

**WATCHUNG BOROUGH  
SCHOOL DISTRICT**

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

**Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2024**

# **Annual Comprehensive Financial Report**

**of the**

**WATCHUNG BOROUGH SCHOOL DISTRICT**

**Watchung, New Jersey**

**For the Fiscal Year Ended June 30, 2024**

**Watchung Borough School District**

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

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INTRODUCTORY SECTION  
(UNAUDITED)



# WATCHUNG

## BOROUGH SCHOOL DISTRICT

DR. JULIE GLAZER  
SUPERINTENDENT

KAREN BISHOP-JOHNSON  
BUSINESS ADMINISTRATOR

NICOLE DITOTA  
DIRECTOR OF SPECIAL SERVICES

October 29, 2024

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, 2024, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Watchung Borough Board of Education (the District). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statement and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, as well as special education for students with disabilities. The District completed the 2023-2024 fiscal year with an enrollment of 667 students, which is 33 more students than the previous year's enrollment.

**2. ECONOMIC CONDITION AND OUTLOOK:** The Borough of Watchung was organized on April 20, 1926, and covers an area of approximately 6.2 square miles. Watchung was settled in the early eighteenth century and grew slowly until the second half of the 20th century. In 1960, the population was 3,312 and in 2020 it was 6,449. Watchung Borough is primarily a suburban residential community with approximately 2,382 residential units. The Borough also has a number of substantial commercial ratables, principally located on State Highway 22 on the outskirts of the Borough. The Watchung Square Mall, a 750,000 square foot shopping center, is currently assessed for over \$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 and French are offered to students in grades 5-8. Mathematics in middle school includes accelerated algebra and geometry. A state-of-the-art STEM Lab was opened during the 2019-2020 school year and all students take a half-year STEM class that is based on the state curricular standards. Students enjoy vocal and instrumental music and fine and performing arts opportunities. The District's program for gifted and talented students, SOAR, is offered to students identified as eligible in grades K-8. Guidance counselors in both schools assist teachers and administrators in assessing and meeting the academic, social, and emotional needs of the students. An Autism Class for students ages 5-8 is housed in the Bayberry Elementary School. A preschool disabled program is available for students beginning at age 3. Resource centers and in-class support programs are available in both schools.

A link for parents to view the district curriculum is available through Rubicon Atlas, a software program, which is linked to the District's website. Curriculum has been reviewed and updated in accordance with the periodic adoption of the New Jersey Student Learning Standards by the New Jersey Department of Education. Curriculum articulation occurs with other sending districts and Watchung Hills Regional High School. The district promotes professional learning for its staff and continues to support training on the various instructional, 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. 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 and 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 TREPS (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 also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District management.

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2024.

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

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

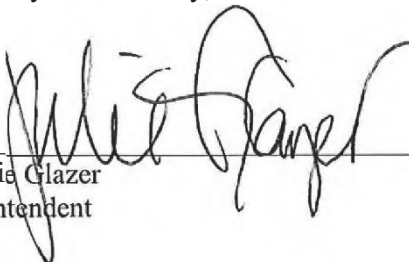
**8. RISK MANAGEMENT:** The Board carries various forms of insurance that includes, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on J-20.

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

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

Respectfully submitted by,

Dr. Julie Glazer  
Superintendent



Karen Bishop  
Business Administrator





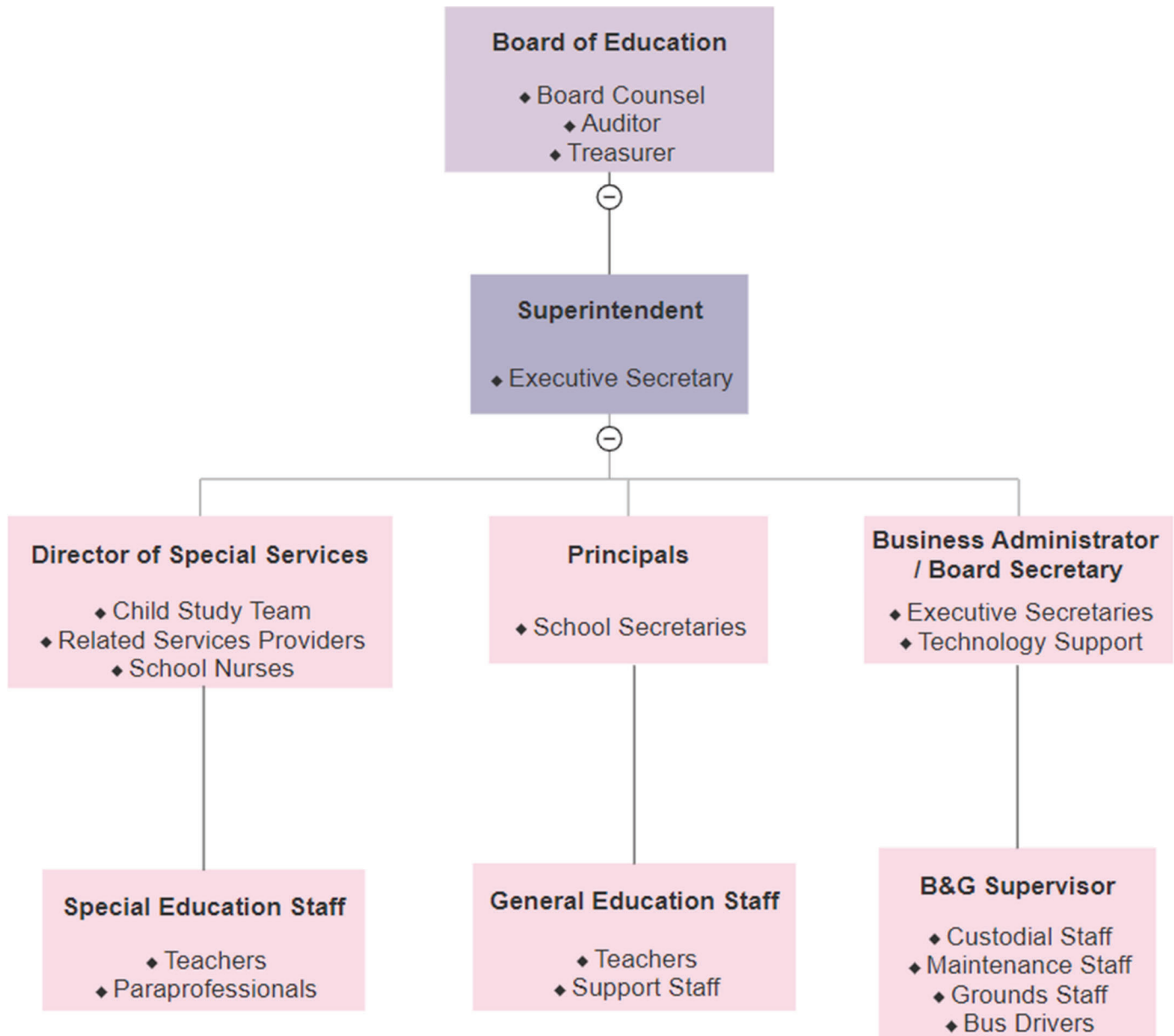
# WATCHUNG

## BOROUGH SCHOOL DISTRICT

**DR. JULIE GLAZER**  
SUPERINTENDENT

**KAREN BISHOP-JOHNSON**  
BUSINESS ADMINISTRATOR

**NICOLE DITOTA**  
DIRECTOR OF SPECIAL SERVICES



WATCHUNG BOROUGH SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2024

**Members of the Board of Education**

**Term Expires**

Manuel Gonzalez, President	2025
Mohamad Freij, Vice President	2025
Jennifer Agugliaro	2026
Danielle Amedeo	2026
Dorie Harvey	2024
Anthony Ingrassia	2024
Phyllis Juette	2025
Fatima Santos	2026
Jennifer Vinces-Cua	2024

**Other Officials**

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Dr. Rene Rovtar, Interim Superintendent of Schools (From 7/1/2023 to 8/30/2024)  
Dr. Julie Glazer, Superintendent of Schools (from 8/30/2023)  
Patricia Rodgers, School Business Administrator/Board Secretary (till 12/31/23)  
Karen Bishop-Johnson, School Business Administrator/Board Secretary (from 1/1/24)  
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, 2024, 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, 2024, 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 29, 2024 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 29, 2024

  
NISIVOCCIA LLP



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, 2024. 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.

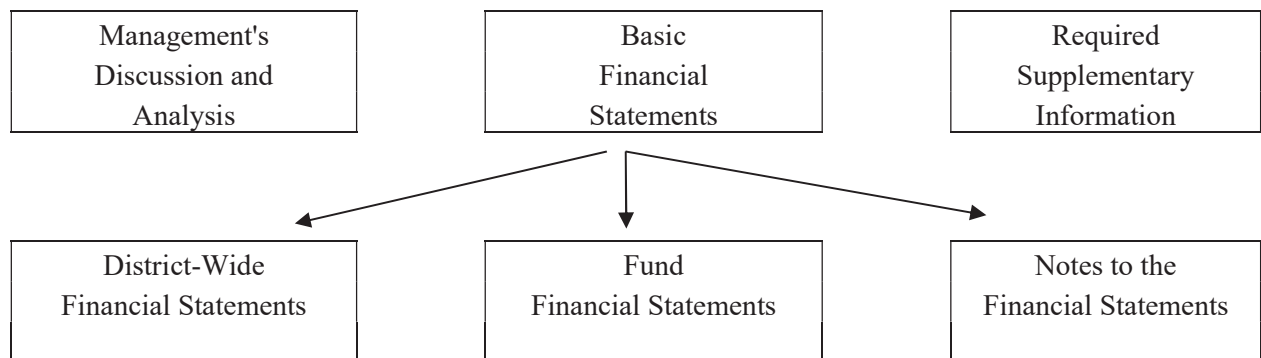
#### Overview of the Financial Statements

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: care program
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>
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 decreased \$300,452. Net position from governmental activities decreased by \$288,092 and net position from business activities decreased by \$12,360. Net investment in capital assets decreased by \$586,627, restricted net position increased by \$616,970 and unrestricted net position decreased by \$330,795.

*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
	2023/2024	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023	
Current and Other Assets	\$ 17,848,666	\$ 19,917,999	\$ 25,432	\$ 35,240	\$ 17,874,098	\$ 19,953,239	
Capital Assets, Net	15,959,539	13,584,229			15,959,539	13,584,229	
Total Assets	33,808,205	33,502,228	25,432	35,240	33,833,637	33,537,468	0.88%
Deferred Outflows of Resources	383,727	489,490			383,727	489,490	-21.61%
Other Liabilities	1,677,883	1,503,469	2,620	68	1,680,503	1,503,537	
Long-Term Liabilities	18,703,667	18,136,106			18,703,667	18,136,106	
Total Liabilities	20,381,550	19,639,575	2,620	68	20,384,170	19,639,643	3.79%
Deferred Inflows of Resources	188,125	441,794			188,125	441,794	-57.42%
Net Position:							
Investment in Capital Assets	12,447,706	13,034,333			12,447,706	13,034,333	
Restricted	3,271,012	2,654,042			3,271,012	2,654,042	
Unrestricted/(Deficit)	(2,096,461)	(1,778,026)	22,812	35,172	(2,073,649)	(1,742,854)	
Total Net Position	\$ 13,622,257	\$ 13,910,349	\$ 22,812	\$ 35,172	\$ 13,645,069	\$ 13,945,521	-2.15%

## 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
	2023/2024	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023	Percentage Change
Revenue:							
Program Revenue:							
Tuition	\$ 205,500	\$ 223,400			\$ 205,500	\$ 223,400	
Charges for Services	79,536	74,267	\$ 174,557	\$ 107,250	254,093	181,517	
Operating Grants & Contributions	3,609,874	3,548,573		3,357	3,609,874	3,551,930	
General Revenue:							
Property Taxes	13,343,318	12,536,093			13,343,318	12,536,093	
Unrestricted Federal & State Aid	795,106	487,734			795,106	487,734	
Other	994,657	357,335			994,657	357,335	
Total Revenue	19,027,991	17,227,402	174,557	110,607	19,202,548	17,338,009	10.75%
Expenses:							
Instruction	11,742,315	10,420,066			11,742,315	10,420,066	
Pupil and Instruction Services	2,614,155	2,937,845			2,614,155	2,937,845	
Administrative and Business	1,516,824	1,337,585			1,516,824	1,337,585	
Maintenance and Operations	1,620,171	1,401,247			1,620,171	1,401,247	
Transportation	895,673	948,781			895,673	948,781	
Other	927,115	47,138	186,747	115,091	1,113,862	162,229	
Total Expenses	19,316,253	17,092,662	186,747	115,091	19,503,000	17,207,753	13.34%
Transfer	170		(170)				
Change in Net Position	\$ (288,092)	\$ 134,740	\$ (12,360)	\$ (4,484)	\$ (300,452)	\$ 130,256	-330.66%

### 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	
	2023/2024	2022/2023	2023/2024	2022/2023
Instruction	\$ 11,742,315	\$ 10,420,066	\$ 8,162,810	\$ 6,901,500
Pupil and Instruction Services	2,614,155	2,937,845	2,499,180	2,815,228
Administrative and Business	1,516,824	1,337,585	1,316,394	1,132,528
Maintenance and Operations	1,620,171	1,401,247	1,620,171	1,401,247
Transportation	895,673	948,781	895,673	948,781
Other	927,115	47,138	927,115	47,138
	<u>\$ 19,316,253</u>	<u>\$ 17,092,662</u>	<u>\$ 15,421,343</u>	<u>\$ 13,246,422</u>

#### Business-Type Activities

Net position from the District's business-type activities decreased by \$10,764 due to an increase of expenses over revenues.. (Refer to Figure A-4).

#### Financial Analysis of the District's Funds

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

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

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

#### General Fund Budgetary Highlights

Over the course of the fiscal year, the District revised the annual operating budget between budgetary line items for changes in school-based needs. Student support services increased \$205,500 over budgeted amounts.



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

**Capital Asset and Long-Term Liabilities**

Current year capital additions were \$2,890,223 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
	2023/2024	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023	
Land	\$ 411,364	\$ 411,364			\$ 411,364	\$ 411,364	
Building and Building Improvements	11,634,788	11,997,209			11,634,788	11,997,209	
Machinery and Equipment	514,035	666,527			514,035	666,527	
Construction in Progress	3,399,352	509,129			3,399,352	509,129	
Total Capital Assets (Net of Depreciation)	<u>\$ 15,959,539</u>	<u>\$ 13,584,229</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 15,959,539</u>	<u>\$ 13,584,229</u>	<u>17.49%</u>

**Long-Term Liabilities**

At year-end, the District had \$18,380,193 in long term liabilities – an increase of \$567,561 from the prior year – as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

**Figure A-7**

**Outstanding Long-Term Liabilities**

	Total School District		Percentage Change 2023/2024
	2023/2024	2022/2023	
Serial Bonds	\$ 15,734,000	\$ 15,734,000	
Compensated Absences	549,680	314,375	
Arbitrage Rebate Payable	323,474		
Financed Purchases Payable	112,481	40,767	
Net Pension Liability	<u>1,984,032</u>	<u>2,046,964</u>	
	<u>\$ 18,703,667</u>	<u>\$ 18,136,106</u>	<u>3.13%</u>

## **WATCHUNG BOROUGH SCHOOL DISTRICT**

### **Management Discussion and Analysis**

#### **Factors Bearing on the District's Future**

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

- **Tax Levy** - The Board opted to prepare its 2023-2024 budget with a 2.0% tax levy increase. In addition, 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. As bond interest is not a sustainable source of revenue for the general fund budget, the district will need to explore alternatives which may include an increase to the tax levy through the use of banked cap as permitted by the New Jersey Department of Education.

Additionally, increased transportation and healthcare expenses, upcoming collective bargaining with the Teachers Association, and the loss of funding for professional learning, to address learning loss, and interventions to respond to students' academic, social, and emotional needs with the expiration of the ARP ESSER funds will have to be considered.

- **Personnel** - As there continues to be a focus on the social and emotional wellness of our students and staff, the provision of a full-time guidance counselor for each school building becomes a priority. A choice was made to fund a guidance counselor position, and two teaching positions through the Federal ARP ESSER funds. These funds expire at the end of the 2023-2024 fiscal year, and the positions must be added to the General Budget or be cut. The district would also benefit from additional staffing in the areas of supervision of instruction, library/media services, technology, and restoring a position cut from the Business Office.
- **Special Education Costs** - The Director of Special Services continues to work to reduce out-of-district placements and to attract tuition students to District programs. This is an area of continued focus.

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

As the District begins to plan for the 2024-2025 fiscal year, it is important to formulate a general fiscal plan that includes the next several 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, 2024

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 15,801,620	\$ 21,626	\$ 15,823,246
Receivable from State Government	737,275		737,275
Receivable from Federal Government	40,283		40,283
Other Accounts Receivable	24,565	3,806	28,371
Restricted Cash and Cash Equivalents	1,244,923		1,244,923
Capital Assets:			
Sites (Land) and Construction in Progress	3,810,716		3,810,716
Depreciable Buildings and Building Improvements and Machinery and Equipment	12,148,823		12,148,823
Total Assets	<u>33,808,205</u>	<u>25,432</u>	<u>33,833,637</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	383,727		383,727
Total Deferred Outflows of Resources	<u>383,727</u>		<u>383,727</u>
<b>LIABILITIES</b>			
Accounts Payable	665,150	2,620	667,770
Payable to Federal Government	20,247		20,247
Unearned Revenue	803,306		803,306
Accrued Interest Payable	189,180		189,180
Noncurrent Liabilities:			
Due Within One Year	665,946		665,946
Due Beyond One Year	18,037,721		18,037,721
Total Liabilities	<u>20,381,550</u>	<u>2,620</u>	<u>20,384,170</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	188,125		188,125
Total Deferred Inflows of Resources	<u>188,125</u>		<u>188,125</u>
<b>NET POSITION</b>			
Investment in Capital Assets	12,447,706		12,447,706
Restricted for:			
Capital Projects	1,105,337		1,105,337
Excess Surplus	2,026,089		2,026,089
Unemployment Compensation	58,319		58,319
Student Activities	81,267		81,267
Unrestricted/(Deficit)	(2,096,461)	22,812	(2,073,649)
Total Net Position	<u>\$ 13,622,257</u>	<u>\$ 22,812</u>	<u>\$ 13,645,069</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, 2024

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	\$ 7,807,369	\$ 205,500	\$ 1,949,691	\$ (5,652,178)	\$	\$ (5,652,178)
Special Education	3,307,868		1,298,720	(2,009,148)		(2,009,148)
Other Special Instruction	470,438		99,043.00	(371,395)		(371,395)
School-Sponsored Other Instruction	156,640		26,551.00	(130,089)		(130,089)
Support Services:						
Tuition	497,750			(497,750)		(497,750)
Student & Instruction Related Services	2,116,405	79,536	35,439.00	(2,001,430)		(2,001,430)
General Administrative Services	546,662		200,430.00	(346,232)		(346,232)
School Administrative Services	526,178			(526,178)		(526,178)
Central Services	319,929			(319,929)		(319,929)
Administrative Information Technology	124,055			(124,055)		(124,055)
Plant Operations and Maintenance	1,620,171			(1,620,171)		(1,620,171)
Pupil Transportation	895,673			(895,673)		(895,673)
Interest on Long Term Debt	879,977			(879,977)		(879,977)
Capital Outlay	47,138			(47,138)		(47,138)
Total Governmental Activities	19,316,253	285,036	3,609,874	(15,421,343)		(15,421,343)

WATCHUNG BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(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:						
Care Program	\$ 186,747	\$ 174,557			\$ (12,190)	\$ (12,190)
Total Business-Type Activities	186,747	174,557			(12,190)	(12,190)
Total Primary Government	\$ 19,503,000	\$ 459,593	\$ 3,609,874	\$ (15,421,343)	(12,190)	(15,433,533)
General Revenue and Transfers:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 12,786,815	\$	\$ 12,786,815
Taxes Levied for Debt Service				556,503		556,503
Federal and State Aid not Restricted				795,106		795,106
Interest and Miscellaneous Income				994,657		994,657
Transfers				170	\$ (170)	
Total General Revenue and Transfers				15,133,251	(170)	15,133,081
Change in Net Position				(288,092)	(12,360)	(300,452)
Net Position - Beginning				13,910,349	35,172	13,945,521
Net Position - Ending				\$ 13,622,257	\$ 22,812	\$ 13,645,069

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, 2024

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 2,304,136		\$ 13,417,484	\$ 80,000	\$ 15,801,620
Receivables From Federal Government		\$ 40,283			40,283
Receivables From State Government	737,275				737,275
Other Receivables	18,825	5,740			24,565
Interfund Receivables	743,361				743,361
Restricted Cash and Cash Equivalents	1,163,656	81,267			1,244,923
Total Assets	<u>\$ 4,967,253</u>	<u>\$ 127,290</u>	<u>\$ 13,417,484</u>	<u>\$ 80,000</u>	<u>\$ 18,592,027</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 418,198	\$ 1,490	\$ 40,287		\$ 459,975
Interfund Payable		24,286	719,075		743,361
Payable to Federal Government		20,247			20,247
Unearned Revenue	723,306			\$ 80,000	803,306
Total Liabilities	<u>1,141,504</u>	<u>46,023</u>	<u>759,362</u>	<u>80,000</u>	<u>2,026,889</u>
Fund Balances:					
Restricted:					
Capital Reserve	1,105,337				1,105,337
Excess Surplus - 2025-2026	1,224,847				1,224,847
Excess Surplus - 2024-2025	801,242				801,242
Unemployment Compensation	58,319				58,319
Student Activities		81,267			81,267
Capital Projects Fund			12,334,648		12,334,648
Assigned:					
Capital Projects Fund			323,474		323,474
Encumbrances	9,579				9,579
Unassigned:					
General Fund	626,425				626,425
Total Fund Balances	<u>3,825,749</u>	<u>81,267</u>	<u>12,658,122</u>		<u>16,565,138</u>
Total Liabilities and Fund Balances	<u>\$ 4,967,253</u>	<u>\$ 127,290</u>	<u>\$ 13,417,484</u>	<u>\$ 80,000</u>	<u>\$ 18,592,027</u>

WATCHUNG BOROUGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024

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

Total Fund Balances from previous page	\$ 16,565,138
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds.	15,959,539
Interest on long-term debt is not accrued in Governmental Funds, but rather is recognized as an expenditure when due.	(189,180)
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.	(18,703,667)
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	178,552
Deferred Inflows	<u>(188,125)</u>
Net Position of Governmental Activities	<u><u>\$ 13,622,257</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, 2024

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 12,786,815			\$ 556,503	\$ 13,343,318
Tuition from Individuals	205,500				205,500
Interest Earned on Capital Reserve Funds	16,026				16,026
Restricted Miscellaneous Revenue	25,069	\$ 79,536			104,605
Unrestricted Miscellaneous Revenue	145,707	6,636	\$ 807,855		960,198
Total - Local Sources	13,179,117	86,172	807,855	556,503	14,629,647
State Sources	5,154,397	14,650			5,169,047
Federal Sources		348,251			348,251
Total Revenue	18,333,514	449,073	807,855	556,503	20,146,945
EXPENDITURES					
Current:					
Regular Instruction	4,268,363	217,797			4,486,160
Special Education Instruction	2,193,132	151,740			2,344,872
Other Special Instruction	278,164				278,164
School Sponsored/Other Instruction	80,563				80,563
Support Services and Undistributed Costs:					
Tuition	497,750				497,750
Student & Instruction Related Services	1,457,299	70,561			1,527,860
General Administrative Services	430,489				430,489
School Administrative Services	359,641				359,641
Central Services	243,333				243,333
Administrative Information Technology	96,467				96,467
Plant Operations and Maintenance	1,180,552				1,180,552
Pupil Transportation	883,520				883,520
Unallocated Benefits	6,288,886				6,288,886
Capital Outlay	159,619		2,890,223		3,049,842
Debt Service:					
Interest and Other Charges				556,503	556,503
Total Expenditures	18,417,778	440,098	2,890,223	556,503	22,304,602
Excess/(Deficiency) of Revenues					
Over/(Under) Expenditures	(84,264)	8,975	(2,082,368)		(2,157,657)
OTHER FINANCING SOURCES/(USES)					
Financed Purchases (Non-Budgeted)	112,481				112,481
Transfers	484,551		(484,381)		170
Total Other Financing Sources/(Uses)	597,032		(484,381)		112,651
Net Change in Fund Balances	512,768	8,975	(2,566,749)		(2,045,006)
Fund Balance—July 1	3,312,981	72,292	15,224,871		18,610,144
Fund Balance—June 30	\$ 3,825,749	\$ 81,267	\$ 12,658,122	\$ - 0 -	\$ 16,565,138

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, 2024

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (2,045,006)

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	<u>2,890,223</u>	
		2,375,310

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	62,932	
Change in Deferred Inflows	(115,324)	
Change in Deferred Outflows	<u>253,669</u>	
		201,277

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. (112,481)

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. 40,767

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. (+) (189,180)

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. (323,474)

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 (+). (235,305)

Change in Net Position of Governmental Activities (Exhibit A-2) \$ (288,092)

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

WATCHUNG BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2024

	Business-Type Enterprise Fund <u>Non-Major Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 21,626
Accounts Receivable	<u>3,806</u>
Total Assets	<u>25,432</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	<u>2,620</u>
Total Current Liabilities	<u>2,620</u>
NET POSITION:	
Unrestricted	<u>22,812</u>
Total Net Position	<u><u>\$ 22,812</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, 2024

	Business-Type Enterprise Fund <hr/> Non-Major Fund <hr/>
Operating Revenue:	
Local Sources:	
Child Care Fees	\$ 174,557
Total Operating Revenue	<hr/> 174,557
Operating Expenses:	
Salaries, Benefits & Payroll Taxes	161,007
Miscellaneous Expenses	<hr/> 25,740
Total Operating Expenses	<hr/> 186,747
Operating (Loss)	(12,190)
Transfer Out - General Fund	<hr/> (170)
Change in Net Position After Transfers	(12,360)
Net Position - Beginning of Year	<hr/> 35,172
Net Position - End of Year	<hr/> <hr/> \$ 22,812

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

WATCHUNG BOROUGH SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Business-Type Enterprise Fund <u>Non-Major Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 175,107
Payments to Employees	(161,007)
Payment for Suppliers	(23,188)
	<u>(9,088)</u>
Net Cash (Used for) Operating Activities	
Cash Flows from Noncapital Financing Activities:	
Transfer Out - General Fund	(170)
Federal Sources:	
Special Milk Program	170
	<u>(9,088)</u>
Net (Decrease) in Cash and Cash Equivalents	
Cash and Cash Equivalents, July 1	<u>30,714</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 21,626</u></u>
Reconciliation of Operating (Loss) to Net Cash	
(Used for) Operating Activities:	
Operating Income/(Loss)	\$ (12,190)
Adjustment to Reconcile Operating Loss to Cash	
(Used for) Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	550
Increase in Accounts Payable	2,552
	<u>(9,088)</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (9,088)</u></u>

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

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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, 2024  
(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, 2024  
(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 (Care Program) Funds: The Enterprise Fund account for all revenue and expenses pertaining to the Board's 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, 2024  
(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, 2024 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, 2024  
(Continued)

D. Budgets/Budgetary Control (Cont'd)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 18,356,460	\$ 448,652
Differences - Budgetary to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		421
Prior Year State Aid Payments Recognized for GAAP Statements	75,716	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(98,662)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 18,333,514</u>	<u>\$ 449,073</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 18,402,274	\$ 439,677
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.		421
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 18,402,274</u>	<u>\$ 440,098</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, 2024  
(Continued)

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

E. Cash and Cash Equivalents:

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, 2024  
(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, 2024.

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, 2024  
(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, 2024, the amount earned by these employees but not yet disbursed was \$284,982.

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, 2024  
(Continued)

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

T. Fund Balance Appropriated:

General Fund: Of the \$3,825,749 General Fund fund balance at June 30, 2024, \$1,105,337 is restricted in the capital reserve account; \$801,242 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2025; \$1,224,847 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, 2026; \$9,579 is assigned for year-end encumbrances; \$58,319 is restricted for unemployment compensation; and \$626,425 is unassigned fund balance, which is \$98,662 more 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, 2025.

Special Revenue Fund: The Special Revenue Fund balance at June 30, 2024 of \$81,267 is restricted for student activities.

Capital Projects Fund: Of the \$12,658,122 Capital Projects Fund fund balance as of June 30, 2024, \$12,334,648 is restricted; and \$323,474 is assigned.

Debt Service Fund: Debt Service Fund fund balance is \$-0- at June 30, 2024.

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, 2024  
(Continued)

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

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2024.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and an amount designated for subsequent year's expenditures at June 30, 2024 in the General Fund and for arbitrage rebate in the Capital Projects Fund.

V. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows and inflows of resources at June 30, 2024 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, 2024  
(Continued)

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

W. Deficit Net Position:

The District has a deficit of \$2,096,461 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 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, 2024  
(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, 2024  
(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, 2024  
(Continued)

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

Investments (Cont'd)

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

As of June 30, 2024, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents			Total
		Capital Reserve Account	Unemployment Compensation	Student Activities	
Checking Accounts	\$ 15,823,246	\$ 1,105,337	\$ 58,319	\$ 81,267	\$ 17,068,169
	<u>\$ 15,823,246</u>	<u>\$ 1,105,337</u>	<u>\$ 58,319</u>	<u>\$ 81,267</u>	<u>\$ 17,068,169</u>

During the period ended June 30, 2024, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2024, was \$17,068,169 and the bank balance was \$18,170,026.

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(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, 2023 to June 30, 2024 fiscal year is as follows:

Beginning Balance, July 1, 2023	\$ 1,089,311
Increased by:	
Interest Earnings	<u>16,026</u>
Ending Balance, June 30, 2024	<u><u>\$ 1,105,337</u></u>

The balance in the capital reserve account at June 30, 2024 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan. Withdrawals from the capital reserve can be used in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2024, the District did not make any transfers into capital outlay accounts.

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2024 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	509,129	\$ 2,890,223		3,399,352
Total Capital Assets Not Being Depreciated	920,493	2,890,223		3,810,716
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	22,233,079			22,233,079
Governmental Activities Capital Assets	23,153,572	2,890,223		26,043,795
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(7,907,267)	(362,421)		(8,269,688)
Machinery and Equipment	(1,662,076)	(152,492)		(1,814,568)
	(9,569,343)	(514,913)		(10,084,256)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 13,584,229	\$ 2,375,310	\$ - 0 -	\$ 15,959,539
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 41,166		\$ (41,166)	
Less Accumulated Depreciation	(41,166)		41,166	
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

The District expended \$2,890,223 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 \$9,191,250 represents open encumbrances as of June 30, 2024.

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>



WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2024, the following changes occurred in liabilities reported in the District-wide financial statements:

	Beginning Balance	Accrued	Retired	Ending Balance	Payable in 1 Year
Serial Bonds Payable	\$ 15,734,000			\$ 15,734,000	\$ 639,000
Financed Purchases Payable	40,767	\$ 112,481	\$ 40,767	112,481	26,946
Arbitrage Rebate Payable		323,474		323,474	
Compensated Absences Payable	314,375	285,362	50,057	549,680	
Net Pension Liability	2,046,964		62,932	1,984,032	
	<u>\$ 18,136,106</u>	<u>\$ 721,317</u>	<u>\$ 153,756</u>	<u>\$ 18,703,667</u>	<u>\$ 665,946</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.

The District has bonds outstanding of June 30, 2024 as follows:

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

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

Fiscal Year	Principal	Interest	Total
2025	\$ 639,000	\$ 567,539	\$ 1,206,539
2026	580,000	548,369	1,128,369
2027	605,000	530,969	1,135,969
2028	630,000	512,062	1,142,062
2029	655,000	491,587	1,146,587
2030-2034	3,725,000	2,108,100	5,833,100
2035-2039	4,565,000	1,397,113	5,962,113
2040-2043	4,335,000	439,800	4,774,800
	<u>\$ 15,734,000</u>	<u>\$ 6,595,539</u>	<u>\$ 22,329,539</u>



WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

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

B. Bonds Authorized But Not Issued:

As of June 30, 2024, the Board had no bonds authorized but not issued.

C. Financed Purchases Payable:

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

The following is a schedule of the future minimum financed purchase payments under the finance purchase agreements, and the present value of the net minimum financed purchase payments at June 30, 2024.

<u>Year</u>	<u>Amount</u>
2025	\$ 31,978
2026	28,978
2027	31,979
2028	31,979
Total Minimum Financed Purchases Payments	124,914
Less: Amount Representing Interest	(12,433)
Present Value of Net Minimum Lease Payments	<u>\$ 112,481</u>

The current portion of the financed purchase payable at June 30, 2024 is \$26,946 and the long-term portion is \$85,535. 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 \$549,680. 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, 2024, no liability existed for compensated absences in the 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 \$324,474. 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, 2024 is \$0 and the long-term portion is \$1,984,032. See Note 8 for further information on the PERS.

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 8. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

<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, 2011
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

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

Contributions

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

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

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

District contributions to PERS amounted to \$185,144 for the fiscal year. During the fiscal year ended June 30, 2023, the State of New Jersey contributed \$6,187 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, 2024, the District's liability was \$1,984,032 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. 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, 2023, the District's proportion was 0.0137%, which was an increase of .0001 from its proportion measured as of June 30, 2022.

For the fiscal year ended June 30, 2024, the District recognized an actual pension benefit of \$16,132 related to the District's proportionate share of the net pension liability. Additionally, for the fiscal year ended June 30, 2023, the State recognized pension expense on behalf of the District in the amount of \$6,187 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2024 financial statements.

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

There was no state proportionate share of net pension liability attributable to the District as of June 30, 2024.

At June 30, 2024, 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	2019	5.21		\$ (10,778)
	2020	5.16		(98,062)
	2021	5.13	\$ 4,359	
	2022	5.04		(11,401)
			<u>4,359</u>	<u>(120,241)</u>
Changes in Proportion	2019	5.21	2,473	
	2020	5.16		(59,774)
	2021	5.13	47,979	
	2022	5.04	77,705	
	2023	5.08	17,929	
			<u>146,086</u>	<u>(59,774)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2020	5.00	30,725	
	2021	5.00	(255,526)	
	2022	5.00	304,015	
	2023	5.00	(70,077)	
			<u>9,137</u>	
Difference Between Expected and Actual Experience	2019	5.21	824	
	2020	5.16	5,463	
	2021	5.13		(3,466)
	2022	5.04		(4,644)
	2023	5.18	12,683	
			<u>18,970</u>	<u>(8,110)</u>
District Contribution Subsequent to the Measurement Date	2023	1.00	205,175	
			<u>\$ 383,727</u>	<u>\$ (188,125)</u>

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding 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
2024	\$ (102,274)
2025	(118,243)
2026	129,683
2027	63,083
2028	18,178
	<u>\$ (9,573)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. 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-2023.

The actuarial assumptions used in the July 1, 2022 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, 2024  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2023) 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Markets Equity	12.78%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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, 2024  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2023 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, 2023		
	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	\$ 2,582,787	\$ 1,984,032	\$ 1,474,412

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](http://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, 2024  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 2023, 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 2024, the State of New Jersey contributed \$2,229,730 to the TPAF for normal pension benefits on behalf of the District, which is more than the contractually required contribution of \$633,228.

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, 2024  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

At June 30, 2024, the State's proportionate share of the net pension liability associated with the District was \$25,775,451. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. 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, 2023, the District's proportion was 0.0505%, which was an increase of 0.0022% from its proportion measured as of June 30, 2022.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>25,775,451</u>
Total	<u><u>\$ 25,775,451</u></u>

For the fiscal year ended June 30, 2023, the State recognized pension expense on behalf of the District in the amount of \$633,228 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2024 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	2016	8.30	\$ 391,340,712	
	2017	8.30		\$ 2,080,865,206
	2018	8.29		1,883,063,885
	2019	8.04		1,514,535,609
	2020	7.99	805,517,879	
	2021	7.93		9,179,534,541
	2022	7.83	<u>82,066,487</u>	
			<u>1,278,925,078</u>	<u>14,657,999,241</u>

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	2016	8.30		4,866,656
	2017	8.30	37,022,988	
	2018	8.29	330,339,649	
	2019	8.04		58,842,090
	2020	7.99		4,293,040
	2021	7.93	121,815,868	
	2022	7.83		15,372,285
	2023	7.93	169,161,907	
			<u>658,340,412</u>	<u>83,374,071</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2020	5.00	\$ 241,395,539	
	2021	5.00	(1,777,316,905)	
	2022	5.00	2,489,500,994	
	2023	6.00	(477,296,442)	
			<u>476,283,186</u>	
			<u>\$ 2,413,548,676</u>	<u>\$ 14,741,373,312</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>
2024	\$ (3,918,676,894)
2025	(3,446,016,070)
2026	(1,604,289,401)
2027	(1,742,641,843)
2028	(1,672,806,952)
Thereafter	<u>56,606,524</u>
	<u>\$ (12,327,824,636)</u>

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. 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 – 4.25% 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-2023.

The actuarial assumptions used in the July 1, 2022 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, 2023) 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, 2023 are summarized in the following table:

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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, 2023 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, 2024  
(Continued)

NOTE 9. 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, 2023		
	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	\$ 30,393,934	\$ 25,775,451	\$ 21,885,590

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 \$4,168 for the fiscal year ended June 30, 2024. Employee contributions to DCRP amounted to \$5,127 for the year ended June 30, 2024.

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. 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 education employers.

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

Employees Covered by Benefit Terms

At June 30, 2022, the plan membership consisted of the following:

Retirees Plan Members and Spouses of Retirees Currently Receiving Benefit Payments	152,383
Active Plan Members	<u>217,212</u>
Total	<u><u>369,595</u></u>

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 9. 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, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023.

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 - 4.25%	2.75 - 6.55%	3.25 - 16.25%
	based on years of service	based on years of service	based on years of service

The actuarial assumptions used in the June 30, 2022 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 employees 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 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 9.5% and decreases to a 4.50% long term rate after seven 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, 2024  
(Continued)

NOTE 9. 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 3.65%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

	Total OPEB Liability
Balance at June 30, 2022	\$ 21,870,529
Changes for Year:	
Service Cost	1,049,497
Interest Cost	806,299
Difference between Actual and Expected Experience	(270,600)
Changes of Assumptions	46,145
Gross Benefit Payments by the State	(628,523)
Contributions from Members	20,663
Net Changes	1,023,481
Balance at June 30, 2023	\$ 22,894,010

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, 2023, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2023		
	At 1% Decrease (2.65%)	At Discount Rate (3.65%)	At 1% Increase (4.65%)
Total OPEB Liability Attributable to the District	\$ 26,839,296	\$ 22,894,010	\$ 19,726,403



WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 9. 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, 2023, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2023		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase
Total OPEB Liability Attributable to the District	\$ 19,005,558	\$ 22,894,010	\$ 27,982,060

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

For the fiscal year ended June 30, 2024 the District recognized OPEB expense of \$1,091,320 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, 2023 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, 2024  
(Continued)

NOTE 9. 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 of Resources and Deferred Inflows of Resources Related to OPEB

	Deferral Year	Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 824,958
	2018	9.51		853,905
	2019	9.29	\$ 125,623	
	2020	9.24	3,071,270	
	2021	9.24	17,481	
	2022	9.13		4,639,065
	2023	9.30	41,183	
			<u>3,255,557</u>	<u>6,317,928</u>
Differences Between Expected and Actual Experience	2018	9.51		807,206
	2019	9.29		1,478,589
	2020	9.24	2,862,545	
	2021	9.24		3,361,683
	2022	9.13	477,757	
	2023	9.30		382,576
			<u>3,340,302</u>	<u>6,030,054</u>
Changes in Proportion	N/A	N/A	<u>2,652,968</u>	<u>238,525</u>
			<u>\$ 9,248,827</u>	<u>\$ 12,586,507</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>
2024	\$ (1,141,702)
2026	(1,141,702)
2026	(992,300)
2027	(585,022)
2028	(119,747)
Thereafter	<u>(1,771,650)</u>
	<u>\$ (5,752,123)</u>

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 10. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

The June 30, 2024 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, 2023 is as follows:

	<u>Diploma Joint Insurance Fund</u>
Total Assets	\$ 24,319,417
Net Position	\$ 12,869,982
Total Revenue	\$ 11,912,211
Total Expenses	\$ 11,463,225
Change in Net Position	\$ 448,986
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, 2024  
(Continued)

NOTE 10. 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>
2024	-0-	\$ 25,069	\$ 34,039	\$ 58,319
2023	-0-	15,355	13,668	67,289
2022	-0-	14,951	212	65,602

NOTE 11. ECONOMIC DEPENDENCY

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

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2024:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 743,361	
Special Revenue Fund		\$ 24,286
Capital Projects Fund		719,075
	<u>\$ 743,361</u>	<u>\$ 743,361</u>

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

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 13. CONTINGENT LIABILITIES

Grant Programs

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

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, 2024, there were encumbrances as detailed below in the governmental funds.

			Total
<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Governmental Funds</u>
<u>\$ 9,579</u>	<u>\$ 2,000</u>	<u>\$ 9,191,250</u>	<u>\$ 9,202,829</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2024, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$2,000 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, 2024, \$-0- is assigned for year-end encumbrances in the Capital Projects Fund. The \$9,191,250 encumbrances are included in the \$12,334,648 Restricted Capital Fund Balance

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(Continued)

NOTE 14. ACCOUNTS PAYABLE

At June 30, 2024, there were accounts payable as detailed below:

	Governmental Funds			District Contribution		
	General Fund	Special Revenue Fund	Capital Projects Fund	Subsequent to Measurement Date	Total Governmental Activities	Business- Type Activities
Vendors	\$ 92,689	\$ 1,490	\$ 40,287		\$ 134,466	\$ 2,620
Payroll Deductions and Withholdings	40,527				40,527	
Accrued Salaries and Wages	284,982				284,982	
Due to State of New Jersey				\$ 205,175	205,175	
	<u>\$ 418,198</u>	<u>\$ 1,490</u>	<u>\$ 40,287</u>	<u>\$ 205,175</u>	<u>\$ 665,150</u>	<u>\$ 2,620</u>

NOTE 15. DEFERRED COMPENSATION

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

The plan administrators are as follows:

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

NOTE 16. TAX CALENDAR

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

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

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.0155507330%	0.0150279424%	0.0140359078%	0.0137002301%	0.0001326642%
District's proportionate share of the net pension liability	\$ 2,911,523	\$ 3,373,472	\$ 4,157,033	\$ 3,189,195	\$ 2,612,092
District's covered employee payroll	\$ 1,006,888	\$ 952,957	\$ 955,122	\$ 923,519	\$ 946,298
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	289.16%	354.00%	435.24%	345.33%	276.03%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%
	Fiscal Year Ending June 30,				2024
	2020	2021	2022	2023	
District's proportion of the net pension liability	0.0135377058%	0.0123566940%	0.0128865092%	0.0135637975%	0.0136977378%
District's proportionate share of the net pension liability	\$ 2,439,289	\$ 2,015,054	\$ 1,526,600	\$ 2,046,964	\$ 1,984,032
District's covered employee payroll	\$ 935,785	\$ 911,410	\$ 921,675	\$ 1,025,859	\$ 1,021,514
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	260.67%	221.09%	165.63%	199.54%	194.22%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	58.32%	70.33%	62.91%	65.23%



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,			
	2015	2016	2017	2018
Contractually required contribution	\$ 128,198	\$ 129,200	\$ 124,693	\$ 128,417
Contributions in relation to the contractually required contribution	(128,198)	(129,200)	(124,693)	(128,417)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 952,957	\$ 955,122	\$ 923,519	\$ 946,298
Contributions as a percentage of covered employee payroll	13.45%	13.53%	13.50%	13.57%
				14.14%

	Fiscal Year Ending June 30,			
	2020	2021	2022	2023
Contractually required contribution	\$ 131,963	\$ 135,176	\$ 153,773	\$ 171,766
Contributions in relation to the contractually required contribution	(131,963)	(135,176)	(153,773)	(171,766)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 911,410	\$ 921,675	\$ 1,025,859	\$ 1,021,514
Contributions as a percentage of covered employee payroll	14.48%	14.67%	14.99%	16.81%
				16.05%

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,				
	2015	2016	2017	2018	2019
State's proportion of the net pension liability attributable to the District	0.0459199119%	0.0452895715%	0.0459795512%	0.0478369854%	0.0486004563%
State's proportionate share of the net pension liability attributable to the District	\$ 24,922,223	\$ 28,624,943	\$ 36,170,443	\$ 32,253,421	\$ 30,918,566
District's covered employee payroll	\$ 4,674,455	\$ 4,807,187	\$ 4,951,413	\$ 5,048,273	\$ 4,839,145
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	533.16%	595.46%	730.51%	638.90%	638.93%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%

	Fiscal Year Ending June 30,			
	2020	2021	2022	2023
State's proportion of the net pension liability attributable to the District	0.0473583810%	0.0461751367%	0.0438261483%	0.0483354577%
State's proportionate share of the net pension liability attributable to the District	\$ 29,064,285	\$ 30,405,772	\$ 21,069,503	\$ 24,938,397
District's covered employee payroll	\$ 4,850,113	\$ 5,037,547	\$ 5,616,652	\$ 6,033,093
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	599.25%	603.58%	375.13%	413.36%
Plan fiduciary net position as a percentage of the total pension liability	26.95%	24.60%	35.52%	32.29%

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,			
	2015	2016	2017	2018
Contractually required contribution	\$ 1,341,050	\$ 1,747,808	\$ 2,717,705	\$ 2,234,354
Contributions in relation to the contractually required contribution	(244,852)	(368,130)	(519,258)	(715,713)
Contribution deficiency/(excess)	\$ 1,096,198	\$ 1,379,678	\$ 2,198,447	\$ 1,518,641
District's covered employee payroll	\$ 4,807,187	\$ 4,951,413	\$ 5,048,273	\$ 4,839,145
Contributions as a percentage of covered employee payroll	27.90%	35.30%	53.83%	46.17%
				37.16%

	Fiscal Year Ending June 30,			
	2020	2021	2022	2023
Contractually required contribution	\$ 1,714,289	\$ 1,890,760	\$ 495,775	\$ 671,162
Contributions in relation to the contractually required contribution	(1,012,798)	(1,273,973)	(1,989,805)	(2,064,787)
Contribution deficiency/(excess)	\$ 701,491	\$ 616,787	\$ (1,494,030)	\$ (1,393,625)
District's covered employee payroll	\$ 5,037,547	\$ 5,616,652	\$ 6,033,093	\$ 6,170,263
Contributions as a percentage of covered employee payroll	34.03%	33.66%	8.22%	10.88%
				9.90%

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 SEVEN FISCAL YEARS

	Fiscal Year Ending June 30,						
	2017	2018	2019	2020	2021	2022	2023
Total OPEB Liability							
Service Cost	\$ 1,062,895	\$ 878,584	\$ 721,342	\$ 781,193	\$ 1,423,380	\$ 1,288,174	\$ 1,049,497
Interest on the Total OPEB Liability	653,827	761,302	684,934	590,394	646,563	579,593	806,299
Changes of Benefit Terms					(26,529)		
Changes in Assumptions	(2,756,523)	(1,975,836)	243,232	4,934,062	24,590	(5,866,966)	46,145
Differences between Expected and Actual Experience		(2,608,820)	(2,068,195)	4,848,535	(3,662,352)	1,501,102	(270,600)
Contributions from Members	17,576	15,912	14,844	14,253	16,529	18,418	20,663
Gross Benefit Payments by the State	(477,305)	(460,399)	(500,768)	(470,247)	(509,310)	(574,104)	(628,523)
Net Change in Total OPEB Liability	(1,499,530)	(3,389,257)	(904,611)	10,698,190	(2,087,129)	(3,053,783)	1,023,481
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
Total OPEB Liability - Ending	<u>\$ 20,607,119</u>	<u>\$ 17,217,862</u>	<u>\$ 16,313,251</u>	<u>\$ 27,011,441</u>	<u>\$ 24,924,312</u>	<u>\$ 21,870,529</u>	<u>\$ 22,894,010</u>
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
Total OPEB Liability as a Percentage of Covered Employee Payroll	345%	298%	282%	454%	381%	310%	318%

\* - Covered payroll for the fiscal years ending June 30, 2017 - 2023 are based on the payroll on the June 30, 2016 - 2022 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, 2024

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, 2023 was 3.65%. The discount rate for June 30, 2022 was 3.54%, a change of .11%.

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%.

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

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.5% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long term rate after eight years.

BUDGETARY COMPARISON SCHEDULES

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues from Local Sources:					
Local Tax Levy	\$ 12,786,815		\$ 12,786,815		
Tuition From Individuals	160,000		160,000	205,500	\$ 45,500
Unrestricted Miscellaneous Revenues	25,000		25,000	145,707	120,707
Interest Earned on Capital Reserve Funds	10,000		10,000	16,026	6,026
Other Restricted Miscellaneous Revenues	115,000		115,000	25,069	(89,931)
Total Revenues from Local Sources	13,096,815		13,096,815	13,179,117	82,302
Revenues from State Sources:					
Categorical Transportation Aid	336,135		336,135		
Extraordinary Aid	300,000		300,000	719,593	419,593
Categorical Special Education Aid	720,524		720,524	720,524	
Categorical Security Aid	60,043		60,043	60,043	
Additional Nonpublic Transportation Aid	9,570		9,570	15,470	5,900
TPAF Post Retirement Contributions (Non-Budgeted)				613,772	613,772
TPAF Pension Contributions (Non-Budgeted)				2,229,730	2,229,730
TPAF Non-Contributory Insurance (Non-Budgeted)				25,429	25,429
TPAF Long-Term Disability Insurance (Non-Budgeted)				882	882
Reimbursed TPAF Social Security Contributions				455,765	455,765
Total Revenues from State Sources	1,426,272		1,426,272	5,177,343	3,751,071
TOTAL REVENUE	14,523,087		14,523,087	18,356,460	3,833,373

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
GENERAL CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 117,096	\$ 24,722	\$ 141,818	\$ 115,410	\$ 26,408
Kindergarten - Salaries of Teachers	325,984	(5,989)	319,995	319,980	15
Grades 1-5 - Salaries of Teachers	1,973,950	140,720	2,114,670	2,114,655	15
Grades 6-8 - Salaries of Teachers	1,412,165	(40,637)	1,371,528	1,369,967	1,561
Regular Programs - Home Instruction:					
Salaries of Teachers	3,000	(2,400)	600		600
Purchased Professional-Educational Services		1,045	1,045	1,045	
Regular Programs - Undistributed Instruction:					
Unused Vacation Payment to Terminated/Retired Staff	1,347	3,038	4,385	4,385	
Purchased Professional-Educational Services	187,000	43,652	230,652	174,760	55,892
Purchased Technical Services	14,231	(1,555)	12,676	12,615	61
Other Purchased Services (400-500 series)		2,157	2,157	1,157	1,000
General Supplies	175,236	(24,521)	150,715	141,509	9,206
Textbooks	37,000	(25,060)	11,940	11,930	10
Other Objects	1,720	450	2,170	950	1,220
Total Regular Programs - Instruction	4,248,729	115,622	4,364,351	4,268,363	95,988
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	852,147	5,376	857,523	839,106	18,417
Other Salaries for Instruction	107,825	7,475	115,300	110,534	4,766
Purchased Professional-Educational Services	571,100	123,006	694,106	620,881	73,225
General Supplies	8,500	(2,550)	5,950	5,193	757
Total Resource Room/Resource Center	1,539,572	133,307	1,672,879	1,575,714	97,165



WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Autism:					
Salaries of Teachers	\$ 129,074	\$ 35,347	\$ 164,421	\$ 152,338	\$ 12,083
Other Salaries for Instruction	29,046	(3,078)	25,968	25,967	1
Purchased Professional-Educational Services	46,921	198,990	245,911	165,504	80,407
General Supplies	5,000	(215)	4,785	4,714	71
Total Autism	210,041	231,044	441,085	348,523	92,562
Preschool Disabilities - Full-Time:					
Salaries of Teachers	111,741	10,086	121,827	101,080	20,747
Other Salaries for Instruction	29,046	4,083	33,129	33,128	1
Purchased Professional-Educational Services	3,638	143,585	147,223	134,687	12,536
Total Preschool Disabilities - Full-Time	144,425	157,754	302,179	268,895	33,284
TOTAL SPECIAL EDUCATION - INSTRUCTION	1,894,038	522,105	2,416,143	2,193,132	223,011
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	178,740	(1,255)	177,485	177,485	
Total Basic Skills/Remedial - Instruction	178,740	(1,255)	177,485	177,485	
Bilingual Education - Instruction:					
Salaries of Teachers	99,674	1,006	100,680	100,679	1
General Supplies		255	255		255
Total Bilingual Education - Instruction	99,674	1,261	100,935	100,679	256
School-Spon. Cocurricular & Extracurricular Actvts. - Inst.:					
Salaries	49,000	27,070	76,070	73,939	2,131
Supplies and Materials	1,315		1,315	991	324
Total School-Spon. Cocurricular & Extracurricular Actvts. - Inst.	50,315	27,070	77,385	74,930	2,455

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
School-Sponsored Athletics - Instruction:					
Salaries	\$ 25,000	\$ (17,070)	\$ 7,930	\$ 633	\$ 7,297
Purchased Services (300-500 series)	5,000		5,000	5,000	
Supplies and Materials	10,000	(10,000)			
Total School-Sponsored Athletics - Instruction	40,000	(27,070)	12,930	5,633	7,297
TOTAL INSTRUCTION	6,511,496	637,733	7,149,229	6,820,222	329,007
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State-Special	299,100	(299,100)			
Tuition to Priv. Sch. for the Handicap. W/I State	307,145	239,454	546,599	497,750	48,849
Total Undistributed Expenditures - Instruction	606,245	(59,646)	546,599	497,750	48,849
Undistributed Expend. - Attend. & Social Work:					
Salaries	41,433	(36)	41,397	41,397	
Total Undist. Expend. - Attendance and Social Work	41,433	(36)	41,397	41,397	
Undistributed Expenditures - Health Services:					
Salaries	158,166	1,108	159,274	158,478	796
Purchased Professional and Technical Services	23,200	6,627	29,827	28,414	1,413
Other Purchased Services (400-500 series)	200	(70)	130	130	
Supplies and Materials	4,800	(2,722)	2,078	2,056	22
Other Objects		290	290	290	
Total Undist. Expenditures - Health Services	186,366	5,233	191,599	189,368	2,231

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Speech, OT, PT, Related Svcs:					
Salaries	\$ 320,740	\$ (45,534)	\$ 275,206	\$ 275,205	\$ 1
Purchased Professional - Educational Services	285,903	(17,259)	268,644	145,073	123,571
Supplies and Materials	2,000	(536)	1,464	1,463	1
Total Undist. Expend. - Speech, OT, PT, Related Svcs	608,643	(63,329)	545,314	421,741	123,573
Undist.Expend.-Other Supp.Serv.Students-Extra. Serv.:					
Salaries		1,000	1,000	241	759
Purchased Professional - Educational Services	30,000	(10,000)	20,000		20,000
Total Undist. Expend. - Other Supp. Svcs. Students - Extra. Serv.	30,000	(9,000)	21,000	241	20,759
Undist.Expend.-Guidance:					
Salaries of Other Professional Staff	150,590	(5,587)	145,003	141,805	3,198
Other Purchased Prof. and Tech. Services	2,000	280	2,280	169	2,111
Other Purchased Services (400-500 series)	500	(378)	122		122
Supplies and Materials	400	129	529	524	5
Total Undist Expend. - Guidance	153,490	(5,556)	147,934	142,498	5,436
Undist. Expend.-Child Study Team:					
Salaries of Other Professional Staff	246,946	(8,081)	238,865	232,348	6,517
Salaries of Secretarial and Clerical Assistants	41,605		41,605	41,605	
Other Purchased Prof. and Tech. Services	10,000	9,670	19,670	830	18,840
Other Purchased Services (400-500 series)	3,705	3,815	7,520	500	7,020
Supplies and Materials	9,250	(1,730)	7,520	4,838	2,682
Total Undist Expend. - Child Study Team	311,506	3,674	315,180	280,121	35,059

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Improv. of Inst. Serv.:					
Salaries of Supervisors of Instruction	\$ 201,372	\$ 750	\$ 202,122	\$ 201,372	\$ 750
Salaries of Other Professional Staff	14,183	(635)	13,548		13,548
Other Objects	2,045		2,045		2,045
Total Undist. Expend.-Improv. of Inst. Serv.	217,600	115	217,715	201,372	16,343
Undist. Expend.-Edu. Media Serv./Sch. Library:					
Salaries	186,814	(933)	185,881	170,804	15,077
Other Purchased Services (400-500 series)	3,400	530	3,930	2,630	1,300
Supplies and Materials	4,200	(136)	4,064	557	3,507
Other Objects	1,200		1,200	700	500
Total Undist Expend-Edu. Media Serv./Sch. Library	195,614	(539)	195,075	174,691	20,384
Undist.Expend.-Instructional Staff Training Services:					
Other Salaries		2,200	2,200	2,200	
Other Purchased Prof. And Tech. Services	4,354	(2,247)	2,107	110	1,997
Other Purchased Services (400-500 series)	6,462	(2,656)	3,806	3,560	246
Total Undist.Expend.-Instructional Staff Training Services	10,816	(2,703)	8,113	5,870	2,243

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Support Serv.-Gen. Admin.:					
Salaries	\$ 262,362	\$ (17,075)	\$ 245,287	\$ 245,286	\$ 1
Legal Services	14,000	55,639	69,639	69,639	
Audit Fees	30,000	(1,160)	28,840	28,840	
Architectural/Engineering Services	8,000	(7,929)	71		71
Other Purchased Professional Services	2,800	6,925	9,725	9,725	
Purchased Technical Services	2,014		2,014	1,856	158
Communications / Telephone	56,500	1,617	58,117	55,573	2,544
BOE Other Purchased Services	2,300	3,528	5,828	4,733	1,095
Other Purch. Serv. (400-500 series other than 530 & 585)	4,000	(1,892)	2,108	2,108	
General Supplies	3,850	(2,029)	1,821	1,739	82
BOE In-house training/ Meeting Supplies	700		700	647	53
Miscellaneous Expenditures	4,000		4,000	3,698	302
BOE Membership Dues and Fees	6,500	145	6,645	6,645	
Total Undist. Expend.-Support Serv.-Gen. Admin.	397,026	37,769	434,795	430,489	4,306
Undist. Expend.-Support Serv.-School Admin.:					
Salaries of Principals/Assistant Principals/Prog Director	216,182	11	216,193	216,192	1
Salaries of Secretarial and Clerical Assistants	135,523	1,588	137,111	137,111	
Other Purchased Services (400-500 series)	900	(400)	500		500
Supplies and Materials	4,540	(976)	3,564	3,558	6
Other Objects	3,435	(475)	2,960	2,780	180
Total Undist. Expend.-Support Serv.-School Adm.	360,580	(252)	360,328	359,641	687

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Central Services:					
Salaries	\$ 206,767	\$ 24,331	\$ 231,098	\$ 228,531	\$ 2,567
Purchased Professional Services	38,298	(13,504)	24,794	10,091	14,703
Miscellaneous Purchased Services (400-500 series other than 59	7,400	(1,963)	5,437	2,185	3,252
Supplies and Materials	727	399	1,126	1,126	
Other Objects	1,190	210	1,400	1,400	
Total Undist. Expend. - Central Services	254,382	9,473	263,855	243,333	20,522
Undist. Expend. - Admin. Info. Technology:					
Salaries	54,023	4,423	58,446	58,446	
Purchased Technical Services	30,614	5,710	36,324	36,324	
Other Purchased Services (400-500 series)	1,000	(40)	960	741	219
Supplies and Materials	5,000	(728)	4,272	956	3,316
Total Undist. Expend. - Admin. Info. Technology	90,637	9,365	100,002	96,467	3,535
Undist. Expend.-Required Maintenance for School Facilities:					
Salaries	52,994	3,329	56,323	55,294	1,029
Cleaning, Repair, and Maintenance Services	192,985	(108,234)	84,751	58,771	25,980
General Supplies	45,600	(18,101)	27,499	18,670	8,829
Total Undist. Expend.- Required Maint. for School Facilities	291,579	(123,006)	168,573	132,735	35,838

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Custodial Services:					
Salaries	\$ 376,996	\$ 51,066	\$ 428,062	\$ 406,578	\$ 21,484
Salaries of Non-Instructional Aides	13,500		13,500	13,500	
Cleaning, Repair, and Maintenance Services	12,760		12,760		12,760
Other Purchased Property Services	65,774	5,390	71,164	70,291	873
Insurance	197,000	10,902	207,902	207,902	
General Supplies	26,750	5,900	32,650	30,371	2,279
Energy (Natural Gas)	68,200	7,747	75,947	59,062	16,885
Energy (Electricity)	157,800	16,953	174,753	164,727	10,026
Other Objects	6,500	1,200	7,700	4,680	3,020
Total Undist. Expend.-Custodial Services	925,280	99,158	1,024,438	957,111	67,327
Care and Upkeep of Grounds:					
Salaries	40,463	374	40,837	40,237	600
Cleaning, Repair, and Maintenance Services	7,500		7,500	945	6,555
General Supplies	5,100	2,500	7,600	5,639	1,961
Total Care And Upkeep Of Grounds	53,063	2,874	55,937	46,821	9,116
Security:					
Salaries		3,000	3,000	3,000	
Purchased Professional and Technical Services		33,333	33,333	33,333	
General Supplies	2,800	5,527	8,327	7,552	775
Total Security	2,800	41,860	44,660	43,885	775
Total Undist. Expend.-oper. And Maint. Of Plant Serv.	1,272,722	20,886	1,293,608	1,180,552	113,056

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	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.	\$ 61,648	\$ (75)	\$ 61,573	\$ 36,261	\$ 25,312
Management Fee - ESC&CTSA Transportation Program	16,297	(10)	16,287	6,043	10,244
Other Purchased Professional and Technical Services	14,415	(4,969)	9,446	9,446	
Cleaning, Repair, and Maint. Services	3,150	(300)	2,850	2,167	683
Contract. Serv. - Aid in Lieu of Payments-Nonpublic Studts	42,000	4,600	46,600	43,306	3,294
Contract. Serv.(Bet. Home & Sch.)-Vendors	2,700	13,986	16,686	16,686	
Contract. Serv.(Oth. than Bet. Home & Sch.)-Vend.	10,815	8,085	18,900	18,510	390
Contract. Serv.(Bet. Home & Sch.)-Joint Agrmnts.	458,192	71,491	529,683	526,820	2,863
Contract. Serv.(Spl. Ed. Students)-ESCs & CTASAs	381,512	(16,946)	364,566	222,670	141,896
Transportation Supplies	2,500		2,500	1,472	1,028
Other Objects		139	139	139	
Total Undist. Expend.-Student Trans. Serv.	993,229	76,001	1,069,230	883,520	185,710
UNALLOCATED BENEFITS					
Social Security Contributions	147,000	12,504	159,504	158,447	1,057
Other Retirement Contributions - PERS	195,614	(914)	194,700	185,144	9,556
Other Retirement Contributions - Regular	1,700	3,300	5,000	4,168	832
Unemployment Compensation	8,485	25,554	34,039	34,039	
Workers Compensation	56,132	3,950	60,082	60,082	
Health Benefits	2,614,312	(54,284)	2,560,028	2,466,265	93,763
Tuition Reimbursement	24,000	9,000	33,000	25,569	7,431
Other Employee Benefits	23,000	(1,299)	21,701	10,688	11,013
Unused Sick Payment to Terminated/Retired Staff	12,000	6,906	18,906	18,906	
TOTAL UNALLOCATED BENEFITS	3,082,243	4,717	3,086,960	2,963,308	123,652



WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)					
TPAF Post Retirement Contributions (Non-Budgeted)			\$ 613,772	\$ (613,772)	
TPAF Pension Contributions (Non-Budgeted)			2,229,730	(2,229,730)	
TPAF Non-Contributory Insurance (Non-Budgeted)			25,429	(25,429)	
TPAF Long-Term Disability Insurance (Non-Budgeted)			882	(882)	
Reimbursed TPAF Social Security Contributions			455,765	(455,765)	
TOTAL ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)			3,325,578	(3,325,578)	
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	\$ 3,082,243	\$ 4,717	\$ 3,086,960	6,288,886	(3,201,926)
TOTAL UNDISTRIBUTED EXPENDITURES	8,812,532	26,172	8,838,704	11,437,937	(2,599,233)
TOTAL GENERAL CURRENT EXPENSE	15,324,028	663,905	15,987,933	18,258,159	(2,270,226)
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				112,481	(112,481)
Total Assets Acquired Under Financed Purchases (Non-Budgeted)				112,481	(112,481)
TOTAL CAPITAL OUTLAY	47,138		47,138	159,619	(112,481)
TOTAL EXPENDITURES	15,371,166	663,905	16,035,071	18,417,778	(2,382,707)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(848,079)	(663,905)	(1,511,984)	(61,318)	1,450,666

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/(Uses):					
Transfer from Capital Projects Fund		\$ 377,644	\$ 377,644	\$ 484,381	\$ 106,737
Transfer from Proprietary Funds				170	170
Financed Purchases (Non-budgeted)				112,481	112,481
Total Other Financing Sources/(Uses)		377,644	377,644	597,032	219,388
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	\$ (848,079)	(286,261)	(1,134,340)	535,714	1,670,054
Fund Balance, July 1	3,388,697		3,388,697	3,388,697	
Fund Balance, June 30	<u>\$ 2,540,618</u>	<u>\$ (286,261)</u>	<u>\$ 2,254,357</u>	<u>\$ 3,924,411</u>	<u>\$ 1,670,054</u>
<u>Recapitulation:</u>					
Restricted Fund Balance:					
Excess Surplus - Restricted For 2025-2026				\$ 1,224,847	
Excess Surplus - Restricted For 2024-2025				801,242	
Capital Reserve				1,105,337	
Unemployment Compensation				58,319	
Assigned Fund Balance:				9,579	
Year End Encumbrances				725,087	
Unassigned Fund Balance				<u>3,924,411</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP basis				(98,662)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 3,825,749</u>	

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources	\$ 75,129	\$ 14,528	\$ 89,657	\$ 85,626	\$ (4,031)
State Sources		14,650	14,650	14,650	
Federal Sources	291,736	179,979	471,715	348,376	(123,339)
Total Revenues	366,865	209,157	576,022	448,652	(127,370)
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	64,499	(12,719)	51,780	51,780	1,598
Purchased Professional and Technical Services		8,303	8,303	6,705	1,770
Other Purchased Services	1,770		1,770		
Tuition	107,346	36,919	144,265	144,265	
General Supplies	9,717	48,202	57,919	10,612	47,307
Total Instruction	183,332	80,705	264,037	213,362	50,675
Support Services:					
Salaries of Other Professional Staff	3,504	82,509	86,013	59,013	27,000
Personal Services - Employee Benefits	35,484	(25,644)	9,840	8,508	1,332
Purchased Professional and Technical Services	62,045	49,565	111,610	73,991	37,619
Other Purchased Services	1,000	12,933	13,933		13,933
Supplies and Materials	6,500	9,089	15,589	14,242	1,347
Student Activities	75,000		75,000	70,561	4,439
Total Support Services	183,533	128,452	311,985	226,315	85,670
Total Expenditures	\$ 366,865	\$ 209,157	\$ 576,022	\$ 439,677	\$ 136,345
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ 8,975	\$ 8,975

WATCHUNG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 18,356,460	\$ 448,652
Differences - Budgetary to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Prior Year Encumbrances		2,421
Current Year Encumbrances		(2,000)
Prior Year State Aid Payments Recognized for GAAP Statements	75,716	
Current year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(98,662)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	<u>\$ 18,333,514</u>	<u>\$ 449,073</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 18,417,778	\$ 439,677
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.		421
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 18,417,778</u>	<u>\$ 440,098</u>

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budget for the fiscal year ended June 30, 2024 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

WATCHUNG BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Student Activities	Local Grants	SDA Emergent and Capital Maintenance Needs	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	\$ 79,536	\$ 6,090						
State Sources			\$ 14,650	\$ 144,265	\$ 7,475	\$ 23,443	\$ 3,730	\$ 6,000
Federal Sources								
Total Revenue	79,536	6,090	14,650	144,265	7,475	23,443	3,730	6,000
EXPENDITURES:								
Instruction:								
Salaries of Teachers		3,290				13,815		
Purchased Professional and Technical Services		1,551			5,154			
Tuition				144,265				
General Supplies		1,249			2,321			
Total Instruction		6,090		144,265	7,475	13,815		
Support Services:								
Salaries of Other Professional Staff								
Personal Services - Employee Benefits			14,650			1,057	3,730	6,000
Purchased Professional and Technical Services						8,571		
Supplies and Materials								
Student Activities	70,561							
Total Support Services	70,561		14,650			9,628	3,730	6,000
Total Expenditures	\$ 70,561	\$ 6,090	\$ 14,650	\$ 144,265	\$ 7,475	\$ 23,443	\$ 3,730	\$ 6,000

WATCHUNG BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	ARP							CRRSA		
	Accelerated Learning Coach and Educator Support	Evidence Based Summer Learning and Enrichment	Evidence Based Comprehensive Beyond the School Day	NITSS Mental Health	ESSER III			Learning Acceleration	Mental Health	Totals
REVENUE:										
Local Sources										\$ 85,626
State Sources										14,650
Federal Sources	\$ 8,888	\$ 20,618	\$ 5,942	\$ 15,200	\$ 93,183			\$ 2,999	\$ 16,633	348,376
Total Revenue	8,888	20,618	5,942	15,200	93,183			2,999	16,633	448,652
EXPENDITURES:										
Instruction:										
Salaries of Teachers		14,826	255		16,809			2,785		51,780
Purchased Professional and Technical Services										6,705
Tuition										144,265
General Supplies									7,042	10,612
Total Instruction		14,826	255		16,809			2,785	7,042	213,362
Support Services:										
Salaries of Other Professional Staff		4,000	5,000		46,509				3,504	59,013
Personal Services - Employee Benefits		1,440	687		4,842			214	268	8,508
Purchased Professional and Technical Services	8,888			15,200	25,023				500	73,991
Supplies and Materials		352							5,319	14,242
Student Activities										70,561
Total Support Services	8,888	5,792	5,687	15,200	76,374			214	9,591	226,315
Total Expenditures	\$ 8,888	\$ 20,618	\$ 5,942	\$ 15,200	\$ 93,183			\$ 2,999	\$ 16,633	\$ 439,677



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, 2024

Revenue and Other Financing Sources:	
Interest Revenue	\$ 807,855
	<hr/>
Total Revenue and Other Financing Sources	807,855
	<hr/>
Expenditures:	
Project Expenditures:	
Legal Services	13,859
Purchased Professional Technical Services	646,634
Construction Services	2,188,356
Supplies and Materials	41,374
	<hr/>
Total Expenditures	2,890,223
	<hr/>
Other Financing Uses:	
Operating Transfer Out - General Fund	(484,381)
	<hr/>
Total Other Financing Uses	(484,381)
	<hr/>
Deficit of Revenues and Other Financing Sources Under	
Expenditures and Other Financing Uses	(2,566,749)
	<hr/>
Beginning Fund Balance	15,224,871
	<hr/>
Ending Fund Balance	\$ 12,658,122
	<hr/> <hr/>
Recapitulation:	
Assigned	\$ 323,474
Restricted- Year End Encumbrances	9,191,250
Restricted	3,143,398
	<hr/>
Fund Balance per Governmental Funds Budgetary/(GAAP)	\$ 12,658,122
	<hr/> <hr/>

WATCHUNG BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
IMPROVEMENTS, ALTERATIONS, RENOVATIONS AND UPGRADES  
TO THE BAYBERRY AND VALLEY VIEW SCHOOLS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Cost</u>
Revenue and Other Financing Sources:				
Bond Proceeds	\$ 15,734,000		\$ 15,734,000	\$ 15,734,000
Total Revenue and Other Financing Sources	15,734,000		15,734,000	15,734,000
Expenditures:				
Legal Services	113,782	\$ 13,859	127,641	181,552
Purchased Professional Technical Services	136,931	646,634	783,565	2,432,795
Construction Services	132,023	2,188,356	2,320,379	12,211,893
General Supplies	126,393	41,374	167,767	907,760
Total Expenditures	509,129	2,890,223	3,399,352	15,734,000
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	\$ 15,224,871	\$ (2,890,223)	\$ 12,334,648	\$ -0-

Additional Project Information:

Grant Date	N/A
Bond Authorization Date	3/8/23
Bonds Authorized	\$ 15,734,000
Bonds Issued	\$ 15,734,000
Original Authorized Cost	\$ 15,734,000
Additional Authorized Cost	\$ -0-
Revised Authorized Cost	\$ 15,734,000
Percentage Completion	21.61%
Original Target Completion Date	6/30/25

PROPRIETARY FUNDS

WATCHUNG BOROUGH SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2024

	Non -Major Funds		
	Milk Program	Care Program	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents		\$ 21,626	\$ 21,626
Accounts Receivable		3,806	3,806
Total Assets		25,432	25,432
LIABILITIES:			
Current Liabilities:			
Accounts Payable		2,620	2,620
Total Current Liabilities		2,620	2,620
NET POSITION:			
Unrestricted		22,812	22,812
Total Net Position	\$ -0-	\$ 22,812	\$ 22,812

WATCHUNG BOROUGH SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Non -Major Funds		
	Milk Program	Care Program	Total
Operating Revenue:			
Local Sources:			
Child Care Fees		\$ 174,557	\$ 174,557
Total Operating Revenue		174,557	174,557
Operating Expenses:			
Salaries, Benefits & Payroll Taxes		161,007	161,007
Miscellaneous Expenses		25,740	25,740
Total Operating Expenses		186,747	186,747
Operating (Loss)		(12,190)	(12,190)
Transfer Out - General Fund	\$ (170)		(170)
Change in Net Position After Transfers	(170)	(12,190)	(12,360)
Net Position - Beginning of Year	170	35,002	35,172
Net Position - End of Year	\$ -0-	\$ 22,812	\$ 22,812

WATCHUNG BOROUGH SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Non -Major Funds		
	Milk Program	Care Program	Total
Cash Flows from Operating Activities:			
Receipts from Customers		\$ 175,107	\$ 175,107
Payments to Employees		(161,007)	(161,007)
Payment for Supplies		(23,188)	(23,188)
Net Cash Provided by/(Used for) Operating Activities		(9,088)	(9,088)
Cash Flows from Noncapital Financing Activities:			
Transfer Out - General Fund	\$ (170)		(170)
Federal Sources:			
Special Milk Program	170		170
Net Cash Provided by Noncapital Financing Activities			
Net (Decrease) in Cash and Cash Equivalents		(9,088)	(9,088)
Cash and Cash Equivalents, July 1		30,714	30,714
Cash and Cash Equivalents, June 30	\$ -0-	\$ 21,626	\$ 21,626
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:			
Operating (Loss)		\$ (12,190)	\$ (12,190)
Adjustment to Reconcile Operating Loss to Net Cash Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable		550	550
Increase in Accounts Payable		2,552	2,552
Net Cash (Used by) Operating Activities	\$ -0-	\$ (9,088)	\$ (9,088)

FIDUCIARY ACTIVITIES  
(NOT APPLICABLE)



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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2023	Balance June 30, 2024
			Date	Amount			
School Bonds, Series 2023	3/8/2023	\$ 15,734,000	3/1/2025	\$ 639,000	3.000%		
			3/1/2026	580,000	3.000%		
			3/1/2027	605,000	3.125%		
			3/1/2028	630,000	3.250%		
			3/1/2029	655,000	3.250%		
			3/1/2030	685,000	3.250%		
			3/1/2031	715,000	3.500%		
			3/1/2032	745,000	3.500%		
			3/1/2033	775,000	3.500%		
			3/1/2034	805,000	3.500%		
			3/1/2035	840,000	3.500%		
			3/1/2036	875,000	3.500%		
			3/1/2037	910,000	3.625%		
			3/1/2038	950,000	3.750%		
			3/1/2039	990,000	4.000%		
			3/1/2040	1,030,000	4.000%		
			3/1/2041	1,070,000	4.000%		
			3/1/2042	1,115,000	4.000%		
			3/1/2043	1,120,000	4.000%		
						\$ 15,734,000	\$ 15,734,000
						<u>\$ 15,734,000</u>	<u>\$ 15,734,000</u>

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

Item	Interest Rate	Original Issue	Balance July 1, 2023	Issued	Matured	Balance June 30, 2024
Network Switches	1.929%	\$ 120,000	\$ 40,767		\$ 40,767	
Various Technology Equipment	5.965%	112,481		\$ 112,481		\$ 112,481
			<u>\$ 40,767</u>	<u>\$ 112,481</u>	<u>\$ 40,767</u>	<u>\$ 112,481</u>

WATCHUNG BOROUGH SCHOOL DISTRICT  
LONG-TERM LIABILITIES  
SCHEDULE OF OBLIGATIONS UNDER LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT  
LONG-TERM LIABILITIES  
SCHEDULE OF OBLIGATIONS SUBSCRIPTION-BASED INFORMATION  
TECHNOLOGY ARRANGEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 556,503		\$ 556,503	\$ 556,503	
Total Revenue	556,503		556,503	556,503	
EXPENDITURES:					
Regular Debt Service:					
Interest	556,503		556,503	556,503	
Total Expenditures	556,503		556,503	556,503	
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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 10,919,958	\$ 12,602,386	\$ 14,301,211	\$ 13,956,016	\$ 14,179,082	\$ 14,243,591	\$ 13,904,424	\$ 13,467,236	\$ 13,034,333	\$ 12,447,706
Restricted	2,746,220	2,614,922	2,635,626	2,700,925	2,067,169	1,533,752	1,801,440	2,279,647	2,654,042	3,271,012
Unrestricted/(Deficit)	(3,186,255)	(2,873,757)	(3,041,167)	(3,166,695)	(3,023,353)	(2,876,420)	(2,088,355)	(1,971,274)	(1,778,026)	(2,096,771)
Total Governmental Activities Net Position	\$ 10,479,923	\$ 12,343,551	\$ 13,895,670	\$ 13,490,246	\$ 13,222,898	\$ 12,900,923	\$ 13,617,509	\$ 13,775,609	\$ 13,910,349	\$ 13,621,947
<b>Business-type Activities</b>										
Investment in Capital Assets	\$ 15,011	\$ 12,418	\$ 9,825	\$ 7,232	\$ 7,621	\$ 5,028	\$ 5,071	\$ 2,290		
Unrestricted	6,836	2,640	5,046	5,221	5,281	7,999	5,832	37,366	\$ 35,172	\$ 24,408
Total Business-type Activities Net Position	\$ 21,847	\$ 15,058	\$ 14,871	\$ 12,453	\$ 12,902	\$ 13,027	\$ 10,903	\$ 39,656	\$ 35,172	\$ 24,408
<b>District-wide</b>										
Net Investment in Capital Assets	\$ 10,934,969	\$ 12,614,804	\$ 14,311,036	\$ 13,963,248	\$ 14,186,703	\$ 14,248,619	\$ 13,909,495	\$ 13,469,526	\$ 13,034,333	\$ 12,447,706
Restricted	2,746,220	2,614,922	2,635,626	2,700,925	2,067,169	1,533,752	1,801,440	2,279,647	2,654,042	3,271,012
Unrestricted/(Deficit)	(3,179,419)	(2,871,117)	(3,036,121)	(3,161,474)	(3,018,072)	(2,868,421)	(2,082,523)	(1,933,908)	(1,742,854)	(2,072,363)
Total District Net Position	\$ 10,501,770	\$ 12,358,609	\$ 13,910,541	\$ 13,502,699	\$ 13,235,800	\$ 12,913,950	\$ 13,628,412	\$ 13,815,265	\$ 13,945,521	\$ 13,646,355

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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Expenses										
Governmental Activities										
Instruction:										
Regular	\$ 6,972,932	\$ 7,007,650	\$ 8,035,539	\$ 7,984,272	\$ 7,895,450	\$ 7,692,796	\$ 7,232,937	\$ 7,363,678	\$ 7,322,029	\$ 7,807,369
Special Education	1,206,798	1,502,409	1,612,823	1,816,370	1,583,897	1,537,951	2,214,799	2,377,611	2,542,224	3,307,868
Other Special Instruction	214,587	141,104	158,855	164,581	233,819	140,846	368,713	343,591	434,430	470,438
School-Sponsored/ Other Instruction	60,608	69,464	56,003	120,525	108,882	107,857	44,981	141,720	121,383	156,640
Support Services:										
Tuition	22,822	17,995	19,325	228,446	289,162	627,554	708,576	512,757	702,508	497,750
Student & Instruction Related Services	1,761,908	2,124,045	2,327,979	2,248,761	2,391,228	2,276,851	1,907,285	2,039,632	2,235,337	2,116,405
General Administrative Services	470,641	512,228	505,382	609,460	547,496	528,001	501,816	545,841	373,044	546,662
School Administrative Services	597,384	663,060	765,508	842,695	748,723	914,662	671,091	556,389	531,440	526,178
Plant Operations and Maintenance	1,267,013	1,326,845	1,367,852	1,315,847	1,539,005	1,330,194	1,210,576	1,248,406	1,401,247	1,620,171
Pupil Transportation	514,800	558,121	566,912	576,507	573,894	496,207	537,183	801,679	948,781	895,673
Central Services and Administrative										
Information Technology	326,803	352,306	365,243	373,888	311,557	371,596	376,744	433,138	433,101	443,984
Capital Outlay	47,138	56,138	59,532	47,138	50,917	47,138	47,138	47,138	47,138	47,138
Interest on Long-term Debt	87,246	1,759	(36,853)							879,977
Total Governmental Activities Expenses	13,550,680	14,333,124	15,804,100	16,328,490	16,274,030	16,071,653	15,821,839	16,411,580	17,092,662	19,316,253
Business-type Activities:										
Food Service	12,621	17,329	13,037	13,733	10,643	7,662	2,781	11,800	8,681	186,747
Care Program							22,245	44,853	106,410	
Total Business-type Activities Expense	12,621	17,329	13,037	13,733	10,643	7,662	25,026	56,653	115,091	186,747
Total District Expenses	\$ 13,563,301	\$ 14,350,453	\$ 15,817,137	\$ 16,342,223	\$ 16,284,673	\$ 16,079,315	\$ 15,846,865	\$ 16,468,233	\$ 17,207,753	\$ 19,503,000
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction (Tuition)	\$ 155,457	\$ 149,674	\$ 163,725	\$ 176,427	\$ 136,020	\$ 67,180	\$ 87,640	\$ 176,144	\$ 223,400	\$ 205,500
Student & Instruction Related Services										\$ 79,536
Operating Grants and Contributions	2,763,449	3,177,650	4,216,211	4,719,114	3,851,269	3,482,140	3,704,391	3,562,760	3,548,573	3,609,874
Capital Grants and Contributions		229,897	930		569,425					
Total Governmental Activities Program Revenues	2,918,906	3,557,221	4,380,866	4,895,541	4,556,714	3,549,320	3,792,031	3,738,904	3,846,240	3,894,910
Business-type Activities:										
Charges for Services										
Milk Program	6,450	5,640	7,335	6,046	6,797	4,834	19,419	2,099	2,624	174,557
Care Program										
Operating Grants and Contributions	6,461	4,900	5,477	5,157	4,138	2,872		2,325	3,357	
Total Business-type Activities Program Revenues	12,911	10,540	12,812	11,203	10,935	7,706	19,419	85,406	110,607	174,557
Total District Program Revenues	\$ 2,931,817	\$ 3,567,761	\$ 4,393,678	\$ 4,906,744	\$ 4,567,649	\$ 3,557,026	\$ 3,811,450	\$ 3,824,310	\$ 3,956,847	\$ 4,069,467

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

	Fiscal year Ending June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net (Expense)/Revenue										
Governmental Activities	\$ (10,631,774)	\$ (10,775,903)	\$ (11,423,234)	\$ (11,432,949)	\$ (11,717,316)	\$ (12,522,333)	\$ (12,029,808)	\$ (12,672,676)	\$ (13,246,422)	\$ (15,421,343)
Business-type Activities	290	(6,789)	(225)	(2,530)	292	44	(5,607)	28,753	(4,484)	(12,190)
Total District-wide Net Expense	\$ (10,631,484)	\$ (10,782,692)	\$ (11,423,459)	\$ (11,435,479)	\$ (11,717,024)	\$ (12,522,289)	\$ (12,035,415)	\$ (12,643,923)	\$ (13,250,906)	\$ (15,433,533)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General										
Purposes, Net	\$ 10,319,773	\$ 10,474,570	\$ 10,673,587	\$ 10,887,059	\$ 11,151,041	\$ 11,813,040	\$ 12,049,301	\$ 12,290,287	\$ 12,536,093	\$ 12,786,815
Taxes Levied for Debt Service	1,934,688	1,999,100	2,053,613							556,503
Federal and State Aid not Restricted	166,027	144,323	174,936	64,714	216,199	234,872	634,426	497,441	487,734	795,106
Investment Earnings							20,730	15,317	341,980	968,651
Cancellation of Prior Year Accounts Payable							25,276			
Transfers	67,147	21,539	73,217	75,752	82,728	55,489	(3,483)	27,732	15,355	170
Miscellaneous Income							20,144			26,006
Total Governmental Activities	12,487,635	12,639,532	12,975,353	11,027,525	11,449,968	12,103,401	12,746,394	12,830,777	13,381,162	15,133,251
Business-type Activities:										
Investment Earnings			\$ 38	\$ 112	\$ 157	\$ 81	\$ 3,483			\$ (170)
Transfers										(170)
Total Business-type Activities			38	112	157	81	3,483			
Total District-wide	\$ 12,487,635	\$ 12,639,532	\$ 12,975,391	\$ 11,027,637	\$ 11,450,125	\$ 12,103,482	\$ 12,749,877	\$ 12,830,777	\$ 13,381,162	\$ 15,133,081
Change in Net Position										
Governmental Activities	\$ 1,855,861	\$ 1,863,629	\$ 1,552,119	\$ (405,424)	\$ (267,348)	\$ (418,932)	\$ 716,586	\$ 158,101	\$ 134,740	\$ (288,092)
Business-type Activities	290	(6,789)	(187)	(2,418)	449	125	(2,124)	28,753	(4,484)	(12,360)
Total District	\$ 1,856,151	\$ 1,856,840	\$ 1,551,932	\$ (407,842)	\$ (266,899)	\$ (418,807)	\$ 714,462	\$ 186,854	\$ 130,256	\$ (300,452)

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

	June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Fund										
Restricted	\$ 2,600,495	\$ 2,469,697	\$ 2,490,401	\$ 2,555,700	\$ 2,067,169	\$ 1,533,752	\$ 1,746,246	\$ 2,224,635	\$ 2,581,750	\$ 3,189,745
Assigned	52,856	155,042	113,407	162,332	86,762	223,576	149,839	185,901	234,171	9,579
Unassigned	367,781	345,453	375,947	262,147	333,988	388,500	992,108	789,374	497,060	626,425
Total General Fund	\$ 3,021,132	\$ 2,970,192	\$ 2,979,755	\$ 2,980,179	\$ 2,487,919	\$ 2,145,828	\$ 2,888,193	\$ 3,199,910	\$ 3,312,981	\$ 3,825,749
All Other Governmental Funds										
Restricted	\$ 145,225	\$ 145,225	\$ 145,225	\$ 145,225			\$ 55,194	\$ 55,012	\$ 15,297,163	\$ 12,415,915
Committed		104,928								323,474
Assigned										
Unassigned / (Deficit)	(124,969)									
Total All Other Governmental Funds	\$ 20,256	\$ 250,153	\$ 145,225	\$ 145,225	\$ -0-	\$ -0-	\$ 55,194	\$ 55,012	\$ 15,297,163	\$ 12,739,389
Total Governmental Funds	\$ 3,041,388	\$ 3,220,345	\$ 3,124,980	\$ 3,125,404	\$ 2,487,919	\$ 2,145,828	\$ 2,943,387	\$ 3,254,922	\$ 18,610,144	\$ 16,565,138

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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenues</b>										
Tax Levy	\$ 12,254,461	\$ 12,473,670	\$ 12,727,200	\$ 10,887,059	\$ 11,151,041	\$ 11,813,040	\$ 12,049,301	\$ 12,290,287	\$ 12,536,093	\$ 13,343,318
Tuition Charges	141,637	149,674	147,425	176,427	136,020	67,180	80,906	157,006	223,400	205,500
Interest Earnings	2,690	5,328	8,467	19,893	57,730	39,015	20,730	578	11,163	16,026
Miscellaneous	155,107	47,064	148,277	107,945	132,894	205,604	129,606	85,484	439,852	1,064,803
State Sources	1,603,795	1,949,840	1,942,946	2,067,349	2,479,781	2,581,349	3,340,474	4,142,465	4,417,808	5,169,047
Federal Sources	152,653	191,499	183,456	190,329	176,067	148,024	212,271	356,338	423,102	348,251
<b>Total Revenue</b>	<b>14,310,343</b>	<b>14,817,075</b>	<b>15,157,771</b>	<b>13,449,002</b>	<b>14,133,533</b>	<b>14,854,212</b>	<b>15,833,288</b>	<b>17,032,158</b>	<b>18,051,418</b>	<b>20,146,945</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	4,124,329	3,867,652	4,096,740	3,894,239	4,225,685	4,387,173	4,002,211	4,388,170	4,476,387	4,486,160
Special Education Instruction	832,760	1,050,456	1,114,342	1,159,346	1,070,407	1,016,985	1,450,029	1,570,010	1,762,791	2,344,872
Other Special Instruction	140,597	93,469	99,721	99,630	125,489	80,131	204,002	200,865	258,866	278,164
School-Sponsored/Other Instruction	38,760	39,548	37,201	43,504	59,687	53,086	35,524	68,916	75,800	80,563
<b>Support Services:</b>										
Tuition	22,822	17,995	19,325	228,446	289,162	627,554	708,576	512,757	702,508	497,750
Student & Other Instruction Related Services	1,265,711	1,518,646	1,656,886	1,658,157	1,898,411	1,713,959	1,375,029	1,526,830	1,687,889	1,527,860
General Administrative Services	318,630	363,595	325,429	385,076	420,548	408,155	363,447	401,704	383,331	430,489
School Administrative Services	371,366	384,089	407,581	430,713	440,764	520,119	421,564	340,023	349,364	359,641
Central Services and Administrative										
Information Technology	227,030	245,846	229,326	241,232	219,488	274,814	275,301	353,165	343,110	339,800
Plant Operations and Maintenance	1,000,008	1,042,561	1,007,285	935,726	1,208,747	1,002,816	981,348	990,432	1,167,150	1,180,552
Pupil Transportation	477,048	514,096	510,818	512,601	516,379	470,914	519,554	790,712	932,379	883,520
Unallocated Benefits	3,048,256	3,307,827	3,459,394	3,739,770	4,107,395	4,127,826	4,498,053	5,438,891	5,720,463	6,288,886
Capital Outlay	698,334	193,238	235,475	120,138	188,856	609,728	342,884	138,147	570,158	3,049,842
Debt Service:										
Principal	1,730,000	1,875,000	2,015,000							556,503
Interest and Other Charges	204,688	124,100	38,613							22,304,602
<b>Total Expenditures</b>	<b>14,500,339</b>	<b>14,638,118</b>	<b>15,253,136</b>	<b>13,448,578</b>	<b>14,771,018</b>	<b>15,293,260</b>	<b>15,177,522</b>	<b>16,720,622</b>	<b>18,430,196</b>	
<b>Excess/(Deficit) of Revenues Over/(Under) Expenditures</b>	<b>(189,996)</b>	<b>178,957</b>	<b>(95,365)</b>	<b>424</b>	<b>(637,485)</b>	<b>(439,048)</b>	<b>655,766</b>	<b>311,536</b>	<b>(378,778)</b>	<b>(2,157,657)</b>
<b>Other Financing Sources/(Uses)</b>										
Serial Bonds Issued									15,734,000	112,481
Financed Purchases (Non-Budgeted)										
Cancellation of Prior Year Accounts Payable										
Transfers in	408,988		105,858		141,446		120,000		234,694	484,551
Transfers out	(408,988)		(105,858)		(141,446)		(3,483)		(234,694)	(484,551)
<b>Total Other Financing Sources/(Uses)</b>							141,793		15,734,000	112,651
<b>Net Change in Fund Balances</b>	<b>\$ (189,996)</b>	<b>\$ 178,957</b>	<b>\$ (95,365)</b>	<b>\$ 424</b>	<b>\$ (637,485)</b>	<b>\$ (439,048)</b>	<b>\$ 797,559</b>	<b>\$ 311,536</b>	<b>\$ 15,355,222</b>	<b>\$ (2,045,006)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>14.02%</b>	<b>13.84%</b>	<b>13.67%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>2.89%</b>

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>
2015	\$ 11,694	\$ 141,637	\$ 55,453	\$ 208,784
2016	19,135	149,674	2,404	171,213
2017	17,103	163,725	56,114	236,942
2018	37,268	176,427	38,484	252,179
2019	57,730	136,020	24,998	218,748
2020	39,015	67,180	16,474	122,669
2021	20,730	80,906	20,144	121,780
2022	8,450	157,006	34,599	200,055
2023	11,163	223,400	111,478	346,041
2024	160,797	205,500	26,005	392,302

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

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

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

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

Source: Municipal Tax Assessor

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

Year Ended December 31,	School District of the Borough of Watchung Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	General Obligation		Total Direct	Regional High School		County	
	Basic Rate <sup>a</sup>	Debt Service <sup>b</sup>		Municipailty	District		
2014	\$ 0.621	\$ 0.116	\$ 0.737	\$ 0.573	\$ 0.388	\$ 0.396	\$ 2.094
2015	0.643	0.123	0.766	0.589	0.362	0.400	2.117
2016	0.641	0.123	0.764	0.595	0.334	0.397	2.090
2017	0.620		0.620	0.603	0.349	0.396	1.968
2018	0.613		0.613	0.611	0.372	0.394	1.990
2019	0.638		0.638	0.625	0.409	0.403	2.075
2020	0.656		0.656	0.644	0.434	0.393	2.127
2021	0.663		0.663	0.658	0.430	0.395	2.146
2022	0.674		0.674	0.650	0.419	0.381	2.124
2023	0.699	0.030	0.729	0.630	0.394	0.373	2.126

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	2024		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Crystal Ridge Owner, LLC & ET AL	\$ 77,000,000	1	3.82%
Watchung Square Associates, LLC	75,169,000	2	3.73%
Levin Properties LP	47,013,400	3	2.33%
Watchung UE LLC	26,782,000	4	1.33%
Sears Roebuck & Company	23,083,000	5	1.15%
Walmart	19,006,000	6	0.94%
Target Corp.	17,610,000	7	0.87%
HD Development of Maryland, Inc	16,182,000	8	0.80%
680 Mountain Boulevard, LLC	12,800,000	9	0.64%
Weldon Materials Inc.	11,951,400	10	0.59%
	<u>\$ 326,596,800</u>		<u>16.22%</u>

Taxpayer	2015		
	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 <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2015	\$ 12,254,461	\$ 12,254,461	100.00%	-0-
2016	12,473,670	12,473,670	100.00%	-0-
2017	12,727,200	12,727,200	100.00%	-0-
2018	10,887,059	10,887,059	100.00%	-0-
2019	11,151,041	11,151,041	100.00%	-0-
2020	11,813,040	11,813,040	100.00%	-0-
2021	12,049,301	12,049,301	100.00%	-0-
2022	12,290,287	12,290,287	100.00%	-0-
2023	12,536,093	12,536,093	100.00%	-0-
2024	13,343,318	13,343,318	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 <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation	Financed	Financed			
	Bonds	Purchases	Purchases			
2015	\$ 3,890,000	\$ -0-	\$ -0-	\$ 3,890,000	0.73%	\$ 645
2016	2,015,000	-0-	-0-	2,015,000	0.36%	334
2017	-0-	-0-	-0-	-0-	-0-	-0-
2018	-0-	-0-	-0-	-0-	-0-	-0-
2019	-0-	-0-	-0-	-0-	-0-	-0-
2020	-0-	-0-	-0-	-0-	-0-	-0-
2021	-0-	120,000	-0-	120,000	0.02%	19
2022	-0-	80,762	-0-	80,762	0.01%	13
2023	15,734,000	40,767	-0-	15,774,767	2.21%	2,452
2024	15,734,000	112,481	-0-	15,846,481	2.22%	2,463

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 <sup>a</sup> Taxable	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2015	\$ 3,890,000	-0-	\$ 3,890,000	0.24%	\$ 645
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%	2,445

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, 2023  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></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	14,221,431	100%	14,221,431
County of Somerset - Borough's Share	276,384,694	2.76%	7,629,045
Subtotal, Overlapping Debt			28,270,305
Watchung Borough School District Direct Debt			15,734,000
Total Direct and Overlapping Debt			<u>\$ 44,004,305</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 2024

	<u>Equalized valuation basis</u>				
		2021	\$ 1,855,940,016		
		2022	1,984,560,146		
		2023	2,079,875,543		
			<u>\$ 5,920,375,705</u>		
	Average Equalized Valuation of Taxable Property				<u>\$ 1,973,458,568</u>
	Debt Limit (3% of average equalization value)			\$	59,203,757 a
	Net Bonded School Debt				<u>15,734,000</u>
	Legal Debt Margin			\$	<u>43,469,757</u>
	<u>Fiscal Year</u>				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Debt Limit	\$ 53,808,928	\$ 54,339,598	\$ 54,339,598	\$ 56,580,060	\$ 59,203,757
Total Net Debt Applicable to Limit	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>15,734,000</u>	<u>15,734,000</u>
Legal Debt Margin	<u>\$ 53,808,928</u>	<u>\$ 54,339,598</u>	<u>\$ 54,339,598</u>	<u>\$ 40,846,060</u>	<u>\$ 43,469,757</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	27.81%	26.58%
	<u>Fiscal Year</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt Limit	\$ 49,422,708	\$ 49,998,213	\$ 50,931,588	\$ 51,330,321	\$ 52,533,061
Total Net Debt Applicable to Limit	<u>3,890,000</u>	<u>2,015,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Legal Debt Margin	<u>\$ 45,532,708</u>	<u>\$ 47,983,213</u>	<u>\$ 50,931,588</u>	<u>\$ 51,330,321</u>	<u>\$ 52,533,061</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	7.87%	4.03%	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

Year	Population <sup>a</sup>	Borough of Watchung Personal Income <sup>b</sup>	Somerset County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2015	6,034	\$ 533,399,566	\$ 88,399	4.20%
2016	6,038	557,621,376	92,352	4.00%
2017	6,050	600,220,500	99,210	3.40%
2018	6,060	633,997,200	104,620	3.10%
2019	6,023	665,336,718	110,466	2.80%
2020	6,007	677,739,775	112,825	8.10%
2021	6,486	739,241,850	113,975	5.30%
2022	6,428	711,920,284	110,753	3.10%
2023	6,434	712,584,802	110,753 *	3.30%
2024	6,434 **	712,584,802 ***	110,753 *	N/A

\* - Latest Somerset County per capita personal income available (2022) was used for calculation purposes.

\*\* - Latest population data available (2023) was used for calculation purposes.

\*\*\*- Latest Borough personal income available (2023) was used for calculation purposes.

N/A - Information not available

Source:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

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

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

<sup>d</sup> 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	2024		
	Employees	Rank	Percentage of Total Employment

INFORMATION NOT AVAILABLE

Employer	2015		
	Employees	Rank	Percentage of Total Employment

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Instruction										
Regular	50	50	52	52	52	48.3	50.7	48.3	47	51.5
Special education	14	15	15	15	16	17	16.5	16.5	17	15.5
Other instruction	0	0	0	0	0	2.83	2.83	7	6	5
Support Services:										
Student & instruction related services	9	9	9	9	9	10.8	16	13.8	14.5	15.8
School administrative services	6	6	6	6	6	8	6	6	6	4.5
General and business administrative services	5	5	5	5	5	5	7	7	6.5	6.2
Plant operations and maintenance	10	10	10	10	10	9.8	8.8	7.8	9.75	9.75
Pupil transportation	1	1	1	1	1	0.2	0.2	0.2	1.25	0.62
Total	<u>95</u>	<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>



WATCHUNG BOROUGH SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% 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%

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>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
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	327	331	341	347	370	271	274	263	253	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	364	350	363	376	371	352	346	378	421	391

Number of Schools at June 30, 2024  
 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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Bayberry Elementary	\$ 78,112	\$ 146,464	\$ 80,193	\$ 103,601	\$ 116,276
Valley View	54,623	72,139	39,850	21,220	23,816
District Total	<u>\$ 132,735</u>	<u>\$ 218,603</u>	<u>\$ 120,043</u>	<u>\$ 124,821</u>	<u>\$ 140,092</u>

<u>*School Facility</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Bayberry Elementary	\$ 199,010	\$ 37,635	\$ 44,220	\$ 67,286	\$ 50,885
Valley View	42,165	59,992	67,747	76,766	54,888
District Total	<u>\$ 241,175</u>	<u>\$ 97,627</u>	<u>\$ 111,967</u>	<u>\$ 144,052</u>	<u>\$ 105,773</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, 2024  
UNAUDITED

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

Source: District records

SINGLE AUDIT SECTION



Mount Arlington, NJ  
 Newton, NJ  
 Bridgewater, NJ  
 973.298.8500  
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 Independent Member  
 BKR International

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, 2024, 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 29, 2024.

**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.

### **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 29, 2024  
Mount Arlington, New Jersey

  
NISIVOCCIA LLP

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



Mount Arlington, NJ  
 Newton, NJ  
 Bridgewater, NJ

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Independent Member  
 BKR International

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 program for the fiscal year ended June 30, 2024. 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, 2024.

***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.



### ***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.

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 29, 2024  
Mount Arlington, New Jersey

*Nisivoccia LLP*

NISIVOCCIA LLP

*Valerie A. Dolan*

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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, 2024

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Assistance Listing	Assistance Listing Number	Grant Period	Award Amount	Balance at June 30, 2023			Balance at June 30, 2024			Amounts Provided to Subrecipients	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Expenditures	Adjustments	Budgetary Accounts Receivable		Budgetary Unearned Revenue
U.S. Department of Education Passed-through State Department of Education: Elementary and Secondary Education Act Consolidated Grant:												
Title I, Part A	84.010A	ESEA 554024	7/1/23-9/30/24	\$ 24,991								
Title I, Part A	84.010A	ESEA 554023	7/1/22-9/30/23	46,479		\$ 16,165	\$ 8,029	\$ (15,016)			\$ (15,016)	\$ 15,767
Subtotal Title I, A						16,165	8,029	(23,443)			(15,016)	15,767
Title II, Part A	84.367A	ESEA 554024	7/1/23-9/30/24	16,599				(3,730)			(3,730)	
Title II, Part A	84.367A	ESEA 554023	7/1/22-9/30/23	17,888	\$ (702)		5,182	(3,730)			(3,730)	4,480
Subtotal Title II, A					(702)		5,182					4,480
Title IV	84.424A	ESEA 554024	7/1/23-9/30/24	20,000				(6,000)			(6,000)	
					(702)	16,165	13,211	(33,173)			(24,746)	20,247
Special Education Cluster:												
IDEA Combined Grant:												
COVID 19 - ARP:												
I.D.E.A. Part B, Preschool	84.173X	IDEA 554022	7/1/21-9/30/23	2,187	(186)		186					
I.D.E.A. Part B, Basic	84.027	IDEA 554024	7/1/23-9/30/24	144,265			144,265	(144,265)				
I.D.E.A. Part B, Basic	84.027	IDEA 554023	7/1/22-9/30/23	127,073	(59,894)		59,894					
I.D.E.A. Part B, Preschool	84.173	IDEA 554024	7/1/23-9/30/24	7,475			7,386	(7,475)			(89)	
I.D.E.A. Part B, Preschool	84.173	IDEA 554023	7/1/22-9/30/23	7,333	(3,725)		3,725				(89)	
Subtotal Special Education Cluster					(63,805)		215,456	(151,740)			(89)	
Education Stabilization Fund:												
COVID-19 - CRRSA:												
ESSER II	84.425D	S425D210027	3/13/20-9/30/23	110,351	(17,399)		17,782		\$ (383)			
Learning Acceleration	84.425D	S425D210027	3/13/20-9/30/23	25,000	(11,890)		14,889	(2,999)				
Mental Health	84.425D	S425D210027	3/13/20-9/30/23	45,000		1,594	15,039	(16,633)				
COVID-19 - ARP:												
ESSER III	84.425U	S425U210027	3/13/20-9/30/24	248,006	(128,605)		221,788	(93,183)	(15)	(15)		
Accelerated Learning Coach and Educator Support	84.425U	S425U210027	3/13/20-9/30/24	50,000	(29,804)		36,714	(8,888)		(1,978)		
Evidence Based Summer Learning and Enrichment	84.425U	S425U210027	3/13/20-9/30/24	40,000	(18,356)		38,975	(20,618)	(1)			
Evidence Based Comprehensive Beyond the School Day	84.425U	S425U210027	3/13/20-9/30/24	40,000	(7,163)		12,850	(5,942)		(255)		
Mental Health	84.425U	S425D210027	3/13/20-9/30/24	45,000	(213,217)	1,594	358,037	(15,200)		(15,200)		
Subtotal Education Stabilization Fund					(277,724)	17,759	586,704	(163,463)	(399)	(17,448)		
Total U.S. Department of Education / Special Revenue Fund												
								(348,376)	(399)	(42,283)		20,247

WATCHUNG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Assistance Listing	Assistance Listing Number	Grant Period	Award Amount	Balance at June 30, 2023			Balance at June 30, 2024			Amounts Provided to Subrecipients
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	
U.S. Department of Agriculture: Passed-through State Department of Agriculture: Child Nutrition Cluster: Special Milk Program	10.556	N/A	7/1/22-6/30/23	\$ 3,357	\$ (170)		\$ 170				
Total U.S. Department of Agriculture/Child Nutrition Cluster					(170)		170				
Total Federal Awards					\$ (277,894)	\$ 17,759	\$ 586,874	\$ (348,376)	\$ (399)	\$ (42,283)	\$ -0-

N/A - Not Applicable/Available

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

WATCHUNG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2023			Balance at June 30, 2024			MEMO	
				Budgetary Accounts Receivable	Due to Grantor	Cash Received	Budgetary Expenditures	GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
General Fund:											
Categorical Transportation Aid	24-495-034-5120-014	7/1/23-6/30/24	\$ 336,135			\$ 306,437	\$ (336,135)			\$ (29,698)	\$ 336,135
Categorical Special Education Aid	24-495-034-5120-089	7/1/23-6/30/24	720,524			656,865	(720,524)			(63,659)	720,524
Categorical Security Aid	24-495-034-5120-078	7/1/23-6/30/24	60,043			54,738	(60,043)			(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)	719,593
Nonpublic Transportation	24-495-035-5120-014	7/1/23-6/30/24	15,470				(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			453,553	(455,765)	(2,212)		(2,212)	455,765
On-Behalf TPAF Post Retirement Contributions	24-495-034-5094-001	7/1/23-6/30/24	613,772			613,772	(613,772)				613,772
On-Behalf Long Term Disability Insurance Contributions	24-495-034-5094-004	7/1/23-6/30/24	882			882	(882)				882
On-Behalf TPAF Pension Contributions	24-495-034-5094-002	7/1/23-6/30/24	2,229,730			2,229,730	(2,229,730)				2,229,730
On-Behalf TPAF Non-Contributory Insurance	24-495-034-5094-004	7/1/23-6/30/24	25,429			25,429	(25,429)				25,429
Categorical Transportation Aid	23-495-034-5120-014	7/1/22-6/30/23	222,795	\$ (19,013)		19,013					222,795
Categorical Special Education Aid	23-495-034-5120-089	7/1/22-6/30/23	613,252	(52,333)		52,333					613,252
Categorical Security Aid	23-495-034-5120-078	7/1/22-6/30/23	51,205	(4,370)		4,370					51,205
Extraordinary Aid	23-495-034-5120-044	7/1/22-6/30/23	425,921	(425,921)		425,921					425,921
Nonpublic Transportation	23-495-035-5120-014	7/1/22-6/30/23	10,608	(10,608)		10,608					10,608
Reimbursed TPAF Social Security Contributions	23-495-034-5094-003	7/1/22-6/30/23	444,142	(22,407)		22,407					444,142
Total General Fund				(534,652)		4,876,058	(5,177,343)	(737,275)		(835,937)	6,945,266
Special Revenue Fund:											
School Development Authority:											
Emergent and Capital Maintenance Needs	N/A	7/1/23-6/30/24	13,719			14,650	(14,650)				13,719
Climate Awareness	N/A	7/1/22-6/30/23	6,660	(6,578)		6,578					6,578
Total Special Revenue Fund				(6,578)		21,228	(14,650)				20,297
Total State Awards				\$ (541,230)	\$ -0-	\$ 4,897,286	\$ (5,191,993)	\$ (737,275)	\$ -0-	\$ (835,937)	\$ 6,965,563
Less: On-Behalf TPAF Contributions:											
On-Behalf TPAF Post Retirement Contributions							\$ 613,772				
On-Behalf Long Term Disability Insurance Contributions							882				
On-Behalf TPAF Pension Contributions							2,229,730				
On-Behalf TPAF Non-Contributory Insurance							25,429				
Subtotal - On-Behalf TPAF Contributions							2,869,813				
Total State Awards - for Major Program Determination							\$ (2,322,180)				
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, 2024

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, 2024. 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 (\$22,946) for the general fund and \$421 for the special revenue fund of which (\$546) is for local grants. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

WATCHUNG BOROUGH SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(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		\$ 5,154,397	\$ 5,154,397
Special Revenue Fund	\$ 348,251	14,650	362,901
Total Awards	<u>\$ 348,251</u>	<u>\$ 5,169,047</u>	<u>\$ 5,517,298</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, 2024.

WATCHUNG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

### 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, 2024 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
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Identification of major programs:

Program Name or Cluster	State Grant No.	Grant Period		Award Amount	Budgetary Expenditures
		Start	End		
State Aid Public:					
Categorical Special Education Aid	24-495-034-5120-089	7/1/23	6/30/24	\$ 720,524	720,524
Security Aid	24-495-034-5120-078	7/1/23	6/30/24	60,043	60,043
Reimbursed TPAF Social Security Contributions					
	24-495-034-5094-003	7/1/23	6/30/24	455,765	455,765
Dollar threshold used to distinguish between Type A and B programs				\$ 750,000	
Auditee qualified as low-risk auditee?		Yes	X	No	



WATCHUNG BOROUGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2024

Status of Prior Year Findings:

The District had no prior year audit findings.