

**Annual Comprehensive
Financial Report**

of the

Township of Union, Board of Education

County of Union

Union, New Jersey

For the Fiscal Year Ended June 30, 2023

Prepared by

**Township of Union, Board of Education
Finance Department**

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Letter of Transmittal	1-4
Roster of Officials	5
Consultants and Advisors	6
Organizational Chart	7
FINANCIAL SECTION	
Independent Auditor's Report	8-11
REQUIRED SUPPLEMENTARY INFORMATION – Part I	12
Management's Discussion and Analysis (Unaudited)	13-23
BASIC FINANCIAL STATEMENTS	24
A. District-Wide Financial Statements:	25
A-1 Statement of Net Position	26
A-2 Statement of Activities	27
B. Major Fund Financial Statements:	28
Governmental Funds:	
B-1 Balance Sheet	29-30
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	31
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Other Funds	33
Propriety Funds:	
B-4 Statement of Net Position	34
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	35
B-6 Statement of Cash Flows	36
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	N/A
B-8 Statement of Changes in Fiduciary Net Position	N/A
Notes to the Financial Statements	37-87

TABLE OF CONTENTS (CONTINUED)

	Page
REQUIRED SUPPLEMENTARY INFORMATION – Part II	88
C. Budgetary Comparison Schedules:	89
C-1 General Fund	90-100
C-2 Special Revenue Fund	101
C-3 Budget to GAAP Reconciliation	102
 REQUIRED SUPPLEMENTARY INFORMATION - Part III	 103
L. Schedules Related to Accounting and Reporting for Pension (GASB 68)	104
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System - Last Nine Years	105
L-2 Schedule of the District's Contributions - Public Employees Retirement System - Last Ten Years	106
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability Teachers Pension and Annuity Fund - Last Nine Years	107
L-4 Schedules Related to Accounting and Reporting for Pension (GASB 68) Note to RSI III for the Fiscal Year Ended June 30, 2023	108
 REQUIRED SUPPLEMENTARY INFORMATION - Part IV	 109
M. Schedule Related to Accounting and Reporting for Postemployment Benefits Other Than Pensions (GASB 75)	110
M-1 Schedule of Changes in the District's Total OPEB Liability and Related Ratios - Last Six Years	111
M-2 Notes to Required Supplementary Information Part IV for the Fiscal Year Ended June 30, 2023	112
 OTHER SUPPLEMENTARY INFORMATION	 113
D. School Level Schedules	N/A
E. Special Revenue Fund:	114
E-1 Combining Schedule of Revenues and Expenditures-Budgetary Basis	115-119
E-2 Schedule of Preschool Education Aid-Budgetary Basis	120

TABLE OF CONTENTS (CONTINUED)

	Page
F. Capital Projects Fund	121
F-1 Summary Schedule of Project Expenditures - Budgetary Basis	122
F-2 Summary Schedule of Project Revenues, Expenditures, and Changes In Fund Balance - Budgetary Basis	123
F-2a Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis – District-Wide Door Replacement	124
F-2b Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis – District Wide Upgrades	125
F-2c Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis – District Wide Upgrades	126
F-2d Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis – Energy Savings Improvement Program – Phase I	127
G. Proprietary Funds	N/A
H. Fiduciary Fund	N/A
I. Long-Term Debt	128
I-1 Schedule of Serial Bonds	129-130
I-2 Schedule of Obligations Under Capital Leases	131
I-3 Budgetary Comparison Schedule - Debt Service Fund	132
I-4 Schedule of Obligations Under Subscription-Based Information Technology Arrangements	133

STATISTICAL SECTION - UNAUDITED

Financial Trends

J-1 Net Position by Component	134
J-2 Changes in Net Position	135-136
J-3 Fund Balances - Governmental Funds	137
J-4 Changes in Fund Balances - Governmental Funds	138
J-5 General Fund Other Local Revenue by Source	139

Revenue Capacity

J-6 Assessed Value and Actual Value of Taxable Property	140
J-7 Direct and Overlapping Property Tax Rates	141
J-8 Principal Property Taxpayers - Current Year and Nine Years Ago	142
J-9 Property Tax Levies and Collections	143

TABLE OF CONTENTS (CONTINUED)

	Page
Debt Capacity	
J-10 Ratios of Outstanding Debt by Type	144
J-11 Ratios of Net Bonded Debt Outstanding	145
J-12 Direct and Overlapping Governmental Activities Debt	146
J-13 Legal Debt Margin Information	147
Demographic and Economic Information	
J-14 Demographic and Economic Statistics	148
J-15 Principal Employers - Current Year and Nine Years Ago	149
Operating Information	
J-16 Full-Time Equivalent District Employees by Function/Program	150
J-17 Operating Statistics	151
J-18 School Building Information - Last Ten Fiscal Years	152
J-19 Schedule of Required Maintenance for School Facilities - Last Ten Fiscal Years	153
J-20 Insurance Schedule	154
SINGLE AUDIT SECTION	
K-1 Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards	155-156
K-2 Independent Auditor's Report on Compliance for Each Major Federal and State Financial Assistance Program and on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB Circular 15-08	157-159
K-3 Schedule of Expenditures of Federal Awards, Schedule A	160
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	161
K-5 Notes to the Schedules of Federal Awards and State Financial Assistance	162-163
K-6 Schedule of Findings and Questioned Costs	164-166
K-7 Schedule of Prior Audit Findings	167

INTRODUCTORY SECTION

Township of Union Public Schools

Yolanda Koon
School Business Administrator/Board Secretary

January 22, 2024

The Honorable President and Members
of the Board of Education
Township of Union School District
Union County, New Jersey

Dear Board Members:

The Annual Comprehensive Financial Report (ACFR) of the Township of Union School District (the "District") for the fiscal year ended June 30, 2023 is hereby submitted. This ACFR includes the District's Basic Financial Statements prepared in accordance with U.S. generally accepted accounting principles for governmental entities as established by the Governmental Accounting Standards Board. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Township of Union School 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 financial position and results of operations of the various funds 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 as follows:

- The Introductory Section includes this transmittal letter, the District's organizational chart and a list of principal officials.

- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information.

- The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

- The Single Audit Section - The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, RL. 104 - 156 and the Uniform Guidance and the New Jersey OMB's Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: The Township of Union School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds of the District are included in this report. The Township of Union School District 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 12. These include regular as well as special education for handicapped youngsters.

Township of Union Public Schools

Yolanda Koon
School Business Administrator/Board Secretary

2. ECONOMIC CONDITION AND OUTLOOK: The Township of Union, in the County of Union, is experiencing a period of economic stability and modest but steady growth. This outlook mirrors that of the region (Northeastern United States) itself. The Township's proximity to transportation and employment centers in New York City and Northern NJ contributes towards maintaining this outlook. Within Union County, the unemployment rate of below 4% is lower than the national average and the employment outlook is strong for those entering the workforce.

Residential, commercial and industrial properties during the 2022-23 school year increase in values, with room for further growth. Foreclosures have leveled off. Development within the Township continues to be strong. There are several multi-phased mixed-use developments in the Township which are in construction and will further improve the local economic conditions. Our records have shown that these types of transit oriented and downtown development have been attracting many school age children and the rentals to date have been consistent with our school records. The School District with the collaboration of the Township will need to explore options to house our increase enrollments. The major commercial tax appeals have leveled off. Union Train Station and the surrounding transit-oriented area will continue to demonstrate great economic growth. The Township remains well positioned for continued economic stability and steady growth.

3. MAJOR INITIATIVES:

Initiative One - The Township of Union School District is committed to implementing the strategic plan, which was created by 79 stakeholders, that focuses on the growth of leaders district staff and faculty, the enhancement of curriculum and programs to meet the ongoing needs and interests of all students, the development of highly effective intervention programs for students, and developing a more equitable and equity-conscious school environment for staff and students. The district engaged in research related to all of these areas in order to create a strategic plan and develop partnerships with various companies and consultants to support the strategic plan. These include: Dr. Tracey Severns, NJPSA/FEA, LinkIt, Magnolia Consulting, Samantha Pugh, DASH, and Dr. Eddie Fergus.

Initiative Two - The Township of Union School District is committed to providing equity and access to quality instruction as well as developing a more equitable and equity-conscious school environment for staff and students. The district developed partnerships with the following consultants to support its efforts: Dr. Tracey Severns, Magnolia Consulting, Samantha Pugh, DASH, and Dr. Eddie Fergus. In addition, teachers are provided multiple professional development learning opportunities throughout the year in order to assist them with implementing curriculum programs effectively, utilizing effective and engaging teaching strategies, and providing meaningful assessments to students. The district provided faculty with "choice" professional development days as well as an EdCamp experience focused on social-emotional learning (SEL) and technology. Additionally, the district engaged in ongoing partnership with NJPSA/FEA via the "Strengthening Teaching, Leading, and Learning Grant" to further develop the

Township of Union Public Schools

Yolanda Koon

School Business Administrator/Board Secretary

Connected Action Roadmap process in elementary Mathematics. Lastly, the district implemented new technology, music, and economics courses at the high school to address the learning interest of students.

Initiative Three - The Township of Union School District implemented during the 2022-23 school year SEL. NJ PBSIS will provide professional development for building leaders; these leaders will share PBSIS information with their staff and faculty to support the implementation of tiered interventions for a range of school intervention needs that include conduct, behavior and social and emotional wellness. The continued implementation of Response to Intervention (RTI) will help support every student academically and enhance the support of PBSIS. In addition, the incorporation of Connection Days throughout the district allows students and staff in each school to take time to develop SEL skills and form school-community relationships. The district also provided staff with an EdCamp experience focused on SEL. Additionally, the district's leadership team participated in SEL professional development with Martin Blank.

Initiative Four - The Township of Union School District during the 2022-23 school year has built positive public relations with the community and invested stakeholders. Fostering two-way communication between the community and the school district is one strategy to help build a stronger trust and confidence in the district community. This is accomplished in part through enhanced dissemination of messages using systems like School Messenger, through email, and, under the guise of the district's media manager, the various social media platforms used by the district. Creating partnerships with local government agencies is another way the district is improving its connection to the township community. One such partnership with the local recreation department led to the implementation of a weekend program for special needs students that provides engaging social activities while giving parents and guardians a respite from their childcare responsibilities.

4. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) there are limited resources and that 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 structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management. As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt

Township of Union Public Schools

Yolanda Koon
School Business Administrator/Board Secretary

service fund. Amendments to the line items within these funds are approved by the Superintendent and subsequently ratified by the Board of Education, in accordance with state statute and Board Policy.

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 reservations of fund balance on June 30, 2023.

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds which are explained in "Notes to the 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 Financial Statements," Note 2. The District's cash management plan allows 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 and updated in 2009 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act.

8. RISK MANAGEMENT: The Board of Education carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property damage and contents and fidelity bonds.

9. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Suplee Clooney & Company was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Uniform Guidance and state Treasury Circular 15-08 OMB. The auditor's report on the basic financial statements and combining individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

Respectfully submitted,



Gerry Benaquista
Interim Superintendent of Schools



Yolanda Koon
School Business Admin./Board Sec.

**TOWNSHIP OF UNION BOARD OF EDUCATION
UNION, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2023**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Yocasta Brens-Watson	2023
Dixiana Carbonell	2025
Marissa McKenzie, President	2024
Nancy Minneci	2025
John A. O'Shea	2023
Nellis Regis-Darby	2023
Chastity Santana, Vice President	2024
Kimberly Scott-Hayden	2024
Mary Lynn Williams	2025

Other Officials

Dr. Scott Taylor, Superintendent of Schools

Gerry Benaquista, Assistant Superintendent of Schools

Dr. Gretel T. Perez, Assistant Superintendent of Schools

Yolanda Koon, School Business Administrator/Board Secretary

Mr. Barry Loessel, Supervisor of Buildings and Grounds

Theodore Georgiou, Treasurer of School Monies

**TOWNSHIP OF UNION BOARD OF EDUCATION
UNION, NEW JERSEY**

CONSULTANTS AND ADVISORS

Architect

EI Associates
8 Ridgedale Avenue
Cedar Knolls, New Jersey 07866

Audit Firm

Suplee, Clooney & Company
308 East Broad Street
Westfield, NJ 07090-2122

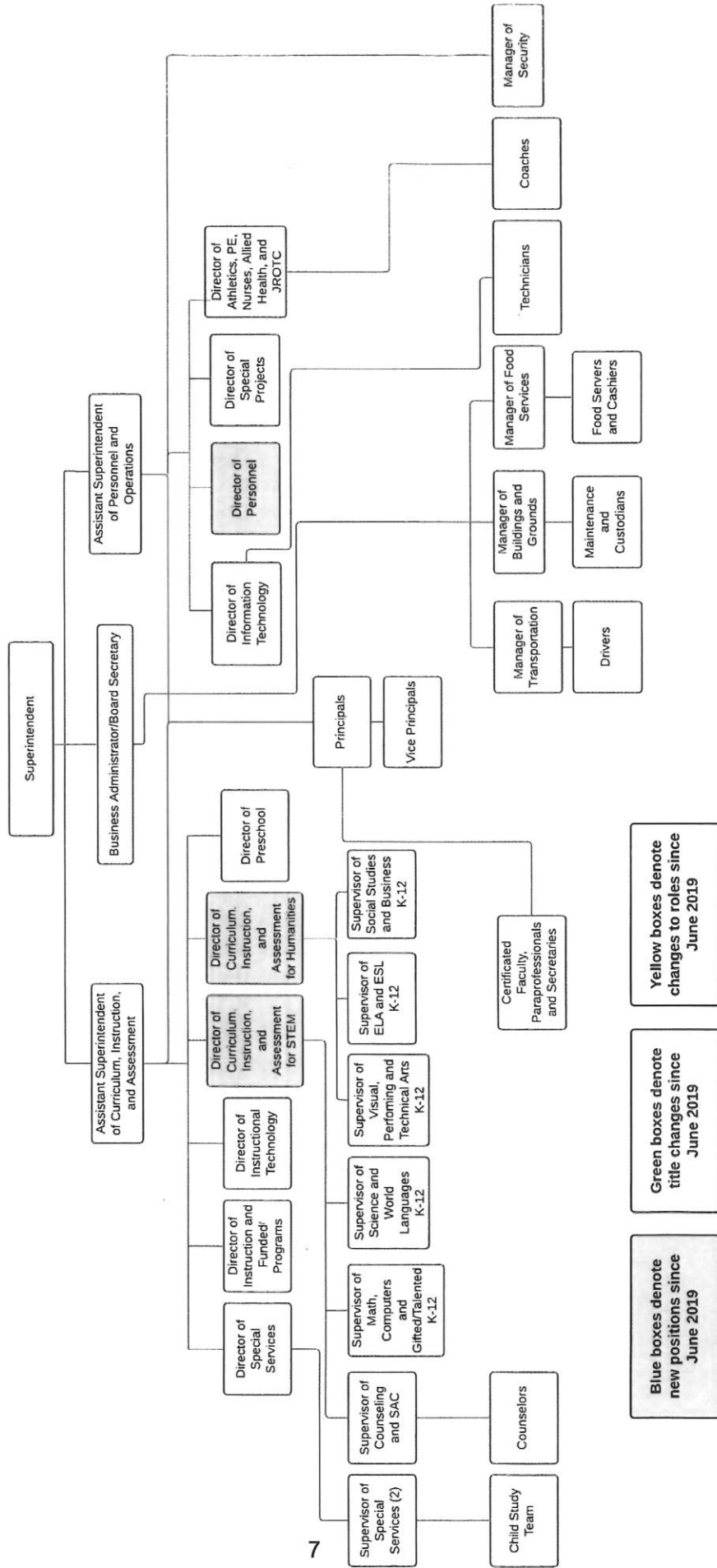
Attorney

Lester Taylor III, Esq
Florio Perrucci Steinhardt, Cappelli, Tipton & Taylor, LLC
430 Mountain Avenue, Suite 103
New Providence, NJ 07974

Official Depositories

ConnectOne Bank
301 Sylvan Ave #1
Englewood Cliffs, NJ 07632

Township of Union School District Leadership Team Proposed Reorganization



FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@senco.com

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Township of Union School District
County of Union
Union, 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 and each major fund of the Township of Union School District, in the County of Union, State of New Jersey (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, 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 (the "Uniform Guidance") the audit requirements of State of New Jersey OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." 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 and provisions 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.

SUPLEE, CLOONEY & COMPANY LLC

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, for the year ended June 30, 2023, the District adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

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 generally accepted auditing standards, the Uniform Guidance, the State of New Jersey OMB Circular 15-08 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards the Uniform Guidance, the State of New Jersey OMB Circular 15-08 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

SUPLEE, CLOONEY & COMPANY LLC

- 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, budgetary comparison information in Exhibit C-1 through C-3, the schedules related to accounting and reporting for pensions in Exhibit L-1 through L-4 and the schedules related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Exhibits M-1 and M-2 are presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information schedules and data such as the combining statements and individual fund financial statements, and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by the Uniform Guidance, New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, 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 combining and individual fund financial statements and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual 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.

SUPLEE, CLOONEY & COMPANY LLC

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 January 22, 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 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

January 22, 2024

REQUIRED SUPPLEMENTARY INFORMATION – Part I

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

**TOWNSHIP OF UNION SCHOOL DISTRICT
UNION, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

The Management's Discussion and Analysis of the Township of Union School District (the "District") offers readers of the District's financial statements a narrative overview of the financial activities for the fiscal year ended June 30, 2023. The intent of this discussion is to look at the District's financial performance as a whole; therefore, readers should also review the transmittal letter at the front of this report, along with the District's financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements-Management's Discussion and Analysis-for the State and Local Governments issued in June 1999. Certain comparative information between the current fiscal year (2022-2023) and the prior fiscal year (2021-2022) is required to be presented in the MD&A. In fiscal year 2023 the District implemented GASB Statement No. 96- SBITAs. Prior fiscal year 2022 information was restated where information was available.

Overview of the Financial Statements

This Annual Comprehensive Financial Report ("ACFR") 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, District-wide Financial Statements and Fund Financial Statements.

- District-Wide Financial Statements provide both short-term and long-term information about the District's overall financial status.
- Fund Financial Statements report the District's operations in more detail than the District-wide statements on individual parts of the District, the Governmental Funds, Proprietary Funds and Fiduciary Funds.
- 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, which include food services, community education and summer enrichment programs.

The notes to financial statements are also included, which are an integral part of the financial statements. The information in the notes provides detailed data on the District's financial operations.

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year. Exhibit A-1 reflects how the various parts of this annual report are arranged and related to one another.

**TOWNSHIP OF UNION SCHOOL DISTRICT
UNION, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

District-Wide Financial Statements

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

The District-Wide Financial Statements report the District's net position and how they have changed. Net position, the difference between the District's assets 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 has improved or diminished. The causes of this change may be a result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the District-Wide Financial Statements, the District's activities are divided into two categories, governmental and business-type activities.

- **Governmental activities** - All of the District's programs and services are reported here including, but not limited to regular and special education instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities. Property taxes and state formula aid finance most of these activities.
- **Business-Type activities** - These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. District charges fees to help it cover the costs of certain services it provided. The food service activities are reported as business activities.

**TOWNSHIP OF UNION SCHOOL DISTRICT
UNION, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on major funds. 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 (i.e., long-term debt) or to show that it is properly using certain restricted revenues (i.e., entitlement grants).

The District maintains two financial funds:

- **Governmental Funds:** The District's activities reported in governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the district-wide Statement of Net Position and Statement of Activities) and governmental funds statements is reconciled in the financial statements.
- **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 financial 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 flow.

**TOWNSHIP OF UNION SCHOOL DISTRICT
UNION, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Financial Analysis of the District as a Whole

The District's combined net position has increased from the 2021-2022 fiscal year. The net position from governmental activities increased \$5,743,341. Net position from business-type activities decreased (\$204,796). Table 1 below reflects the District's net position as a whole.

**Table 1
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage
	FY 2023	FY 2022 (as restated)	FY 2023	FY 2022	FY 2023	FY 2022 (as restated)	Change
Current and Other Assets	\$22,260,376	\$28,479,878	\$989,495	\$876,042	\$23,249,871	\$29,355,920	(20.80%)
Capital Assets	100,199,859	98,518,175	985,862	1,014,924	101,185,721	99,533,100	1.66%
Total Assets	<u>122,460,235</u>	<u>126,998,053</u>	<u>1,975,357</u>	<u>1,890,966</u>	<u>124,435,592</u>	<u>128,889,020</u>	<u>(3.46%)</u>
Deferred Outflows							
Related to Pensions	7,302,710	3,072,673			7,302,710	3,072,673	137.67%
Total Deferred Outflows	<u>7,302,710</u>	<u>3,072,673</u>			<u>7,302,710</u>	<u>3,072,673</u>	<u>137.67%</u>
Long-Term Liabilities	56,368,109	48,918,453			56,368,109	48,918,453	15.23%
Short-Term Liabilities	15,485,023	14,021,190	113,817	247,301	15,598,840	14,268,491	9.32%
Total Liabilities	<u>71,853,132</u>	<u>62,939,643</u>	<u>113,817</u>	<u>247,301</u>	<u>71,966,950</u>	<u>63,186,944</u>	<u>13.90%</u>
Deferred Inflows							
Related to Gain From Refunding Debt	1,101,570	1,266,304			1,101,570	1,266,304	(13.01%)
Related to Pensions	5,536,975	18,486,037			5,536,975	18,486,037	(70.05%)
Total Deferred Inflows	<u>6,638,545</u>	<u>19,752,341</u>			<u>6,638,545</u>	<u>19,752,341</u>	<u>(66.39%)</u>
Net Position:							
Net investment in Capital Assets	73,072,017	68,904,271	985,862	1,014,924	74,057,879	69,919,195	5.92%
Restricted	10,917,012	16,489,769			10,917,012	16,489,769	(33.80%)
Unrestricted (Deficit)	<u>(30,866,946)</u>	<u>(38,015,298)</u>	<u>1,140,390</u>	<u>1,316,124</u>	<u>(29,726,556)</u>	<u>(36,699,174)</u>	<u>(19.00%)</u>
Total Net Position	<u>\$53,122,083</u>	<u>\$47,378,742</u>	<u>\$2,126,252</u>	<u>\$2,331,048</u>	<u>\$55,248,334</u>	<u>\$49,709,790</u>	<u>11.14%</u>

**TOWNSHIP OF UNION SCHOOL DISTRICT
UNION, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

**Table 2
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District	
	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>
Revenue:						
Program Revenue:						
Charges for Services	\$616,593	\$493,178	\$1,651,909	\$266,997	\$2,268,503	\$760,175
Operating Grants and Contributions	34,982,280	40,621,648	3,045,758	4,859,716	38,028,037	45,481,364
General Revenue:						
Property Taxes	100,684,586	98,690,553			100,684,586	98,690,553
Federal and State Aid not restricted	41,544,891	37,129,455			41,544,891	37,129,455
Other	2,301,738	823,259	6,950	2,865	2,308,688	826,124
Total Revenue	<u>180,130,088</u>	<u>177,758,093</u>	<u>4,704,617</u>	<u>5,129,578</u>	<u>184,834,705</u>	<u>182,887,671</u>
Expenses:						
Instruction	109,377,254	106,265,652			109,377,254	106,265,652
Student & Instructional Support Services	31,179,797	28,331,605			31,179,797	28,331,605
Administrative and Business	12,860,767	12,570,392			12,860,767	12,570,392
Maintenance & Operations	6,858,012	7,831,827			6,858,012	7,831,827
Transportation	12,588,149	10,359,537			12,588,149	10,359,537
Other	1,480,928	798,947	4,909,414	4,417,006	6,390,342	5,215,953
Total Expenses	<u>174,344,908</u>	<u>166,157,960</u>	<u>4,909,414</u>	<u>4,417,006</u>	<u>179,254,322</u>	<u>170,574,966</u>
Disposal of Capital Assets Transfers	(41,839)			38,595	(41,839)	38,595
Increase/(Decrease) in Net Position	<u>\$5,743,341</u>	<u>\$11,600,133</u>	<u>(\$204,796)</u>	<u>\$751,168</u>	<u>\$5,538,544</u>	<u>\$12,312,705</u>

Both revenues and expenses increased mainly as a result of the district recognizing a larger on-behalf TPAF contribution as a revenue and expense based upon the State's Actuarial report.

**TOWNSHIP OF UNION SCHOOL DISTRICT
UNION, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Sources of Revenue for the Fiscal Year 2023

The District's total revenue for the 2022-2023 school year was \$184,834,705 as reflected in Table 3 below. Property taxes accounted for 54.47 percent of the total revenue with the other 49.46 percent consisting of state and federal aid, charges for services, and miscellaneous sources.

**Table 3
Sources of Revenue**

<u>Sources of Revenue</u>	<u>FY 2023</u>		<u>FY 2022</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Property Taxes	\$100,684,586	54.47%	\$98,690,553	54.17%
Operating State and Federal Aid	66,612,823	36.04%	72,281,921	39.37%
Federal and State Grants	12,960,106	7.01%	10,328,898	5.74%
Charges for Services	2,268,503	1.23%	760,175	0.34%
Other	2,308,688	1.24%	826,124	0.37%
	<u>\$184,834,705</u>	<u>100.00%</u>	<u>\$182,887,671</u>	<u>100.00%</u>

Expenses for the Fiscal Year 2023

The total expenses for the 2022-2023 fiscal year for all programs and services were \$179,254,322. Table 4 below summarizes these program costs. The District's expenses are predominantly related to instructing, providing services and transporting students, grades kindergarten through twelve, which accounts for 85.43 percent of the total District costs. Administrative and business expenses account for the costs of the Office of the Superintendent of Schools, the Business Office, and the Principal's Offices in all five school buildings. Maintenance and operations account for the costs of keeping the school buildings and grounds safe, clean and in good operating condition, and includes all the utility costs related to the school facilities. Other costs include interest on long-term debt, unallocated depreciation expense and the costs of the business-type activities of the proprietary funds. It is important to note that depreciation expense on capital assets is included in expenses for the year under the GASB entity-wide reporting model; expenses therefore include \$4,526,589 for depreciation. The increase in total expenses can be explained by the change in the pension expense based on the State's Actuarial report.

**TOWNSHIP OF UNION SCHOOL DISTRICT
UNION, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

**Table 4
Expenses for Fiscal Year 2023**

<u>Expense Category</u>	<u>FY 2023</u>		<u>FY 2022</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$109,377,254	61.02%	\$106,265,652	62.27%
Student & Instruction Services	31,179,797	17.39%	28,331,605	16.59%
Administrative and Business	12,860,767	7.17%	12,570,392	7.37%
Maintenance & Operations	6,858,012	3.83%	7,831,827	4.61%
Transportation	12,588,149	7.02%	10,359,537	6.09%
Other	6,390,342	3.55%	5,215,953	3.06%
	<u>\$179,254,322</u>	<u>100.00%</u>	<u>\$170,574,966</u>	<u>100.00%</u>

District-Wide Activities

Table 5 presents the net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs) of six major District activities: instruction, student and instructional services, administration and business, maintenance and operations, transportation, and other. The net cost shows the financial burden placed on the District's taxpayers and the state by each of these functions.

**Table 5
Net Cost of District-Wide Activities**

<u>Expense Category</u>	<u>FY 2023</u>		<u>FY 2022</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$86,818,108	62.57%	\$77,923,369	62.32%
Student & Instruction Services	21,643,857	15.60%	19,699,656	15.75%
Administrative and Business	11,369,512	8.19%	10,441,162	8.35%
Maintenance & Operations	6,858,012	4.94%	7,831,827	6.26%
Transportation	10,693,340	7.71%	8,464,728	6.77%
Other	1,363,205	0.98%	682,392	0.55%
	<u>\$138,746,035</u>	<u>100.00%</u>	<u>\$125,043,133</u>	<u>100.00%</u>

**TOWNSHIP OF UNION SCHOOL DISTRICT
UNION, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Governmental Activities

Instruction expenses include activities directly dealing with the teaching of students and the interaction between teacher and student, including extracurricular activities.

Students and instruction related include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration, and central services include expenses associated with administrative and financial management of the District.

Operation and maintenance of facilities involve keeping the school grounds, buildings and equipment in an effective operating condition.

"Other" includes unallocated depreciation.

General Fund Budgeting Highlights

The District's budget is prepared according to New Jersey Statutes and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting.

Over the course of the year, the Board of Education approved revisions to the general fund budget as needed. These budget amendments were necessary for the following reasons:

- Changes in administrative structure and needs required additional funds being transferred into those areas.
- Realigned appropriations in accordance with the prescribed chart of accounts as needed.

Capital Assets

During the fiscal year 2022-2023, the District's capital acquisitions exceeded depreciation expense and retired assets, therefore total capital assets net of depreciation increased. Table 6 reflects the comparative balances of capital assets net of depreciation. The detail of the changes in capital assets is reflected in Note 3 to the financial statements.

**TOWNSHIP OF UNION SCHOOL DISTRICT
UNION, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

**Table 6
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Total
	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>Percentage Change</u>
Land	\$9,553,000	\$9,553,000			\$9,553,000	\$9,553,000	0.00%
Site							
Improvements	1,819,033	1,942,085			1,819,033	1,942,085	(6.34%)
Building and							
Building							
Improvements	81,533,920	75,103,445			81,533,920	75,103,445	8.56%
Construction in							
Progress	2,190,756	7,644,431			2,190,756	7,644,431	(71.34%)
Machinery and							
Equipment	5,103,150	4,275,214	\$985,862	\$1,014,924	6,089,012	5,290,138	15.10%
Total Assets	<u>\$100,199,859</u>	<u>\$98,518,175</u>	<u>\$985,862</u>	<u>\$1,014,924</u>	<u>\$101,185,721</u>	<u>\$99,533,099</u>	<u>1.66%</u>

Debt and Long-term Liabilities Administration

At June 30, 2023, the District had \$59,499,603 of outstanding long-term debt, consisting of bonds payable, compensated absences, capital leases, unamortized premiums, subscription based information technology arrangements and net pension liability. The District will continue to pay down its debt, as the obligations are due. Table 7 reflects the comparison of outstanding debt for the past two fiscal years. More information of the District's long-term debt is presented in Note 4 to the financial statements.

**Table 7
Outstanding Long-term Debt**

	Total School Debt		Total
	<u>FY 2023</u>	<u>FY 2022</u> (as restated)	<u>Percentage Change</u>
Installment Purchase Contracts Payable	\$1,363,672	\$718,270	89.86%
SBITAs Payable	2,093,040	2,201,637	(4.93%)
Compensated Absences Payable	3,025,320	3,470,074	(12.82%)
Bonds Payable	21,240,000	23,875,000	(11.04%)
Original Issue Premium	3,422,600	3,754,330	(8.84%)
Net Pension Liability Payable	28,354,971	20,349,477	39.34%
	<u>\$59,499,603</u>	<u>\$54,368,788</u>	<u>9.44%</u>

**TOWNSHIP OF UNION SCHOOL DISTRICT
UNION, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

The District's Future

The Township of Union School District was unable to contribute this school year to its fund balance due to unforeseen expenditures that arose during the 2022/2023 school year. Enrolment in the District continues to experience increases and projects this trend for its near future. The District is proud of its community support and student involvement in the public schools. Major concerns continue to be the increased reliance on local property taxes (2% levy cap), any state adjustments, and fixed levels of State aid, while rising health care cost, reduced employee contributions under Chapter 44, transportation, increase out of district Special Education Student Tuitions, Special Education Related Services, etc. The District will continue to explore and implement best practices.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. Questions regarding this report can be directed to the Board of Education Office at the Union Township School District, 2369 Morris Avenue, NJ 07083.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2023.

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

TOWNSHIP OF UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$10,757,020	\$631,764	\$11,388,784
Receivables, net	7,708,642	319,087	8,027,729
Internal balances	(264,712)	264,712	
Inventory		38,643	38,643
Restricted assets:			
Restricted cash and cash equivalents	3,794,715		3,794,715
Intangible assets, net of amortization	2,115,527		2,115,527
Capital assets:			
Land and construction in progress	11,743,756		11,743,756
Other capital assets, net	88,456,103	985,862	89,441,965
Total assets	<u>124,311,050</u>	<u>2,240,069</u>	<u>126,551,119</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to pensions	<u>7,302,710</u>		<u>7,302,710</u>
Total Deferred Outflows of Resources	<u>7,302,710</u>		<u>7,302,710</u>
LIABILITIES:			
Accounts payable	3,563,746	42,710	3,606,457
Payroll deductions and withholdings payable	4,779,675		4,779,675
Unemployment compensation claims payable	101,443		101,443
Payable to state government	94,488		94,488
Unearned revenue	3,378,749	71,107	3,449,856
Accrued interest payable	435,428		435,428
Noncurrent liabilities:			
Due within one year	3,131,493		3,131,493
Due beyond one year:			
Net Pension Liability	28,354,971		28,354,971
Compensated absences payable	3,025,320		3,025,320
Bonds, installment purchases and SBITAs payable	24,987,818		24,987,818
Total liabilities	<u>71,853,132</u>	<u>113,817</u>	<u>71,966,950</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to gain from debt refunding	1,101,570		1,101,570
Related to pensions	<u>5,536,975</u>		<u>5,536,975</u>
Total Deferred Inflows of Resources	<u>6,638,545</u>		<u>6,638,545</u>
NET POSITION:			
Net investment in capital assets	73,072,017	985,862	74,057,879
Restricted for:			
Capital projects fund	2,322,620		2,322,620
Special revenue fund	745,374		745,374
Other purposes	7,849,017		7,849,017
Unrestricted (deficit)	<u>(30,866,946)</u>	<u>1,140,390</u>	<u>(29,726,556)</u>
Total net position	<u>\$53,122,083</u>	<u>\$2,126,252</u>	<u>\$55,248,334</u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2023

FUNCTIONS/PROGRAMS	EXPENSES	INDIRECT EXPENSES ALLOCATION	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
			CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
Governmental Activities:						
Instruction:						
Regular	\$50,299,042	\$22,116,549		\$16,861,256	(\$55,554,335)	(\$55,554,335)
Special education	25,986,529	5,751,506		5,124,524	(26,613,510)	(26,613,510)
Other	4,174,988	1,048,640		573,366	(4,650,263)	(4,650,263)
Support services:			\$616,593	8,919,346	(21,643,857)	(21,643,857)
Student and instruction related services	24,126,494	7,053,303			(3,294,326)	(3,294,326)
General administrative services	3,431,472	(137,146)			(6,897,035)	(6,897,035)
School administrative services	5,391,821	2,996,469		1,491,255	(843,101)	(843,101)
Central services	1,201,084	(357,984)			(335,050)	(335,050)
Administration information technology	698,215	(363,165)			(6,858,012)	(6,858,012)
Plant operations and maintenance	9,591,620	(2,733,607)		1,894,809	(10,693,340)	(10,693,340)
Student transportation services	12,847,597	(259,447)			(794,641)	(794,641)
Unallocated benefits	31,480,975	(3,634,144)			(568,565)	(568,565)
Unallocated Depreciation	4,428,785			117,723	(138,746,035)	(138,746,035)
Interest on long term debt	686,288		616,593	34,982,280		
Total governmental activities	174,344,908					
Business-type activities:						
Food service	4,909,414		1,651,909	3,045,758		(211,747)
Total business-type activities	4,909,414		1,651,909	3,045,758		(211,747)
Total primary government	\$179,254,322		\$2,268,503	\$38,028,037	(\$138,746,035)	(\$138,957,782)
General Revenues:						
Taxes:						
Property taxes - general					\$97,142,109	\$97,142,109
Property taxes - debt service					3,542,477	3,542,477
Federal and state aid not restricted					41,544,891	41,544,891
Miscellaneous income					2,301,738	2,308,688
Total general revenues					144,531,215	144,538,165
Disposal of capital assets					(41,839)	(41,839)
Change in net position					5,743,341	5,538,544
Net Position - beginning					47,378,742	49,709,790
Net Position ending					\$53,122,083	\$55,248,334

The accompanying notes to the financial statements are an integral part of this statement.

MAJOR FUND FINANCIAL STATEMENTS

The Individual fund financial statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

TOWNSHIP OF UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

ASSETS AND OTHER DEBITS:	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
Assets:					
Cash and cash equivalents	\$9,549,033	\$904,619	\$1,011,397	\$37,346	\$11,502,395
Capital reserve account	1,374,340				\$1,374,340
Maintenance reserve account	950,000				\$950,000
Emergency reserve account	725,000				\$725,000
Accounts receivable:					
Federal		2,435,761			\$2,435,761
State	5,270,496				\$5,270,496
Other	2,385				\$2,385
Interfund	63,117	506,556			\$569,673
Total assets	17,934,371	3,846,935	1,011,397	37,346	22,830,049
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	608,643	215,445			\$824,088
Payroll deductions and withholdings payable	4,779,675				\$4,779,675
Unemployment compensation claims payable	101,443				\$101,443
Intergovernmental payable:					
State		94,488			\$94,488
Interfunds payable	771,268		63,117		\$834,385
Unearned revenue		3,378,749			\$3,378,749
Total liabilities	6,261,030	3,688,682	63,117		10,012,828
Fund balances:					
Restricted for:					
Capital reserve account	1,374,340				\$1,374,340
Maintenance reserve account	950,000				\$950,000
Emergency reserve account	725,000				\$725,000
Excess surplus designated for subsequent years expenditures	931,022				\$931,022
Excess surplus - current year	1,970				\$1,970
Capital projects fund			816,936		\$816,936
Debt service fund				37,346	\$37,346
Unemployment	1,400,523				\$1,400,523
Scholarships		364,096			\$364,096
Student Activities		381,278			\$381,278
Assigned for:					
Year-end encumbrances	771,524				\$771,524
Designated for subsequent years expenditures	3,022,982				\$3,022,982
FFCRA/SEMI Designated for subsequent years expenditures	45,996				\$45,996
Committed for:					
Year-end encumbrances			131,344		\$131,344
Unassigned:					
General fund	2,449,984				\$2,449,984
Special revenue fund (deficit)		(587,121)			(\$587,121)
Total fund balances	11,673,341	158,253	948,280	37,346	12,817,221
Total liabilities and fund balances	\$17,934,371	\$3,846,935	\$1,011,397	\$37,346	\$22,830,049

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

Total Fund Balances (Brought Forward)		\$12,817,221
<p>Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of Assets	\$156,424,380	
Accumulated Depreciation	<u>(56,224,521)</u>	100,199,859
<p>Intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
		2,115,527
<p>Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
Net pension liability	(28,354,971)	
Compensated absences payable	(3,025,320)	
Subscription based information technology arrangements	(2,093,040)	
Installment purchase contracts payable	(1,363,672)	
Serial bonds payable	(\$21,240,000)	
Premium on refunding debt, net	(3,422,600)	
Unamortized Deferred Amount on Refunding Bonds, net	<u>(1,101,570)</u>	
	<u>(25,764,170)</u>	(60,601,173)
<p>Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.</p>		
<p>Pensions:</p>		
Deferred Outflows		
Pension related		7,302,710
Deferred Inflows:		
Pension related		(5,536,975)
<p>Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.</p>		
Accounts payable - pension related	(2,739,658)	
Accrued interest payable	<u>(435,428)</u>	
		<u>(3,175,086)</u>
Net Position of Governmental Activities		<u><u>\$53,122,083</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	\$97,142,109			\$3,542,477	\$100,684,586
Other restricted miscellaneous revenues	13,211				13,211
Miscellaneous	477,046	\$778,080			1,255,126
Total revenues-local sources	97,632,365	778,080		3,542,477	101,952,922
State sources	73,931,523	6,138,887		117,723	80,188,133
Federal sources	312,938	8,471,214			8,784,152
Total revenues	171,876,827	15,388,181		3,660,200	190,925,207
EXPENDITURES:					
Current expense:					
Instruction:					
Regular	42,748,866	5,831,914			48,580,781
Special education	10,312,356	2,050,350			12,362,706
Other instruction	2,285,962				2,285,962
Support services:					
Tuition	15,140,404				15,140,404
Student and instruction related services	17,699,007	5,694,435			23,393,442
General administrative services	3,431,472				3,431,472
School administrative services	5,179,394				5,179,394
Central services	1,201,084				1,201,084
Administration Information Technology	868,819				868,819
Plant operations and maintenance	9,614,107				9,614,107
Student transportation services	13,127,298				13,127,298
Employee benefits	54,040,777				54,040,777
Capital outlay	1,814,579	2,231,346	\$2,190,756		6,236,681
Capital outlay - debt assessment	101,460				101,460
Debt service:					
Principal				2,635,000	2,635,000
Interest				1,025,200	1,025,200
Total expenditures	177,565,585	15,808,045	2,190,756	3,660,200	199,224,586
Excess (deficiency) of revenues over (under) expenditures	(5,688,758)	(419,864)	(2,190,756)		(8,299,379)
Other financing sources (uses):					
Operating transfers in		425,251			425,251
Operating transfers out	(425,251)				(425,251)
Installment purchases (non-budgeted)	1,095,708				1,095,708
Total financing sources (uses):	670,457	425,251			1,095,708
Net change in fund balances	(5,018,301)	5,387	(2,190,756)	37,346	(7,203,671)
Fund balances, July 1, 2022	16,691,643	152,867	3,139,036	37,346	20,020,892
Fund balances, June 30, 2023	\$11,673,341	\$158,253	\$948,280	\$37,346	\$12,817,221

The accompanying notes to the financial statements are an integral part of this statement

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

Total net change in fund balances - governmental funds (from B-2) (\$7,203,671)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

Depreciation expense	(\$4,428,785)	
Capital outlays	6,338,141	
Capital outlays not capitalized	<u>(185,834)</u>	1,723,522

Capital outlays related to leases 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 amortization expense. This is the amount by which capital outlays exceeded amortization in the period.

Implementation Expenses (20,153)

Amortization Expense:		
Subscription Based Information Technology Agreements	<u>(611,901)</u>	(611,901)

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.

Proceeds from capital leases	(1,095,708)	
------------------------------	-------------	--

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

Payment of bond principal	2,635,000	
Payment of subscription based information technology arrangements	613,639	
Payment of installment purchases payable	450,306	
Amortization of premium on refunding bonds	331,730	
Amortization of deferred amounts on refunding bonds	<u>164,734</u>	4,195,409

In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (41,839)

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (116,649)

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District pension contributions	2,369,365	
Add: Pension benefit	<u>6,100,212</u>	8,469,577

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

	<u>444,754</u>	
Change in net position of governmental activities		<u>\$5,743,341</u>

OTHER FUNDS

EXHIBIT "B-4"

TOWNSHIP OF UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2023

BUSINESS TYPE
ACTIVITIES -
ENTERPRISE FUNDS
FOOD
SERVICE

ASSETS	
Current assets:	
Cash & cash equivalents	\$ 631,764
Accounts receivable:	
State	4,239
Federal	117,849
Other	196,999
Interfunds receivable	264,712
Inventories	38,643
Total current assets	\$ <u>1,254,207</u>
Noncurrent assets:	
Furniture, machinery & equipment	\$ 2,773,227
Less accumulated depreciation	<u>(1,787,364)</u>
Total noncurrent assets	\$ <u>985,862</u>
Total assets	\$ <u><u>2,240,069</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 42,710
Unearned revenue	<u>71,107</u>
Total current liabilities	\$ <u>113,817</u>
Total liabilities	\$ <u>113,817</u>
NET POSITION	
Net Investment in Capital Assets	\$ 985,862
Unrestricted	<u>1,140,390</u>
Total net position	\$ <u><u>2,126,252</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT "B-5"

TOWNSHIP OF UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

		BUSINESS TYPE ACTIVITIES - <u>ENTERPRISE FUNDS</u> <u>FOOD SERVICE</u> <u>SCHOOL NUTRITION</u>
OPERATING REVENUES:		
Charges for services:		
Daily sales - reimbursable programs	\$	1,233,703
Daily sales - non-reimbursable programs		406,588
Miscellaneous		11,618
		1,651,909
Total operating revenues	\$	1,651,909
OPERATING EXPENSES:		
Cost of sales - reimbursable programs	\$	1,711,583
Cost of sales - non-reimbursable programs		567,466
Salaries		1,232,541
Employee benefits		395,900
Other purchased services		206,368
Supplies and materials		257,872
Cleaning, repair and maintenance services		439,879
Depreciation		97,804
		4,909,414
Total operating expenses	\$	4,909,414
Operating income (loss)	\$	(3,257,504)
NONOPERATING REVENUES (EXPENSES):		
State sources		
State school lunch program	\$	78,040
SSO supplement		1,425
State school breakfast program		4,172
Federal sources		
National school breakfast program		246,695
National school lunch program		1,968,649
National school lunch program - HHFKA		59,975
Local Food for Schools Cooperative Program		7,548
Supply Chain Assistance Program		349,045
National food distribution commodities		330,208
Interest		6,950
		3,052,708
Total nonoperating revenues	\$	3,052,708
Change in Net Position	\$	(204,797)
Total net position - beginning		2,331,048
Total net position - ending	\$	2,126,252

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT "B-6"

TOWNSHIP OF UNION SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

		<u>BUSINESS TYPE</u> <u>ACTIVITIES -</u> <u>ENTERPRISE FUNDS</u> <u>FOOD</u> <u>SERVICE</u>
Cash flows from operating activities:		
Receipts from customers	\$	1,890,719
Payments to employees		(1,223,874)
Payments to employee benefits		(395,900)
Payment to suppliers		<u>(3,336,461)</u>
Net cash provided (used for) by operating activities	\$	<u>(3,065,517)</u>
Cash flows from noncapital financing activities:		
State Sources	\$	87,084
Federal Sources		<u>3,217,167</u>
Net cash provided by (used for) noncapital financing activities	\$	<u>3,304,251</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	\$	<u>(68,742)</u>
Net cash used for capital and related financing activities	\$	<u>(68,742)</u>
Cash flows from investing activities		
Interest and dividends	\$	<u>6,950</u>
Net cash used for capital and related financing activities	\$	<u>6,950</u>
Net increase (decrease) in cash and cash equivalents	\$	176,943
Cash and cash equivalents- July 1		<u>454,821</u>
Cash and cash equivalents- June 30	\$	<u><u>631,764</u></u>
Operating income (loss)	\$	(3,257,504)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:		
Depreciation		97,804
Change in assets and liabilities:		
(Increase) Decrease in inventory		1,996
(Increase) Decrease in other accounts receivable		225,671
Increase (Decrease) in accounts payable		(143,837)
Increase (Decrease) in unearned revenue		<u>10,353</u>
Net cash provided (used) by operating activities	\$	<u><u>(3,065,517)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Township of Union School District is a Type II District located in Union County, New Jersey. The District is an instrumentality of the State of New Jersey, established to function as an educational institution. The District is governed by a nine member board elected to three-year terms 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.

The primary criterion for including activities within the District's reporting entity are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled "*Determining Whether Certain Organizations are Component Units*" (GASB 39) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and meet *all* of the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component unit, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the 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.

The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include elementary schools through high school Grades K thru 12, located in the Township of Union. 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.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The District's basic financial statements consist of District-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

District-wide Statements: The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall District. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish generally between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Position presents the financial condition of the governmental and business-type activity of the District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and 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 requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as generally revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements: During the fiscal year, the District segregates transactions related to certain 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.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 (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 - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Types

Enterprise Fund - The enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service 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.

Basis of Accounting - Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide and Proprietary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable." Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval. In accordance with P.L. 2011, c. 202, the District elected to move the April school Board election to the date of the November general election thereby eliminating the vote on the annual base budget. 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. 6A:23. All budget amendments and transfers must be approved by School Board resolution. Budget amendments totaling \$1,900,000 were approved by resolution during the year ended June 30, 2023. The over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated recognition of one or more state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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 assignments of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

Interfunds

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the district's available spendable resources.

Inventories and Prepaid Expenses

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of Food Distribution Commodities, at stated value which approximates market.

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

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The District has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the district-wide financial statements. The District generally defines capital assets as assets with an initial cost of \$2,000.00 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their acquisition value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated in the district-wide statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Ground Equipment	15

Compensated Absences

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

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

District employees are granted varying amounts of sick days in accordance with the District's employment contract and personnel policy. Upon retirement, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount of 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 and contracts.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick days that are expected to become eligible for payment upon retirement. The District estimates its accrued compensated absences liability based on the accumulated sick days at the balance sheet date by those employees who are currently eligible to receive retirement payments.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. For the governmental funds in the fund financial statements, a liability is reported only for to the extent of the amount actually due at year end as a result of employee resignations/retirements. Compensated absences are a reconciling item between the fund level and district-wide presentations.

Fund Equity

Fund balance restrictions are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designations of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unreserved fund balances represent the amount available for future budgetary operations.

Unrestricted retained earnings represent the remains of the District's equity in the cumulative earnings of the food service fund.

Unearned Revenue

Unearned revenue in the special revenue and proprietary funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is an allowable practice under generally accepted accounting principles.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the district-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long term debt is recognized as a liability on the fund financial statements when due.

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Balance – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. The District reports the Capital Reserve, Emergency Reserve, Maintenance Reserve, Student Activities, Scholarships, Unemployment and Excess Surplus as Restricted Fund Balance.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education. The District reports amounts Designated for Capital Project Fund encumbrances as Committed Fund Balance.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds (Continued)

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District’s policy, amounts may be assigned by the Business Administrator. The District reports Year End Encumbrances and amounts Designated for Subsequent Year’s Expenditures as Assigned Fund Balance.

Unassigned – is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Revenues Exchange and Non-Exchange 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.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues Exchange and Non-Exchange Transactions (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property 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 property taxes is recognized in the period in which the income is earned. 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 District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal yearend: property taxes available as an advance, interest, and tuition.

Proprietary Fund Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District enterprise funds are charges to customers for sales of food service. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of the program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Extraordinary and Special Items

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

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accounting and Financial Reporting for Pensions

In the district-wide financial statements 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 District's proportionate share of the New Jersey Public Employees Retirement System ("PERS") and the Teachers' Pension and Annuity Fund ("TPAF") and the additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they were reported by PERS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, the year-end pension liability is not required to be reflected. Pension related revenues and expenditures are reflected based on amounts that are normally expected to be liquidated with available financial resources for required pension contributions. Expenditures for PERS are recognized based upon billings made by the State of New Jersey due April 1st of each fiscal year. TPAF contributions are paid on the District's behalf by the State of New Jersey. The governmental fund financial statements reflect both a revenue and expense for this pension contribution.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the District has two items that qualify for reporting in this category, deferred amounts related to refunding bonds and to pensions.

Recently Adopted Accounting Pronouncements

Beginning with the year ended June 30, 2023, the District implemented GASB Statement 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. GASB Statement No. 96 defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding liability; provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosure regarding SBITAs.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Board considers petty cash, change funds, cash in banks and short term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a Banking Institution that is a member of the Federal Reserve System, and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Township of Union School District had the following cash and cash equivalents at June 30, 2023:

<u>Fund Type</u>	<u>Bank Balance</u>	<u>Reconciling Items:</u>		<u>Reconciled Balance</u>
		<u>Additions</u>	<u>Reductions</u>	
Governmental	\$25,163,394	\$340,592	\$10,952,251	\$14,551,735
Proprietary	1,536,600	5,460	910,297	631,764
	<u>\$26,699,994</u>	<u>\$346,052</u>	<u>\$11,862,548</u>	<u>\$15,183,499</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2023, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$501,044 was covered by Federal Depository Insurance and \$26,198,950 was covered under the provisions of NJGUDPA.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

The purchase of investments by the Board is strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type 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 which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
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 Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
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

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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;
 - 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. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

At June 30, 2023, the District had no outstanding investments.

Based upon the limitation set forth by New Jersey Statutes 18A:20-37 and its existing investment practices, the District is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risks for its deposits and investments.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 3: CHANGE IN CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfer/ Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 9,553,000	\$	\$	\$ 9,553,000
Construction in progress	7,644,431	2,190,756	(7,644,431)	2,190,756
Total capital assets that are not depreciated	<u>\$ 17,197,431</u>	<u>\$ 2,190,756</u>	<u>\$ (7,644,431)</u>	<u>\$ 11,743,756</u>
Capital assets being depreciated:				
Site improvements	\$ 4,184,217	\$ 63,848	\$	\$ 4,248,065
Building and building improvements	110,852,967	2,081,990	7,644,431	120,579,388
Machinery and equipment	18,338,306	1,815,714	(300,849)	19,853,170
Total capital assets being depreciated	<u>\$ 133,375,490</u>	<u>\$ 3,961,551</u>	<u>\$ 7,343,582</u>	<u>\$ 144,680,624</u>
Total gross assets	<u>\$ 150,572,921</u>	<u>\$ 6,152,307</u>	<u>\$ (300,849)</u>	<u>\$ 156,424,380</u>
Less: accumulated depreciation for:				
Site improvements	\$ (2,242,132)	\$ (186,901)	\$	\$ (2,429,032)
Building and building improvements	(35,749,522)	(3,295,946)		(39,045,468)
Machinery and equipment	(14,063,092)	(945,938)	259,010	(14,750,020)
	<u>\$ (52,054,745)</u>	<u>\$ (4,428,785)</u>	<u>\$ 259,010</u>	<u>\$ (56,224,521)</u>
Governmental activities capital assets, net	<u>\$ 98,518,176</u>	<u>\$ 1,723,522</u>	<u>\$ (41,839)</u>	<u>\$ 100,199,859</u>
Business type activities:				
Machinery and equipment	\$ 2,704,485	\$ 68,742	\$	\$ 2,773,227
Less: accumulated depreciation	(1,689,560)	(97,804)		(1,787,364)
Proprietary fund capital assets, net	<u>\$ 1,014,924</u>	<u>\$ (29,062)</u>	<u>\$</u>	<u>\$ 985,862</u>

Depreciation was charged to the following expense functions of the district:

Instruction:	
Regular	\$ 2,298,540
Special	213,910
Other	11,072
Support Services:	
Student and Instruction related services	103,191
General Administration	277,242
School Administration	348,545
Plant operations & maintenance	145,707
Transportation	950,860
Unallocated	79,718
Total Depreciation Expenses, Governmental Activities	<u>\$ 4,428,785</u>

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 4: LONG-TERM LIABILITIES

Bonds are issued by the District pursuant to the provisions of Title 18A, Education, of the New Jersey Statutes and are required to be approved by the voters of the municipality through referendum. The proceeds of bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond referendum. All bonds are retired in annual installments within the statutory period of usefulness.

School Bonds issued by the District are entitled to and benefit from the provision of the New Jersey School Board Reserve Act P.L. 1980 c.72. Basically, funds are held by the State of New Jersey within its State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payment of principal and interest due on such bonds in the event of the inability of the issuer to make payments.

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2023:

	Balance, <u>June 30, 2022</u> <u>(as restated)</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2023</u>	Due Within <u>One Year</u>
Bonds Payable	\$23,875,000		\$2,635,000	\$21,240,000	\$1,855,000
Premium	3,754,330		331,730	3,422,600	331,730
Net Pension Liability	20,349,477	\$8,005,494		28,354,971	
Compensated Absence	3,470,074		444,754	3,025,320	
SBITAs Payable	2,201,637	505,041	613,639	2,093,040	619,297
Installment Purchases Payable	718,270	1,095,708	450,306	1,363,672	325,467
Total	<u>\$54,368,788</u>	<u>\$9,606,243</u>	<u>\$4,475,428</u>	<u>\$59,499,603</u>	<u>\$3,131,493</u>

Installment Purchase Contracts Payable

The Board has entered into various installment purchase contracts for copier equipment, computer technology and school buses. The following is a schedule of the future minimum lease payments under installment purchase contracts, and the present value of the net minimum installment payments at June 30, 2023:

Fiscal Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$325,467	\$31,716	\$357,183
2025	269,957	24,485	294,443
2026	221,196	18,816	240,013
2027	226,150	13,863	240,013
2028	320,902	7,810	328,712
	<u>\$1,363,672</u>	<u>\$96,691</u>	<u>\$1,460,363</u>

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 4: LONG-TERM DEBT (CONTINUED)

Subscription-Based Information Technology Agreements Payable
("SBITAs")

For the year ended 6/30/2023, the financial statements include the following SBITAs:

On 07/01/2022, Township of Union Public Schools, NJ entered into a 45 month subscription for the use of BrainPOP School Subscription. An initial subscription liability was recorded in the amount of \$80,005. As of 06/30/2023, the value of the subscription liability is \$53,650. Township of Union Public Schools, NJ is required to make annual fixed payments of \$27,711. The subscription has an interest rate of 2.1940%.

On 07/01/2022, Township of Union Public Schools, NJ entered into a 36 month subscription for the use of Emath Platform - Algebra Membership. An initial subscription liability was recorded in the amount of \$36,528. As of 06/30/2023, the value of the subscription liability is \$24,128. Township of Union Public Schools, NJ is required to make annual fixed payments of \$12,400. The subscription has an interest rate of 1.8500%.

On 09/01/2022, Township of Union Public Schools, NJ entered into a 60 month subscription for the use of Google Workspace License. An initial subscription liability was recorded in the amount of \$92,575. As of 06/30/2023, the value of the subscription liability is \$73,375. Township of Union Public Schools, NJ is required to make annual fixed payments of \$19,200. The subscription has an interest rate of 1.8500%.

On 07/01/2022, Township of Union Public Schools, NJ entered into a 50 month subscription for the use of Imagine Language & Literacy Licenses. An initial subscription liability was recorded in the amount of \$130,661. As of 06/30/2023, the value of the subscription liability is \$97,438. Township of Union Public Schools, NJ is required to make annual fixed payments of \$33,915. The subscription has an interest rate of 2.1940%.

On 07/01/2022, Township of Union Public Schools, NJ entered into a 60 month subscription for the use of LinkIt Software Products. An initial subscription liability was recorded in the amount of \$719,648. As of 06/30/2023, the value of the subscription liability is \$572,998. Township of Union Public Schools, NJ is required to make annual fixed payments of \$157,150. The subscription has an interest rate of 2.3540%.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 4: LONG-TERM DEBT (CONTINUED)

Subscription-Based Information Technology Agreements Payable
("SBITAs") (Continued)

On 07/01/2022, Township of Union Public Schools, NJ entered into a 42 month subscription for the use of myPerspectives English Language Arts. An initial subscription liability was recorded in the amount of \$254,194. As of 06/30/2023, the value of the subscription liability is \$169,670. Township of Union Public Schools, NJ is required to make annual fixed payments of \$87,637. The subscription has an interest rate of 2.1940%.

On 09/01/2022, Township of Union Public Schools, NJ entered into a 34 month subscription for the use of SiLAS Software - 10 Schools. An initial subscription liability was recorded in the amount of \$73,646. As of 06/30/2023, the value of the subscription liability is \$48,646. Township of Union Public Schools, NJ is required to make annual fixed payments of \$25,000. The subscription has an interest rate of 1.8500%.

On 08/04/2022, Township of Union Public Schools, NJ entered into a 60 month subscription for the use of Sophos Cyber Security Software. An initial subscription liability was recorded in the amount of \$206,841. As of 06/30/2023, the value of the subscription liability is \$206,841. Township of Union Public Schools, NJ is required to make annual fixed payments of \$44,267. The subscription has an interest rate of 2.3540%.

On 07/01/2022, Township of Union Public Schools, NJ entered into a 36 month subscription for the use of Formative Licenses - Union HS. An initial subscription liability was recorded in the amount of \$10,163. As of 06/30/2023, the value of the subscription liability is \$6,713. Township of Union Public Schools, NJ is required to make annual fixed payments of \$3,450. The subscription has an interest rate of 1.8500%.

On 09/01/2022, Township of Union Public Schools, NJ entered into a 36 month subscription for the use of IXL Site License - Math. An initial subscription liability was recorded in the amount of \$27,102. As of 06/30/2023, the value of the subscription liability is \$17,902. Township of Union Public Schools, NJ is required to make annual fixed payments of \$9,200. The subscription has an interest rate of 1.8500%.

On 08/01/2022, Township of Union Public Schools, NJ entered into a 36 month subscription for the use of Kami District Plan License. An initial subscription liability was recorded in the amount of \$53,025. As of 06/30/2023, the value of the subscription liability is \$35,025. Township of Union Public Schools, NJ is required to make annual fixed payments of \$18,000. The subscription has an interest rate of 1.8500%.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 4: LONG-TERM DEBT (CONTINUED)

Subscription-Based Information Technology Agreements Payable
("SBITAs") (Continued)

On 07/24/2022, Township of Union Public Schools, NJ entered into a 36 month subscription for the use of Wixie Subscription. An initial subscription liability was recorded in the amount of \$15,466. As of 06/30/2023, the value of the subscription liability is \$10,216. Township of Union Public Schools, NJ is required to make annual fixed payments of \$5,250. The subscription has an interest rate of 1.8500%.

On 07/01/2022, Township of Union Public Schools, NJ entered into a 60 month subscription for the use of TLC - Library Solutions Software. An initial subscription liability was recorded in the amount of \$69,403. As of 06/30/2023, the value of the subscription liability is \$56,033. Township of Union Public Schools, NJ is required to make annual fixed payments of \$14,662. The subscription has an interest rate of 1.8500%.

On 07/01/2022, Township of Union Public Schools, NJ entered into a 38 month subscription for the use of Cisco Security Software. An initial subscription liability was recorded in the amount of \$95,147. As of 06/30/2023, the value of the subscription liability is \$63,042. Township of Union Public Schools, NJ is required to make annual fixed payments of \$32,562. The subscription has an interest rate of 2.1940%.

On 07/01/2022, Township of Union Public Schools, NJ entered into a 72 month subscription for the use of Cisco System Software. An initial subscription liability was recorded in the amount of \$606,557. As of 06/30/2023, the value of the subscription liability is \$501,727. Township of Union Public Schools, NJ is required to make annual fixed payments of \$107,630. The subscription has an interest rate of 2.1940%.

On 07/01/2022, Township of Union Public Schools, NJ entered into a 36 month subscription for the use of Intensified Algebra. An initial subscription liability was recorded in the amount of \$33,426. As of 06/30/2023, the value of the subscription liability is \$22,079. Township of Union Public Schools, NJ is required to make annual fixed payments of \$11,347. The subscription has an interest rate of 1.8503%.

On 07/01/2022, Township of Union Public Schools, NJ entered into a 34 month subscription for the use of PLTW Participation. An initial subscription liability was recorded in the amount of \$15,859. As of 06/30/2023, the value of the subscription liability is \$10,507. Township of Union Public Schools, NJ is required to make annual fixed payments of \$5,400. The subscription has an interest rate of 1.8503%.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 4: LONG-TERM DEBT (CONTINUED)

Subscription-Based Information Technology Agreements Payable
("SBITAs") (Continued)

On 12/05/2022, Township of Union Public Schools, NJ entered into a 36 month subscription for the use of Gizmos Science Department Licenses. An initial subscription liability was recorded in the amount of \$21,362. As of 06/30/2023, the value of the subscription liability is \$14,012. Township of Union Public Schools, NJ is required to make annual fixed payments of \$7,350. The subscription has an interest rate of 3.2540%.

On 07/01/2022, Township of Union Public Schools, NJ entered into a 36 month subscription for the use of Nearpod Licenses. An initial subscription liability was recorded in the amount of \$150,046. As of 06/30/2023, the value of the subscription liability is \$99,111. Township of Union Public Schools, NJ is required to make annual fixed payments of \$50,935. The subscription has an interest rate of 1.8500%.

On 07/28/2022, Township of Union Public Schools, NJ entered into a 36 month subscription for the use of Zoom Education Meeting. An initial subscription liability was recorded in the amount of \$15,024. As of 06/30/2023, the value of the subscription liability is \$9,924. Township of Union Public Schools, NJ is required to make annual fixed payments of \$5,100. The subscription has an interest rate of 1.8500%.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2023, were as follows:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$619,297	\$45,570	\$664,867
2025	635,116	32,550	667,667
2026	357,963	18,861	376,824
2027	332,095	10,814	342,909
2028	148,568	3,329	151,897
	<u>\$2,093,040</u>	<u>\$111,124</u>	<u>\$2,204,164</u>

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 4: LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of June 30, 2023, including interest payments on issued debt, are as follows:

Fiscal Year <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,855,000	\$ 908,700	\$ 2,763,700
2025	1,930,000	822,350	2,752,350
2026	1,910,000	733,750	2,643,750
2027	1,885,000	648,100	2,533,100
2028	1,920,000	561,850	2,481,850
2029-2033	5,780,000	1,772,800	7,552,800
2034-2038	4,125,000	796,900	4,921,900
2039-2041	1,835,000	113,100	1,948,100
	<u>\$ 21,240,000</u>	<u>\$ 6,357,550</u>	<u>\$ 27,597,550</u>

<u>Issue</u>	<u>Amount Outstanding June 30, 2023</u>
\$3,795,000 of 2020 Refunding bonds due in remaining annual installments of \$325,000 to \$370,000 through January 2032 at an interest rates of 4%	\$3,175,000
\$7,555,000 of 2020 ESIP Refunding bonds due in remaining annual installments of \$215,000 to \$650,000 through August 2040 at an interest rates of 4%	7,060,000
\$5,035,000 of 2021 ESIP Refunding bonds due in remaining annual installments of \$210,000 to \$480,000 through April 2037 at an interest rates of 4%	4,665,000
\$7,450,000 of 2021 Refunding bonds due in remaining annual installments of \$1,010,000 to \$1,105,000 through January 2029 at an interest rates of 5%	<u>6,340,000</u>
	<u>\$ 21,240,000</u>

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 4: LONG-TERM DEBT (CONTINUED)

Under New Jersey Statutes the District may incur debt in an amount not to exceed 4% of the averaged equalized valuation basis of real property. For the fiscal year ended June 30, 2023, the District borrowing capacity under N.J.S. 18A:24-19 would be as follows:

<u>Year</u>	<u>Equalized Valuation of Real Property</u>
2022	\$ 9,750,668,856
2021	8,238,653,207
2020	7,324,779,887
	<u>\$ 25,314,101,950</u>
Average equalized valuation	<u>\$ 8,438,033,983</u>
School borrowing margin (4% of average equalized value)	\$ 337,521,359
Net school debt as of June 30, 2023	<u>21,240,000</u>
School borrowing power available	<u>\$ 316,281,359</u>

NOTE 5: INTANGIBLE ASSETS

The District has recorded the following intangible assets. The assets are for various subscription-based information technology arrangements ("SBITAs"). These agreements are discussed in the SBITAs subsection of the Long-term Debt note. The intangible assets are amortized on a straight-line basis over the terms of the related agreement. Intangible asset activity for the Governmental Funds for the year ended June 30, 2023 was as follows:

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 5: INTANGIBLE ASSETS (CONTINUED)

GOVERNMENTAL ACTIVITIES:

	<u>Balance as of</u> July 1, 2022 <u>(As Restated)</u>	<u>Additions</u>	<u>Balance as of</u> June 30, 2023
Subscription Assets			
Software			
BrainPOP School Subscription	\$80,005		\$80,005
Nearpod Licenses	150,046		150,046
Emath Platform - Algebra Membership	36,528		36,528
Google Workspace License		\$92,575	92,575
Imagine Language & Literacy Licenses	130,661		130,661
LinkIt Software Products	719,648		719,648
MyPerspectives English Language Arts	254,194		254,194
SiLAS Software - 10 Schools		92,146	92,146
Sophos Cyber Security Software		209,091	209,091
Formative Licenses - Union HS	10,163		10,163
Gizmos Science Department Licenses		21,362	21,362
IXL Site License - Math		27,102	27,102
Kami District Plan License		53,025	53,025
Zoom Education Meeting		15,024	15,024
Wixie Subscription		15,466	15,466
TLC - Library Solutions Software	69,403		69,403
Cisco Security Software	95,147		95,147
Cisco System Software	606,557		606,557
Intensified Algebra	33,426		33,426
PLTW Participation	15,859		15,859
Total Software Subscription Assets	<u>2,201,637</u>	<u>525,791</u>	<u>2,727,428</u>
 Total Subscription Assets	 <u>\$2,201,637</u>	 <u>\$525,791</u>	 <u>\$2,727,428</u>

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 5: INTANGIBLE ASSETS (CONTINUED)

GOVERNMENTAL ACTIVITIES:

	<u>Balance as of</u> July 1, 2022 <u>(As Restated)</u>	<u>Additions</u>	<u>Balance as of</u> June 30, 2023
Subscription Accumulated Amortization			
Software			
BrainPOP School Subscription		\$21,209	\$21,209
Nearpod Licenses		50,015	50,015
Emath Platform - Algebra Membership		12,176	12,176
Google Workspace License		15,429	15,429
Imagine Language & Literacy Licenses		30,804	30,804
LinkIt Software Products		143,930	143,930
myPerspectives English Language Arts		71,436	71,436
SiLAS Software - 10 Schools		27,102	27,102
Sophos Cyber Security Software		37,985	37,985
Formative Licenses - Union HS		3,388	3,388
Gizmos Science Department Licenses		4,075	4,075
IXL Site License - Math		7,528	7,528
Kami District Plan License		16,202	16,202
Zoom Education Meeting		4,632	4,632
Wixie Subscription		4,826	4,826
TLC - Library Solutions Software		13,881	13,881
Cisco Security Software		29,554	29,554
Cisco System Software		101,093	101,093
Intensified Algebra		11,142	11,142
PLTW Participation		5,495	5,495
Total Software Subscription		611,901	611,901
Accumulated Amortization		611,901	611,901
Total Subscription Accumulated Amortization		611,901	611,901
Total Governmental Subscription Assets, Net	\$2,201,637	(\$86,110)	\$2,115,527

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 6: PENSION PLANS

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

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

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

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 6: PENSION PLANS (CONTINUED)

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Vesting and Benefit Provisions The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 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.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 6: PENSION PLANS (CONTINUED)

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of TPAF (*i.e.*, the State of new Jersey makes the employer contribution on behalf of public school districts.

PERS Contribution Requirements

<u>Three Year Trend Information for PERS</u>			
<u>Year Ended</u>	<u>Annual Pension</u>	<u>Percentage of</u>	<u>Net Pension</u>
<u>June 30,</u>	<u>Cost (APC)</u>	<u>APC Contributed</u>	<u>Obligation</u>
2023	\$2,739,658	100.00%	\$2,739,658
2022	2,011,700	100.00%	2,011,700
2021	2,145,990	100.00%	2,145,990

During the fiscal years ended June 30, 2023, 2022 and 2021, the State of New Jersey contributed \$20,623,678, \$21,840,546 and \$15,049,054, respectively to the TPAF pension system on behalf of the District.

In accordance with N.J.S.9. 18A:66-66 during the years ended June 30, 2023, 2022 and 2021, the State of New Jersey reimbursed the District \$4,393,822, \$4,029,170 and \$4,090,974, respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$28,354,971.00 for the District's proportionate share of the total net pension liability. The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. 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 employers, actuarially determined. At June 30, 2022, the District's proportion was 0.1878885624 percent, which was an increase of 0.0161122726 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized a pension benefit of \$1,646,587.00 in the government-wide financial statements. This pension benefit was based on the pension plan's June 30, 2022 measurement date.

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

	<u>Deferred</u> <u>Outflow of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflow of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 204,653.00	\$ 180,475.00
Changes of assumptions	87,853.00	4,245,862.00
Net difference between projected and actual earnings on pension plan investments	1,173,587.00	
Changes in proportion and differences between District contributions and proportionate share of contributions	3,096,959.00	1,110,638.00
District contributions subsequent to the measurement date	<u>2,739,658.00</u>	
	<u>\$ 7,302,710.00</u>	<u>\$ 5,536,975.00</u>

The \$2,739,658.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e., for the school year ending June 30, 2023, the plan measurement date is June 30, 2022) will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2023	(\$2,034,996.80)
2024	(841,890.80)
2025	(207,047.80)
2026	1,715,644.20
2027	394,368.20
	<u>(\$973,923.00)</u>

Actuarial Assumptions

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	
Through 2026	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.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major assets class included in PERS's target assets allocation as of June 30, 2022 asset are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasury's	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

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

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

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

	June 30, 2022		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
District's proportionate share of the pension liability	\$36,427,831.00	\$28,354,971.00	\$21,484,641.00

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 by visiting <http://www.state.nj.us/treasury/pensions>.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF)

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.

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2023 was as follows:

Net Pension Liability:	
Districts proportionate share	-0-
State's proportionate share associated with the District	<u>\$269,921,272</u>
	<u>\$269,921,272</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 which was rolled forward to June 30, 2022. The net pension liability associated with the District 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 school districts and the State, actuarially determined. At June 30, 2022, the proportion of the TPAF net pension liability associated with the District was .5231598578% which was an increase of .0054549692 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2023, the District recognized on-behalf pension expense and revenue of \$7,264,336 in the government-wide financial statements for contributions provided by the State. This pension expense and revenue was based on the pension plans June 30, 2022 measurement date.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

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

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases	1.55%-5.65%
	Based on Years of Service
Investment Rate of Return	7.00%

Mortality Rate

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 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return (Continued)

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.19%
Real Assets	3.00%	7.60%
Real Estate	8.00%	11.19%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate

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

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Teachers Public and Annuity Fund (TPAF). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 by visiting <http://www.state.nj.us/treasury/pensions>

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS – GASB 75

Plan Description and Benefits Provided

The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan, with that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefit 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. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. 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 or more years 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.

Employees Covered by Benefit Terms

The State Health Benefit Local Education Retired Employees Plan Membership covered by the benefit terms consisted of the following:

Active Plan Members	213,148
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	151,669
Inactive Plan Members or Beneficiaries Not Yet Receiving Benefits	<u>- 0 -</u>
Total Plan Members	<u>364,817</u>

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Total Non-Employer OPEB Liability

The portion of the total Non-Employer OPEB Liability that was associated with the District at June 30, 2023 was as follows:

Total OPEB Liability:	
District's Proportionate Share	\$-0-
State's Proportionate Share associated with the District	<u>247,127,951</u>
	<u>\$247,127,951</u>

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

The total Non-Employer OPEB liability was determined separately based on actual data of the District.

For the year ended June 30, 2023, the District recognized on-behalf post-employment expense and revenue of \$8,343,309.00 in the government-wide financial statements for contributions provided by the State. This expense and revenue was based on the plans June 30, 2022 measurement date.

At June 30, 2023, the District's proportion was .4879471073 percent, which was a decrease of .0006360904 from its proportion measured as of June 30, 2022.

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS, TPAF/ABP and PFRS participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Consequently, the District did not recognize any portion of the collective Non-Employer OPEB liability on the Statement of Net Position.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs

The total Non-Employer OPEB liability that was associated with the District as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>June 30, 2022</u>		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Inflation – 2.5%			
Salary Increases	2.75-4.25%*	2.75-6.55%*	3.25-16.25%*

*- Based on Years of Service

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

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

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Health Care Trend Assumptions

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

Discount Rate

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

Changes in the Total Non-Employer OPEB Liability

Shown below are details regarding the total OPEB non-employer Liability associated with the District for the measurement period from June 30, 2021 to June 30, 2022:

Balance at 6/30/21		\$293,187,300
Changes for the year:		
Service cost	\$13,400,776	
Interest	6,549,163	
Changes of Benefit Terms		
Differences between expected and actual experience	6,564,031	
Changes in assumptions or other inputs	(66,294,290)	
Membership Contributions	208,111	
Benefit payments - Net	(6,487,140)	
Net changes		(46,059,349)
Balance at 6/30/22		\$247,127,951

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate

The following presents the total Non-Employer OPEB liability associated with the District as of June 30, 2022, calculated using the discount rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2022		
	1.00% Decrease (2.54%)	At Discount Rate (3.54%)	1.00% Increase (4.54%)
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the District	\$290,472,911	\$247,127,951	\$212,389,133

Sensitivity of the Total Non-Employer OPEB Liability to Changes in Healthcare Trends

The following presents the total Non-Employer OPEB liability associated with the District as of June 30, 2022, calculated using the healthcare trend rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2022		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the District	\$204,266,357	\$247,127,951	\$303,429,258

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Non-Employer OPEB Liability

At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's Non-Employer OPEB Liability associated with the District from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 44,122,142	\$ 75,451,021
Changes of assumptions	42,771,592	84,108,854
Changes in proportion	<u>4,034,050</u>	<u>646,828</u>
	\$ <u>90,927,784</u>	\$ <u>160,206,703</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total Non-Employer OPEB Liability associated with the District will be recognized in OPEB expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Amount</u>
2023	(\$11,604,924)
2024	(\$11,604,924)
2025	(\$11,604,924)
2026	(\$9,937,600)
2027	(\$5,392,380)
Total	
Thereafter	<u>(\$19,134,169)</u>
	<u>(\$69,278,919)</u>

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Non-Employer OPEB Liability (Continued)

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero. There is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources in the financial statements.

State Health Benefit Local Education Retired Employee Plan Information

The New Jersey Division of Pension and Benefits issues publicly available reports on the OPEB plan. Those reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295 or on their website at:

<http://www.state.nj.us/treasury/pensions/gasb-notice-opeb.shtml>

NOTE 9: LITIGATION

The Board attorney's letter advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the Board of Education and which might materially affect the Board's financial position.

NOTE 10: CONTINGENCIES

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2022-2023 fiscal year were subject to the Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$750,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District maintains commercial coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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. Charges are applied to the Unemployment Compensation Claims Payable first and any remaining charges are applied to the Unemployment Compensation budget appropriation. The following table is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's Unemployment Compensation Claims Payable and Unemployment Restricted Fund Balance for the current and previous two years:

<u>Year</u> <u>Ended</u> <u>June 30,</u>	<u>Interest and</u> <u>Employer</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2023	\$5,072	\$133,109	\$191,601	\$1,501,966
2022	5,369	119,739		1,555,387
2021	10,245	111,813	81,862	1,430,279

NOTE 12: FUND BALANCE APPROPRIATED

General Fund - Of the \$11,673,341 in General Fund Balance at June 30, 2023, \$771,524 has been assigned for year-end encumbrances; \$3,022,982 is assigned- designated for subsequent years expenditures; \$45,996 is SEMI/FFCRA designated for subsequent years expenditures; \$1,374,340 has been restricted in the Capital Reserve Account; \$950,000 has been restricted as maintenance reserve; \$725,000 has been restricted as Emergency Reserve; \$1,400,523 has been restricted for unemployment claims; \$931,022 has been restricted as excess surplus resulting from the year ended June 30, 2022; \$1,970 has been restricted as excess surplus resulting from the year ended June 30, 2023 and \$2,449,984 is unassigned.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 13: CALCULATION OF EXCESS SURPLUS- BUDGETARY BASIS

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 reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. Based on the calculation, the Union School District has \$1,970 excess fund balance resulting from the year ended June 30, 2023.

General Fund Expenditures Fiscal Year Ended June 30, 2023	\$177,565,585
Add:	
Transfer from General Fund to SRF for PreK	425,251
Less:	
On-behalf TPAF Pension and Social Security Reimbursement and assets acquired under installment purchases	31,900,469
Adjusted General Fund Expenditures	146,090,367
Excess Surplus Percentage	2.00%
2% of Adjusted 2022-23 General Fund Expenditures	2,921,807
Add: Allowable Adjustments	3,332,194
Maximum Unreserved/Undesignated Fund Balance	6,254,001
Actual Unassigned/Undesignated Fund Balance	6,255,971
Excess Surplus	\$1,970

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 14: CAPITAL RESERVE ACCOUNT

A capital reserve account was originally established by the Township of Union School District by inclusion of \$1,401,000 in the 2000-2001 school year, 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. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP. The activity of the capital reserve for the year ending June 30, 2023 is as follows:

Balance, June 30, 2022	\$1,366,201
Deposits:	
Interest Earnings	<u>8,139</u>
Balance, June 30, 2023	<u><u>\$1,374,340</u></u>

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 15: MAINTENANCE RESERVE

In accordance with N.J.S.A. 18A:7G-13, a Maintenance reserve account was established by the District. The Maintenance reserve account is maintained in the general fund.

A district board of education or board of school estimate, as appropriate, may increase the balance in the maintenance reserve account by appropriating funds in the annual general fund budget certified for taxes.

A district board of education or board of school estimate, as appropriate, may by resolution withdraw such funds from the maintenance reserve account and appropriate into the required maintenance account lines at budget time or any time during the year for use on required maintenance activities for a school facility as reported in the comprehensive maintenance plan pursuant to N.J.A.C. 6A:26A-4.

The district board of education shall ensure that the maintenance reserve account balance does not, at any time, exceed four percent of the replacement cost of the school district's school facilities for the current year. If the account exceeds this maximum amount at June 30, the district board of education shall reserve and designate such excess in the subsequent year's budget.

The activity of the maintenance reserve for the year ending June 30, 2023 is as follows:

Balance, June 30, 2022	
and June 30, 2023	<u><u>\$950,000</u></u>

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 16: EMERGENCY RESERVE

An emergency reserve was established by the Township of Union School District for the accumulation of funds for use as emergency expenditures in subsequent fiscal years. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget. The emergency reserve account is used to fund unanticipated general fund current expense costs and may be established to supplement the reserve in the district's annual budget or through a transfer by board resolution at year end of any unanticipated revenue and unexpended line item appropriation amounts in accordance with N.J.S.A. 18A:7F-41.

The activity of the emergency reserve for the year ending June 30, 2023 is as follows:

Balance June 30, 2022 and 2023	<u>\$725,000</u>
--------------------------------	------------------

NOTE 17: DEFERRED COMPENSATION

The District offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans 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. Since the District does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2023.

NOTE 18: INVENTORY

Inventory in the Food Service Fund at June 30, 2023 consisted of the following:

Food and Supplies	<u>\$38,643</u>
-------------------	-----------------

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Act amendments of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 19: DEFICIT FUND BALANCES

The District has a deficit fund balance of \$587,121 in the Special Revenue Fund as of June 30, 2023 as reported in the fund statements (modified accrual basis).

N.J.S.A 18A:22-44.2 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, in the current budget year. The statute 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, expenditures, 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 payment in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the fund balance deficits in the General and Special Revenue Funds do not alone indicate that the District is facing financial difficulties. Pursuant to P.L. 2003, c.97, any negative unreserved, undesignated general fund balance that is reported as a direct result from the delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action.

NOTE 20: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2023:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$63,117	\$771,268
Special Revenue Fund	506,556	
Capital Projects Fund		63,117
Enterprise Funds	264,712	
	\$834,385	\$834,385

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received.

Township of Union School District
Notes to the Financial Statements
June 30, 2023

NOTE 21: TAX ABATEMENT

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district. The District has identified tax abatement agreements that have been entered into that require disclosure under this statement. It is important to note that the District Tax Levy is guaranteed to be paid in full by the municipalities and that the District collected its full tax levy for Fiscal Year 2023.

NOTE 22: SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the financial statement date through January 22, 2024 which is the date the financial statements were available to be issued. Based upon this evaluation, the District has determined that no subsequent events needed to be disclosed.

NOTE 23: PRIOR PERIOD ADJUSTMENTS

As of July 1, 2022 the District implemented GASB Statement No. 96 Subscription-Based Information Technology Agreements. The District restated the balance of the accounts indicated below to appropriately reflect the June 30, 2022 balances as follows:

District-Wide Financial Statements:

	<u>Governmental Activities</u>	
	<u>Balance 06/30/2022</u>	<u>Balance 06/30/2022</u> <u>(As Restated)</u>
Assets:		
Intangible Assets		\$2,201,637
Liabilities:		
Noncurrent liabilities		\$2,201,637

REQUIRED SUPPLEMENTARY INFORMATION – Part II