District Total	<u>\$ 140,092</u>	<u>\$ 241,175</u>	<u>\$ 97,627</u>	<u>\$ 111,967</u>	<u>\$ 144,052</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, 2025
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	10,000
Workers Compensation	Statutory 5,000,000	
Excess Umbrella Liability Excess \$5M GL/AL/SBL	5,000,000	
Catastrophe Umbrella Liability - Excess \$10M GL/AL/SBL	30,000,000	
Environmental Liability - Excluding Mold	1,000,000	50,000
Excess Environmental Liability-	1,000,000	10,000
Including Mold		100,000
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
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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, 2025, 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 10, 2025.

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

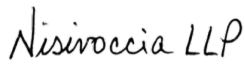
Report on Compliance and Other Matters

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 10, 2025
Mount Arlington, New Jersey


NISIVOCCIA LLP



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



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 Newton, NJ
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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

Opinion on Each Major State Program

We have audited the Board of Education of Watchung Borough School District'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 each of the District's major state programs for the fiscal year ended June 30, 2025. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2025.

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 each major state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major 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 10, 2025
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, 2025

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Assistance Listing	Assistance Listing Number	Grant Period	Award Amount	Balance at June 30, 2024			Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Balance at June 30, 2025		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor
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 554025	7/1/24-9/30/25	\$ 26,947				\$ 13,532	\$ (13,532)				
Title I, Part A	84.010A	ESEA 554024	7/1/23-9/30/24	24,991	\$ (15,016)			22,101	(7,085)				
Title I, Part A	84.010A	ESEA 554023	7/1/22-9/30/23	46,479			\$ 15,767			\$ (15,767)			
Subtotal Title I, A					(15,016)		15,767	35,633	(20,617)	(15,767)			
Title II, Part A	84.367A	ESEA 554025	7/1/24-9/30/25	9,294				9,294	(9,294)				
Title II, Part A	84.367A	ESEA 554024	7/1/23-9/30/24	16,599	(3,730)			16,599	(12,869)				
Title II, Part A	84.367A	ESEA 554023	7/1/22-9/30/23	17,888			4,480			(4,480)			
Subtotal Title II, A					(3,730)		4,480	25,893	(22,163)	(4,480)			
Title IV	84.424A	ESEA 554025	7/1/24-9/30/25	10,000				10,000	(10,000)				
Title IV	84.424A	ESEA 554024	7/1/23-9/30/24	20,000	(6,000)			20,000	(14,000)				
					(6,000)			30,000	(24,000)				
Special Education Cluster (IDEA):													
I.D.E.A. Part B, Basic	84.027	IDEA 554025	7/1/24-9/30/25	142,998				142,998	(142,998)				
I.D.E.A. Part B, Preschool	84.173	IDEA 554025	7/1/24-9/30/25	7,274				7,274	(7,274)				
I.D.E.A. Part B, Preschool	84.173	IDEA 554024	7/1/23-9/30/24	7,475	(89)			89					
Subtotal Special Education Cluster (IDEA)					(89)			150,361	(150,272)				
Education Stabilization Fund:													
COVID-19 - ARP:													
ESSER III	84.425U	S425U210027	3/13/20-9/30/24	248,006	(15)			2,515	(2,500)				
Accelerated Learning Coach and Educator Support	84.425U	S425U210027	3/13/20-9/30/24	50,000	(1,978)			13,264	(11,285)				
Evidence Based Summer Learning and Enrichment	84.425U	S425U210027	3/13/20-9/30/24	40,000				1,025			\$ 1,025		
Evidence Based Comprehensive													
Beyond the School Day	84.425U	S425U210027	3/13/20-9/30/24	40,000	(255)			26,075	(25,820)				
Mental Health	84.425U	S425D210027	3/13/20-9/30/24	45,000	(15,200)			45,000	(29,800)				
Subtotal Education Stabilization Fund					(17,448)			87,879	(69,405)			1,025	
Total U.S. Department of Education / Special Revenue Fund													
					(42,283)		20,247	329,766	(286,457)	(20,247)		1,025	
Total Federal Awards					\$ (42,283)	\$ -0-	\$ 20,247	\$ 329,766	\$ (286,457)	\$ (15,767)	\$ -0-	\$ 1,025	\$ -0-

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, 2025

State Grantor/Program Title	Project Number	Grant Period	Award Amount	Balance at June 30, 2024		Cash Received	Budgetary Expenditures	Balance at June 30, 2025		MEMO	
				Budgetary Accounts Receivable	Due to Grantor			GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
General Fund:											
Categorical Special Education Aid	25-495-034-5120-089	7/1/24-6/30/25	\$ 807,647			\$ 736,119	\$ (807,647)	\$		\$ (71,528)	\$ 807,647
Categorical Security Aid	25-495-034-5120-078	7/1/24-6/30/25	67,026			61,090	(67,026)			(5,936)	67,026
Extraordinary Aid	25-495-034-5120-044	7/1/24-6/30/25	556,197				(556,197)	\$ (556,197)		(556,197)	556,197
Categorical Transportation Aid	25-495-034-5120-014	7/1/24-6/30/25	451,320			411,349	(451,320)			(39,971)	451,320
Nonpublic Transportation	25-495-035-5120-014	7/1/24-6/30/25	27,086				(27,086)	(27,086)		(27,086)	27,086
Reimbursed TPAF Social Security Contributions	25-495-034-5094-003	7/1/24-6/30/25	472,857			449,374	(472,857)	(23,483)		(23,483)	472,857
Mentorial Product Reimbursement	N/A	7/1/24-6/30/25	614				(614)	(614)		(614)	614
On-Behalf TPAF Post Retirement Contributions	25-495-034-5094-001	7/1/24-6/30/25	635,035			635,035	(635,035)				635,035
On-Behalf Long Term Disability Insurance Contributions	25-495-034-5094-004	7/1/24-6/30/25	996			996	(996)				996
On-Behalf TPAF Pension Contributions	25-495-034-5094-002	7/1/24-6/30/25	2,146,691			2,146,691	(2,146,691)				2,146,691
On-Behalf TPAF Non-Contributory Insurance	25-495-034-5094-004	7/1/24-6/30/25	26,592			26,592	(26,592)				26,592
Categorical Transportation Aid	24-495-034-5120-014	7/1/23-6/30/24	336,135	\$ (29,698)		29,698					336,135
Categorical Special Education Aid	24-495-034-5120-089	7/1/23-6/30/24	720,524	(63,659)		63,659					720,524
Categorical Security Aid	24-495-034-5120-078	7/1/23-6/30/24	60,043	(5,305)		5,305					60,043
Extraordinary Aid	24-495-034-5120-044	7/1/23-6/30/24	719,593	(719,593)		719,593					719,593
Nonpublic Transportation	24-495-035-5120-014	7/1/23-6/30/24	15,470	(15,470)		15,470					15,470
Reimbursed TPAF Social Security Contributions	24-495-034-5094-003	7/1/23-6/30/24	455,765	(2,212)		2,212					455,765
Total General Fund				(835,937)		5,303,183	(5,192,061)	(607,380)		(724,815)	7,499,591
Debt Service Fund:											
Type II Aid	25-495-034-5120-017	7/1/24 - 6/30/25	566,548			566,548	(566,548)				\$ 566,548
Total Debt Service Fund						566,548	(566,548)				566,548
Total State Awards				\$ (835,937)	\$ -0-	\$ 5,869,731	\$ (5,758,609)	\$ (607,380)	\$ -0-	\$ (724,815)	\$ 8,066,139
Less: On-Behalf TPAF Contributions:											
On-Behalf TPAF Post Retirement Contributions	25-495-034-5094-001		635,035				\$ 635,035				
On-Behalf Long Term Disability Insurance Contributions	25-495-034-5094-004		996				996				
On-Behalf TPAF Pension Contributions	25-495-034-5094-002		2,146,691				2,146,691				
On-Behalf TPAF Non-Contributory Insurance	25-495-034-5094-004		26,592				26,592				
Subtotal - On-Behalf TPAF Contributions							2,809,314				
Total State Awards - for Major Program Determination							\$ (2,949,295)				
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, 2025

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, 2025. 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 (\$18,733) for the general fund and \$1,144 for the special revenue fund of all 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, 2025
(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:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 5,173,288	\$ 5,173,288
Special Revenue Fund	\$ 288,457		288,457
Debt Service Fund		566,548	566,548
Total Awards	<u>\$ 288,457</u>	<u>\$ 5,739,836</u>	<u>\$ 6,028,293</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. 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, 2025.

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP.

Unmodified

Internal control over financial reporting:

1.) Material weakness identified?	_____ Yes	_____ X	No
2.) Significant deficiencies identified?	_____ Yes	_____ X	None reported
Noncompliance material to basic financial statements noted?	_____ Yes	_____ X	No

Federal Awards

The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2025 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.

State Awards

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

Unmodified

Internal control over major programs:

1.) Material weakness identified?	_____ Yes	_____ X	No
2.) Significant deficiencies identified?	_____ Yes	_____ X	None reported
Noncompliance material to basic financial statements noted?	_____ Yes	_____ X	No
Any audit findings disclosed that are required to be reported in accordance with New Jersey's OMB Circular 15-08?			
	_____ Yes	_____ X	No

Identification of major programs:

Program Name or Cluster	State Grant No.	Grant Period		Award Amount	Budgetary Expenditures
		Start	End		
Debt Service Type II Aid	08-495-034-5120-017	7/1/24	6/30/25	\$ 566,548	\$ 566,548
Reimbursed TPAF Social Security Contributions	25-495-034-5094-003	7/1/24	6/30/25	472,857	472,857
Dollar threshold used to distinguish between Type A and B programs				\$ 750,000	
Auditee qualified as low-risk auditee?		X	Yes		No

Section II - Financial Statement Findings - N/A

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs - N/A

WATCHUNG BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

Status of Prior Year Findings:

The District had no prior year audit findings.