

SCHOOL DISTRICT

OF

HIGHLANDS

**Highlands Board of Education
Highlands, New Jersey**

**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022**

HIGHLANDS SCHOOL DISTRICT

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INTRODUCTORY SECTION

HIGHLANDS BOARD OF EDUCATION

HIGHLANDS ELEMENTARY SCHOOL

360 NAVESINK AVENUE

HIGHLANDS, NEW JERSEY

07732-1323

Christopher J. Mullins
School Business Administrator/
Board Secretary

(732) 872-9228
Fax (732) 872-0432

March 3, 2023

The Honorable President and Members
of the Board of Education
Highlands School District
County of Monmouth
Highlands, New Jersey

Dear Board Members:

The Annual Comprehensive Financial Report (ACFR) of the Highlands School District (District) for the fiscal year ended June 30, 2022, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Annual Comprehensive Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section begins with the Independent Auditor's 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. Information related to the 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.

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

1) REPORTING ENTITY AND ITS SERVICES:

Highlands School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Highlands Board of Education and its elementary school constitute the District's reporting entity.

The District completed the 2021-2022 fiscal year with an average enrollment of 178 students (both regular and special education), which is an increase over the previous year's enrollment.

2) ECONOMIC CONDITION:

The Borough of Highlands is located in Monmouth County on the Shrewsbury River at the easterly tip of Central New Jersey encompassing .67 square miles. Highlands offers magnificent views of the Atlantic Ocean, Sandy Hook, New York City, New York Harbor, and the Verrazano Narrows Bridge. The borough is situated along the waterfront and is comprised mainly of marinas, restaurants, residences and seasonal homes. The mountainous areas contain mostly residences, condominiums and hotels. Highlands most historic site is the Twin Lights, built in 1862.

3) INTERNAL ACCOUNTING CONTROLS:

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

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

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

4) BUDGETARY CONTROLS:

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

An encumbrances 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 at June 30, 2022.

5) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

6) CASH MANAGEMENT:

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

7) RISK MANAGEMENT:

The Board carries various forms of insurance, including general liability, school board legal liability, excess umbrella liability, hazard and theft insurance on property and contents, workers compensation insurance, and fidelity bonds. Student accident insurance during school hours only and secondary to parents' primary insurance is also carried.

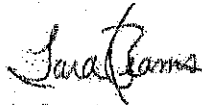
8) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Alvino & Shechter L.L.C., CPA's, was selected by the Board's audit committee. 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, OMB Circular Uniform Guidance and the New Jersey OMB Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*". The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

9) ACKNOWLEDGMENTS:

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

Respectfully submitted,



**Dr. Tara Beams
Superintendent**



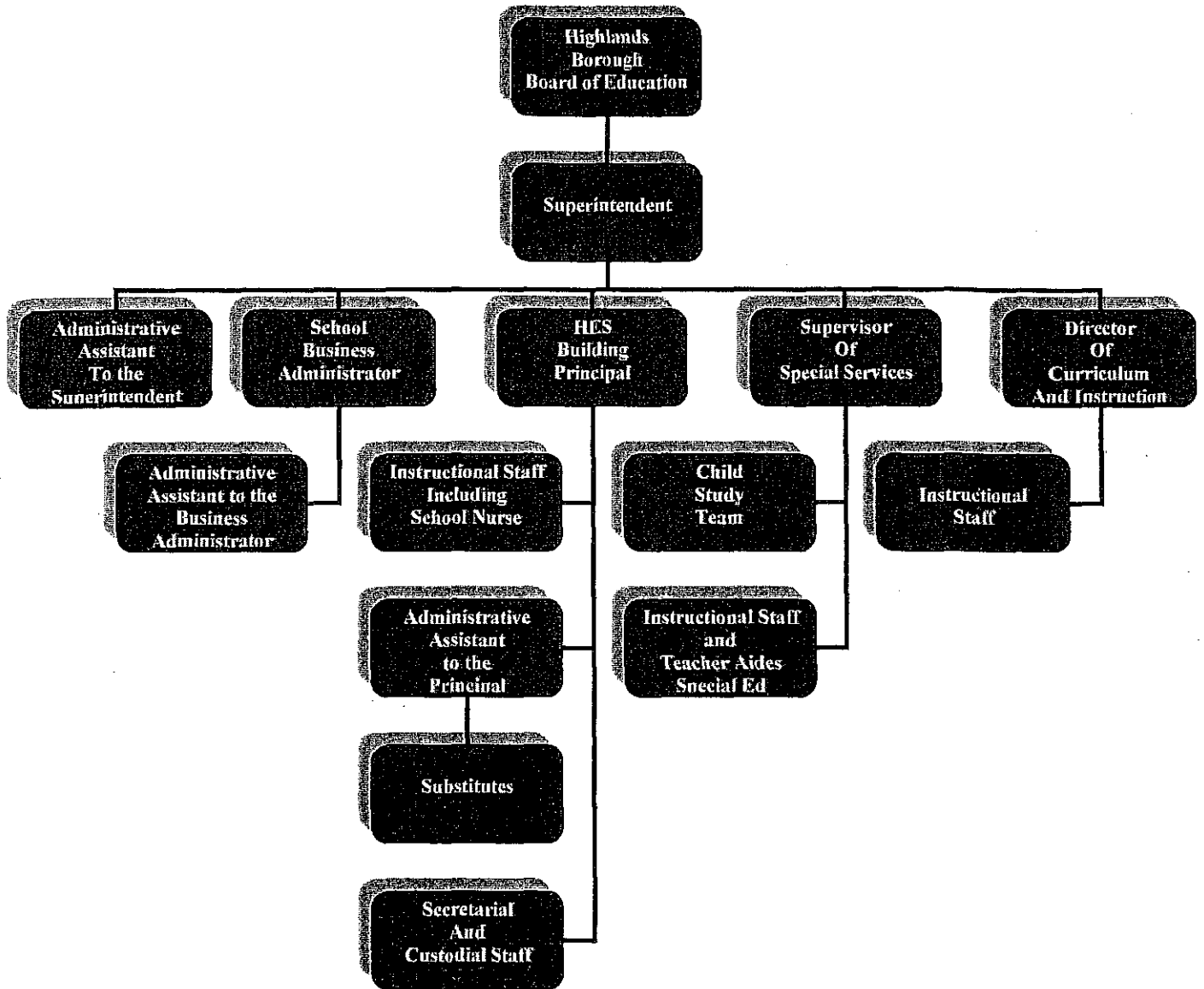
**Christopher J. Mullins
School Business
Administrator/Board Secretary**



HIGHLANDS ELEMENTARY SCHOOL

360 NAVESINK AVENUE, HIGHLANDS, NEW JERSEY 07732-1323
TELEPHONE: (732) 872-1478 FAX: (732)872-0973

Organizational Chart 2021-2022



**HIGHLANDS SCHOOL DISTRICT
Highlands, New Jersey**

**ROSTER OF OFFICIALS
JUNE 30, 2022**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Diane Knox, President	2022
Robyn Sanfratello, Vice President	2024
Serena Jerinski	2022
Nancy Messina	2022
Regina Melnyk	2024
Rebecca Kane-Wells	2023
Irene Campbell	2024

Other Officials

Dr. Tara Beams - Superintendent (Tri District Shared Service Agreement - Henry Hudson Regional/Atlantic Highlands)

Christopher J. Mullins - School Business Administrator/Board Secretary

Michael J. Gross, Esq. - Solicitor

HIGHLANDS SCHOOL DISTRICT

CONSULTANTS AND ADVISORS

AUDIT FIRM

Allen B. Shechter, CPA, RMA, PSA
Alvino & Shechter, L.L.C.
110 Fortunato Place
Neptune, NJ 07753

ATTORNEY

Kenney, Gross, Kovats and Parton
P.O. Box 8610
Red Bank, NJ 07710

OFFICIAL DEPOSITORIES

Bank of America
950 Highway 36
Leonardo, NJ 07737

Two Rivers Community Bank
2347 Route 36
Atlantic Highlands, NJ 07716

Valley National Bank
301 Shore Drive
Highlands, NJ 07732

FINANCIAL SECTION

ALVINO & SHECHTER, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

110 Fortunato Place

Neptune, New Jersey 07753-3767

VINCENT J. ALVINO, CPA, PSA
ALLEN B. SHECHTER, CPA, RMA, PSA

Phone: (732) 922-4222
Fax: (732) 922-4533

Member

American Institute of Certified Public Accountants
New Jersey Society of Certified Public Accountants
PCPS of the AICPA Division of CPA Firms

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Highlands School District
County of Monmouth
Highlands, New Jersey

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Highlands School District (the "District") in the County of Monmouth, State of New Jersey, as of and for the year ended June 30, 2022, 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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position 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 the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2022 the District adopted GASB Statement No. 87, *Leases*. Our opinion is 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, *Government Auditing Standards*, and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, 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, *Government Auditing Standards*, and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules related to accounting and reporting for pensions and other post employment benefits, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*", are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Allen B. Shechter
Licensed Public School Accountant No. 2183
Certified Public Accountant

March 3, 2023
Neptune, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

**HIGHLANDS SCHOOL DISTRICT
HIGHLANDS, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(Unaudited)

The discussion and analysis of the Highlands School District's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2021-2022) and the prior year (2020-2021) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the 2021-2022 fiscal year are as follows:

In total, net position increased \$788,865 which represents a 25.73% increase from 2021.

General revenues were \$4,748,642 which represent 74.91% of revenues for the year. Program specific revenues in the form of charges for services, operating and capital grants and contributions accounted for \$1,590,436 or 25.09% of total revenues of \$6,339,078.

The School District had \$5,540,214 in expenses, only \$1,590,436 were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and State Formula Aid) of \$4,748,642 were adequate to provide for these programs.

The General Fund has \$5,840,816 in revenues and \$5,349,508 in expenditures and other financing uses. The General Fund's balance increased \$491,308 over 2021.

Using this Annual Comprehensive Financial Report (ACFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Highlands School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at the specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Highlands School District, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2021-2022 fiscal year?" The *Statement of Net Position and the Statement of Activities* helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those positions. This change in net position is important because it tells the reader that, for the school district as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the *Statement of Net Position and the Statement of Activities*, the School District is divided into two distinct kinds of activities:

Governmental Activities - All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Business-Type Activities - This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 18. Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transactions. The School District's governmental funds are the General Fund, Special Revenue Fund and Debt Service Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which 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, which 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 School District's general government operations and the basic services it provides. Governmental fund information helps the reader 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 *Statement of Net Position and the Statement of Activities*) and the governmental funds is reconciled in the financial statements.

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, those statements are essentially the same.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-Wide and fund financial statements. The notes to the financial statements can be found on pages 24 to 51 of this report.

The School District as a Whole

Recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Net Position may serve over time as a useful indicator of a government's financial position.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the School District's net position for 2022 and 2021.

Table 1
Net Position

	<u>2022</u>	<u>2021</u>
Assets		
Current and Other Assets	2,955,085	2,433,781
Capital & Leased Assets, Net	<u>2,055,184</u>	<u>1,875,348</u>
Total Assets	<u>\$5,010,269</u>	<u>\$4,309,129</u>
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	\$ <u>152,404</u>	\$ <u>241,872</u>
Liabilities		
Current Liabilities	227,065	226,913
Long-Term Liabilities	<u>611,915</u>	<u>865,512</u>
Total Liabilities	<u>\$ 838,980</u>	<u>\$1,092,425</u>
Deferred Inflows of Resources		
Deferred Commodities Revenue	1,111	1,032
Deferred Outflows Related to Pensions	<u>419,024</u>	<u>352,851</u>
Total Deferred Inflows of Resources	<u>420,135</u>	<u>353,883</u>
Net Position		
Investment in Capital & Leased Assets, Net of Related Debt	2,017,919	1,875,348
Restricted	2,084,717	1,657,322
Unrestricted	<u>(199,078)</u>	<u>(427,977)</u>
Total Net Position	<u>\$3,903,558</u>	<u>\$3,104,693</u>

Table 2 shows the changes in net position for fiscal year 2022 and 2021.

Table 2
Changes in Net Position

	<u>2022</u>	<u>2021</u>
Revenues		
Program Revenues:		
Charge for Services	29,337	15,828
Operating Grants and Contributions	1,561,099	1,952,627
Capital Grants and Contributions	0	0
General Revenues:		
Property Taxes	4,199,577	4,117,232
State Formula Aid	442,747	513,179
Other	<u>106,318</u>	<u>1,196</u>
Total Revenues	<u>\$6,339,078</u>	<u>\$6,600,062</u>
 Program Expenses		
Instruction	3,053,134	3,507,663
Student Support Services	2,338,592	2,470,181
Food Service	148,487	99,569
Other	<u>0</u>	<u>0</u>
Total Expenses	<u>\$5,540,213</u>	<u>\$6,077,413</u>
Increase (Decrease) in Net Position	<u>\$ 798,865</u>	<u>\$ 522,649</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to annually seek voter approval for the School District operations. Effective January 17, 2012, P.L. 2011 c.202 eliminated the annual voter referendum on budgets which meet the statutory tax levy cap limitations. Property taxes made up 66.25% of revenues for governmental activities for the Highlands School District for the fiscal year 2022. Federal and state grants accounted for another 31.61% of revenues.

Program expenses include instruction that comprise 55.11% of the total expenses. Support services comprise 42.21 % of total expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services for the year ended June 30, 2022. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3

	<u>Total Cost of Services 2022</u>	<u>Net Cost of Services 2022</u>	<u>Total Cost of Services 2021</u>	<u>Net Cost of Services 2021</u>
Instruction	3,053,134	2,114,102	3,507,663	2,207,173
Support Services:				
Pupil and Instructional Staff	1,425,746	1,012,966	1,581,040	1,113,414
Administration	364,451	318,835	408,604	331,204
Operation & Maintenance of Facilities	446,784	424,304	366,758	340,959
Pupil Transportation	<u>101,611</u>	<u>101,611</u>	<u>113,779</u>	<u>112,853</u>
Total Expenses	<u>\$5,391,726</u>	<u>\$3,971,818</u>	<u>\$5,977,844</u>	<u>\$4,105,603</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Pupil and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

Administration includes expenses associated with administrative and financial supervision of the district.

Operation & Maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

The School District's Fund

Information about the School District's governmental funds start on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$6,457,540 and expenditures of \$5,966,599.

At the end of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$2,666,915. Of this fund balance, \$193,275 is unassigned which is available for spending at the Board's discretion. The remainder of fund balance is restricted or assigned to indicate that it is not available for spending because it has already been committed (1) for capital reserve \$900,746, (2) for maintenance reserve \$186,546, (3) for excess surplus \$491,091, (4) for excess surplus designated for subsequent year's expenditures \$491,110, (5) for year-end encumbrances \$388,923, (6) for student activities \$15,224. Unassigned general fund balance represents 4.30% of total general fund expenditures.

General Fund Budgeting Highlights

The School District's budget is prepared according to the law of the State of New Jersey, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrance. The most significant budgeted fund is the General Fund.

During the course of the fiscal 2022 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems designed to tightly control total program budgets but provide flexibility for program management. Revisions in the budget were made to recognize revenues and expenditures that were not anticipated and to prevent over expenditures in specific expense accounts.

Capital & Leased Assets

At the end of the fiscal 2022 year, the School District has \$4,249,874 invested in buildings, furniture and equipment. Table 4 shows fiscal 2022 and 2021 balances.

Table 4
Capital & Leased Assets (Net Amortization & Depreciation) at June 30

	<u>2022</u>	<u>2021</u>
Land	174,413	174,413
Site Improvements	7,534	8,020
Buildings and Improvements	1,793,170	1,629,556
Machinery and Equipment	39,871	47,208
Leased Equipment	<u>40,196</u>	<u>5,371</u>
Totals	<u>\$2,055,184</u>	<u>\$1,864,568</u>

Debt Administration

At June 30, 2022, the School District had \$622,467 as outstanding debt. This amount consisted of compensated absences \$49,860, lease obligations \$41,439 and pension liability \$531,168.

For the Future

The Highlands School District is in good financial condition presently. The School District is proud of its community support of the public schools. A major concern is future enrollment growth of the District with the increased reliance on local property taxes. However, future finances are not without challenges as the community continues to grow and State funding is decreased.

In conclusion, the Highlands School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School 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. If you have any questions about this report or need additional information, contact Christopher J. Mullins, at Highlands Board of Education, Highlands Elementary School, 360 Navesink Avenue, Highlands, NJ 07732.

BASIC FINANCIAL STATEMENTS

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.

HIGHLANDS SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	1,667,011.03	27,696.85	1,694,707.88
Receivables, Net	113,079.47	25,391.81	138,471.28
Inventory	.00	3,726.13	3,726.13
Restricted Assets:			
Cash and Cash Equivalents	1,102,516.53	.00	1,102,516.53
Capital Assets, Net (Note 6)	2,014,988.00	15,663.36	2,030,651.36
Right-Of-Use Lease Assets - Net (Note 7)	<u>40,196.00</u>	<u>.00</u>	<u>40,196.00</u>
Total Assets	<u>4,937,791.03</u>	<u>72,478.15</u>	<u>5,010,269.18</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows Related to Pensions (Note 13)	<u>152,404.00</u>	<u>.00</u>	<u>152,404.00</u>
LIABILITIES:			
Accounts Payable			
Other	24,969.20	821.71	25,790.91
Unearned Revenue	190,722.35	.00	190,722.35
Noncurrent Liabilities (Note 8):			
Due Within One Year	10,552.70	.00	10,552.70
Due Beyond One Year	80,746.62	.00	80,746.62
Net Pension Liability (Note 13)	<u>531,168.00</u>	<u>.00</u>	<u>531,168.00</u>
Total Liabilities	<u>838,158.87</u>	<u>821.71</u>	<u>838,980.58</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Commodities Revenue	.00	1,110.52	1,110.52
Deferred Inflows Related to Pensions (Note 13)	<u>419,024.00</u>	<u>.00</u>	<u>419,024.00</u>
Total Deferred Inflows of Resources	<u>419,024.00</u>	<u>1,110.52</u>	<u>420,134.52</u>
NET POSITION:			
Investment in Capital & Leased Assets, Net of Related Debt	2,002,255.16	15,663.36	2,017,918.52
Restricted for:			
Capital Projects	900,746.34	.00	900,746.34
Maintenance	186,546.00	.00	186,546.00
Excess Surplus	982,201.14	.00	982,201.14
Debt Service	.17	.00	.17
Student Activities	15,224.19	.00	15,224.19
Unrestricted (Deficit)	<u>(253,960.84)</u>	<u>54,882.56</u>	<u>(199,078.28)</u>
Total Net Position	<u>\$3,833,012.16</u>	<u>70,545.92</u>	<u>3,903,558.08</u>

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

HIGHLANDS SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		Total
			Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES:								
Instruction:								
Regular Instruction	1,462,515.18	369,959.53	.00	697,772.90	.00	(1,134,701.81)	.00	(1,134,701.81)
Special Education Instruction	674,593.67	200,617.42	.00	167,053.27	.00	(708,157.82)	.00	(708,157.82)
Other Instruction	261,182.64	84,266.86	.00	74,206.96	.00	(271,242.54)	.00	(271,242.54)
Support Services:								
Student & Instruction Related Services	1,212,317.93	213,427.62	21,021.82	391,758.02	.00	(1,012,965.71)	.00	(1,012,965.71)
General Administrative Services	142,155.73	3,881.00	.00	.00	.00	(146,036.73)	.00	(146,036.73)
School Administration Services	80,026.37	32,165.43	.00	27,631.37	.00	(84,560.43)	.00	(84,560.43)
Central Services	84,247.64	21,974.48	.00	17,984.04	.00	(88,238.08)	.00	(88,238.08)
Plant Operations & Maintenance	499,185.10	(52,401.38)	.00	22,480.05	.00	(424,303.67)	.00	(424,303.67)
Pupil Transportation	104,341.82	(2,729.98)	.00	.00	.00	(101,611.84)	.00	(101,611.84)
Unallocated Benefits	760,253.98	(760,253.98)	.00	.00	.00	(.00)	.00	(.00)
Unallocated Amortization & Depreciation	110,907.00	(110,907.00)	.00	.00	.00	(.00)	.00	(.00)
Total Governmental Activities	\$5,391,727.06	.00	21,021.82	1,398,886.61	.00	(3,971,818.63)	.00	(3,971,818.63)
BUSINESS-TYPE ACTIVITIES:								
Food Service	148,486.67	.00	8,315.42	162,212.08	.00	(.00)	22,040.83	22,040.83
Total Business-Type Activities	148,486.67	.00	8,315.42	162,212.08	.00	(.00)	22,040.83	22,040.83
Total Primary Government	\$5,540,213.73	.00	29,337.24	1,561,098.69	.00	(3,971,818.63)	22,040.83	(3,949,777.80)
GENERAL REVENUES:								
Taxes:								
Property Taxes Levied for General Purposes, Net						4,199,577.00	.00	4,199,577.00
State Aid Not Restricted						442,747.50	.00	442,747.50
Interest						3,717.13	.00	3,717.13
Miscellaneous						102,600.68	.00	102,600.68
Total General Revenues, Special Items, Extraordinary Items and Transfers						4,748,642.31	.00	4,748,642.31
Change in Net Position						776,823.68	22,040.83	798,864.51
Net Position - July 1						3,056,188.48	48,273.00	3,104,461.48
Prior Period Adjustments						.00	232.09	232.09
Net Position - July 1 (Restated)						3,056,188.48	48,505.09	3,104,693.57
Net Position - June 30						\$3,833,012.16	70,545.92	3,903,558.08

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

FUND FINANCIAL STATEMENTS

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

HIGHLANDS SCHOOL DISTRICT**Balance Sheet
Governmental Funds
June 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Fund</u>
ASSETS:				
Cash and Cash Equivalents	1,645,939.86	21,071.17	.00	1,667,011.03
Receivables from Other Governments	19,252.00	89,447.47	1,880.00	110,579.47
Other Receivables	.00	2,500.00	.00	2,500.00
Interfund Receivable	1,879.83	40,991.81	.00	42,871.64
Restricted Cash and Cash Equivalents	<u>1,087,292.34</u>	<u>15,224.19</u>	<u>.00</u>	<u>1,102,516.53</u>
Total Assets	<u>\$2,754,364.03</u>	<u>169,234.64</u>	<u>1,880.00</u>	<u>2,925,478.67</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	12,631.00	.00	.00	12,631.00
Other Payable	2.00	.00	.00	2.00
Interfunds Payable	52,981.51	.00	1,879.83	54,861.34
Unearned Revenue	.00	190,722.35	.00	190,722.35
Payroll Deductions and Withholdings Payable	<u>346.50</u>	<u>.00</u>	<u>.00</u>	<u>346.50</u>
Total Liabilities	<u>65,961.01</u>	<u>190,722.35</u>	<u>1,879.83</u>	<u>258,563.19</u>
Fund Balances:				
Restricted for:				
Capital Reserve	900,746.34	.00	.00	900,746.34
Maintenance Reserve	186,546.00	.00	.00	186,546.00
Excess Surplus - Designated for Subsequent Year's Expenditures	491,110.26	.00	.00	491,110.26
Excess Surplus - Current Year	491,090.88	.00	.00	491,090.88
Debt Service	.00	.00	.17	.17
Student Activities	.00	15,224.19	.00	15,224.19
Assigned:				
Year End Encumbrances	388,922.64	.00	.00	388,922.64
Unassigned:				
General Fund	229,986.90	.00	.00	229,986.90
Special Revenue Fund	<u>.00</u>	<u>(36,711.90)</u>	<u>.00</u>	<u>(36,711.90)</u>
Total Fund Balances	<u>2,688,403.02</u>	<u>(21,487.71)</u>	<u>.17</u>	<u>2,666,915.48</u>
Total Liabilities and Fund Balances	<u>\$2,754,364.03</u>	<u>169,234.64</u>	<u>1,880.00</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$4,193,285.00 and the accumulated depreciation is (\$2,178,297.00). (See Note 6)

2,014,988.00

Leased assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the leased assets is \$56,589.00 and the accumulated amortization is (\$16,393.00). (See Note 7)

40,196.00

The District's proportionate share of net pension assets and liabilities as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include (See Note 11).

Deferred Outflows of Resources from Pensions	152,404.00	
Net Pension Liability	(531,168.00)	
Deferred Inflows of Resources from Pensions	<u>(419,024.00)</u>	(797,788.00)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 8)

(91,299.32)

Net Position of Government Funds

\$3,833,012.16

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

HIGHLANDS SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds
For the Fiscal Year Ended June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Fund</u>
REVENUES:				
Local Property Tax Levy	4,199,577.00	.00	.00	4,199,577.00
Interest Earned on Capital Reserve Funds	633.78	.00	.00	633.78
Unrestricted Miscellaneous Revenues	105,689.03	.00	.00	105,689.03
Federal Sources	.00	209,880.28	.00	209,880.28
State Sources	1,534,916.05	380,819.78	.00	1,915,735.83
Local Sources	.00	<u>26,023.82</u>	<u>.00</u>	<u>26,023.82</u>
Total Revenues	<u>5,840,815.86</u>	<u>616,723.88</u>	<u>.00</u>	<u>6,457,539.74</u>
EXPENDITURES:				
Current:				
Regular Instruction	1,064,254.42	403,780.00	.00	1,468,034.42
Special Education Instruction	674,981.17	.00	.00	674,981.17
Other Instruction	261,182.64	.00	.00	261,182.64
Support Services:				
Tuition	.00	.00	.00	.00
Student & Instruction Related Services	961,634.43	238,118.31	.00	1,199,752.74
General Administration Services	142,155.73	.00	.00	142,155.73
School Administrative Services	82,593.99	.00	.00	82,593.99
Central Services	84,247.64	.00	.00	84,247.64
Plant Operations and Maintenance	499,510.10	.00	.00	499,510.10
Pupil Transportation	104,341.82	.00	.00	104,341.82
Unallocated Benefits	1,170,208.98	.00	.00	1,170,208.98
Capital Outlay	<u>308,261.95</u>	<u>15,984.00</u>	<u>.00</u>	<u>324,245.95</u>
Total Expenditures	<u>5,353,372.87</u>	<u>657,882.31</u>	<u>.00</u>	<u>6,011,255.18</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>487,442.99</u>	<u>(41,158.43)</u>	<u>.00</u>	<u>446,284.56</u>
OTHER FINANCING SOURCES (USES):				
Transfers	(40,791.00)	40,791.00	.00	.00
Leases (Non-Budgeted)	<u>44,655.97</u>	<u>.00</u>	<u>.00</u>	<u>44,655.97</u>
Total Other Financing Sources (Uses)	<u>3,864.97</u>	<u>40,791.00</u>	<u>.00</u>	<u>44,655.97</u>
Net Change in Fund Balance	491,307.96	(367.43)	.00	490,940.53
Fund Balance - July 1	<u>2,197,095.06</u>	<u>(21,120.28)</u>	<u>.17</u>	<u>2,175,974.95</u>
Fund Balance - June 30	<u>\$2,688,403.02</u>	<u>(21,487.71)</u>	<u>.17</u>	<u>2,666,915.48</u>

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

HIGHLANDS SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2022

Total net change in fund balances - governmental funds (from B-2)		490,940.53
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.		
Depreciation Expense	(101,076.00)	
Capital Outlay	<u>262,238.00</u>	161,162.00
Capital outlays related to leased assets are reported in governmental funds as expenditures. However, in the statement of activities the cost of those assets is allocated over the shorter of their estimated useful lives or lease term as amortization expense. This is the amount by which capital outlays exceeded amortization in the current fiscal year.		
Amortization Expense	(9,831.00)	
Lease Asset Additions	<u>44,656.00</u>	34,825.00
Payment of leases is an expenditure in the government funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		9,052.90
Leases entered into by the District are an other financing source in the governmental funds, but the acquisition increases Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		(44,655.97)
District pension contributions are reported as expenditures in the governmental funds when made. However, per GASB No. 68 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 Contribution - PERS 2022	52,510.00	
Add: Pension Expense	<u>68,456.00</u>	120,966.00
In the statement of activities, certain operating expenses, e.g., compensated absences (vacation and sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.		4,533.22
Per GASB No. 68 Non-employer contributing entities are required to record an increase in revenue and expense for On-behalf TPAF pension payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the fund financial statements.		
Decrease in On-behalf State Aid TPAF Pension Revenue	(561,421.00)	
Decrease in On-behalf TPAF Pension Expense	<u>561,421.00</u>	.00
Per GASB No. 75 Non-employer contributing entities are required to record an increase in revenue and expense for On-behalf TPAF & PERS post-retirement medical payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the fund financial statements.		
Increase in On-behalf State Aid TPAF & PERS Post-Retirement Medical Revenue	272,432.00	
Increase in On-behalf State Aid TPAF & PERS Post-Retirement Medical Expense	<u>(272,432.00)</u>	.00
Change in net position of governmental activities		<u>\$776,823.68</u>

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

HIGHLANDS SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities- Enterprise Funds
	Food Service Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	27,696.85
Accounts Receivable:	
State	184.17
Federal	12,824.49
Interfunds	11,989.70
Student Accounts	393.45
Inventories	<u>3,726.13</u>
Total Current Assets	<u>56,814.79</u>
Capital Assets:	
Equipment	38,373.36
Less Accumulated Depreciation	<u>22,710.00</u>
Total Capital Assets, Net	<u>15,663.36</u>
Total Assets	<u>72,478.15</u>
LIABILITIES:	
Current Liabilities:	
Student Prepaid Accounts	<u>821.71</u>
Total Current Liabilities	<u>821.71</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Commodities Revenue	<u>1,110.52</u>
Total Deferred Inflows of Resources	<u>1,110.52</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,932.23</u>
NET POSITION:	
Net Investment in Capital Assets	15,663.36
Unrestricted	<u>54,882.56</u>
Total Net Position	<u>\$70,545.92</u>

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

HIGHLANDS SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Business-Type Activities- Enterprise Funds
	Food Service Fund
OPERATING REVENUES:	
Local Sources:	
Daily Sales - Reimbursable Programs	.00
Daily Sales - Non-Reimbursable Programs	<u>8,315.42</u>
Total Operating Revenues	<u>8,315.42</u>
OPERATING EXPENSES:	
Food Service Costs:	
Cost of Sales - Reimbursable Programs	74,802.22
Cost of Sales - Non-Reimbursable Programs	3,440.09
Wages	39,663.70
Payroll Taxes and Benefits	5,661.60
Insurance	5,985.45
Miscellaneous	4,014.31
Management Fee	<u>8,240.00</u>
	141,807.37
Other Expenses:	
Software Expenses and Fees	1,815.00
Fire Inspections	167.40
Repairs and Maintenance	1,197.90
Depreciation	2,985.00
Miscellaneous	<u>514.00</u>
Total Operating Expenses	<u>148,486.67</u>
Operating Loss	<u>(140,171.25)</u>
NON-OPERATING REVENUES:	
State Sources:	
State School Lunch Program	2,010.24
Federal Sources:	
National School Lunch Program - SSO	85,650.51
School Breakfast Program - SSO	53,952.22
Food Distribution Program	10,984.69
Emergency Operational Cost Program - Schools	9,000.42
P-EBT Administrative Cost Reimbursement	<u>614.00</u>
Total Non-Operating Revenues	<u>162,212.08</u>
Change in Net Position	<u>22,040.83</u>
Total Net Position - July 1	48,273.00
Prior Period Adjustment	<u>232.09</u>
Total Net Position - July 1 (Restated)	<u>48,505.09</u>
Total Net Position - June 30	<u>\$ 70,545.92</u>

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

HIGHLANDS SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

**Business-Type Activities-
Enterprise Funds**

Food Service Fund

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	8,315.42
Payments to Food Service Vendor	(136,764.42)
Payments for Other Expenses	<u>(3,694.30)</u>
Net Cash Used for Operating Activities	<u>(132,143.30)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State Sources	2,347.33
Federal Sources	143,824.38
Student Charge Accounts	<u>(688.20)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>145,483.51</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Purchase of Equipment	<u>(2,497.48)</u>
Net Cash Provided from Capital and Financing Activities	(2,497.48)
Net Increase in Cash and Cash Equivalents	10,842.73
Cash and Cash Equivalents - July 1	<u>16,854.12</u>
Cash and Cash Equivalents - June 30	<u><u>27,696.85</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	(140,171.25)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Net Cash Provided By (Used For) Operating Activities:	
Food Distribution Program - Federal Assistance (Non-Cash)	10,984.69
(Increase) Decrease in Inventories	(168.07)
Increase (Decrease) in Deferred Commodities Revenue	78.48
Depreciation	2,985.00
Increase (Decrease) in Accounts Payable	<u>(5,852.15)</u>
Total Adjustments	<u>8,027.95</u>
Net Cash Used for Operating Activities	<u><u>\$(132,143.30)</u></u>
Non-Cash Financing Activities:	
The Food Service Enterprise Fund received and utilized commodities from the Federal Food Program valued at \$11,063.17 for the fiscal year ended June 30, 2022.	

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

NOTES TO THE FINANCIAL STATEMENTS

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Highlands School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials who are 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 financial statements of the Board of Education of Highlands School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

A. Reporting Entity:

The Highlands School District is a Type II district located in the County of Monmouth, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The board is comprised of seven members elected to three year-terms. The purpose of the District is to educate students in grades K-6.

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

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

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

B. New Accounting Standards:

During fiscal year 2022, the District adopted the following GASB statements:

- GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The District has implemented this Statement and it impacted the financial statements. See Note 21 for additional information.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Implementation of this Statement did not impact the District's financial statements.
- GASB Statement No. 92, *Omnibus 2020*. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Implementation of this Statement did not impact the District's financial statements.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

B. New Accounting Standards (Cont'd):

During fiscal year 2022, the District adopted the following GASB statements (Cont'd):

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of IBOR. Implementation of this Statement did not impact the District's financial statements.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstance in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Implementation of this Statement did not impact the District's financial statements.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym. The District has implemented this Statement during the current fiscal year.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the year ended June 30, 2023. The objective of this Statement is to provide a single method of reporting conduit debt obligations. Management does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will be effective for the year ended June 30, 2023. The primary objectives of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. Management does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will be effective for the year ended June 30, 2024. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements. Management does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 99, *Omnibus 2022*, certain statement requirements will be effective for the years ended June 30, 2023 and 2024 with other statement requirements effective immediately. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to enhance the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting guarantees. Management does not expect this Statement to impact the District's financial statements.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

B. New Accounting Standards (Cont'd):

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include (Cont'd):

- GASB Statement No. 100, *Accounting Changes and Error Correction - an amendment of GASB*, will be effective for the year ended June 30, 2024. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. Management does not expect this Statement to impact the financial statements.
- GASB Statement No. 101, *Compensated Absences*, will be effective for the year ended June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Management does not expect this Statement to impact the financial statements.

C. Basis of Presentation, Basis of Accounting:

The School 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.

Basis of Presentation

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, 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 activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 School 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 requirements of a particular program.

Revenues that are not classified as program revenues, including all taxes, are presented as general 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 School District.

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds. Separate statements for each fund category - *governmental and proprietary* are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB Statement 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.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Presentation, Basis of Accounting (Cont'd):

Basis of Presentation (Cont'd):

The District reports the following governmental funds:

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable 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 subfund.

As required by the NJDOE, the District includes budgeted capital outlay in this fund. GAAP as it pertains to governmental entities states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted 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 the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

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

The District reports the following proprietary fund:

Enterprise Fund: The enterprise fund accounts for all revenues and expenses pertaining to the Board's 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 (ie. 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:

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 economic resources measurement focus and the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund uses the 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Presentation, Basis of Accounting (Cont'd):

Basis of Accounting (Cont'd):

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 transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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 Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. The Board voted to adopt P.L. 2011 c.202, effective January 17, 2012, which eliminated the annual voter referendum on budgets which meet the statutory tax levy cap limitations and the board of education members are elected at the November general elections. Budgets are prepared using the modified accrual basis of accounting except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and GAAP with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as presented in the Notes to Required Supplementary Information. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at year end.

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

E. Encumbrances:

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in Governmental Funds, other than the Special Revenue Fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Encumbrances (Cont'd):

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.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:

Cash, Cash Equivalents, and Investments:

Cash and cash equivalents include cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. The Board classifies U.S. Treasury and agency obligations and certificates of deposit which have maturity dates of less than twelve months from date of purchase as investments and are stated at cost.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Investments are reported at fair value.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

Interfund Transactions:

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

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

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

Allowance for Uncollectible Accounts:

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

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Capital Assets:

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Site Improvements	15-20
Building Improvements	20-40
Administrative - EDP Equipment	5
Telephone Systems	10
Office Machines - Administration	8
Food Service Equipment	15
Athletic Equipment	10
Music and Band Equipment	10
EDP Equipment	5
General Plant/Grounds Equipment	15
Textbooks and Library Books	7

Lease Assets:

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

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received in the Special Revenue Fund before they have been earned are recorded as unearned revenue.

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. Bonds are recognized as a liability on the fund financial statements when due.

Net Position:

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt 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 positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance:

Beginning with the fiscal year 2011, the District implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definition*". The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purposes unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit these amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Education.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

Fund Balance (Cont'd):

Unassigned - The unassigned fund balance classification 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 is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balance first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, resources a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item, deferred outflows related to pension that qualify for reporting in this category.

In addition to liabilities, the statement of net position 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items, deferred inflows related to pension and deferred commodities revenue, that qualify for reporting in this category. The latter item is reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

Revenues - Exchange and Nonexchange Transactions:

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

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

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

Revenues - Exchange and Nonexchange Transactions (Cont'd):

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

Operating Revenue and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

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 pension benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities.

Management Estimates:

The preparation of financial statements in conformity with GAAP 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.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at June 30, 2022, and reported at fair value, are as follows:

Type	Carrying Value
Deposits:	
Demand Deposits	2,797,224.41
Investments:	
None	.00
Total deposits and investments	<u>\$2,797,224.41</u>
Reconciliation of Statement of Net Position:	
Cash and Cash Equivalents	1,694,707.88
Restricted Assets:	
Capital Reserve Account - Cash	900,746.34
Maintenance Reserve Account - Cash	186,546.00
Student Activities Account - Cash	<u>15,224.19</u>
	<u>\$2,797,224.41</u>

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT')

Custodial Credit Risk - Deposits in financial institutions, reported as components of cash, cash equivalents, and investments had a bank balance of \$2,854,977.43 at June 30, 2022. Of the bank balance \$250,000.00 was fully insured by depository insurance and \$2,604,977.43 was secured by a collateral pool held by the bank, but not in the District's name, as required by New Jersey statutes.

Investment Interest Rate Risk - The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The District has no investment policy that limits its investment choices other than the limitation of state law as follows:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds;
3. Any obligation that a federal agency or 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 obligations bear a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by school district;
6. Local governments investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
8. Agreements for the repurchase of fully collateralized securities.

Concentration of Investment Credit Risk - The District places no limit on the amount it may invest in any one issuer. At June 30, 2022, the District had no investments.

NOTE 3. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Highlands Board of Education in prior years for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation accounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A.* 19.60-2. Pursuant to *N.J.A.C.* 6:23-5.1(d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 3. CAPITAL RESERVE ACCOUNT (CONT')

The activity of the capital reserve for the July 1, 2021 to June 30, 2022 fiscal year is as follows:

Beginning balance, July 1, 2021	475,112.56
Interest earnings	633.78
Deposits	
Approved by Board Resolution	425,000.00
Withdrawals	
Per Approved Budget	<u>(.00)</u>
Ending balance, June 30, 2022	<u>\$900,746.34</u>

NOTE 4. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by the Highlands Board of Education for the accumulation of funds for use as required maintenance expenditures in subsequent fiscal years. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2021 to June 30, 2022 fiscal year is as follows:

Beginning balance, July 1, 2021	186,546.00
Interest earnings	.00
Deposits	
Approved by Board Resolution	.00
Withdrawals	
Per Approved Budget	<u>(.00)</u>
Ending balance, June 30, 2022	<u>\$186,546.00</u>

NOTE 5. RECEIVABLES

Receivables at June 30, 2022, consisted of interfund and intergovernmental accounts. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>District-Wide Financial Statements</u>
State Aid	19,252.00	19,436.17
Federal Aid	89,447.47	102,271.96
Interfunds	42,871.64	11,989.70
Tax Levy	1,880.00	1,880.00
Other	<u>2,500.00</u>	<u>2,893.45</u>
Gross Receivables	155,951.11	138,471.28
Less: Allowance for Uncollectibles	<u>.00</u>	<u>.00</u>
Total Receivables, Net	<u>\$155,951.11</u>	<u>138,471.28</u>

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	(Restated) Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	174,413.00	.00	.00	174,413.00
Total capital assets not being depreciated	<u>174,413.00</u>	<u>.00</u>	<u>.00</u>	<u>174,413.00</u>
Capital assets being depreciated:				
Site improvements	137,873.00	.00	.00	137,873.00
Building and building improvements	3,301,776.00	259,907.00	.00	3,561,683.00
Machinery and equipment	316,985.00	2,331.00	.00	319,316.00
Total capital assets being depreciated	<u>3,756,634.00</u>	<u>262,238.00</u>	<u>.00</u>	<u>4,018,872.00</u>
Total at historical cost	<u>3,931,047.00</u>	<u>262,238.00</u>	<u>.00</u>	<u>4,193,285.00</u>
Less accumulated depreciation for:				
Site improvements	(129,853.00)	(486.00)	.00	(130,339.00)
Building and improvements	(1,672,220.00)	(96,293.00)	.00	(1,768,513.00)
Machinery and equipment	(275,148.00)	(4,297.00)	.00	(279,445.00)
Total accumulated depreciation	<u>(2,077,221.00)</u>	<u>(101,076.00)</u>	<u>.00</u>	<u>(2,178,297.00)</u>
Governmental activity capital assets, net	<u>\$ 1,853,826.00</u>	<u>161,162.00</u>	<u>.00</u>	<u>2,014,988.00</u>
Business-type activities:				
Capital assets being depreciated:				
Equipment	35,875.88	2,497.48	.00	38,373.36
Less accumulated depreciation	<u>(19,725.00)</u>	<u>(2,985.00)</u>	<u>.00</u>	<u>(22,710.00)</u>
Enterprise fund capital assets, net	<u>\$ 16,150.88</u>	<u>(487.52)</u>	<u>.00</u>	<u>15,663.36</u>

Depreciation expense was charged to the following governmental programs:

Instruction:	
Regular	46,657.00
Special Education	15,616.00
Other Instruction	1,476.00
Support Services:	
Student and Instruction Related Services	19,963.00
School Administrative Services	2,193.00
General Administrative Services	3,881.00
Central Services	4,498.00
Plant Operation and Maintenance	5,893.00
Pupil Transportation	899.00
Total Depreciation Expense, Governmental Activities	<u>\$101,076.00</u>

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 7. RIGHT-OF-USE LEASE ASSETS - FINANCE LEASES

The District has recorded Right-Of-Use lease assets. The assets are Right-Of-Use assets for leased copy machines. The related lease finance obligations are discussed in the Note 8. The Right-Of-Use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right-Of-Use lease asset activity for the year ended June 30, 2022, is as follows:

	<u>(Restated)</u> <u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Right-Of-Use Lease Assets:				
Leased Copy Machines	53,815.00	44,656.00	(41,882.00)	56,589.00
Total Right-Of-Use Lease Assets	<u>53,815.00</u>	<u>44,656.00</u>	<u>(41,882.00)</u>	<u>56,589.00</u>
Accumulated Amortization:				
Leased Copy Machines	(48,444.00)	(9,831.00)	41,882.00	(16,393.00)
Total Accumulated Amortization	<u>(48,444.00)</u>	<u>(9,831.00)</u>	<u>41,882.00</u>	<u>(16,393.00)</u>
Right-Of-Use Lease Assets, Net	<u>\$ 5,371.00</u>	<u>34,825.00</u>	<u>.00</u>	<u>40,196.00</u>

Amortization expense in the amount of \$9,831.00 was charged to governmental functions is as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	5,899.00
Student and Instruction Related Services	3,932.00
	<u>\$9,831.00</u>

NOTE 8. GENERAL LONG-TERM DEBT

Long-Term Liability Activity for the year ended June 30, 2022, is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Lease Obligations - Finance Leases	5,836.57	44,655.97	9,052.90	41,439.64	10,552.70
Compensated Absences Payable	<u>54,392.90</u>	<u>3,155.40</u>	<u>7,688.62</u>	<u>49,859.68</u>	<u>.00</u>
	<u>\$60,229.47</u>	<u>47,811.37</u>	<u>16,741.52</u>	<u>91,299.32</u>	<u>10,552.70</u>

Lease Obligations - Finance Leases:

As of June 30, 2022, the District had leases outstanding as follows:

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Value</u>
One Copy Machine	October 28, 2023	6.32%	3,344.43
Two Copy Machines	October 28, 2026	5.90%	<u>38,095.21</u>
Total			<u>\$41,439.64</u>

Interest expense in the amount of \$2,349.24 was charged to government functions.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 8. GENERAL LONG-TERM DEBT (CONT'D)

The future annual lease payments as of June 30, 2022, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	10,252.70	2,010.69	12,263.39
2024	9,460.46	1,571.95	11,032.41
2025	9,302.02	1,032.98	10,335.00
2026	9,865.91	469.09	10,335.00
2027	<u>2,558.55</u>	<u>25.20</u>	<u>2,583.75</u>
	<u>\$41,439.64</u>	<u>5,109.91</u>	<u>46,549.55</u>

NOTE 9. DEFICIT FUND BALANCES

The District has a deficit fund balance of \$21,487.71 in the Special Revenue Fund as of June 30, 2022 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 delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district can not 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 Special Revenue Fund Balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:44.2 any negative unrestricted, undesignated general or special revenue fund balance that is reported as a direct result from a 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. The District deficit in the GAAP funds statements of \$21,487.71 is equal to the last two state aid payments less the restricted student activities fund balance.

NOTE 10. FUND BALANCE APPROPRIATED

General Fund - Of the \$2,688,403.02 General Fund fund balance at June 30, 2022, \$491,090.88 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7; \$491,110.26 was restricted as excess surplus at June 30, 2021 and has been appropriated and included as anticipated revenue for the year ending June 30, 2023; \$900,746.34 has been restricted in the Capital Reserve Account; \$186,546.00 has been restricted in the Maintenance Reserve Account; \$388,922.64 of encumbrances for outstanding purchase orders have been assigned for other purposes; and \$229,986.90 is unassigned.

NOTE 11. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance -Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1997 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2022 is \$491,090.88.

NOTE 12. CONTINGENT LIABILITIES

Grant Programs:

The School District participates in federal awards and state financial assistance grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022

NOTE 13. 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 Pensions 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 or on the internet at <https://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund (TPAF) 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, 100% of 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.

Summary of Significant Accounting Policies - For purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$8,366,919 as measured on June 30, 2021 and \$12,017,843 as measured on June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$196,877 and revenue of \$196,877 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2022 is based upon changes in the collective net pension liability with a measurement period of June 30, 2020 through June 30, 2021. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2020 and June 30, 2021.

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

	<u>06/30/2020</u>	<u>06/30/2021</u>
Collective deferred outflows of resources	\$9,589,140,982	\$6,356,228,800
Collective deferred inflows of resources	14,409,361,877	27,175,330,929
Collective net pension liability (Nonemployer-State of New Jersey)	\$65,848,796,740	48,075,188,642
State's portion of the net pension liability that was associated with the district	12,017,843	8,366,919
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.0182506650%	0.0174038186%

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 13. PENSION PLANS (CONT'D)

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

Actuarial assumptions - The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. 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:	
Through 2026	1.55% - 4.45%
	Based on Years of Service
Thereafter	2.75% - 5.65%
	Based on Years of Service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 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, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

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, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	9.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 13. PENSION PLANS (CONT'D)

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

Discount rate. The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments in determining the total pension liability.

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

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

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

Summary of Significant Accounting Policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

At June 30, 2022, the District reported a liability of \$531,168 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the year ended June 30, 2021. At June 30, 2021, the District's proportion was 0.0044837565% which was a decrease of 0.0004696711% from its proportion measured as of June 30, 2020.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 13. PENSION PLANS (CONT'D)

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

For the year ended June 30, 2022, the District recognized in the district-wide statement of activities (accrual basis) pension expense of (\$68,456). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	8,377	3,803
Changes of assumptions	2,766	189,099
Net difference between projected and actual earnings on pension plan investments	-	139,924
Changes in proportion and differences between District contributions and proportionate share of contributions	88,751	86,198
District contributions subsequent to the measurement date	<u>52,510</u>	<u>-</u>
Total	<u>\$152,404</u>	<u>\$419,024</u>

\$52,510 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (ie. for the school year ending June 30, 2022, the plan measurement date is June 30, 2021) will be recognized as a reduction of the net pension liability measured as of June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30</u>
2021	(117,666)
2022	(83,735)
2023	(59,179)
2024	(59,238)
2025	<u>688</u>
Total	<u>\$(319,130)</u>

Additional Information Local Group Collective balances at June 30, 2020 and 2021 are as follows:

	<u>06/30/2020</u>	<u>06/30/2021</u>
Collective deferred outflows of resources	\$2,347,583,337	\$1,164,738,169
Collective deferred inflows of resources	7,849,949,467	8,339,123,762
Collective net pension liability (Non State - Local Group)	16,435,616,426	11,972,782,878
District's portion of net pension liability	807,775	531,168
District's portion %	0.0049534276%	0.0044837565%

Actuarial assumptions - The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00% - 6.00%
	Based on Years of Service
Thereafter	3.00% - 7.00%
	Based on Years of Service
Investment Rate of Return	7.00%

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 13. PENSION PLANS (CONT'D)

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

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

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) 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 expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount rate. The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 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 projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 13. PENSION PLANS (CONT'D)

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability measured as of June 30, 2021, calculated using the discount rate of (7.00%), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net pension liability	\$650,149	\$531,168	\$430,324

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

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Member contributions are matched by a 3% employer contribution. For the year ended June 30, 2022, employee contributions totaled \$12,058.22 and the District recognized pension expense of \$6,577.64. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

PERS and TPAF Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011, made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011, (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in PERS is increased from age 63 to 65 for Tier 5 members.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 13. PENSION PLANS (CONT'D)

Significant Legislation (Cont'd)

Chapter 78's provisions impacting employee pension and health benefits include (Cont'd):

- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011, (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 7.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 7.50% and the PERS rate is 7.50% of covered payroll.

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 the TPAF.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Liability</u>
6/30/22	52,510	100%	-
6/30/21	54,188	100%	-
6/30/20	42,940	100%	-

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Liability</u>
6/30/22	758,298	100%	-
6/30/21	515,533	100%	-
6/30/20	407,482	100%	-

During the fiscal year ended June 30, 2022, the State of New Jersey did contribute \$177,169.00 to the TPAF for post-retirement medical benefits and \$232.00 for long-term disability insurance on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$156,474.55 during the year ended June 30, 2022, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in the fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 14. OTHER POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

State Health Benefit State Retired Employees Plan

The State Health Benefit State Retired Employees Plan (State Required OPEB Plan) is a single-employer defined benefit OPEB plan with a special funding situation. The State Retired OPEB Plan 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. The State Retired OPEB Plan covers the State, State colleges and universities, the Palisades Interstate Park Commission, and the New Jersey Building Authority (referred to collectively as “the employers”) for which the State is legally obligated to pay for benefits. The State Retired OPEB Plan is treated as a cost-sharing multiple employer plan with a special funding situation for allocating the total OPEB liability and related OPEB amounts since each employer mentioned above is required to issue stand-alone financial statements. The State Required OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of the employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

In accordance with N.J.S.A. 52:14-17.32, the State is required to pay the premiums or periodic charges for health benefits of State employees who retire with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Judicial Retirement System (JRS), the State Police Retirement System (SPRS), The Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen’s Retirement System (PFRS), and the Alternate Benefit Program (ABP). In addition, N.J.S.A. 52:14-17.26 provides that for purposes of the State Retired OPEB Plan, an employee of Rutgers, the State University of New Jersey, and New Jersey Institute of Technology shall be deemed to be an employee of the State. Further, P.L.1966, c.302, addresses the other State colleges and universities, whereas while these institutions were provided autonomy from the State, their employees retained any and all rights to health benefits within the State Retired OPEB Plan and are therefore classified as State employees.

The State Health Benefit Local Education Retired Employees Plan (Local Education Retired OPEB Plan) is a multiple-employer defined benefit OPEB plan with a special funding situation. The Local Education Retired OPEB Plan 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. The Local Education Retired OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of local education employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

The employer contributions for the participating local education employers are legally required to be funded by the State in accordance with N.J.S.A. 52:14-17.32f. According to this law, 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: TPAF, PERS, PFRS, or ABP.

Pursuant to P.L.2011, c.78, future retirees eligible for postemployment 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.

The State is legally required to pay for the OPEB benefit coverage for the participating local education employers. Therefore, these 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. The State, as a nonemployer contributing entity, reported a Fiscal Year 2021 total OPEB liability of \$60,007,650,970 for this special funding situation.

HIGHLAND SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 14. OTHER POST-RETIREMENT BENEFITS (CONT'D)

General Information about the OPEB Plan (Cont'd)

Total Nonemployer OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB Statement No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education.

Actuarial Assumptions and Other Inputs

The total Nonemployer OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Total Nonemployer OPEB Liability	\$60,007,650,970		
Inflation Rate	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:			
Through 2026	1.55 - 4.45%	2.00 - 6.00%	3.25 - 15.25%
	Based on Service Years	Based on Service Years	Based on Service Years
Thereafter	2.75 - 5.65%	3.00 - 7.00%	Not Applicable
	Based on Service Years	Based on Service Years	

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018, July 1, 2014 - June 30, 2018, and July 1, 2013 - June 30, 2018 for TPAF, PERS and PFRS, respectively.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 14. OTHER POST-RETIREMENT BENEFITS (CONT'D)

General Information about the OPEB Plan (Cont'd)

Total Nonemployer OPEB Liability (Cont'd)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.50% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreases to 4.50% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreases to 4.50% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2021 was 2.16%. 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 State's Total Nonemployer OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$67,809,962,608
Changes for the Year:	
Service Cost	3,217,184,264
Interest on the Total OPEB Liability	1,556,661,679
Changes of Benefit Terms	(63,870,842)
Differences Between Expected and Actual Experience	(11,385,071,658)
Changes of Assumptions	59,202,105
Gross Benefit Payments by the State	(1,226,213,382)
Contributions from Members	<u>39,796,196</u>
Net Changes	<u>(7,802,311,638)</u>
Balance at June 30, 2021	<u>\$ 60,007,650,970</u>

Changes of assumptions reflect a change in the discount rate from 2.21 percent in 2020 to 2.16 percent in 2021.

Sensitivity of the total Nonemployer OPEB Liability to changes in the discount rate

The following presents the total nonemployer OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	June 30, 2021		Discount Rate		1% Increase
	1% Decrease		(2.16%)		(3.16%)
	(1.16%)				
Total Nonemployer OPEB Liability (School Retirees)	\$71,879,745,555	\$60,007,650,970	\$60,007,650,970	\$50,658,089,138	\$50,658,089,138

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 14. OTHER POST-RETIREMENT BENEFITS (CONT'D)

General Information about the OPEB Plan (Cont'd)

Total Nonemployer OPEB Liability (Cont'd)

Sensitivity of the total Nonemployer OPEB Liability to changes in the healthcare cost trend rates

The following presents the total nonemployer OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	June 30, 2021		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Nonemployer OPEB Liability (School Retirees)	\$48,576,388,477	\$60,007,650,970	\$75,358,991,782

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

For the year ended June 30, 2021, the board of education recognized OPEB expense of \$449,601 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and in which there is a special funding situation.

In accordance with GASB Statement No. 75, the Highlands Board of Education's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience Assumption Changes	9,045,886,863	18,009,362,976
Contributions Made in Fiscal Year Ending 2021 After June 30, 2020 Measurement Date	10,179,536,966	6,438,261,807
	TBD	N/A
	\$19,225,423,829	\$24,447,624,783

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

Year ended June 30:	
2022	\$(1,182,303,041)
2023	\$(1,182,303,041)
2024	\$(1,182,303,041)
2025	\$(1,182,303,041)
2026	\$(840,601,200)
Thereafter	\$347,612,410

NOTE 15. COMPENSATED ABSENCES

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

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 15. COMPENSATED ABSENCES (CONT'D)

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

The entire liability for compensated absences is reported in the District-Wide Statements of Net Position.

NOTE 16. DEFERRED COMPENSATION

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan which is administered by the entity listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrator is as follows:

Axa Equitable

NOTE 17. RISK MANAGEMENT

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

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

NOTE 18. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2022 consisted of the following individual fund receivable and payables:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Food Service Fund	.00	11,989.70**
Food Service Fund		
General Fund	<u>11,989.70*</u>	<u>.00</u>
	<u>\$11,989.70</u>	<u>\$11,989.70</u>

All of the above interfunds represent short-term loans.

*Reported as receivable on the District-Wide statement of net position.

**Reported as payable on the District-Wide statement of net position.

As of June 30, 2022, the District's operating transfers consisted of the following:

\$40,791.00 From the General Fund to the Special Revenue Fund for preschool education.

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 19. INVENTORY

Inventory in the Food Service Fund at June 30, 2022 consisted of the following:

Food	2,477.82
Supplies	<u>1,248.31</u>
	<u>\$3,726.13</u>

NOTE 20. DEFICIT UNRESTRICTED NET POSITION

As reflected on Exhibit A-1, Statement of Net Position, a deficit in unrestricted net position of (\$253,960.84) existed as of June 30, 2022 for governmental activities. The primary causes of this deficit is the District not recognizing the receivable for the last two state aid payments and the recording of the long-term liability for compensated absences and net pension. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net Position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), compensated absences and pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

NOTE 21. PRIOR PERIOD ADJUSTMENTS

GASB Statement No. 87, *Leases*, was implemented during fiscal year ended June 30, 2022. As a result of this implementation, a right-to-use asset class was created. The District had two capital leases in the ending balances as of June 30, 2021, that were restated due to this implementation as follows:

	<u>Balance June 30, 2021 as Previously Reported</u>	<u>Retroactive Adjustments</u>	<u>Balance June 30, 2021 as Restated</u>
<u>Statement of Net Position - Government Activities:</u>			
Asset:			
Capital Assets, Net	1,859,197.00	(5,371.00)	1,853,826.00
Right-to-Use Assets - Finance Lease, Net	<u>.00</u>	<u>(5,371.00)</u>	<u>5,371.00</u>
Total Assets	<u>\$4,252,003.12</u>	<u>.00</u>	<u>4,252,003.12</u>

The District had to increase prior year Accounts Receivable as reflected on the Schedule of Expenditures of State Financial Assistance in the adjustment column. The cumulative effect of this adjustment has resulted in a prior period adjustment of \$232.09 to increase the ending balance as of June 30, 2021 to the Net Position in the Business-Type Activities.

NOTE 22. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2022 and March 3, 2023, the date that the financial statements were available to be issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

HIGHLANDS SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2022
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	4,199,577.00	0.00	4,199,577.00	4,199,577.00	0.00
Miscellaneous	10,000.00	0.00	10,000.00	105,689.03	95,689.03
Interest Earned on Capital Reserve Funds	1,000.00	0.00	1,000.00	633.78	(366.22)
Total - Local Sources	4,210,577.00	0.00	4,210,577.00	4,305,899.81	95,322.81
State Sources:					
Special Education Categorical Aid	155,353.00	0.00	155,353.00	155,353.00	0.00
Security Aid	58,540.00	0.00	58,540.00	58,540.00	0.00
Adjustment Aid	137,899.00	0.00	137,899.00	137,899.00	0.00
Transportation Aid	42,233.00	0.00	42,233.00	42,233.00	0.00
Supplemental Enrollment Growth Aid	4,648.00	0.00	4,648.00	0.00	(4,648.00)
Reimbursement of Nonpublic School Transportation Costs	0.00	0.00	0.00	2,030.00	2,030.00
Reimbursement from Securing Our Children's Future Bond Act	0.00	20,000.00	20,000.00	20,000.00	0.00
Maintenance of Equity State Aid	0.00	0.00	0.00	17,222.00	17,222.00
TPAF - Pension Contributions (On-Behalf - Non-Budgeted)	0.00	0.00	0.00	758,298.00	758,298.00
TPAF - Post Retirement Medical (On-Behalf - Non-Budgeted)	0.00	0.00	0.00	177,169.00	177,169.00
TPAF - LTD Insurance Contributions (On-Behalf - Non-Budgeted)	0.00	0.00	0.00	232.00	232.00
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	0.00	0.00	0.00	156,474.55	156,474.55
Total State Sources	398,673.00	20,000.00	418,673.00	1,525,450.55	1,106,777.55
Total Revenues	4,609,250.00	20,000.00	4,629,250.00	5,831,350.36	1,202,100.36
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	65,880.00	(5,600.00)	60,280.00	60,230.00	50.00
Grades 1-5 - Salaries of Teachers	613,709.00	(72,967.25)	540,741.75	540,718.64	23.11
Grades 6-8 - Salaries of Teachers	131,561.00	(29,700.00)	101,861.00	99,823.44	2,037.56
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000.00	2,000.00	4,000.00	1,850.00	2,150.00
Purchased Professional-Educational Services	2,000.00	(2,000.00)	0.00	0.00	0.00
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	75,000.00	10,798.00	85,798.00	85,730.83	67.17
Purchased Technical Services	10,000.00	(5,400.00)	4,600.00	4,561.45	38.55
Other Purchased Services (400-500 series)	26,500.00	(5,900.00)	20,600.00	19,076.47	1,523.53
General Supplies	82,500.00	174,520.28	257,020.28	60,330.11	196,690.17
Textbooks	20,000.00	(5,000.00)	15,000.00	14,338.51	661.49
Other Objects	10,000.00	(6,084.00)	3,916.00	3,883.88	32.12
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,039,150.00	54,667.03	1,093,817.03	890,543.33	203,273.70
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	227,905.00	0.00	227,905.00	227,405.00	500.00
Other Salaries for Instruction	54,693.00	2,277.00	56,970.00	39,594.15	17,375.85
Total Learning and/or Language Disabilities	282,598.00	2,277.00	284,875.00	266,999.15	17,875.85
Resource Room/Resource Center:					
Salaries of Teachers	221,705.00	66,380.00	288,085.00	288,085.00	0.00
Total Resource Room/Resource Center	221,705.00	66,380.00	288,085.00	288,085.00	0.00
Home Instruction:					
Salaries of Teachers	1,500.00	0.00	1,500.00	0.00	1,500.00
Purchased Professional-Educational Services	2,000.00	0.00	2,000.00	0.00	2,000.00
Total Home Instruction	3,500.00	0.00	3,500.00	0.00	3,500.00
TOTAL SPECIAL EDUCATION - INSTRUCTION	507,803.00	68,657.00	576,460.00	555,084.15	21,375.85
Basic Skills/Remedial - Instruction					
Salaries of Teachers	120,395.00	7,161.00	127,556.00	127,556.00	0.00
Total Basic Skills/Remedial - Instruction	120,395.00	7,161.00	127,556.00	127,556.00	0.00

HIGHLANDS SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2022
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES (Continued):					
Current Expense (Continued):					
Bilingual Education - Instruction					
Salaries	61,580.00	0.00	61,580.00	61,580.00	0.00
General Supplies	0.00	0.00	0.00	0.00	0.00
Total Bilingual Education - Instruction	61,580.00	0.00	61,580.00	61,580.00	0.00
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	11,158.00	1,500.00	12,658.00	12,625.70	32.30
Other Objects	3,500.00	0.00	3,500.00	70.00	3,430.00
Total School-Spon. Cocurricular Actvts. - Inst.	14,658.00	1,500.00	16,158.00	12,695.70	3,462.30
Other Instructional Programs - Instruction					
Salaries	20,500.00	11,695.20	32,195.20	29,978.90	2,216.30
Purchased Services (300-500 series)	14,000.00	(8,955.00)	5,045.00	5,045.00	0.00
Supplies	500.00	(125.57)	374.43	374.43	0.00
Total Other Instructional Programs - Instruction	35,000.00	2,614.63	37,614.63	35,398.33	2,216.30
Before/After School Programs - Instruction					
Salaries of Teachers	20,000.00	(223.64)	19,776.36	17,529.01	2,247.35
Other Salaries for Instruction	6,000.00	223.60	6,223.60	6,223.60	0.00
Other Purchased Services (400-500 series)	1,000.00	0.00	1,000.00	200.00	800.00
Total Before/After School Programs - Instruction	27,000.00	(0.04)	26,999.96	23,952.61	3,047.35
TOTAL INSTRUCTION AND AT-RISK PROGRAMS	1,805,586.00	134,599.62	1,940,185.62	1,706,810.12	233,375.50
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Special	25,000.00	(25,000.00)	0.00	0.00	0.00
Tuition to Priv. Sch. For the Disabled W/I State	215,029.00	(6,022.00)	209,007.00	0.00	209,007.00
Total Undistributed Expenditures - Instruction:	240,029.00	(31,022.00)	209,007.00	0.00	209,007.00
Undistributed Expend. - Attend. & Social Work					
Salaries	41,010.00	0.00	41,010.00	41,010.00	0.00
Purchased Professional and Technical Services	25,500.00	516.17	26,016.17	25,016.17	1,000.00
Other Purchased Services (400-500 series)	10,000.00	0.00	10,000.00	1,225.00	8,775.00
Supplies and Materials	3,000.00	0.00	3,000.00	1,712.32	1,287.68
Total Undistributed Expend. - Attend. & Social Work	79,510.00	516.17	80,026.17	68,963.49	11,062.68
Undist. Expend. - Health Services					
Salaries	79,340.00	(6,000.00)	73,340.00	65,323.80	8,016.20
Purchased Professional and Technical Services	4,500.00	6,504.00	11,004.00	11,004.00	0.00
Supplies and Materials	2,200.00	0.00	2,200.00	1,324.29	875.71
Other Objects	500.00	(280.00)	220.00	25.00	195.00
Total Undistributed Expenditures - Health Services	86,540.00	224.00	86,764.00	77,677.09	9,086.91
Undist. Expend. - Speech/Occ Therapy, PT & Related Serv.					
Salaries	0.00	41,221.82	41,221.82	32,773.75	8,448.07
Purchased Professional - Educational Services	200,000.00	(41,221.82)	158,778.18	124,578.94	34,199.24
Total Undist. Expend. - Speech/Occ Therapy, PT & Related Serv.	200,000.00	0.00	200,000.00	157,352.69	42,647.31
Other Support Services - Students - Extraordinary					
Salaries	114,167.00	(10,875.60)	103,291.40	74,495.52	28,795.88
Purchased Professional - Educational Services	27,500.00	0.00	27,500.00	1,164.52	26,335.48
Total Support Services - Students - Extraordinary	141,667.00	(10,875.60)	130,791.40	75,660.04	55,131.36
Undist. Expend. - Guidance					
Salaries of Secretarial and Clerical Assistants	20,125.00	5,803.00	25,928.00	25,927.92	0.08
Other Purchased Prof. and Tech. Services	2,000.00	0.00	2,000.00	0.00	2,000.00
Total Undist. Expend. - Guidance	22,125.00	5,803.00	27,928.00	25,927.92	2,000.08

HIGHLANDS SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2022
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES (Continued):					
Current Expense (Continued):					
Undist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	141,133.00	790.96	141,923.96	134,704.81	7,219.15
Salaries of Secretarial and Clerical Assistants	104,936.00	434.12	105,370.12	105,370.04	0.08
Other Salaries	0.00	1,000.00	1,000.00	0.00	1,000.00
Purchased Professional - Educational Services	40,000.00	0.00	40,000.00	23,245.00	16,755.00
Other Purchased Prof. and Tech. Services	11,500.00	0.00	11,500.00	4,369.61	7,130.39
Other Purchased Services(400-500 series)	9,900.00	0.00	9,900.00	5,149.02	4,750.98
Supplies and Materials	4,000.00	0.00	4,000.00	2,236.38	1,763.62
Other Objects	3,000.00	0.00	3,000.00	845.00	2,155.00
Total Undist. Expend. - Child Study Teams	314,469.00	2,225.08	316,694.08	275,919.86	40,774.22
Undist. Expend. - Improvement of Instructional Services					
Salaries of Other Professional Staff	57,500.00	(4,791.00)	52,709.00	51,709.92	999.08
Salaries of Secretarial and Clerical Assistants	1,000.00	0.00	1,000.00	0.00	1,000.00
Purchased Professional - Educational Services	78,500.00	0.00	78,500.00	52,174.36	26,325.64
Other Purchased Services (400-500 series)	500.00	(50.00)	450.00	0.00	450.00
Other Objects	500.00	776.99	1,276.99	1,226.66	50.33
Total Undist. Expend. - Improvement of Instructional Services	138,000.00	(4,064.01)	133,935.99	105,110.94	28,825.05
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	23,912.00	0.00	23,912.00	23,912.00	0.00
Purchased Professional and Technical Services	15,000.00	2,915.00	17,915.00	11,324.83	6,590.17
Other Purchased Services (400-500 series)	15,000.00	0.00	15,000.00	7,107.12	7,892.88
Supplies and Materials	2,000.00	0.00	2,000.00	1,445.68	554.32
Other Objects	1,000.00	0.00	1,000.00	0.00	1,000.00
Total Undist. Expend. - Edu. Media Serv./Sch. Library	56,912.00	2,915.00	59,827.00	43,789.63	16,037.37
Undist. Expend. - Instructional Staff Training Services					
Salaries of Supervisors of Instruction	2,500.00	0.00	2,500.00	0.00	2,500.00
Purchased Professional-Educational Services	8,000.00	0.00	8,000.00	194.00	7,806.00
Other Purchased Services (400-500 series)	250.00	0.00	250.00	199.00	51.00
Other Objects	250.00	0.00	250.00	0.00	250.00
Total Undist. Expend. - Instructional Staff Training Services	11,000.00	0.00	11,000.00	393.00	10,607.00
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	8,200.00	(4,150.96)	4,049.04	2,049.04	2,000.00
Legal Services	35,000.00	0.00	35,000.00	29,476.85	14,523.15
Audit Fees	13,500.00	0.00	13,500.00	10,750.00	2,750.00
Architectural/Engineering Services	0.00	22,900.00	22,900.00	19,848.60	3,051.40
Other Purchased Professional Services	82,000.00	0.00	82,000.00	60,000.00	22,000.00
Communications/Telephone	7,000.00	1,634.99	8,634.99	8,634.99	0.00
BOE Other Purchased Services	8,000.00	(1,500.00)	6,500.00	900.00	5,600.00
Miscellaneous Purchased Services (400-500 series other than 530/585)	12,000.00	2,733.32	14,733.32	13,911.60	821.72
General Supplies	750.00	0.00	750.00	663.48	86.52
BOE In-House Training/Meeting Supplies	500.00	0.00	500.00	104.31	395.69
Miscellaneous Expenditures	9,000.00	0.00	9,000.00	1,955.01	7,044.99
BOE Membership Dues and Fees	3,000.00	0.00	3,000.00	2,861.85	138.15
Total Undist. Expend. - Supp. Serv. - General Admin.	178,950.00	21,617.35	200,567.35	142,155.73	58,411.62
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principal/Asst. Principals/Program Directors	69,014.00	(4,040.91)	64,973.09	63,040.08	1,933.01
Salaries of Secretarial and Clerical Assistants	20,892.00	(4,195.20)	16,696.80	16,696.08	0.72
Other Purchased Services (400-500 series)	500.00	0.00	500.00	0.00	500.00
Supplies and Materials	2,000.00	0.00	2,000.00	1,252.83	747.17
Other Objects	1,000.00	0.00	1,000.00	0.00	1,000.00
Total Undist. Expend. - Support Serv. - School Admin.	93,406.00	(8,236.11)	85,169.89	80,988.99	4,180.90
Undistributed Expenditures - Central Services					
Salaries	85,121.00	1,269.00	87,390.00	83,747.64	3,642.36
Purchased Professional Services	5,000.00	0.00	5,000.00	0.00	5,000.00
Supplies and Materials	500.00	0.00	500.00	500.00	0.00
Total Undistributed Expenditures - Central Services	91,621.00	1,269.00	92,890.00	84,247.64	8,642.36

HIGHLANDS SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2022
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES (Continued):					
Current Expense (Continued):					
Undist. Expend. -Required Maintenance for School Facilities					
Cleaning, Repair, and Maintenance Services	122,760.00	75,103.87	197,863.87	191,700.87	6,163.00
Lead Testing of Drinking Water	0.00	1,196.00	1,196.00	1,196.00	0.00
General Supplies	5,000.00	0.00	5,000.00	3,880.43	1,119.57
Other Objects	2,000.00	0.00	2,000.00	0.00	2,000.00
Total Undist. Expend. -Required Maintenance for School Facilities	129,760.00	76,299.87	206,059.87	196,777.30	9,282.57
Undist. Expend. - Other Operation & Maintenance of Plant Services					
Salaries	120,777.00	9,900.00	130,677.00	113,705.97	16,971.03
Purchased Professional and Technical Services	29,500.00	3,518.43	33,018.43	1,244.00	31,774.43
Cleaning, Repair and Maintenance Services	25,000.00	(10,000.00)	15,000.00	1,512.00	13,488.00
Other Purchased Property Services	7,000.00	0.00	7,000.00	5,734.25	1,265.75
Insurance	28,500.00	(3,400.00)	25,100.00	24,629.34	470.66
Miscellaneous Purchased Services	5,000.00	0.00	5,000.00	1,932.28	3,067.72
General Supplies	15,000.00	1,587.05	16,587.05	16,349.05	238.00
Energy - Natural Gas	30,000.00	0.00	30,000.00	28,840.13	1,159.87
Energy - Electricity	35,000.00	0.00	35,000.00	24,257.24	10,742.76
Total Undist. Expend. - Other Operation & Maintenance of Plant Serv.	295,777.00	1,605.48	297,382.48	218,204.26	79,178.22
Undist. Expend. - Care & Upkeep of Grounds					
Purchased Professional and Technical Services	17,000.00	0.00	17,000.00	14,250.00	2,750.00
General Supplies	2,500.00	0.00	2,500.00	0.00	2,500.00
Total Undist. Expend. - Care & Upkeep of Grounds	19,500.00	0.00	19,500.00	14,250.00	5,250.00
Undist. Expend. - Security					
Purchased Professional and Technical Services	27,000.00	0.00	27,000.00	10,548.84	16,451.16
Total Undist. Expend. - Security	27,000.00	0.00	27,000.00	10,548.84	16,451.16
Total Undist. Expend. - Oper. & Maint. of Plant Services					
	472,037.00	77,905.35	549,942.35	439,780.40	110,161.95
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. (Bet. Home & Sch) - Special Ed	11,915.00	0.00	11,915.00	5,048.92	6,866.08
Contract Services - Aid in Lieu Pymts - Nonpublic Students	10,000.00	0.00	10,000.00	6,500.00	3,500.00
Contract Services (Other than Between Home & School) - Vendors	8,500.00	0.00	8,500.00	3,987.95	4,512.05
Contract Services (Between Home & School) - Joint Agreements	55,000.00	0.00	55,000.00	39,157.71	15,842.29
Contract Services (Spl. Ed. Students) - ESCs & CTAs	50,000.00	561.34	50,561.34	43,826.94	6,734.40
Total Undist. Expend. - Student Transportation Serv.	135,415.00	561.34	135,976.34	98,521.52	37,454.82
Regular Programs - Instruction - Employee Benefits					
Social Security Contributions	13,000.00	4,597.01	17,597.01	17,597.01	0.00
Other Retirement Contributions - PERS	26,000.00	0.00	26,000.00	26,000.00	0.00
Health Benefits	239,062.00	(110,267.65)	128,794.35	125,638.08	3,156.27
Tuition Reimbursement	1,000.00	4,596.00	5,596.00	4,476.00	1,120.00
Total Regular Programs - Instruction	279,062.00	(101,074.64)	177,987.36	173,711.09	4,276.27
Special Programs - Instruction - Employee Benefits					
Social Security Contributions	4,200.00	0.00	4,200.00	4,200.00	0.00
Other Retirement Contributions - PERS	5,250.00	0.00	5,250.00	3,210.00	2,040.00
Health Benefits	200,000.00	0.00	200,000.00	106,480.36	93,519.64
Tuition Reimbursement	1,000.00	11,270.00	12,270.00	6,006.66	6,263.34
Total Special Programs - Instruction	210,450.00	11,270.00	221,720.00	119,897.02	101,822.98
Attendance and Social Work Services - Employee Benefits					
Social Security Contributions	3,136.00	0.00	3,136.00	3,136.00	0.00
Other Retirement Contributions - PERS	1,550.00	0.00	1,550.00	1,550.00	0.00
Health Benefits	11,949.00	0.00	11,949.00	11,441.89	507.11
Total Attendance and Social Work Services	16,635.00	0.00	16,635.00	16,127.89	507.11

HIGHLANDS SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2022
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES (Continued):					
Current Expense (Continued):					
Health Services - Employee Benefits					
Health Benefits	34,188.00	0.00	34,188.00	29,211.88	4,976.12
Total Health Services	34,188.00	0.00	34,188.00	29,211.88	4,976.12
Other Support Services - Students - Extraordinary Services - Employee Benefits					
Social Security Contributions	10,000.00	0.00	10,000.00	10,000.00	0.00
Health Benefits	11,949.00	0.00	11,949.00	11,949.00	0.00
Total Support Services - Students - Extraordinary Services	21,949.00	0.00	21,949.00	21,949.00	0.00
Other Support Services - Guidance - Employee Benefits					
Social Security Contributions	3,100.00	0.00	3,100.00	3,100.00	0.00
Other Retirement Contributions - PERS	2,000.00	0.00	2,000.00	2,000.00	0.00
Health Benefits	6,000.00	0.00	6,000.00	6,000.00	0.00
Total Other Support Services - Guidance	11,100.00	0.00	11,100.00	11,100.00	0.00
Other Support Services - Child Study Team - Employee Benefits					
Social Security Contributions	8,000.00	0.00	8,000.00	8,000.00	0.00
Other Retirement Contributions - PERS	3,000.00	0.00	3,000.00	3,000.00	0.00
Health Benefits	41,451.00	0.00	41,451.00	41,451.00	0.00
Other Support Services - Child Study Team	52,451.00	0.00	52,451.00	52,451.00	0.00
Support Services - School Administration - Employee Benefits					
Social Security Contributions	1,335.00	20.00	1,355.00	1,355.00	0.00
Other Retirement Contributions - PERS	250.00	0.00	250.00	250.00	0.00
Support Services - School Administration	1,585.00	20.00	1,605.00	1,605.00	0.00
Operation and Maintenance of Plant Services - Employee Benefits					
Social Security Contributions	9,000.00	0.00	9,000.00	9,000.00	0.00
Other Retirement Contributions - PERS	6,500.00	0.00	6,500.00	6,500.00	0.00
Health Benefits	46,137.00	0.00	46,137.00	44,229.70	1,907.30
Total Operation and Maintenance of Plant Services	61,637.00	0.00	61,637.00	59,729.70	1,907.30
Student Transportation Services - Employee Benefits					
Social Security Contributions	850.00	0.00	850.00	850.00	0.00
Health Benefits	5,000.00	0.00	5,000.00	4,970.30	29.70
Total Student Transportation Services	5,850.00	0.00	5,850.00	5,820.30	29.70
Total Allocated Benefits	694,907.00	(89,784.64)	605,122.36	491,602.88	113,519.48
UNALLOCATED BENEFITS					
Other Retirement Contributions - PERS	10,000.00	0.00	10,000.00	10,000.00	0.00
Unemployment Compensation	12,500.00	0.00	12,500.00	10,421.76	2,078.24
Workmen's Compensation	45,000.00	(150.00)	44,850.00	31,202.76	13,647.24
Other Benefits	30,000.00	0.00	30,000.00	26,410.91	3,589.09
TOTAL UNALLOCATED BENEFITS	97,500.00	(150.00)	97,350.00	78,035.43	19,314.57
On-Behalf TPAF Pension Contributions (Non-Budgeted)	0.00	0.00	0.00	758,298.00	(758,298.00)
On-Behalf TPAF Post Retire. Medical Contributions (Non-Budgeted)	0.00	0.00	0.00	177,169.00	(177,169.00)
On-Behalf TPAF LTD Insurance Contributions (Non-Budgeted)	0.00	0.00	0.00	232.00	(232.00)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	0.00	0.00	0.00	156,474.55	(156,474.55)
TOTAL ON-BEHALF CONTRIBUTIONS	0.00	0.00	0.00	1,092,173.55	(1,092,173.55)

HIGHLANDS SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2022
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES (Continued):					
Current Expense (Continued):					
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	792,407.00	(89,934.64)	702,472.36	1,661,811.86	(959,339.50)
TOTAL UNDISTRIBUTED EXPENDITURES	3,054,088.00	(31,096.07)	3,022,991.93	3,338,300.80	(315,308.87)
TOTAL GENERAL CURRENT EXPENSE	4,859,674.00	103,503.55	4,963,177.55	5,045,110.92	(81,933.37)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures - Non-Inst. Serv.	0.00	3,500.00	3,500.00	2,330.94	1,169.06
Total Equipment	0.00	3,500.00	3,500.00	2,330.94	1,169.06
Facilities Acquisition and Construction Services					
Construction Services	200,000.00	245,500.00	445,500.00	259,907.04	185,592.96
Assessment for Debt Service on SDA Funding	1,368.00	0.00	1,368.00	1,368.00	0.00
Total Facilities Acquisition and Construction Services	201,368.00	245,500.00	446,868.00	261,275.04	185,592.96
Assets Acquired Under Leases (Non-Budgeted)					
Equipment/Instruction	0.00	0.00	0.00	26,793.58	(26,793.58)
Equipment/ Support Services	0.00	0.00	0.00	17,862.39	(17,862.39)
Total Assets Acquired Under Leases (Non-Budgeted)	0.00	0.00	0.00	44,655.97	(44,655.97)
Interest Deposit to Capital Reserve	1,000.00	0.00	1,000.00	0.00	1,000.00
TOTAL CAPITAL OUTLAY	202,368.00	249,000.00	451,368.00	308,261.95	143,106.05
TOTAL EXPENDITURES	5,062,042.00	352,503.55	5,414,545.55	5,353,372.87	61,172.68
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(452,792.00)	(332,503.55)	(785,295.55)	477,977.49	1,263,273.04
Other Financing Sources(Uses)					
Transfer to Special Revenue Fund	(40,791.00)	0.00	(40,791.00)	(40,791.00)	0.00
Leases (non-budgeted)	0.00	0.00	0.00	44,655.97	44,655.97
Total Other Financing Sources (Uses):	(40,791.00)	0.00	(40,791.00)	3,864.97	44,655.97
Excess (Deficiency) of Revenues and Other Financing Sources					
Over (Under) Expenditures and Other Financing Uses	(493,583.00)	(332,503.55)	(826,086.55)	481,842.46	1,307,929.01
Fund Balance, July 1	2,245,825.66	0.00	2,245,825.66	2,245,825.66	0.00
Fund Balance, June 30	<u>\$1,752,242.66</u>	<u>(\$332,503.55)</u>	<u>\$1,419,739.11</u>	<u>\$2,727,668.12</u>	<u>\$1,307,929.01</u>
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				900,746.34	
Maintenance Reserve				186,546.00	
Excess Surplus - Designated for Subsequent Year's Expenditures				491,110.26	
Excess Surplus - Current Year				491,090.88	
Assigned Fund Balance:					
Year End Encumbrances				388,922.64	
Unassigned Fund Balance				<u>269,252.00</u>	
Reconciliation to Governmental Funds Statements (GAAP):				2,727,668.12	
Last Two State Aid Payments not recognized on GAAP basis				(39,265.10)	
Fund Balance per Governmental Funds (GAAP)				<u>\$2,688,403.02</u>	

BUDGETARY COMPARISON SCHEDULES

HIGHLANDS SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2022
(Unaudited)

	Original Budget	Budget Transfers / Modifications	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
CJHIF Wellness Grant	0.00	2,000.00	2,000.00	2,000.00	0.00
NJSBIG Safety Grant	1,000.00	2,002.00	3,002.00	3,002.00	0.00
Student Activities	3,000.00	22,000.00	25,000.00	21,021.82	(3,978.18)
Total Local Sources	4,000.00	26,002.00	30,002.00	26,023.82	(3,978.18)
Federal Sources:					
Title I, Part A	70,000.00	(7,383.00)	62,617.00	62,617.00	0.00
Title II, Part A	5,000.00	133.00	5,133.00	5,133.00	0.00
Title IV, Part A	10,000.00	0.00	10,000.00	10,000.00	0.00
I.D.E.A. Part B, Basic	70,000.00	1,775.00	71,775.00	54,059.00	(17,716.00)
I.D.E.A. Part B, Preschool	4,000.00	243.00	4,243.00	4,243.00	0.00
ARP I.D.E.A., Basic	0.00	9,140.00	9,140.00	9,140.00	0.00
ARP I.D.E.A. Preschool	0.00	776.00	776.00	776.00	0.00
CARES Act - Education Stabilization Fund	0.00	28,323.53	28,323.53	12,465.10	(15,858.43)
CRRSA - ESSER II	242,023.00	0.00	242,023.00	0.00	(242,023.00)
CRRSA - Learning Acceleration	25,000.00	0.00	25,000.00	15,705.85	(9,294.15)
CRRSA - Mental Health	45,000.00	0.00	45,000.00	40,403.00	(4,597.00)
ARP - ESSER	0.00	543,932.00	543,932.00	0.00	(543,932.00)
ARP - Accelerated Learning	0.00	50,000.00	50,000.00	0.00	(50,000.00)
Total Federal Sources	471,023.00	626,939.53	1,097,962.53	214,541.95	(883,420.58)
State Sources:					
Preschool Education Aid	432,690.00	0.00	432,690.00	369,457.28	(63,232.72)
Total State Sources	432,690.00	0.00	432,690.00	369,457.28	(63,232.72)
Total Revenues	907,713.00	652,941.53	1,560,654.53	610,023.05	(950,631.48)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	286,103.00	14,697.36	300,800.36	269,825.11	30,975.25
Other Salaries for Instruction	31,913.00	25,419.91	57,332.91	55,489.75	1,843.16
Purchased Professional Services	15,762.00	40,000.00	55,762.00	2,355.00	53,407.00
Other Purchased Services	0.00	8,500.00	8,500.00	8,500.00	0.00
Tuition to Other LEA's Within the State - Regular	70,000.00	(26,758.24)	43,241.76	43,241.76	0.00
General Supplies	21,300.00	97,960.98	119,260.98	22,299.53	96,961.45
Total Instruction	425,078.00	159,820.01	584,898.01	401,711.15	183,186.86
Support Services:					
Salaries of Supervisors of instruction	16,000.00	0.16	16,000.16	16,000.16	0.00
Salaries of Program Directors	25,750.00	0.00	25,750.00	25,750.00	0.00
Salaries of Other Professional Staff	12,115.00	0.00	12,115.00	12,115.00	0.00
Other Salaries	10,000.00	0.00	10,000.00	9,583.41	416.59
Salaries of Master Teachers	10,200.00	0.00	10,200.00	10,122.03	77.97
Personal Services - Employee Benefits	83,091.00	(521.11)	82,569.89	82,569.89	0.00
Purchased Professional and Technical Services	50,000.00	34,483.77	84,483.77	54,483.77	30,000.00
Other Purchased Services	5,000.00	3,000.00	8,000.00	3,403.00	4,597.00
Supplies and Materials	10,000.00	5,304.44	15,304.44	5,331.56	9,972.88
Other Objects	37,288.00	(15,000.00)	22,288.00	0.00	22,288.00
Student Activities	3,000.00	22,000.00	25,000.00	16,767.75	8,232.25
Total Support Services	262,444.00	49,267.26	311,711.26	236,126.57	75,584.69
Facilities Acquisition and Construction Services:					
Instructional Equipment	0.00	8,722.26	8,722.26	8,722.26	0.00
Non-Instructional Equipment	18,959.00	0.00	18,959.00	0.00	18,959.00
Construction Services	242,023.00	435,132.00	677,155.00	0.00	677,155.00
Total Facilities Acquisition and Construction Services	260,982.00	443,854.26	704,836.26	8,722.26	696,114.00
Total Expenditures	948,504.00	652,941.53	1,601,445.53	646,559.98	954,885.55
Other Financing Sources:					
Transfers from Other Financing Sources	40,791.00	0.00	40,791.00	40,791.00	0.00
Total Other Financing Sources	40,791.00	0.00	40,791.00	40,791.00	0.00
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	0.00	0.00	0.00	4,254.07	4,254.07
Fund Balance - July 1	10,970.12	0.00	10,970.12	10,970.12	0.00
Fund Balance - June 30	\$10,970.12	0.00	10,970.12	13,224.19	4,254.07
Recapitulation:					
Restricted:					
Student Activities				13,224.19	
Total Fund Balance				\$13,224.19	

**NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION - PART II**

HIGHLANDS SCHOOL DISTRICT
Notes To The Required Supplementary Information
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2022
(Unaudited)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	5,831,350.36	610,023.05
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2021	.00	44,039.42
Encumbrances, June 30, 2022	(.00)	(32,717.09)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	48,730.60	32,090.40
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(39,265.10)</u>	<u>(36,711.90)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>5,840,815.86</u>	<u>616,723.88</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	5,353,372.87	646,559.98
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Encumbrances, June 30, 2021	.00	44,039.42
Encumbrances, June 30, 2022	<u>(.00)</u>	<u>(32,717.09)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$5,353,372.87</u>	<u>657,882.31</u>

**REQUIRED SUPPLEMENTARY
INFORMATION - PART III**

HIGHLANDS SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Position Liability - PERS
Last Ten Fiscal Years*
(Unaudited)

Public Employees' Retirement System (PERS)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0044837565%	0.0049534276%	0.0043952669%	0.0043190909%	0.0042505709%	0.0044459292%	0.0044591813%	0.0045386529%	0.0045625656%
District's proportionate share of the net pension liability (asset)	\$ 531,168	\$ 807,775	\$ 791,960	\$ 850,407	\$ 989,465	\$ 1,316,757	\$ 1,000,997	\$ 849,760	\$ 871,997
District's covered-employee payroll	\$340,727	\$339,317	\$336,742	\$346,335	\$312,336	\$303,310	\$294,480	\$320,860	\$295,234
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	155.89%	238.06%	235.18%	245.54%	316.80%	434.13%	339.92%	264.84%	295.36%
Plan fiduciary net position as a percentage of the total pension liability (local)	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

HIGHLANDS SCHOOL DISTRICT
Schedule of District's Contribution - PERS
Last Ten Fiscal Years*
(Unaudited)

Public Employees' Retirement System (PERS)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 52,510	\$ 54,188	\$ 42,940	\$ 42,961	\$ 39,377	\$ 39,844	\$ 38,337	\$ 37,416	\$ 34,378
Contribution in relation to the contractually required contribution	<u>(52,510)</u>	<u>(54,188)</u>	<u>(42,940)</u>	<u>(42,961)</u>	<u>(39,377)</u>	<u>(39,844)</u>	<u>(38,337)</u>	<u>(37,416)</u>	<u>(34,378)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 340,727	\$ 339,317	\$ 336,742	\$ 346,335	\$ 312,336	\$ 303,310	\$ 294,480	\$ 320,860	\$ 295,234
Contributions as a percentage of covered-employee payroll	15.41%	15.97%	12.75%	12.40%	12.61%	13.14%	13.02%	11.66%	11.64%

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

HIGHLANDS SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF
Last Ten Fiscal Years*
(Unaudited)

Teachers' Pension and Annuity Fund (TPAF)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 8,366,919</u>	<u>\$ 12,017,843</u>	<u>\$ 9,588,450</u>	<u>\$ 10,193,911</u>	<u>\$ 9,934,410</u>	<u>\$ 12,208,393</u>	<u>\$ 10,018,473</u>	<u>\$ 9,110,221</u>	<u>\$ 7,298,583</u>
Total	<u>\$ 8,366,919</u>	<u>\$ 12,017,843</u>	<u>\$ 9,588,450</u>	<u>\$ 10,193,911</u>	<u>\$ 9,934,410</u>	<u>\$ 12,208,393</u>	<u>\$ 10,018,473</u>	<u>\$ 9,110,221</u>	<u>\$ 7,298,583</u>
District's covered-employee payroll	\$ 2,130,306	\$ 2,009,087	\$ 2,035,678	\$ 1,822,676	\$ 1,760,678	\$ 1,664,377	\$ 1,605,384	\$ 1,550,672	\$ 1,541,780
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	35.52%	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the District (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the District.

HIGHLANDS SCHOOL DISTRICT
Schedule of Changes in District's Proportionate Share of State Total OPEB Liability and Related Ratios
Last Ten Fiscal Years*
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
State's proportion of the net OPEB liability (asset) associated with the District	0.02%	0.02%	0.02%	0.02%	0.02%
District's proportionate share of the net OPEB liability (asset) **	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 9,339,998</u>	<u>\$ 11,054,717</u>	<u>\$ 6,874,758</u>	<u>\$ 7,869,369</u>	<u>\$ 9,206,257</u>
Total	<u>\$ 9,339,998</u>	<u>\$ 11,054,717</u>	<u>\$ 6,874,758</u>	<u>\$ 7,869,369</u>	<u>\$ 9,206,257</u>
Plan fiduciary net position as a percentage of the total OPEB liability (local)	0.00%	0.00%	0.00%	0.00%	0.00%
Total OPEB Liability					
Service Cost	\$535,495	\$300,577	\$270,190	\$310,188	\$373,193
Interest Cost	242,289	247,899	311,076	337,084	292,665
Changes in Benefit Terms	(9,941)	-	-	-	-
Differences Between Expected and Actual Experiences	(2,307,115)	1,798,787	(1,473,601)	(877,960)	-
Changes of Assumptions	9,215	2,019,317	102,503	(903,049)	(1,251,932)
Member Contributions	6,194	5,833	6,256	7,273	7,852
Gross Benefit Payments	<u>(190,856)</u>	<u>(192,454)</u>	<u>(211,035)</u>	<u>(210,424)</u>	<u>(213,236)</u>
Net Change in Total OPEB Liability	(1,714,719)	4,179,959	(994,611)	(1,336,888)	(791,458)
Total OPEB Liability - Beginning	<u>11,054,717</u>	<u>6,874,758</u>	<u>7,869,369</u>	<u>9,206,257</u>	<u>9,997,715</u>
Total OPEB Liability - Ending	<u>\$ 9,339,998</u>	<u>\$ 11,054,717</u>	<u>\$ 6,874,758</u>	<u>\$ 7,869,369</u>	<u>\$ 9,206,257</u>
District's Covered-Employee Payroll	\$ 2,471,033	\$ 2,348,404	\$ 2,372,420	\$ 2,169,011	\$ 2,073,014
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

** Note: OPEB is a special funding situation as defined by GASB Statement No. 75 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the District (employer) does not contribute directly to the plan there is no net OPEB liability to report in the financial statements of the District.

**NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION - PART III**

HIGHLANDS SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III
PENSION AND OTHER POST-EMPLOYMENT BENEFITS (OPEB) SCHEDULES
JUNE 30, 2022

Teachers' Pension and Annuity Fund (TPAF)

Pension Schedules:

Changes of benefit terms.

There were none.

Changes of assumptions.

The discount rate changed from 5.40% as of June 30, 2020 to 7.00% as of June 30, 2021.

Public Employees' Retirement System (PERS)

Pension Schedules:

Changes of benefit terms.

There were none.

Changes of assumptions.

The discount rate was 7.00% as of June 30, 2020 and June 30, 2021.

Other Post-Employment Benefits

OPEB Schedules:

Changes of benefit terms.

Employers adopting Chapter 44 provisions.

Changes of assumptions.

The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

HIGHLANDS SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2022

	Preschool Education Aid	Every Child Succeeds Act (E.S.S.A.)			I.D.E.A.				CARES Act Education Stabilization Fund	CRRSA Act		CJHIF Wellness Grant	NJSBIG Safety Grant	Student Activity Fund	Total
		Title I Part A	Title II Part A	Title IV	Part B Basic	Part B Preschool	ARP Basic	ARP Preschool		Learning Acceleration	Mental Health				
REVENUES:															
Federal Sources	0.00	62,617.00	5,133.00	10,000.00	54,059.00	4,243.00	9,140.00	776.00	12,465.10	15,705.85	40,403.00	0.00	0.00	0.00	214,541.95
State Sources	369,457.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	369,457.28
Local Sources	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,000.00	3,002.00	21,021.82	26,023.82
Total Revenues	369,457.28	62,617.00	5,133.00	10,000.00	54,059.00	4,243.00	9,140.00	776.00	12,465.10	15,705.85	40,403.00	2,000.00	3,002.00	21,021.82	610,023.05
EXPENDITURES:															
Instruction:															
Salaries of Teachers	207,682.93	42,839.00	0.00	0.00	0.00	0.00	0.00	0.00	6,420.00	12,883.18	0.00	0.00	0.00	0.00	269,825.11
Other Salaries for Instruction	55,489.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	55,489.75
Purchased Professional Educational Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,355.00	0.00	0.00	0.00	0.00	2,355.00
Other Purchased Services	0.00	0.00	0.00	0.00	0.00	0.00	8,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,500.00
Tuition to Other LEA's Within the State - Regular	0.00	0.00	0.00	0.00	43,241.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	43,241.76
General Supplies	9,736.88	0.00	0.00	10,000.00	2,094.98	0.00	0.00	0.00	0.00	467.67	0.00	0.00	0.00	0.00	22,299.53
Total Instruction	272,909.56	42,839.00	0.00	10,000.00	45,336.74	0.00	8,500.00	0.00	6,420.00	15,705.85	0.00	0.00	0.00	0.00	401,711.15
Support Services:															
Salaries of Supervisors of Instruction	16,000.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16,000.16
Salaries of Program Directors	25,750.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,750.00
Salaries of Other Professional Staff	12,115.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,115.00
Other Salaries	9,583.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,583.41
Salaries of Master Teachers	10,122.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,122.03
Personal Services - Employee Benefits	63,091.00	19,478.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	82,569.89
Purchased Professional and Technical Services	0.00	0.00	2,133.00	0.00	0.00	4,043.00	0.00	776.00	5,531.77	0.00	40,000.00	2,000.00	0.00	0.00	54,483.77
Other Purchased Services	0.00	0.00	3,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	403.00	0.00	0.00	0.00	3,403.00
Supplies and Materials	677.12	299.11	0.00	0.00	0.00	200.00	640.00	0.00	513.33	0.00	0.00	0.00	3,002.00	0.00	5,331.56
Student Activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16,767.75	16,767.75
Total Support Services	137,338.72	19,778.00	5,133.00	0.00	0.00	4,243.00	640.00	776.00	6,045.10	0.00	40,403.00	2,000.00	3,002.00	16,767.75	236,126.57
Facilities Acquisition and Construction Services:															
Instructional Equipment	0.00	0.00	0.00	0.00	8,722.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,722.26
Total Facilities Acquisition and Construction Services	0.00	0.00	0.00	0.00	8,722.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,722.26
Total Expenditures	410,248.28	62,617.00	5,133.00	10,000.00	54,059.00	4,243.00	9,140.00	776.00	12,465.10	15,705.85	40,403.00	2,000.00	3,002.00	16,767.75	646,559.98
Other Financing Sources:															
Transfers from Other Funds	40,791.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	40,791.00
Total Other Financing Sources	40,791.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	40,791.00
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,254.07	4,254.07
Fund Balance, July 1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,970.12	10,970.12
Fund Balance, June 30	\$0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,224.19	15,224.19

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HIGHLANDS SCHOOL DISTRICT
Special Revenue Fund
Schedule of Preschool Education Aid Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	218,103.00	(10,420.07)	207,682.93	207,682.93	.00
Other Salaries for Instruction	31,913.00	25,419.91	57,332.91	55,489.75	1,843.16
Purchased Professional - Educational Services	10,062.00	.00	10,062.00	.00	10,062.00
General Supplies	<u>10,000.00</u>	<u>.00</u>	<u>10,000.00</u>	<u>9,736.88</u>	<u>263.12</u>
Total Instruction	<u>270,078.00</u>	<u>14,999.84</u>	<u>285,077.84</u>	<u>272,909.56</u>	<u>12,168.28</u>
Support Services:					
Salaries of Supervisors of Instruction	16,000.00	.16	16,000.16	16,000.16	.00
Salaries of Program Directors	25,750.00	.00	25,750.00	25,750.00	.00
Salaries of Other Professional Staff	12,115.00	.00	12,115.00	12,115.00	.00
Other Salaries	10,000.00	.00	10,000.00	9,583.41	416.59
Salaries of Master Teachers	10,200.00	.00	10,200.00	10,122.03	77.97
Personal Services - Employee Benefits	63,091.00	.00	63,091.00	63,091.00	.00
Supplies and Materials	10,000.00	.00	10,000.00	677.12	9,322.88
Other Objects	<u>37,288.00</u>	<u>(15,000.00)</u>	<u>22,288.00</u>	<u>.00</u>	<u>22,288.00</u>
Total Support Services	<u>184,444.00</u>	<u>(14,999.84)</u>	<u>169,444.16</u>	<u>137,338.72</u>	<u>32,105.44</u>
Facilities Acquisition and Construction Services:					
Non-Instructional Equipment	<u>18,959.00</u>	<u>.00</u>	<u>18,959.00</u>	<u>.00</u>	<u>18,959.00</u>
Total Facilities Acquisition and Construction Services	<u>18,959.00</u>	<u>.00</u>	<u>18,959.00</u>	<u>.00</u>	<u>18,959.00</u>
Total Expenditures	<u>\$473,481.00</u>	<u>.00</u>	<u>473,481.00</u>	<u>410,248.28</u>	<u>63,232.72</u>

CALCULATION OF BUDGET & CARRYOVER

Total 2021-22 PreK Aid Allocation	\$367,119.00
Add: Actual PreK/ECPA Aid Carryover June 30, 2021	145,686.57
Add: Prior Period Adjustment	14,016.00
Add: Budgeted Transfer from General Fund	<u>40,791.00</u>
Total Funds Available for 2021-22 Budget	567,612.57
Less: 2021-22 Budgeted PreK/ECPA (Including prior year budgeted carryover)	<u>473,481.00</u>
Available & Unbudgeted Funds as of June 30, 2022	94,131.57
Add: June 30, 2022 Unexpended PreK Aid	<u>63,232.72</u>
2022 Actual Carryover - PreK Aid	<u>157,364.29</u>
2021-22 PreK Aid Carryover Budgeted in 2022-23	<u>\$ 80,115.00</u>

LONG-TERM DEBT SCHEDULES

The Long-Term Debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding.

HIGHLANDS SCHOOL DISTRICT
Long-Term Debt
Schedule of Obligations Under Leases
For the Fiscal Year Ended June 30, 2022

<u>Series</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Lease</u>	<u>Amount Outstanding June 30, 2021</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2022</u>
(1) Savin Copier	9/05/18	5 Years	6.32%	11,932.64	5,836.57	.00	2,492.14	3,344.43
(2) Savin Copiers	8/03/21	5 Years	5.90%	44,655.97	<u>.00</u>	<u>44,655.97</u>	<u>6,560.76</u>	<u>38,095.21</u>
					<u>\$5,836.57</u>	<u>44,655.97</u>	<u>9,052.90</u>	<u>41,439.64</u>

STATISTICAL SECTION (Unaudited)

Highlands School District
Net Assets by Component
Last Ten Fiscal Years
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Invested in capital assets, net of related debt	\$ 1,106,573	\$ 1,232,934	\$ 1,304,437	\$ 1,485,922	\$ 1,661,082	\$ 1,662,603	\$ 1,783,523	\$ 1,890,083	\$ 1,859,197	\$ 2,002,255
Restricted	1,373,004	1,165,977	1,040,358	1,207,891	1,131,872	1,113,804	1,155,002	979,301	1,657,322	2,084,718
Unrestricted	178,836	97,393	(764,533)	(909,242)	(1,011,494)	(693,809)	(774,687)	(347,409)	(460,331)	(253,961)
Total governmental activities net position	\$ 2,658,413	\$ 2,496,304	\$ 1,580,262	\$ 1,784,571	\$ 1,781,460	\$ 2,082,598	\$ 2,163,838	\$ 2,521,975	\$ 3,056,188	\$ 3,833,012
Business-type activities										
Invested in capital assets, net of related debt	\$ 12,231	\$ 11,232	\$ 10,234	\$ 17,194	\$ 21,675	\$ 18,749	\$ 15,822	\$ 19,534	\$ 16,151	\$ 15,663
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	9,569	14,963	37,249	51,557	53,912	63,803	59,048	32,086	32,122	54,883
Total business-type activities net position	\$ 21,800	\$ 26,195	\$ 47,483	\$ 68,751	\$ 75,587	\$ 82,552	\$ 74,870	\$ 51,620	\$ 48,273	\$ 70,546
District-wide										
Invested in capital assets, net of related debt	\$ 1,118,804	\$ 1,244,166	\$ 1,314,671	\$ 1,503,116	\$ 1,682,757	\$ 1,681,352	\$ 1,799,345	\$ 1,909,617	\$ 1,875,348	\$ 2,017,918
Restricted	1,373,004	1,165,977	1,040,358	1,207,891	1,131,872	1,113,804	1,155,002	979,301	1,657,322	2,084,718
Unrestricted	188,405	112,356	(727,284)	(857,685)	(957,582)	(630,006)	(715,639)	(315,323)	(428,209)	(199,078)
Total district net position	\$ 2,680,213	\$ 2,522,499	\$ 1,627,745	\$ 1,853,322	\$ 1,857,047	\$ 2,165,150	\$ 2,238,708	\$ 2,573,595	\$ 3,104,461	\$ 3,903,558

Highlands School District
Changes in Net Assets/Net Position
Last Ten Fiscal Year
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
Instruction:										
Regular	1,679,707	1,522,768	1,592,714	1,838,408	1,993,047	2,406,416	2,306,536	2,155,995	2,184,966	1,832,474
Special education	633,255	631,226	709,008	633,017	787,645	792,079	789,530	635,568	1,023,791	875,211
Other instruction	104,317	175,855	207,811	205,586	237,467	253,808	242,200	230,532	298,906	345,449
Support Services:										
Tuition	47,672	48,475	56,400	70,565	102,099	105,618	109,170	193,176	97,269	-
Student & instruction related services	938,380	1,071,302	1,242,554	1,244,046	1,372,374	1,369,037	1,298,722	1,381,053	1,483,771	1,425,746
School Administrative Services	71,976	78,886	137,592	141,029	151,174	149,856	160,323	153,055	98,255	112,192
General administration	97,078	116,729	100,333	116,068	143,688	169,122	172,923	151,323	225,403	146,037
Central Services	66,302	71,689	68,958	73,042	74,512	76,189	75,656	80,670	84,946	106,222
Other administrative services	-	-	-	-	-	-	-	-	-	-
Plant operations and maintenance	381,583	361,345	352,590	395,299	432,452	455,730	433,697	438,585	366,758	446,784
Pupil transportation	184,945	273,293	173,313	167,726	230,299	212,548	209,219	142,163	113,780	101,611
Interest on long-term debt	41,800	34,168	28,063	17,955	8,894	-	-	-	-	-
Total governmental activities expenses	4,247,015	4,385,726	4,667,336	4,902,741	5,533,651	5,990,403	5,797,976	5,562,110	5,977,845	5,391,726
Business-type activities:										
Food service	83,823	80,615	106,193	110,655	118,103	127,979	124,563	103,046	99,568	148,486
Total business-type activities expense	83,823	80,615	106,193	110,655	118,103	127,979	124,563	103,046	99,568	148,486
Total district expenses	\$ 4,330,838	\$ 4,466,341	\$ 4,773,529	\$ 5,013,396	\$ 5,651,754	\$ 6,118,382	\$ 5,922,539	\$ 5,665,156	\$ 6,077,413	\$ 5,540,212
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	-	-	-	-	-	-	26,870	-	-	-
Student Activities	-	-	-	-	-	-	-	-	15,812	21,022
Operating grants and contributions	580,696	615,831	958,157	1,222,478	1,527,940	1,847,529	1,441,311	1,287,018	1,856,430	1,398,886
Total governmental activities program revenues	580,696	615,831	958,157	1,222,478	1,527,940	1,847,529	1,468,181	1,287,018	1,872,242	1,419,908
Program Revenues (Continued)										
Business-type activities:										
Charges for services:										
Food service	24,153	25,350	39,356	43,001	41,753	47,210	33,332	19,579	16	8,315
Operating grants and contributions	61,635	59,593	88,068	88,891	85,893	87,849	83,521	60,217	95,965	162,212
Total business type activities program revenues	85,788	84,943	127,424	131,892	127,646	135,059	116,853	79,796	95,981	170,527
Total district program revenues	\$ 666,484	\$ 700,774	\$ 1,085,581	\$ 1,354,370	\$ 1,655,586	\$ 1,982,588	\$ 1,585,034	\$ 1,366,814	\$ 1,968,223	\$ 1,590,435

Highlands School District
Changes in Net Assets/Net Position
Last Ten Fiscal Year
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021
Net (Expense)/Revenue										
Governmental activities	(\$3,666,319)	(\$3,769,895)	(\$3,709,179)	(\$3,680,263)	(\$4,005,711)	(\$4,142,874)	(\$4,329,795)	(\$4,275,092)	(4,105,603)	(3,971,818)
Business-type activities	1,965	4,328	21,231	21,237	9,543	7,080	(7,710)	(23,250)	(3,587)	22,041
Total district-wide net expense	\$ (3,664,354)	\$ (3,765,567)	\$ (3,687,948)	\$ (3,659,026)	\$ (3,996,168)	\$ (4,135,794)	\$ (4,337,505)	\$ (4,298,342)	\$ (4,109,190)	\$ (3,949,777)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes, net	\$2,881,778	\$2,782,879	\$2,782,879	\$3,063,326	\$3,179,674	\$3,664,276	\$3,767,561	\$4,036,502	\$4,117,232	\$4,199,577
Taxes levied for debt service	185,926	174,777	176,857	164,124	156,275	-	-	-	-	-
Unrestricted grants and contributions	638,060	648,981	668,935	651,826	658,393	574,406	630,230	564,229	513,179	442,747
Investment earnings	-	-	-	-	-	-	9,266	24,846	1,196	3,717
Miscellaneous income	24,639	1,149	4,285	3,292	8,258	547	4,006	7,651	-	102,601
Extraordinary items	-	-	-	-	-	204,784	-	-	-	-
Other financing sources	-	-	-	-	-	-	-	-	-	-
Total governmental activities	3,730,403	3,607,786	3,630,756	3,882,568	4,002,600	4,444,013	4,411,063	4,633,228	4,631,607	4,748,642
Business-type activities:										
Miscellaneous income	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prior year adjustment	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total district-wide	\$ 3,730,418	\$ 3,607,786	\$ 3,630,756	\$ 3,882,568	\$ 4,002,600	\$ 4,444,013	\$ 4,411,063	\$ 4,633,228	\$ 4,631,607	\$ 4,748,642
Change in Net Position										
Governmental activities	64,084	(162,109)	(78,423)	202,305	(3,111)	301,139	81,268	358,136	526,004	776,824
Business-type activities	1,980	4,328	21,231	21,237	9,543	7,080	(7,710)	(23,250)	(3,587)	22,041
Total district	\$ 66,064	\$ (157,781)	\$ (57,192)	\$ 223,542	\$ 6,432	\$ 308,219	\$ 73,558	\$ 334,886	\$ 522,417	\$ 798,865

Highlands School District
Fund Balances - Governmental Funds
Last Ten Fiscal Years
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Restricted	1,181,774	982,506	848,280	1,015,815	1,131,872	1,113,804	1,155,002	1,390,847	1,646,352	2,069,493
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	82,420	17,636	9,870	119,750	57,121	57,372	332,434	388,923
Unassigned	203,179	213,679	215,531	200,089	202,302	221,448	211,151	215,596	218,309	229,987
Total general fund	<u>\$ 1,384,953</u>	<u>\$ 1,196,185</u>	<u>\$ 1,146,231</u>	<u>\$ 1,233,540</u>	<u>\$ 1,344,044</u>	<u>\$ 1,455,002</u>	<u>\$ 1,423,274</u>	<u>\$ 1,663,815</u>	<u>\$ 2,197,095</u>	<u>\$ 2,688,403</u>
All Other Governmental Funds										
Restricted	\$ 188,405	\$ 183,471	\$ 192,078	\$ 192,076	\$ -	\$ -	\$ -	\$ -	\$ 10,970	\$ 15,224
Unassigned - special revenue fund (deficit)	\$ (8,936)	\$ (8,254)	\$ (5,503)	\$ (18,342)	\$ (18,342)	\$ (24,895)	\$ (27,132)	\$ (34,182)	\$ (32,090)	\$ (36,712)
Unreserved, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 179,469</u>	<u>\$ 175,217</u>	<u>\$ 186,575</u>	<u>\$ 173,734</u>	<u>\$ (18,342)</u>	<u>\$ (24,895)</u>	<u>\$ (27,132)</u>	<u>\$ (34,182)</u>	<u>\$ (21,120)</u>	<u>\$ (21,488)</u>

Highlands School District
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Tax levy	\$ 3,067,704	\$ 2,957,656	\$ 2,959,536	\$ 3,227,450	\$ 3,335,949	\$ 3,664,276	\$ 3,767,561	\$ 4,036,502	\$ 4,117,232	\$ 4,199,577
Tuition charges	-	-	-	-	-	-	26,870	-	-	-
Interest earnings	-	-	-	-	26	-	9,238	24,846	1,196	3,726
Miscellaneous	24,639	61,499	9,544	3,292	11,305	2,288	6,006	7,652	-	102,597
State sources	1,042,364	1,042,256	1,056,845	1,209,974	1,265,244	1,424,869	1,455,103	1,587,558	1,600,375	1,915,736
Federal sources	176,392	162,206	158,468	176,866	166,457	174,209	154,019	156,569	205,173	209,880
Local sources	-	-	-	-	-	-	-	-	19,718	26,024
Total revenue	4,311,099	4,223,617	4,184,393	4,617,582	4,778,981	5,265,642	5,418,797	5,813,127	5,943,694	6,457,540
Expenditures										
Instruction										
Regular instruction	1,466,917	1,336,816	1,253,784	1,381,666	1,404,999	1,737,469	1,772,327	1,716,100	1,543,546	1,468,034
Special education instruction	541,610	542,958	538,876	452,245	553,417	545,436	571,246	458,790	720,214	674,981
Other special instruction	-	-	-	-	-	-	-	-	-	-
School sponsored/other instructional	89,872	148,283	151,303	138,948	150,231	154,741	161,700	166,952	188,552	261,183
Support Services:										
Tuition	47,673	48,475	56,400	70,565	102,099	105,618	109,170	193,176	97,270	-
Student & inst. related services	836,639	980,731	1,001,938	979,293	1,046,643	1,002,785	1,003,966	1,138,558	1,075,118	1,199,753
General administration	92,776	112,582	97,083	103,235	140,036	164,187	169,314	147,142	155,541	142,156
School administrative services	58,598	69,561	87,030	92,551	92,622	95,925	96,367	102,195	92,240	82,594
Central services	62,514	66,658	65,160	68,402	68,191	69,628	71,452	75,770	65,181	84,247
Plant operations and maintenance	372,972	353,441	343,348	370,363	367,393	400,880	409,580	430,342	348,145	498,510
Pupil transportation	183,798	272,358	168,381	165,000	223,575	207,118	208,443	141,229	112,574	104,342
Other support services	-	-	-	-	-	-	-	-	-	-
Employee benefits	373,319	352,831	389,167	451,565	480,886	587,036	673,978	795,204	915,180	1,170,209
Capital outlay	29,070	51,131	1,368	149,043	65,580	90,413	217,152	214,178	92,001	324,246
Debt service:										
Principal	135,640	145,751	140,000	145,000	155,000	-	-	-	-	-
Interest and other charges	45,011	36,786	28,050	19,125	9,881	-	-	-	-	-
Total expenditures	4,336,409	4,518,362	4,321,888	4,587,001	4,860,553	5,161,236	5,464,695	5,579,636	5,405,562	6,011,255
Excess (Deficiency) of revenues over (under) expenditures	(25,310)	(294,745)	(137,495)	30,581	(81,572)	104,406	(45,898)	233,491	538,132	446,285

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Highlands School District
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021
Other Financing sources (uses)										
CDL Property Tax Offset - Super Storm Sandy	-	98,899	98,899	-	-	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	41,883	-	-	11,932	-	-	44,656
BAN payment	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	98,899	98,899	41,883	-	-	11,932	-	-	44,656
Net change in fund balances	\$ (25,310)	\$ (195,846)	\$ (38,596)	\$ 72,464	\$ (81,572)	\$ 104,406	\$ (33,966)	\$ 233,491	\$ 538,132	\$ 490,941
Debt service as a percentage of noncapital expenditures	4.19%	4.09%	3.89%	3.70%	3.44%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

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Highlands School District
General Fund Other Local Revenue by Source
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Sale of Capital Assets	Donations	Rentals	Prior Year Refunds	Dividends Health Insurance	Miscellaneous	Annual Totals
2013	-	-	-	-	-	24,369	24,369
2014	-	-	-	-	-	1,149	1,149
2015	-	-	-	-	-	4,284	4,284
2016	-	-	-	-	-	3,292	3,292
2017	-	-	-	-	-	11,305	11,305
2018	-	-	-	-	-	2,288	2,288
2019	-	-	-	-	-	6,006	6,006
2020	-	-	-	-	-	3,069	3,069
2021	-	-	-	-	-	-	-
2022	-	-	-	16168	85881	548	102597

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Source: District records

Highland School District
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^b
2013	10,641,100	502,960,100	-	-	54,962,600	-	6,417,800	574,981,600	364,416	575,346,016	611,059,315	0.514
2014	15,190,700	497,195,200	-	-	51,194,500	-	6,380,400	569,960,800	322,671	570,283,471	608,946,446	0.519
2015	14,285,900	504,097,000	-	-	49,673,700	-	7,099,800	575,156,400	320,042	575,476,442	627,593,021	0.561
r 2016	23,143,000	513,280,700	-	-	49,608,600	-	7,128,200	593,160,500	317,915	593,478,415	608,633,449	0.562
2017	21,600,300	513,634,900	-	-	49,028,200	-	9,212,300	593,475,700	306,315	593,782,015	621,980,292	0.616
2018	19,855,500	524,510,500	-	-	51,176,400	-	10,493,900	606,036,300	301,259	606,337,559	648,241,620	0.621
2019	19,210,500	535,152,200	-	-	48,602,100	-	9,106,000	612,070,800	289,223	612,360,023	684,752,464	0.659
2020	16,915,300	636,790,600	-	-	67,885,800	-	10,326,000	731,917,700	446,017	732,363,717	710,151,730	0.562
2021	16,973,200	668,064,200	-	-	68,177,900	-	11,201,700	764,417,000	449,141	764,866,141	756,554,281	0.549
2022	13,982,200	787,882,900	-	-	75,380,000	-	12,005,700	889,250,800	449,412	889,700,212	841,591,417	0.482

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Source: Municipal Tax Assessor

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

r Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment

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

b Tax rates are per \$100

RV Property Revaluation

Highlands School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)
Unaudited

Fiscal Year Ended June 30,	Highlands School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	(From J-6) Total Direct School Tax Rate	Regional School Rate	Municipality of Highlands	Monmouth County	
2013	0.484	0.030	0.514	0.707	1.052	0.321	2.594
2014	0.489	0.030	0.519	0.689	1.161	0.329	2.698
2015	0.528	0.033	0.561	0.690	1.211	0.333	2.795
r 2016	0.529	0.033	0.562	0.629	1.273	0.303	2.767
2017	0.584	0.033	0.617	0.616	1.280	0.299	2.812
2018	0.621	-	0.621	0.577	1.290	0.314	2.802
2019	0.659	-	0.659	0.549	1.300	0.317	2.825
2020	0.562	-	0.562	0.493	1.152	0.277	2.484
2021	0.549	-	0.549	0.523	1.134	0.275	2.481
2022	0.482	-	0.482	0.472	0.953	0.246	2.153

Source: Municipal Tax Collector

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

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

RV Property Revaluation

r Reassessment

Highlands School District
Principal Property Taxpayers
Current Year and Nine Years Ago
Unaudited

	2022			2013		
	Taxable Assessed Value	Rank (Optional)	% of Total District Net Assessed Value	Taxable Assessed Value	Rank (Optional)	% of Total District Net Assessed Value
Highlands Development Group, LLC	\$ 13,296,900	1	1.49%	\$ 2,824,400	4	0.49%
Highlands Landing Corporation	5,956,800	2	0.67%	3,613,500	1	0.63%
Sandy Hook Developers, LLC	5,213,500	3	0.59%	2,704,500	5	0.47%
DBCDS, LLC	2,875,900	4	0.32%	-	-	-
Bahr's Restaurant Incorporated	2,791,600	5	0.31%	2,988,600	2	0.52%
56 Shrewsbury, LLC	2,585,200	6	0.29%	-	-	-
Shore Landing, LLC	2,323,100	7	0.26%	-	-	-
MDC Coast 23, LLC	2,264,000	8	0.25%	-	-	-
Individual Taxpayer #1	2,245,600	9	0.25%	2,122,500	6	0.37%
Sandy Hook Bay Parking, LLC	2,058,700	10	0.23%	-	-	-
Portland Road LLC	-	-	-	2,841,300	3	0.49%
Highlands Waterfront LLC	-	-	-	2,111,800	7	0.37%
Gateway Realty Inc	-	-	-	2,028,500	8	0.35%
470 Bayside Partners, LLC	-	-	-	1,827,500	9	0.32%
Dan-Rob Property Assoc., LLC	-	-	-	1,686,600	10	0.29%
Total	\$41,611,300		4.66%	\$ 24,749,200		4.30%

Source: Municipal Tax Assessor

Highlands School District
Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal</u>	<u>Collected within the Fiscal Year of the Levy^a</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2013	3,067,704	3,067,704	100.00%	-
2014	2,957,656	2,957,656	100.00%	-
2015	2,959,536	2,957,656	99.94%	-
2016	3,227,450	3,227,450	100.00%	-
2017	3,335,949	3,335,949	100.00%	-
2018	3,664,276	3,664,276	100.00%	-
2019	3,767,561	3,767,561	100.00%	-
2020	4,036,502	4,036,502	100.00%	-
2021	4,117,232	4,117,232	100.00%	-
2022	4,199,577	4,199,577	100.00%	-

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

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

Highlands School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Governmental Activities

Fiscal Year Ended June 30,	Certificates of Participation	Capital Leases	Loans	Compensated Absences Payable	Bond Anticipation Notes (BANs)	Community Disaster Loan	Total District	Percentage of Personal Income ^a	Per Capita ^a
2013	575,000	25,624	10,751	15,407	-	-	626,782	10.21%	63,973
2014	440,000	15,375	-	8,522	-	98,899	562,796	11.99%	67,481
2015	300,000	6,116	-	17,088	-	197,798	521,002	13.58%	70,766
2016	155,000	40,040	-	39,703	-	197,798	432,541	16.89%	73,074
2017	-	32,423	-	24,112	-	197,798	254,333	29.83%	75,876
2018	-	24,393	-	20,884	-	-	45,277	175.03%	79,249
2019	-	26,302	-	32,976	-	-	59,278	138.79%	82,270
2020	-	15,183	-	37,597	-	-	52,780	163.11%	86,091
2021	-	5,837	-	54,393	-	-	60,230		Not Available
2022	-	41,440	-	49,859	-	-	91,299		Not Available

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

^a These ratios are calculated using personal income for the prior calendar year.

Highlands School District
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

<u>General Bonded Debt Outstanding</u>					
<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>EDA Loans</u>	<u>Deductions</u>	<u>Net General</u> <u>Bonded Debt</u> <u>Outstanding</u>	<u>Percentage of</u> <u>Actual Taxable</u> <u>Value ^a of</u> <u>Property</u>	<u>Per Capita ^b</u>
2013	10,751	-	10,751	0.01%	63,973
2014	-	-	-	0.00%	67,481
2015	-	-	-	0.00%	70,766
2016	-	-	-	0.00%	73,074
2017	-	-	-	0.00%	75,876
2018	-	-	-	0.00%	79,249
2019	-	-	-	0.00%	82,270
2020	-	-	-	0.00%	86,091
2021	-	-	-	0.00%	Not Available
2022	-	-	-	0.00%	Not Available

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

a See Exhibit J-6 for property tax data.

b Per capita personal income data can be found in Exhibit J-14.

Highlands School District
Direct and Overlapping Governmental Activities Debt
As of June 30, 2022
Unaudited

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Highlands	\$ 29,573,012	100.000%	\$ 27,271,580
Monmouth County General Obligation Debt	504,019,038	0.573%	<u>2,889,304</u>
Subtotal, overlapping debt			30,160,884
Highlands School District Direct Debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 30,160,884</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Monmouth County Board of Taxation.

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

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

Highlands School District
Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2022

	Equalized valuation basis	
	2021	\$ 824,524,862
	2020	744,499,746
	2019	698,153,074
	[A]	<u>\$ 2,267,177,682</u>
Average equalized valuation of taxable property	[A/3]	\$ 755,725,894
Debt limit (2.5 % of average equalization value)	[B]	18,893,147
Total Net Debt Applicable to Limit	[C]	-
Legal debt margin	[B-C]	<u>\$ 18,893,147</u>

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit as a percentage of limit	\$ 17,193,943	\$ 16,183,378	\$ 16,183,378	\$ 15,173,395	\$ 15,174,646	\$ 15,402,812	\$ 16,042,724	\$ 16,752,281	\$ 17,661,123	\$ 18,893,147
Total net debt applicable to limit	<u>10,751</u>	<u>98,899</u>	<u>197,798</u>	<u>197,798</u>	<u>197,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 17,183,192</u>	<u>\$ 16,084,479</u>	<u>\$ 15,985,580</u>	<u>\$ 14,975,597</u>	<u>\$ 14,976,848</u>	<u>\$ 15,402,812</u>	<u>\$ 16,042,724</u>	<u>\$ 16,752,281</u>	<u>\$ 17,661,123</u>	<u>\$ 18,893,147</u>
Total net debt applicable to the limit as a percentage of debt limit	0.06%	0.61%	1.22%	1.30%	1.30%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Highlands School District
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

<u>Year</u>	<u>Population</u> ^a	<u>Personal Income</u> ^b	<u>Per Capita Personal Income</u> ^c	<u>Unemployment Rate</u> ^d
2013	4,940	316,026,620	63,973	11.40%
2014	4,866	328,362,546	67,481	6.90%
2015	4,820	341,092,120	70,766	5.80%
2016	4,788	349,878,312	73,074	5.10%
2017	4,774	362,232,024	75,876	5.40%
2018	4,752	376,591,248	79,249	4.40%
2019	4,721	388,396,670	82,270	3.20%
2020	4,693	404,025,063	86,091	10.20%
2021	4,636	N/A	N/A	6.70%
2022	N/A	N/A	N/A	N/A

Source:

- a Population information provided by the NJ Dept of Labor and Workforce Development
- b Personal income has been estimated based upon the municipal population and per capita personal income presented
- c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis
- d Unemployment data provided by the NJ Dept of Labor and Workforce Development

Highlands School District
Principal Employers
Current Year and Nine Years Ago
Unaudited

2022			2013			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>
*NOT AVAILABLE						
	-		0.00%	-		0.00%

*Highlands does not have any employers with more than 100 employees.

Highlands School District
Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
Unaudited

<u>Function/Program</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Instruction										
Regular	15	15	15	15	15	15	15	15	15	15
Special education	5	5	5	5	5	5	5	5	5	5
Other special education	1	1	1	1	1	1	1	1	1	1
Vocational	0	0	0	0	0	0	0	0	0	0
Other instruction	0	0	0	0	0	0	0	0	0	0
Nonpublic school programs	0	0	0	0	0	0	0	0	0	0
Adult/continuing education programs	0	0	0	0	0	0	0	0	0	0
Support Services:										
Student & instruction related services	5	5	5	5	5	5	5	5	5	5
General administration	2	2	2	2	2	2	2	2	2	2
School administrative services	1	1	1	1	1	1	1	1	1	1
Other administrative services	1	1	1	1	1	1	1	1	1	1
Central services	2	2	2	2	2	2	2	2	2	2
Administrative information technology	0	0	0	0	0	0	0	0	0	0
Plant operations and maintenance	5	5	5	5	5	5	5	5	5	5
Pupil transportation	0	0	0	0	0	0	0	0	0	0
Other support services	7	7	7	7	7	7	7	7	7	7
Special Schools	0	0	0	0	0	0	0	0	0	0
Food Service	0	0	0	0	0	0	0	0	0	0
Child Care	0	0	0	0	0	0	0	0	0	0
Total	44	44	44	44	44	44	44	44	44	44

Source: District Personnel Records

Highlands School District
Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teach Ratio Elementary	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2013	174	4,126,687	23,717	21.50%	28	6.2	174.0	163	-9.38%	87.86%
2014	179	4,284,694	23,937	0.93%	28	6.2	175.0	163	0.57%	93.36%
2015	187	4,152,470	22,206	-7.23%	28	6.2	181.0	173	3.43%	95.42%
2016	192	4,273,832	22,260	0.24%	28	6.2	189.7	178	4.79%	94.15%
2017	190	4,630,092	24,369	9.48%	28	6.2	190.2	178	0.27%	90.56%
2018	200	5,070,823	25,354	4.04%	28	6.2	198.5	188	4.37%	91.54%
2019	189	5,247,544	27,765	9.51%	28	6.2	188.0	178	-5.29%	91.54%
2020	187	5,365,458	28,692	3.34%	28	6.2	180.0	173	-4.26%	96.26%
2021	179	5,365,458	29,975	4.47%	28	6.2	177.0	171	-1.67%	96.41%
2022	178	5,687,009	31,949	6.69%	28	6.2	178.0	166	0.56%	96.41%

Sources: District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**Highlands School District
School Building Information
Last Ten Fiscal Years
Unaudited**

<u>District Building</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>Elementary</u>										
Highlands Elementary (1931)										
Square Feet	36,677	36,677	36,677	36,677	36,677	36,677	36,677	36,677	36,677	36,677
Capacity (students)	300	300	300	300	300	300	300	300	300	300
Enrollment	174	179	187	192	192	192	192	179	174	177
Number of Schools at June 30, 2022										
Elementary = 1										

Source: District Facilities Office

Note: Increases in square footage and capacity are the result of additions.
Enrollment is based on the annual October district count.

Highlands School District
Schedule of Required Maintenance by School Facility
Last Ten Fiscal Years
Unaudited

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

	<u>*School Facilities</u> <u>Project # (s)</u>	<u>Highlands Elementary</u> <u>2160-050-02-1011,</u> <u>2160-050-02-0955</u>
2013		70,757
2014		100,287
2015		71,140
2016		80,839
2017		54,823
2018		91,615
2019		97,022
2020		127,397
2021		53,925
2022		<u>196,777</u>
		<u><u>\$944,582</u></u>
Total School Facilities		

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

Source: District records

Highlands School District
Insurance Schedule
June 30, 2022
Unaudited

Type of Coverage	Coverage	Deductible
School Package Policy - NJSIG		
Property - Blanket Building and Contents		
Electronic Data Processing	\$ 8,946,500	\$ 1,000
Boiler and Machinery	102,000	1,000
Crime	100,000,000	-
Comprehensive General Liability	50,000,000	500
Automobile	11,000,000	1,000
		-
School Leaders Errors and Omissions Liability - NJSIG	11,000,000	5,000
Workers' Compensation and Employers' Liability - NJSIG	2,000,000	-
Public Officials Bonds - Selective Insurance Co.		
Board Secretary/School Business Administrator	200,000	-

Source: District records

SINGLE AUDIT SECTION

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American Institute of Certified Public Accountants
New Jersey Society of Certified Public Accountants
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Exhibit K-1

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable President and Members
of the Board of Education
Highlands School District
County of Monmouth
Highlands, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Highlands School District, in the County of Monmouth (the "District") as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. We noted certain matters that we reported to the management of the Highlands in a separate report entitled Auditor's Management Report on Administrative Findings-Financial Compliance and Performance dated March 3, 2023.

Purpose of this Report

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



Allen B. Shechter

Licensed Public School Accountant No. 2183

Certified Public Accountant

March 3, 2023
Neptune, New Jersey

ALVINO & SHECHTER, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Exhibit K-2

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

The Honorable President and Members
of the Board of Education
Highlands School District
County of Monmouth
Highlands, New Jersey

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Board of Education of the Highlands School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and New Jersey *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2022. The District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements prescribed by the Office of School 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* (Uniform Guidance); and New Jersey OMB Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*". Our responsibilities under those standards and the Uniform Guidance and New Jersey OMB Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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


Report on Internal Control over Compliance

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

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

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

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


Allen B. Shechter
Licensed Public School Accountant No. 2183
Certified Public Accountant

March 3, 2023
Neptune, New Jersey

HIGHLANDS SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year ended June 30, 2022

Federal Grant/Pass-Through Program Title	Federal A.I. Number	Federal FAIN Number	Grant or State Project Number	Program or Avail. Symbol	Grant Begin/End Year	Account Receivable	Balance at June 30, 2021		Carried Over (Walloway) Amount	Cash Proposed	Budgetary Encumbrances	Adjustments	Employment of Prior Years Reimbursed	Balance at June 30, 2022	
							Unearned Revenue	Due to Grants						Accounts Receivable	Unearned Revenue
U.S. Department of Education															
Personal and State Department of Education															
Special Services Fund:															
Special Education Cluster															
IDEA, Part B, Basic Regular	84-027A	H0774210100	IDEA 2160-22	71,775.00	07/01/21	08/30/22			51,792.00	(54,099.00)				(2,317.00)	
IDEA, Part B, Basic Regular	84-027A	H0774210100	IDEA 2160-21	73,184.00	07/01/20	08/30/21	(19,224.00)		19,224.00					(4,243.00)	
IDEA, Part B, Preschool	84-179A	H1774300114	IDEA 2160-22	4,251.00	07/01/21	08/30/22	(7,224.00)		4,224.00						
IDEA, Part B, Preschool	84-179A	H1774300114	IDEA 2160-21	9,140.00	07/01/20	08/30/21			776.00					(776.00)	
ARP IDEA, Preschool	84-179X	H1790210114	IDEA 2160-22	776.00	07/01/21	08/30/22	(25,448.00)		35,196.00	(68,238.00)				(6,984.00)	
Total Special Education Cluster														(6,984.00)	
Elementary and Secondary Education Act															
Title I, Part A															
Title I, Part A	84-010	S010A210030	ESEA 2160-22	62,617.00	07/01/21	08/30/22			36,493.00	(62,617.00)				(26,124.00)	
Title I, Part A	84-010	S010A210030	ESEA 2160-21	79,833.00	07/01/20	08/30/21	(46,375.00)		46,375.00					(7,880.00)	
Title II, Part A, Improving Teacher Quality	84-367A	S67A210029	ESEA 2160-22	3,143.00	07/01/21	08/30/22			2,553.00	(5,135.00)					
Title II, Part A, Improving Teacher Quality	84-367A	S67A210029	ESEA 2160-21	7,458.00	07/01/20	08/30/21	(4,306.00)		4,306.00					(10,000.00)	
Title IV, Part A, Student Support and Academic Enrichment	84-424A	S42A210031	ESEA 2160-22	10,000.00	07/01/21	08/30/22			10,000.00	(10,000.00)					
Title IV, Part A, Student Support and Academic Enrichment	84-424A	S42A210031	ESEA 2160-21	10,000.00	07/01/20	08/30/21	(10,000.00)		10,000.00					(18,764.00)	
Total Elementary and Secondary Education Act									99,665.00	(177,726.00)				(18,764.00)	
Education Stabilization Fund, ESSER															
ESSER I	84-435D	S435D200027	N/A	62,235.00	08/18/20	08/30/22	(20,246.57)		28,288.00	(73,465.10)				(5,414.63)	
ESSER II	84-435D	S435D210027	N/A	21,000.00	08/18/20	08/30/22			15,581.00	(13,903.80)				(214.80)	
ESSER III	84-435D	S435D210027	N/A	45,000.00	08/18/20	08/30/22	(20,149.32)		44,680.00	(58,493.00)				(49,483.00)	
Total Education Stabilization Fund, ESSER														(154,161.57)	
Total Special Revenue Fund															
U.S. Department of Agriculture															
Food-Security State Department of Education															
Education Fund:															
Child Nutrition Cluster															
National School Lunch Program (Commodities - Non Cash)	10-555	221N094101099	N/A	11,063.17	07/01/21	06/30/22			21,069.17	(9,922.85)				1,110.52	
National School Lunch Program (Commodities - Non Cash)	10-555	211N094070999	N/A	7,197.29	07/01/20	06/30/21	1,052.04			(1,052.04)					
School Breakfast Program - SSO	10-553	221N094010999	N/A	55,295.23	07/01/21	06/30/22			49,130.36	(55,952.42)				(4,821.86)	
School Breakfast Program - SSO	10-553	211N094010999	N/A	54,788.18	07/01/20	06/30/21	(5,349.32)		2,999.32	(66,690.24)				(8,022.63)	
National School Lunch Program - SSO	10-555	211N094081099	N/A	36,680.51	07/01/21	06/30/22			77,647.98						
National School Lunch Program - SSO	10-555	211N094071099	N/A	51,078.43	07/01/20	06/30/21	(4,082.40)		4,082.40						
Emergency Operational Cost Program - Schools	10-555	20212E170344	N/A	9,000.43	07/01/21	06/30/22			9,000.42	(9,900.42)					
P-EBT Administrative Cost	10-649	222222200041	N/A	814.00	07/01/21	06/30/22			614.00	(614.00)				(1,110.52)	
Total Child Nutrition Cluster									134,887.95	(160,291.57)				(12,824.99)	
Total Enterprise Fund															
Total Federal Financial Awards															
							\$ (111,788.24)	\$ 1,052.04	\$ -	\$ 384,743.79	\$ (274,231.98)	\$ -	\$ -	\$ (11,161.52)	\$ -

(Note: Single Audit is not Required)

HIGHLANDS SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year ended June 30, 2022

State Grant/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2021		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Years' Balances	Balance at June 30, 2022		Due to Grantor	Budgetary Receivable	MEMO Cumulative Total Expenditures
				Unearned Revenues (Assets Receivable)	Unearned Revenues/ Interfund Payable									
State Department of Education														
General Fund:														
State Aid - Public Cluster														
Adjustment Aid	22-495-034-5120-085	137,899.00	07/01/21	06/30/22			137,899.00	(137,899.00)					13,741.81	137,899.00
Security Aid	22-495-034-5120-084	58,540.00	07/01/21	06/30/22			58,540.00	(58,540.00)					5,833.59	58,540.00
Special Education Categorical Aid	22-495-034-5120-089	155,555.00	07/01/21	06/30/22			155,555.00	(155,555.00)					15,481.15	155,555.00
Total State Aid - Public Cluster		351,994.00					351,994.00	(351,994.00)					35,056.55	351,994.00
Transportation Aid	22-495-034-5120-014	42,233.00	07/01/21	06/30/22			42,233.00	(42,233.00)					4,208.57	42,233.00
Expenditure Aid	21-100-034-5120-044	12,690.00	07/01/20	06/30/21		(12,690.00)								
Reimbursed Nonpublic School Transportation Costs Aid	22-495-034-5120-014	2,650.00	07/01/21	06/30/22				(2,650.00)						2,650.00
Reimbursed Nonpublic School Transportation Costs Aid	21-495-034-5120-014	4,350.00	07/01/20	06/30/21		(4,350.00)								
Maintenance of Equity Aid	22-495-034-5120-128	17,222.00	07/01/21	06/30/22				(17,222.00)						17,222.00
Securing Our Children's Future Bond Act - Security Grant	20-S894-103	20,000.00	07/01/21	06/30/22			20,000.00	(20,000.00)						20,000.00
On Behalf TPAF Pension Contributions	22-495-034-5094-002	738,298.00	07/01/21	06/30/22			738,298.00	(738,298.00)						738,298.00
On Behalf TPAF Post Retirement Medical	22-495-034-5094-001	177,169.00	07/01/21	06/30/22			177,169.00	(177,169.00)						177,169.00
On Behalf TPAF LTD Insurance Contributions	22-495-034-5094-004	232.00	07/01/21	06/30/22			232.00	(232.00)						232.00
Reimbursed TPAF Social Security Contributions	22-495-034-5094-003	156,474.55	07/01/21	06/30/22			156,474.55	(156,474.55)						156,474.55
Total General Fund		1,523,238.55				(17,040.00)	1,523,238.55	(1,523,450.55)					39,265.10	1,525,450.55
Special Revenue Fund:														
Preschool Education Aid	22-495-034-5120-086	367,119.00	07/01/21	06/30/22			367,119.00	(209,754.71)					36,711.90	209,754.71
Preschool Education Aid	21-495-034-5120-086	320,504.00	07/01/20	06/30/21		145,885.57		14,016.00						159,702.57
Total Special Revenue Fund		687,623.00				145,885.57	687,623.00	(195,738.71)					36,711.90	369,452.28
State Department of Agriculture Enterprise Fund:														
National School Lunch Program (State Share)	22-100-010-3530-025	2,010.24	07/01/21	06/30/22			1,826.07	(2,010.24)						2,010.24
National School Lunch Program (State Share)	21-100-010-3530-023	2,283.50	07/01/20	06/30/21		(289.17)	51.26	(232.09)						
Total Enterprise Fund		4,293.74				(289.17)	2,347.33	(232.09)						2,010.24
Total State Financial Assistance		\$1,892,704.88				\$128,357.40	\$1,892,704.88	(\$1,896,918.07)	\$13,783.91	(\$19,656.17)			\$75,977.00	\$1,896,918.07
Less:														
On Behalf Assistance Not Included in State Single Audit - Major Program Determination														
On Behalf TPAF Pension Contributions														738,298.00
On Behalf TPAF LTD Insurance Contributions														177,169.00
On Behalf TPAF Post Retirement Contributions														232.00
Total State Financial Assistance Subject to State Single Audit - Major Program Determination														\$ (961,219.07)

HIGHLANDS SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2022

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Highlands School District. The Board of Education is defined in Note 1 to the Board basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last two state aid payments in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$9,465.50 for the general fund and \$6,700.83 for the special revenue fund. See Note A for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Local Grants</u>	<u>Total</u>
General Fund	.00	1,534,916.65	.00	1,534,916.65
Special Revenue Fund	209,880.28	380,819.78	26,023.82	616,723.88
Food Service Fund	<u>160,201.84</u>	<u>2,010.24</u>	<u>.00</u>	<u>162,212.08</u>
Total Awards & Financial Assistance	<u>\$370,082.12</u>	<u>1,917,746.67</u>	<u>26,023.82</u>	<u>2,313,852.61</u>

HIGHLANDS SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2022

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

TPAF Social Security contributions in the amount of \$156,474.55, represents the amount reimbursed by the State for employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2022. The amount reported as TPAF Pension System Contributions in the amount of \$758,298.00, TPAF Post-Retirement Medical Contributions in the amount of \$177,169.00 and TPAF LTD Insurance Contributions in the amount of \$232.00 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2022.

NOTE 6. ON-BEHALF PROGRAMS - STATE SINGLE AUDIT MAJOR PROGRAM DETERMINATION

On-behalf State Programs for TPAF Pension, Post-Retirement Medical and Long-Term Disability Insurance Contributions payments are excluded from the calculation for State single audit major program determination. The Schedule of State Financial Assistance provides a reconciliation of State Financial assistance reported in the District's basic financial statements and the amount subject to State single audit major program determination.

NOTE 7. ADJUSTMENTS

The District had to increase prior year state accounts receivable in the Enterprise Fund for additional state aid received from the National School Lunch Program. The increase in aid received is reflected in the adjustments column on the accompanying Schedule of Expenditures of State Financial Assistance.

The District had to increase the prior year PreK/ECPA Aid Carryover as of June 30, 2021 due to a prior year encumbrance being cancelled during the current fiscal year ending June 30, 2022. The increase in the aid carryover is reflected in the adjustments column on the accompanying Schedule of Expenditures of State Financial Assistance.

NOTE 8. DE MINIMUS INDIRECT COST RATE

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

HIGHLANDS SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness identified? _____ yes X no

2) Significant deficiencies identified? _____ yes X none reported

Noncompliance material to basic financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:

1) Material weakness identified? N/A yes N/A no

2) Significant deficiencies identified? N/A yes N/A none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of Uniform Guidance? N/A yes N/A no

Identification of major programs:

<u>AL Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____ N/A _____	_____ N/A _____	_____ N/A _____

Dollar threshold used to distinguish between type A and type B programs: [518] \$ N/A

Auditee qualified as low-risk auditee? N/A yes N/A no

HIGHLANDS SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

Section I - Summary of Auditor's Results (cont'd)

State Awards

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

Auditee qualified as low-risk auditee? X yes no

Internal Control over major programs:

1) Material weakness identified? yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 as applicable? yes X no

Identification of major programs:

<u>State/Grant Project Number(s)</u>	<u>Name of State Program</u>
<u>22-495-034-5120-084</u>	<u>State Aid Public Cluster</u>
<u>22-495-034-5120-085</u>	<u>Security Aid</u>
<u>22-495-034-5120-089</u>	<u>Adjustment Aid</u>
	<u>Special Education Categorical Aid</u>

Section II - Financial Statement Findings

None

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

Federal Awards

N/A

State Financial Assistance

None

HIGHLANDS SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2022

Financial Statement Findings

No prior year findings.

Federal Awards

N/A - No prior year Federal Single Audit.

State Financial Assistance

No prior year findings.