WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Warren, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Watchung Hills Regional High School District

Warren, New Jersey

For The Fiscal Year Ended June 30, 2010

Prepared by

Business Office

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
TABLE OF CONTENTS

		Page
INTRODUCTORY SECTION		
Letter of Transmittal		i-iv
Organizational Chart		v
Roster of Officials		vi
Consultants and Advisors		vii
FINANCIAL SECTION		
Independent Auditors' Report		1-2
REQUIRED SUPPLEMENTARY INFORMATION- PART I		
Management's Discussion and Analysis		3-15
Basic Financial Statements		
A. District-Wide Financial Statements		
A-1	Statement of Net Assets	16
A-2	Statement of Activities	17
B. Fund Financial Statements		
Governmental Funds		
B-1	Balance Sheet	18
B-2	Statement of Revenues, Expenditures, and Changes in Fund Balances	19
B-3	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds		
B-4	Statement of Net Assets	21
B-5	Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
B-6	Statement of Cash Flows	23
Fiduciary Funds		
B-7	Statement of Fiduciary Net Assets	24
B-8	Statement of Changes in Fiduciary Net Assets	25
Notes to the Basic Financial Statements		26-48

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
TABLE OF CONTENTS

		Page
REQUIRED SUPPLEMENTARY INFORMATION – PART II		
C.	**Budgetary Comparison Schedules**	
C-1	Budgetary Comparison Schedule – General Fund	49-55
C-2	Budgetary Comparison Schedule – Special Revenue Fund	56
C-3	Required Supplementary Information – Budgetary Comparison Schedule	57
OTHER SUPPLEMENTARY INFORMATION		
D.	**School Level Schedules – Not Applicable**	
E.	**Special Revenue Fund**	
E-1	Combining Statement of Revenues, Expenditures and Changes in Fund Balance Special Revenue Fund – Budgetary Basis	58
E-2	Preschool Education Aid Schedule of Expenditures – Budgetary Basis – Not Applicable	59
F.	**Capital Projects Fund**	
F-1	Summary Schedule of Project Expenditures	60
F-2	Summary Schedule of Project Expenditures and Changes in Fund Balance – Budgetary Basis	61
F-2a	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Three Renovations Project	62
F-2b	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Construction and Equipment Additions to High School	63
F-2c	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis –Lavatory Renovations – Phase I	64
F-2d	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Lavatory Renovations – Phase II	65
F-2e	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Acquisition of Equipment	66
F-2f	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Acquisition of Equipment	67
F-2g	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Replace Gym Bleachers	68
F-2h	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Conversion of Board of Education Offices to Classrooms	69
F-2i	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – New Security System	70
G.	**Proprietary Funds**	
	Enterprise Fund	
G-1	Combining Statement of Net Assets – Not Applicable	71
G-2	Combining Statements of Revenues, Expenses and Changes in Net Assets – Not Applicable	71
G-3	Combining Statements of Cash Flows – Not Applicable	71
	Internal Service Fund – Not Applicable	

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
TABLE OF CONTENTS

		Page
H.	**Fiduciary Funds**	
H-1	Combining Statement of Fiduciary Net Assets	72
H-2	Statement of Changes in Fiduciary Net Assets	73
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	74
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	74
I.	**Long-Term Debt**	
I-1	Schedule of Serial Bonds Payable	75
I-2	Schedule of Obligations under Lease Purchase Agreements	76
I-3	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	77
J.	**STATISTICAL SECTION (Unaudited)**	
	Financial Trends	
J-1	Net Assets by Component	78
J-2	Changes in Net Assets	79-80
J-3	Fund Balances – Governmental Funds	81
J-4	Changes in Fund Balances – Governmental Funds	82
J-5	General Fund Other Local Revenue by Source	83
	Revenue Capacity	
J-6	Assessed Value and Actual Value of Taxable Property	84
J-7	Computation of Direct and Overlapping Outstanding Bonded Debt	85
J-8	Principal Property Taxpayers	86
J-9	Property Tax Levies and Collections	87
	Debt Capacity	
J-10	Ratios of Outstanding Debt by Type	88
J-11	Ratios of Net General Bonded Debt Outstanding	89
J-12	Property Tax Rates - Direct and Overlapping Governments	90
J-13	Legal Debt Margin Information	91
	Demographic and Economic Information	
J-14	Demographic Statistics	92
J-15	Principal Employers	93
	Operating Information	
J-16	Full Time Equivalent District Employees by Function/Program	94
J-17	Operating Statistics	95
J-18	School Building Information	96
J-19	Schedule of Required Maintenance for School Facilities	97
J-20	Schedule of Insurance	98

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
TABLE OF CONTENTS

		Page
K.	**SINGLE AUDIT SECTION**	
K-1	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	99-100
K-2	Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and New Jersey OMB Circular 04-04	101-102
K-3	Schedule of Expenditures of Federal Awards	103
K-4	Schedule of Expenditures of State Financial Assistance	104
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	105-106
K-6	Schedule of Findings and Questioned Costs	107-111
K-7	Summary Schedule of Prior Year Findings	112

INTRODUCTORY SECTION

FRANCES C. STROMSLAND, ED. D.
SUPERINTENDENT

TIMOTHY M. STYS, CPA
BUSINESS ADMINISTRATOR/BOARD SECRETARY

THOMAS DIGANCI, ED. D.
PRINCIPAL

WATCHUNG HILLS
REGIONAL HIGH SCHOOL

108 STIRLING ROAD ~ WARREN
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October 11, 2010

Honorable President and
Members of the Board of Education
Watchung Hills Regional High School District
108 Stirling Road
Warren, NJ 07059

Dear Board Members:

The comprehensive annual financial report of the Watchung Hills Regional High School District Board of Education for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Watchung Hills Regional High School Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual 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 includes the Independent Auditors' Report, Management's Discussion and Analysis and basic financial statements including the district-wide financial statements presented in accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". The basic financial statements also include individual fund financial statements, Notes to Financial Statements and Required Supplementary Information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act as amended and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the New Jersey OMB Circular 04-04, "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 recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Watchung Hills Regional High School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 34. All funds of the District are included in this report. The Watchung Hills Regional High School Board of Education and its high school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade Levels 9 through 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2009/2010 fiscal year with an enrollment of 2,106 which is 73 students above the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Fiscal Year	Student Enrollment	Percent Change
2009/2010	2,106	3.59%
2008/2009	2,033	(1.36%)
2007/2008	2,061	2.64%
2006/2007	2,007	5.58%
2005/2006	1,901	4.62%
2004/2005	1,817	5.21%
2003/2004	1,727	11.06%
2002/2003	1,555	14.76%
2001/2002	1,355	0.67%
2000/2001	1,346	7.50%

2. ECONOMIC CONDITION AND OUTLOOK:

The Watchung Hills Regional High School area is experiencing a leveling off of enrollment. Student population is still expected to grow over the next two years despite rising slightly over the past couple of years. The State of New Jersey continues to add more restrictive mandates and has eliminated all state aid and has instituted a 2% budget CAP for years starting after 2010/2011. Additionally, the economic outlook for the State of New Jersey is not positive in terms of growth and employment. The Watchung Hills Regional High School is committed to move forward with the expectation of full compliance to regulations, adherence to the strict budget CAP and understanding of the difficult economic conditions of our taxpayers while continuing to provide high quality instruction to students.

3. MAJOR INITIATIVES:

Students continued to score above the state and national averages on Student Achievement Tests. The SAT, HSPT and AP results reflect an extremely high level of achievement 96 percent of our 2010 graduates went on to further education.

4. INTERNAL ACCOUNTING CONTROLS:

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

As a recipient of federal and state financial assistance, the District also is responsible for ensuring than an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs.

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 and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are 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 encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in the "Notes to the Basic Financial Statements", Note 4. 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) or New Jersey Cash Management Fund. 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, which the funds are secured in accordance with the Act or the New Jersey Cash Management Fund.

8. RISK MANAGEMENT:

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

9. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci and Higgins, LLP, was selected by the Board. 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 as amended and the related OMB Circular A-133 and New Jersey OMB Circular 04-04. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's report related specifically to the single audit is included in the single audit section of this report.

10. ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Watchung Hills Regional High School Board of Education for the 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.

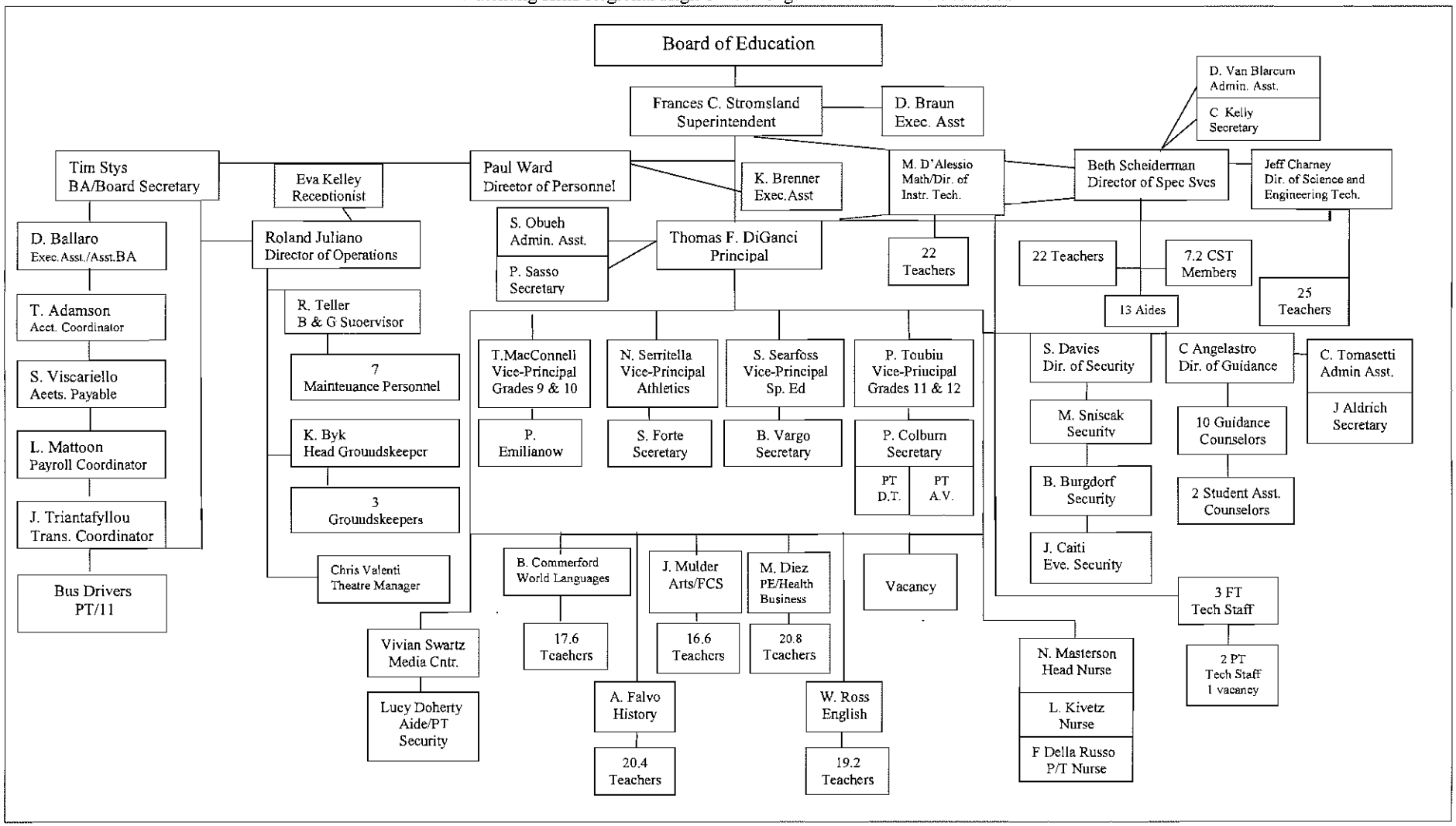
Respectfully submitted,

Frances C. Stromsland, Ed.D.

Dr. Frances Stromsland
Superintendent of Schools

Timothy M. Stys
School Business Administrator/
Board Secretary

Watchung Hills Regional High School Organization Chart: 2010-2011



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WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2010

Members of the Board of Education	Term Expires
Paul F. Seelig, President Watchung Borough	2012
Peter Fallon, Vice-President Warren Township	2012
Laura Mandell Warren Township	2013
Peter Falzarano Long Hill Township	2013
Sondra Fechtner Watchung Borough	2011
Louis Pepe Long Hill Township	2012
Harold Grossnickle Warren Township	2013
Bernard Yaged Long Hill Township	2011
Robert Horowitz Warren Township	2011
Gerald Binder Green Brook Township	1 year term

Other Officials

Dr. Frances Stromsland, Superintendent
Timothy M. Stys, CPA, School Business Administrator/Board Secretary
Dr. Paul Ward, Director of Personnel
Ronald R. Rossi, Jr., Treasurer of School Monies

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
Consultants and Advisors

Architect

Heintz & Fiore AIA, LLC
87 Woodland Road
Short Hills, NJ 07078

Audit Firm

Lerch, Vinci & Higgins, LLP
17-17 Route 208N
Fair Lawn, New Jersey 07410

Attorney

Schenck, Price, Smith & King
220 Park Avenue
Florham Park, NJ 07932

Construction Attorney

Schenck, Price, Smith & King
220 Park Avenue
Florham Park, NJ 07932

Special Education Attorney

Parker McCay P.A.
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Building Four East, Suite 102A
Lawrenceville, NJ 08648

Official Depository

TD Bank
1701 Route 70 East
Cherry Hill, NJ 08034

FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITORS' REPORT

Honorable President and Members
of the Board of Trustees
Watchung Hills Regional High School District
Warren, New Jersey

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 Watchung Hills Regional High School District as of and for the fiscal year ended June 30, 2010, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Watchung Hills Regional High School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Watchung Hills Regional High School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2010 on our consideration of the Watchung Hills Regional High School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Watchung Hills Regional High School District's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 20, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

This section of the Watchung Hills Regional High School District's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in eonjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-2010 fiscal year include the following:

- The net assets of the Watchung Hills Regional High School District exceeded its liabilities at the close of the fiscal year by $16,351,139

- Overall revenues were $40,523,070. General revenues accounted for $28,441,864 or 70% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $12,081,206 or 30% of total revenues.

- The school district had $38,311,279 in expenses for governmental activities; only $11,283,333 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of $28,441,026 were adequate to provide funding for these programs.

- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of $5,810,195.

- The General Fund fund balance at June 30, 2010 was $3,990,789, an increase of $588,679 when compared with the beginning balance of $3,402,110 at July 1, 2009.

- The school district increased the Capital Reserve account to $1,545,330 and the Tuition Reserve account to $500,000 at June 30, 2010; an increase of $507,797 in the Capital Reserve account and $100,000 in the Tuition Reserve account. In addition, the District established a maintenance reserve in the amount of $100,000 during 2009/2010

- Reeently, the District underwent a re-evaluation of their bond rating by Standard and Poor's Bond Service. Based on the District's financial strength, the bond rating was increased from AA+ to AAA.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
    - The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
    - Proprietary funds statements offer short-term and long-term financial information about the activities the district operated like businesses.
    - Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

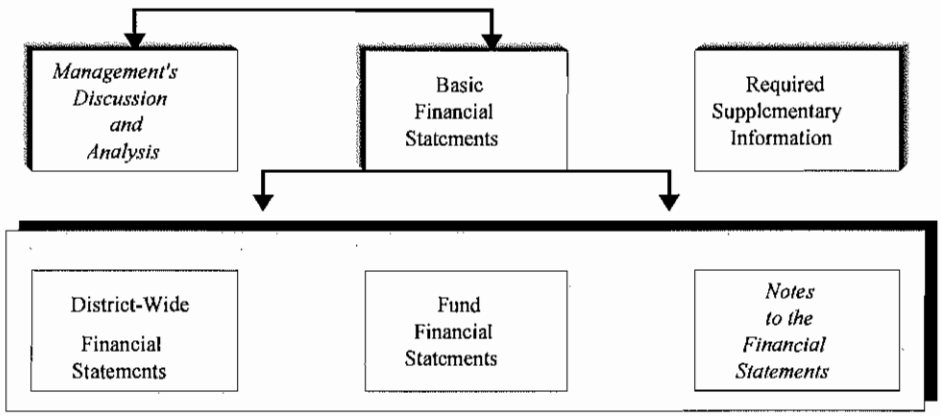


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	Distriet-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire distriet (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction, special education, building maintenance and administration	Activities the district operates similar to a private business: enterprise funds - food service and adult education	Instances in which the district administers resources on behalf of someone else, such as unemployment, payroll agency, and student activities
Required financial Statements	Statements of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in fund net assets Statement of cash flows	Statements of fiduciary net assets, Statement of changes in fiduciary net assets
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified acerual aecounting and current financial focus	Accrual aceounting and economic resources foeus	Accrual aceounting and economic resources focus
Type of asset/liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets.
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or Paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-Wide Financial Statements

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

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

District-Wide Financial Statements (continucd)

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration and plant operations and maintenance. Property taxes and state aid finances most of these activities.

- *Business type activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's Food Service and Adult School Enterprise Funds are included under this category.

Fund Financial Statements

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

- Some funds are required by State law and bond covenants.

- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

• *Governmental Funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

• *Proprietary Funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.

Fund Financial Statements (continued)

Enterprise Funds –These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has only two enterprise funds.

• *Fiduciary Funds* – The District is the trustee, or fidueiary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for the general, special revenue and debt service funds. A budgetary comparison statement has been provided for these funds as required supplementary information. The required supplementary information can be found following the notes to the financial statements.

Combining statements and schedules are presented immediately following the major budgetary comparisons.

DISTRICT-WIDE FINANCIAL ANALYSIS

Changes in Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $16,351,139 as of June 30, 2010. See Table A-1.

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1
Statement of Net Assets
as of June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	$ 6,391,924	$ 5,190,974	$ 215,210	$ 199,091	$ 6,607,134	$ 5,390,065
Capital Assets	46,240,979	46,650,147	17,554	28,494	46,258,533	46,678,641
Total Assets	52,632,903	51,841,121	232,764	227,585	52,865,667	52,068,706
Long-Term Liabilities	35,236,678	35,587,890			35,236,678	35,587,890
Other Liabilities	1,234,941	1,469,233	42,909	53,226	1,277,850	1,522,459
Total Liabilities	36,471,619	37,057,123	42,909	53,226	36,514,528	37,110,349
Net Assets:						
Invested in Capital Assets, Net of Related Debt	13,736,776	12,093,302	17,554	28,494	13,754,330	12,121,796
Restricted	1,560,906	2,023,524			1,560,906	2,023,524
Unrestricted	863,602	667,172	172,301	145,865	1,035,903	813,037
Total Net Assets	$ 16,161,284	$ 14,783,998	$ 189,855	$ 174,359	$ 16,351,139	$ 14,958,357

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Table A-2

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for Services	$ 6,328,214	$ 6,116,439	$ 797,873	$ 754,846	$ 7,126,087	$ 6,871,285
Operating Grants and Contributions	4,314,721	4,055,305			4,314,721	4,055,305
Capital Grants and Contributions	640,398	22,089			640,398	22,089
General Revenues						
Property Taxes	28,065,105	26,988,036			28,065,105	26,988,036
Unrestricted Federal and State Aid	213,827	38,830			213,827	38,830
Other	162,094	120,353	838	1,502	162,932	121,855
Total Revenues	39,724,359	37,341,052	798,711	756,348	40,523,070	38,097,400
Expenses						
Instruction						
Regular	16,863,313	16,779,671			16,863,313	16,779,671
Special Education	4,002,031	4,107,498			4,002,031	4,107,498
Other Instruction	91,929	90,859			91,929	90,859
School Sponsored Activities and Athletics	1,444,286	1,459,115			1,444,286	1,459,115
Support Services						
Student and Instruction Related Services	4,416,723	4,187,540			4,416,723	4,187,540
General Administration	1,636,833	1,685,560			1,636,833	1,685,560
School Administrative Services	1,396,908	1,582,977			1,396,908	1,582,977
Plant Operation and Maintenance	4,220,312	3,908,952			4,220,312	3,908,952
Pupil Transportation	1,863,379	1,871,480			1,863,379	1,871,480
Central and Other Support Services	861,134	843,973			861,134	843,973
Interest on Long-Term Debt	1,514,431	1,512,699			1,514,431	1,512,699
Food Services			665,568	669,625	665,568	669,625
Adult School	-	-	117,647	122,541	117,647	122,541
Total Expenses	38,311,279	38,030,324	783,215	792,166	39,094,494	38,822,490
Transfers		(34,000)		34,000		
Adjustment to Fixed Assets	(35,794)	(71,000)	-	-	(35,794)	-
Increase (Decrease) in Net Assets	1,377,286	(794,272)	15,496	(1,818)	1,392,782	(725,090)
Net Assets, Beginning of Year	14,783,998	15,578,270	174,359	176,177	14,958,357	15,754,447
Net Assets, End of Year	$ 16,161,284	$ 14,783,998	$ 189,855	$ 174,359	$ 16,351,139	$ 14,958,357

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were $39,724,359 for the year ended June 30, 2010. Property taxes of $28,065,105 represented 71% percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and local aid was $5,168,946. Another source of revenues is charges for services which includes tuition from other LEAs.

The total cost of all governmental activities programs and services was $38,311,279. The District's expenses are predominantly related to educating and caring for students. Instruction totaled $22,401,559 (58%) of total expenditures. Student support services, exclusive of administration, total $4,416,723 or (12%) of total expenditures (See Table A-4).

Total governmental activities revenues and transfers were greater than expenses, increasing net assets $1,377,286 from the previous year.

Table A-3 Revenues by Source- Governmental Activities
For Fiscal Year 2010

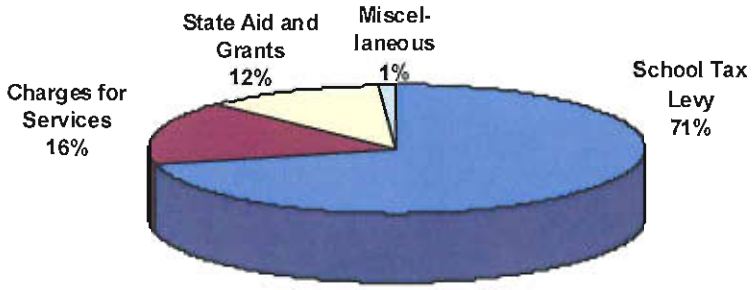
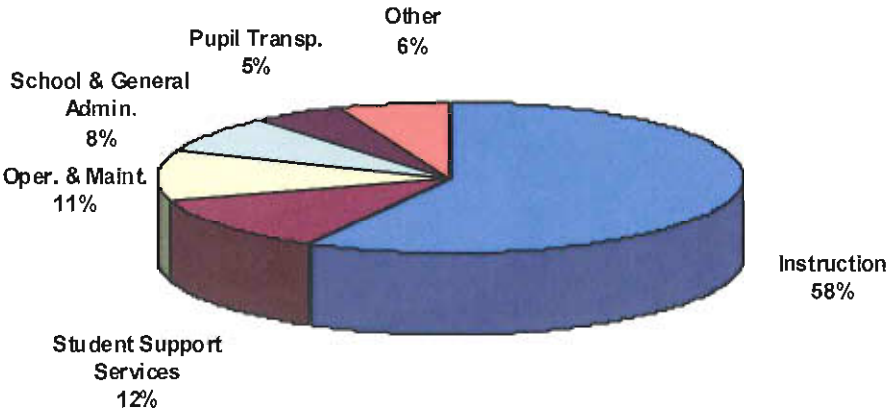


Table A-4 Expenditures by Type- Governmental Activities
For Fiscal Year 2010



Net Cost of Governmental Activities. The District's total cost of services was $38,311,279. After applying program revenues, derived from charges for services of $6,328,214 and operating and capital grants and contributions of $4,955,119; the net cost of services of the District is $27,027,946. See Table A-5.

Table A-5
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Governmental Activities				
Instruction				
Regular	$ 16,863,313	$ 16,779,671	$ 9,658,499	$ 9,827,207
Special Education	4,002,031	4,107,498	2,262,539	2,101,803
Other Instruction	91,929	90,859	82,962	84,477
School Sponsored Activities and Athletics	1,444,286	1,459,115	1,335,822	1,348,396
Support Services				
Student and Instruction Related Services	4,416,723	4,187,540	4,011,006	3,862,952
General Administration	1,636,833	1,685,560	1,565,178	1,662,209
School Administration Services	1,396,908	1,582,977	1,347,811	1,511,104
Plant Operation and Maintenance	4,220,312	3,908,952	3,129,958	3,886,863
Pupil Transportation	1,863,379	1,871,480	1,311,955	1,215,976
Business and Other Support Services	861,134	843,973	807,785	822,805
Interest on Debt	1,514,431	1,512,699	1,514,431	1,512,699
Total Governmental Activities	**$ 38,311,279**	**$ 38,030,324**	**$ 27,027,946**	**$ 27,836,491**

Business-Type Activities – The District's total business-type activities revenues were $798,711 for the year ended June 30, 2010. Charges for services accounted for over 99% of total revenues. Miscellaneous income accounted for less than 1% of total revenue for the year.

The total cost of all business-type activities programs and services was $783,215. The District's expenses are related to Food Service programs provided to all students, teachers and administrators within the District, as well as the adult school program.

Total business-type aetivities revenues and operating transfers were greater than expenses, increasing net assets by $15,496 over the last year balance.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal reqnirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measnre of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its govcrnmental funds as well. As the District completed the year, its governmental funds reported a combined fnnd balance of $5,810,195. At June 30, 2009, the fund balance was $4,388,101. This significant decrease is predominately attributable to the District's Capital Projects Fnnd expenditures.

Revenues for the District's governmental fnnds were $39,724,359, while total expenses were $38,311,279.

General Fund - The General Fund is the chief operating fund of the District and inclndes the primary operations in providing educational services to students from grades 9 through 12 including pnpil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30, 2010	Year Ended June 30, 2009	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources:				
Property Taxes	$ 25,791,448	$ 25,098,362	$ 693,086	2.76%
Tuition	6,328,214	6,116,439	211,775	3.46%
Miscellaneous	149,432	116,439	32,993	28.34%
State Sources	3,807,042	3,665,216	141,826	3.87%
Total General Fund Revenues	$ 36,076,136	$ 34,996,456	$ 1,079,680	3.09%

Total General Fund Revenues increased by $1,079,680 or 3.09% over the previous year.

Local property taxes increased 2.76% over the previous year. State aid revenues increased slightly and tuition revenues increased $211,775 or 3.46% from the prior year.

The following sehedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2010	Year Ended June 30, 2009	Amount of Increase (Decrease)	Percent Increase (Decrease)
Instruction	$ 20,921,077	$ 20,564,862	$ 356,215	1.73%
Support Services	13,384,422	13,114,599	269,823	2.06%
Debt Service	441,641	752,386	(310,745)	-41.30%
Capital Outlay	740,317	93,347	646,970	693.08%
Total Expenditures	$ 35,487,457	$ 34,525,194	$ 962,263	2.79%

In 2009-2010 General Fund revenues and other financing sources exceeded expenditures and other financing sources by $588,679. As a result, total fund balance increased to $3,990,789 at June 30, 2010. After deducting statutory transfers and reserves, the unreserved undesignated fund balance increased from $403,402 at June 30, 2009 to $476,721 at June 30, 2010.

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal and State sources utilized in the operations of the distriet in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were $721,506, for the year ended June 30, 2010. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 81% of the total revenue for the year.

Total Special Revenue Fund revenues increased by $270,497 from the previous year.

Expenditures of the Special Revenue Fund were $721,506. Instructional expenditures were $422,700 or 59% of total expended for the year ended June 30, 2010.

Capital Projects - The capital projects revenues and other financing sources exceeded expenditures and other financing uses by $834,524 increasing fund balance to $1,803,830 at June 30, 2010. This significant increase is due to a new $1,000,000 capital lease.

Proprietary Funds

The District maintains Enterprise Funds to account for activities that are supported in part through user fees.

Enterprise Funds - The District uses the Enterprise Funds to report activities related to the Food Services and Adult School programs. The District's Enterprise Funds provide the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of these Funds have already been addressed in the discussion of the District's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

Over the course of the year, the District revised the annual operating budget several times. These budget amendments are detailed on Exhibits C-1 and C-2 of the CAFR.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2010 amounts to $46,258,533 (net of aceumulated depreciation). The capital assets eonsist of land, site improvements, buildings, building improvements, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2009-10 amounted to $1,896,630 for governmental activities and $10,940 for business-type activities.

Table A-6
Capital Assets at June 30, 2010 and 2009

	Governmental Aetivities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 105,616	$ 105,616			$ 105,616	$ 105,616
Improvements Other Than Buildings	3,533,649	2,860,073			3,533,649	2,860,073
Buildings	52,915,918	52,512,039			52,915,918	52,512,039
Machinery and Equipment	5,202,058	4,878,378	$ 95,953	$ 95,953	5,298,011	4,974,331
Construction in Progress	119,911	72,281	-	-	119,911	72,281
	61,877,152	60,428,387	95,953	95,953	61,973,105	60,524,340
Less Accumulated Depreciation	(15,636,173)	(13,778,240)	(78,399)	(67,459)	(15,714,572)	(13,845,699)
Total Capital Assets (Net)	$ 46,240,979	$ 46,650,147	$ 17,554	$ 28,494	$ 46,258,533	$ 46,678,641

Additional information on the District's capital assets is presented in Note 3 of this report.

LONG TERM LIABILITIES

At year end, the District's long-term liabilities consisted of compensatcd abscnces payable of $829,286, bonds payable of $32,731,000 and obligations under lease-purchase of $1,676,392.

Additional information of the District's long-term liabilities is presented in Note 3 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Currently, thc District's budgetary funds are in good financial condition. The District currently has in excess of $700,000 of unreserved general fund surplus. Additionally, the district was ablc to deposit $500,000 in a Capital Reserve to cover unforeseen future capital expenditures, $100,000 into a Maintenance Reserve Fund and $100,000 to cover any tuition adjustments that may result with the sending/receiving school district, Green Brook Board of Education.

Many factors were considered by the District's administration during the process of developing the fiscal year 2010-2011 budget. The primary factors were the District's projected student population, the condition of the facility, the condition of the New Jersey economy, including the drastic cut of 100% in Watchung Hills Regional Board of Education's categorical State aid and the economic difficulties that face our region. Going forward beyond 2010/2011, the District will be faced with no State aid and a strict 2% budget CAP.

The District's budget for 2010/11 is $37,957,430. Moving forward, the Watchung Hills Regional Board of Education looks forward to working within the State mandated budget CAP restrictions while maintaining a high level of academic standard; providing a high quality of education for area students at a reasonable cost to taxpayers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Office of the School Business Administrator, Watchung Hills Regional High School District, 108 Stirling Road, Warren, NJ 07059.

BASIC FINANCIAL STATEMENTS

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	$ 3,208,469	$ 221,698	$ 3,430,167
Receivables, net	2,132,128	3,179	2,135,307
Internal Balances	12,319	(12,319)	-
Prepaid Item	10,026		10,026
Deferred Charges	42,846		42,846
Inventory		2,652	2,652
Restricted Assets			
Cash Held in Escrow	986,136		986,136
Capital Assets			
Not Being Depreciated	225,527		225,527
Being Depreciated, Net	46,015,452	17,554	46,033,006
Total Assets	52,632,903	232,764	52,865,667
LIABILITIES			
Accounts Payable	420,020	42,909	462,929
Internal Balances	14,995		14,995
Other Liabilities	3,782		3,782
Intergovernmental Payable	15,493		15,493
Accrued Interest Payable	696,058		696,058
Unearned Revenue	84,593		84,593
Noncurrent Liabilities			
Due within one year	1,368,266		1,368,266
Due beyond one year	33,868,412	-	33,868,412
Total Liabilities	36,471,619	42,909	36,514,528
NET ASSETS			
Invested in Capital Assets, net of related debt	13,736,776	17,554	13,754,330
Restricted for:			
Capital Projects	1,545,330		1,545,330
Debt Service	15,576		15,576
Unrestricted	863,602	172,301	1,035,903
Total Net Assets	$ 16,161,284	$ 189,855	$ 16,351,139

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities:							
Instruction:							
Regular	$ 16,863,313	$ 5,687,544	$ 1,517,270		$ (9,658,499)		$ (9,658,499)
Special Education	4,002,031	640,670	1,098,822		(2,262,539)		(2,262,539)
Other Instruction	91,929		8,967		(82,962)		(82,962)
School Sponsored Activities and Athletics	1,444,286		108,464		(1,335,822)		(1,335,822)
Support Services:							
Student & Instruction Related Services	4,416,723		405,717		(4,011,006)		(4,011,006)
School Administrative Services	1,636,833		71,655		(1,565,178)		(1,565,178)
General Administrative Services	1,396,908		49,097		(1,347,811)		(1,347,811)
Plant Operations and Maintenance	4,220,312		449,956	$ 640,398	(3,129,958)		(3,129,958)
Pupil Transportation	1,863,379		551,424		(1,311,955)		(1,311,955)
Central and Other Support Services	861,134		53,349		(807,785)		(807,785)
Interest on long-term debt	1,514,431	-	-	-	(1,514,431)	-	(1,514,431)
Total Governmental Activities	38,311,279	6,328,214	4,314,721	640,398	(27,027,946)	-	(27,027,946)
Business-Type Activities:							
Adult School	117,647	101,237				$ (16,410)	(16,410)
Food Service	665,568	696,636	-	-	-	31,068	31,068
Total Business-Type Activities	783,215	797,873	-	-	-	14,658	14,658
Total Primary Government	39,094,494	7,126,087	$ 4,314,721	$ 640,398	(27,027,946)	14,658	(27,013,288)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes,net					25,791,448		25,791,448
Property Taxes Levied for Debt Service					2,273,657		2,273,657
Federal and State Aid - Unrestricted					213,827		213,827
Investment Earnings					41,361	838	42,199
Miscellaneous Income					120,733		120,733
Disposal of Capital Assets, Net					(35,794)	-	(35,794)
Total General Revenues and Transfers					28,405,232	838	28,406,070
Change in Net Assets					1,377,286	15,496	1,392,782
Net Assets, Beginning of Year					14,783,998	174,359	14,958,357
Net Assets, End of Year					$ 16,161,284	$ 189,855	$ 16,351,139

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

FUND FINANCIAL STATEMENTS

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 3,192,893			$ 15,576	$ 3,208,469
Receivables, Net					
Intergovernmental	101,436	$ 171,253	$ 1,142,155		1,414,844
Other	712,851	4,433			717,284
Prepaid Item		10,026			10,026
Due from Other Funds	417,520				417,520
Cash Held in Escrow	-	-	986,136	-	986,136
Total Assets	$ 4,424,700	$ 185,712	$ 2,128,291	$ 15,576	$ 6,754,279
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 418,665	$ 1,355			$ 420,020
Due to Other Funds	15,246	136,530	$ 268,420		420,196
Payable to Federal Government		11,608			11,608
Payable to State Government		3,885			3,885
Other Liabilities		3,782			3,782
Deferred Revenue	-	28,552	56,041	-	84,593
Total Liabilities	433,911	185,712	324,461	-	944,084
Fund Balances					
Reserved for					
Encumbrances	284,933				284,933
Capital Reserve Account	1,545,330				1,545,330
Tuition Reserve	100,000				100,000
Tuition Reserve - Designated for Subsequent Year's Budget	400,000				400,000
Maintenance Reserve	100,000				100,000
Excess Surplus	542,774				542,774
Excess Surplus - Designated for Subsequent Year's Budget	474,545				474,545
Unreserved, reported in:					
Designated for Subsequent Year's Budget	66,486			$ 2,914	69,400
Undesignated					
Geueral Fund	476,721				476,721
Capital Projects Fund			1,803,830		1,803,830
Debt Service Fund	-	-	-	12,662	12,662
Total Fund Balances	3,990,789	-	1,803,830	15,576	5,810,195
Total Liabilities and Fund Balanees	$ 4,424,700	$ 185,712	$ 2,128,291	$ 15,576	

Amounts reported for governmental activities in the statement of net assets (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $61,877,152 and the aecumulated depreeiation is $15,636,173.	46,240,979
The District has financed capital assets through the issuance of serial bonds and long-term lease obligatious. The interest accrual at year end is:	(696,058)
Long-term liabilities, ineluding bonds payable, are not due and payahle iu the current period and therefore are not reported as liabilities in the funds. (See Note 4)	(35,193,832)
Net assets of governmental activities (Exhibit A-1)	$ 16,161,284

The accompanyiug Notes to the Basic Financial Statements are an Iutegral Part of this Statement

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources					
Property Tax Levy	$ 25,791,448			$ 2,273,657	$ 28,065,105
Investment Earnings	28,699		$ 12,662		41,361
Tuition	6,328,214				6,328,214
Miscellaneous	120,733	$ 25,977	-	-	146,710
Total - Local Sources	32,269,094	25,977	12,662	2,273,657	34,581,390
State Sources	3,807,042	108,156	640,398		4,555,596
Federal Sources	-	587,373	-	-	587,373
Total Revenues	36,076,136	721,506	653,060	2,273,657	39,724,359
EXPENDITURES					
Current					
Regular Instruction	15,797,490	107,640	236,765		16,141,895
Special Education Instruction	3,580,262	315,060			3,895,322
Other Instruction	92,472				92,472
School Sponsored Activities & Athletics	1,450,853				1,450,853
Support Services					
Student & Instruction Related Services	4,026,310	84,979			4,111,289
School Administrative Services	1,566,549				1,566,549
General Administrative Services	1,233,032				1,233,032
Plant Operations and Maintenance	3,826,535				3,826,535
Pupil Transportation	1,866,474				1,866,474
Central and Other Support Services	865,522				865,522
Debt Service					
Principal	346,893			850,000	1,196,893
Interest and other charges	94,748			1,437,425	1,532,173
Capital Outlay	740,317	213,827	569,112	-	1,523,256
Total Expenditures	35,487,457	721,506	805,877	2,287,425	39,302,265
Excess (Deficiency) of Revenues Over (Under) Expenditures	588,679	-	(152,817)	(13,768)	422,094
OTHER FINANCING SOURCES (USES)					
Assets Acquired Under Capital Leases			1,000,000		1,000,000
Transfers In				12,662	12,662
Transfers Out	-	-	(12,662)	-	(12,662)
Total Other Financing Sources and (Uses)	-	-	987,338	12,662	1,000,000
Net Change in Fund Balances	588,679	-	834,521	(1,106)	1,422,094
Fund Balance, Beginning of Year	3,402,110	-	969,309	16,682	4,388,101
Fund Balance, End of Year	$ 3,990,789	$ -	$ 1,803,830	$ 15,576	$ 5,810,195

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total net change in fund balances - governmental funds (Exhibit B-2)		$ 1,422,094
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and the capital asset disposals exceeded capital outlay in the period.		
Depreciation expense	$ (1,896,630)	
Capital outlays	1,523,256	
Disposal of Capital Assets, Net	(35,794)	(409,168)
The issuance of long term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Additionally, governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these activities: (See Note 4)		196,893
In the statement of activities, costs related to the issuance of long term debt are deferred and amortized over the term of the debt. In the governmental funds, the issuance costs are reported upon issuance of the debt. This amount represents the current year amortization of the costs related to the issuance of long term debt in previous years.		(4,594)
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		17,742
In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) 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 reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.		154,319
Change in net assets of governmental activities (Exhibit A-2)		$ 1,377,286

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		
	Food Service	Adult School Non-Major	Totals
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 120,890	$ 100,808	$ 221,698
Aecounts Receivable	3,179		3,179
Due From Other Funds			-
Inventory	2,652	-	2,652
Total Current Assets	126,721	100,808	227,529
Capital Assets			
Furniture, Machinery, and Equipment	95,953		95,953
Less: Aceumulated Depreciation	(78,399)	-	(78,399)
Total Noncurrent Assets	17,554	-	17,554
Total Assets	144,275	100,808	245,083
LIABILITIES			
Current Liabilities			
Accounts Payable	42,909		42,909
Due to Other Funds	-	12,319	12,319
Total Current Liabilities	42,909	12,319	55,228
NET ASSETS			
Invested in Capital Assets	17,554		17,554
Unrestricted	83,812	88,489	172,301
Total Net Assets	$ 101,366	$ 88,489	$ 189,855

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		
	Food Service	Adult School Non-Major	Totals
OPERATING REVENUES			
Charges for Services			
Daily Sales-Reimbursable Programs	$ 696,636		$ 696,636
Program Fees	-	$ 101,237	101,237
Total Operating Revenues	696,636	101,237	797,873
OPERATING EXPENSES			
Cost of Sales	278,100		278,100
Salaries and Benefits	266,784	101,864	368,648
Other Purchased Services	40,969		40,969
Management Fee	29,456		29,456
Miscellaneous	39,319	15,783	55,102
Depreciation Expense	10,940	-	10,940
Total Operating Expenses	665,568	117,647	783,215
Operating Income/(Loss)	31,068	(16,410)	14,658
NONOPERATING REVENUES			
Interest Revenue	-	838	838
Total Nonoperating Revenues	-	838	838
Net Income/(Loss) Before Operating Transfers	31,068	(15,572)	15,496
Operating Transfers			
Operating Transfers In	-	-	-
Change in Net Assets	31,068	(15,572)	15,496
Total Net Assets, Beginning of Year	70,298	104,061	174,359
Total Net Assets, End of Year	$ 101,366	$ 88,489	$ 189,855

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		
	Food Service	Adult School Non-Major	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Reeeived from Customers	$ 695,567	$ 101,237	$ 796,804
Cash Payments to Employees for Salaries and Benefits	(266,784)	(96,572)	(363,356)
Cash Payments to Suppliers for Goods and Services	(362,575)	(15,783)	(378,358)
Net Cash Provided (Uscd) for Operating Aetivities	66,208	(11,118)	55,090
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	-	838	838
Net Cash Provided by Investing Aetivities	-	838	838
Net Increase in Cash and Cash Equivalents	66,208	(10,280)	55,928
Cash and Investments, Beginning of Year	54,682	111,088	165,770
Cash and Investments, End of Year	$ 120,890	$ 100,808	$ 221,698
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED FOR OPERATING ACTIVITIES			
Operating Income (Loss)	$ 31,068	$ (16,410)	$ 14,658
Adjustments to Reconcile Operating Loss to Net Cash Provided for Operating Activities			
Depreciation	10,940		10,940
Change in Assets and Liabilities			
(Increase)/Decrease in Inventory	4,533		4,533
(Increase)/Decrcasc in Accounts Receivable	(1,069)		(1,069)
Increasc/(Dccrease) in Aecounts Payable	(10,317)		(10,317)
Increase/(Decreasc) in Due to/from Other Funds	31,053	5,292	36,345
Total Adjustments	35,140	5,292	40,432
Net Cash Provided (Used) for Operating Activities	$ 66,208	$ (11,118)	$ 55,090

The accompanying Notes to the Basie Financial Statements are an integral part of this statcment

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2010

	Unemployment Compensation Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	$ 36,271	$ 499,684
Due from Other Funds	-	14,995
Total Assets	36,271	$ 514,679
LIABILITIES		
Payroll Deductions and Withholdings		$ 77,428
Intergovernmental Payable	11,266	
Due to Student Groups	-	437,251
Total Liabilities	11,266	$ 514,679
NET ASSETS		
Held In Trust For Unemployment Claims	$ 25,005	

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Unemployment Compensation Trust Fund
ADDITIONS	
Contributions	
Employees	$ 38,942
Interest	486
Total Additions	39,428
DEDUCTIONS	
Unemployment Claims	98,670
Total Deductions	98,670
Change in Net Assets	(59,242)
Net Assets, Beginning of Year	84,247
Net Assets, End of Year	$ 25,005

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Watchung Hills Regional High School District (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials from Warren Township, Watchung Borough and Long Hill Township. In addition, one official is appointed by Green Brook Township Board of Education. The Board is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Watchung Hills Regional High School District this includes general operations, food service, adult school and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. District-wide and Fund Financial Statements

The district-wide financial statements report information on all of the nonfiduciary activities of the Board of Education. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District considers all of its governmental and the food service enterprise funds to be major funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the Agency Fund which does not have a measurement focus. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal and state financial programs, with the exception of grants for major capital projects.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of major capital facilities and other capital assets.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

The District reports the following non-major proprietary fund which is organized to be self-supporting through user charges.

The *adult school fund* accounts for the activities of the District's adult school program.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Additionally, the government reports the following fund type:

> The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow FASB guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resonrces are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

> *Tuition Revenues* - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.
>
> *Tuition Expenditures* - Tuition charges for the fiscal years 2008-2009 and 2009-2010 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred revenues. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories are valued at cost, using the first-in first-out (FIFO) method.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. Restricted Assets

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts and/or their use is limited by state or county regulations for capital projects.

6. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of $2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	20
Heavy Equipment	8-20
Office Equipment and Furniture	5-10
Computer Equipment	5

7. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation, personal, and sick leave benefits. A long-term liability of accumulated vacation, personal and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds do not permit the accrual of vacation, personal and sick leave.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

8. Long-term obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures.

Reserved for Encumbrances - This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30.

Reserved for Excess Surplus – Designated for Subsequent Year's Budget - This reserve was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2009 audited excess surplus that was appropriated in the 2010/2011 original budget certified for taxes.

Reserved for Excess Surplus – This reserve was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2010 audited excess surplus that is required to be appropriated in the 2011/2012 original budget certified for taxes.

Reserved for Capital Reserve Account – This reserve was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

Reserved for Maintenance Reserve – This reserve was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education.

Reserved for Tuition Adjustments – This reserve was created in accordance with NJAC 6A:23A-17.1(F)8 to represent foreseeable future tuition adjustments and is required to be liquidated in the second year following the contract year with any remaining balance related to that contract year to be reserved and budgeted for property tax relief.

Reserved for Tuition Adjustment – Designated for Subsequent Year's Budget – This reserve was created in accordance with NJAC 6A:23A-17.1(F)8 to represent foreseeable future tuition adjustments for the 2007/2008 and 2008/2009 contract years that is appropriated in the 2010/2011 original budget certified for taxes.

Designations of fund balance represent tentative management plans that are subject to change.

Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2010/2011 District budget certified for taxes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

10. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. The Board approved several budget transfers during 2009/2010. During 2009/2010 the Board increased the original budget by $1,007,721. The increase was funded by additional grant awards and the reappropriation of prior year general fund encumbrances.

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of ~~the~~ certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. 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 which are reappropriated and honored during the subsequent fiscal year.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve Account

A capital reserve account was established by the District on October 2, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the fiscal year ended June 30, 2010 is as follows:

Balance, July 1, 2009		$ 1,037,533
Increased by		
Deposits approved by Board June 2010	$ 500,000	
Interest earnings	7,797	
		507,797
Balance, June 30, 2010		$ 1,545,330

Analysis of Balance, June 30, 2010

Designated for Subsequent Year's Budget	$ 1,030,000
Undesignated	515,330
	$ 1,545,330

The June 30, 2010 LRFP balance of local support costs of uncompleted capital projects is $3,337,440.

C. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2010 is $1,017,319. Of this amount, $474,545 was designated and appropriated in the 2010/2011 original budget certified for taxes and the remaining amount of $542,774 will be appropriated in the 2011/2012 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge plus collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds for all deposits not covered by the FDIC.

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of $250,000 for each failed brokerage firm. At June 30, 2010, the book value of the Board's deposits was $4,952,258 and bank balances of the Board's cash and deposits amounted to $5,812,801. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash and cash equivalents" are categorized as:

Depository Account	Bank Balance
Insured	$ 5,812,801

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk.

The Board had no outstanding investments as of June 30, 2010.

Investment and interest earnings in the Capital Projects Fund are assigned to the Debt Service Fund in accordance with Board policy.

B. Receivables

Receivables as of year-end for the district's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Special Revenue	Capital Projects	Food Service	Total
Receivables:					
Intergovernmental	$ 101,436	$ 171,253	$ 1,142,155		$ 1,414,844
Accounts	712,851	4,433	-	$ 3,179	720,463
Gross Receivables	814,287	175,686	1,142,155	3,179	2,135,307
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total Receivables	$ 814,287	$ 175,686	$ 1,142,155	$ 3,179	$ 2,135,307

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unearned
Special Revenue Fund	
Unencumbered grant draw downs	$28,552
Capital Projects Fund	
Unrealized School Facility Grants	56,041
Total Deferred Revenue for Governmental Funds	$84,593

C. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance, July 1, 2009	Increases	Deletions and Adjustments	Balance, June 30, 2010
Governmental Activities:				
Capital Assets,Not Being Depreciated:				
Construction in Progress	$ 72,281	$ 119,911	$ (72,281)	$ 119,911
Land	105,616	-	-	105,616
Total Capital Assets, Not Being Depreciated	105,616	119,911	-	225,527
Capital Assets, Being Depreciated:				
Improvements Other Than Buildings	2,860,073	636,853	36,723	3,533,649
Buildings	52,512,039	403,879		52,915,918
Machinery and Equipment	4,878,378	362,613	(38,933)	5,202,058
Total Capital Assets Being Depreciated	60,250,490	1,403,345	(2,210)	61,651,625
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(1,137,001)	(173,294)		(1,310,295)
Buildings	(9,303,950)	(1,271,302)		(10,575,252)
Machinery and Equipment	(3,337,289)	(452,034)	38,697	(3,750,626)
Total Accumulated Depreciation	(13,778,240)	(1,896,630)	38,697	(15,636,173)
Total Capital Assets, Being Depreciated,Net	46,472,250	(493,285)	36,487	46,015,452
Governmental Activities Capital Assets, Net	$ 46,577,866	$ (373,374)	$ (35,794)	$ 46,240,979

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Balance, July 1, 2009	Increases	Adjustments	Balance, June 30, 2010
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	$ 95,953	-	-	$ 95,953
Total Capital Assets Being Depreciated	95,953	-	-	95,953
Less Accumulated Depreciation for:				
Machinery and Equipment	(67,459)	$ (10,940)	-	(78,399)
Total Accumulated Depreciation	(67,459)	(10,940)	-	(78,399)
Total Capital Assets, Being Depreciated, Net	28,494	(10,940)	-	17,554
Business-Type Activities Capital Assets, Net	$ 28,494	$ (10,940)	$ -	$ 17,554

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:		
Instruction		
Regular	$	806,764
Special		121,421
Total Instruction		928,185
Support Services		
Student and Instruction Related Services		327,817
General Administration		162,255
School Administration		78,878
Operations and Maintenance of Plant		399,495
Total Support Services		968,445
Total Depreciation Expense - Governmental Activities	$	1,896,630
Business-Type Activities:		
Machinery and Equipment	$	10,940
Total Depreciation Expense-Business-Type Activities	$	10,940

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
Agency Fund	General Fund	$ 14,995
General Fund	Adult School Fund	12,319
General Fund	Special Revenue	268,420
General Fund	Capital Projects	136,530
		$ 432,264

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year.

Interfund transfers

	Transfer In:	
	Debt Service	Total
Transfer Out:		
Capital Projects Fund	$ 12,662	$ 12,662
Total transfers out	$ 12,662	$ 12,662

The above transfers are the result of revenues earned in one fund to finance expenditures in another fund.

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Leases

Lease Purchase Agreements

The District has entered into lease purchase agreements for various capital and equipment purchases.

At June 30, 2010 there are unexpended proceeds from capital leases in the amount of $986,136 on deposit with the Fiscal Agent.

The maturity schedule of the remaining lease payments for principal and interest is as follows:

Governmental Activities:

Year Ended June 30	Principal	Interest	Total
2011	$ 453,266	$ 56,854	$ 510,120
2012	415,479	40,064	455,543
2013	430,128	25,415	455,543
2014	268,984	10,246	279,230
2015	108,535	1,516	110,051
	$ 1,676,392	$ 134,095	$ 1,810,487

F. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2010 are comprised of the following issues:

$32,426,000, 2003 Bonds, due in annual installments of $800,000 to $2,486,000 through January, 2028, interest at 4.25% to 4.38%	$29,951,000
$3,000,000, 2007 Bonds, due in annual installments of $115,000 to $220,000 through January, 2027, interest at 4.00% to 4.10%	2,780,000
	$32,731,000

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Fiscal Year	Serial Bonds Principal	Interest	Total
2011	$ 915,000	$ 1,401,575	$ 2,316,575
2012	975,000	1,362,975	2,337,975
2013	1,030,000	1,321,837	2,351,837
2014	1,420,000	1,278,375	2,698,375
2015	1,485,000	1,219,350	2,704,350
2016-2020	8,535,000	5,087,945	13,622,945
2021-2025	10,810,000	3,091,122	13,901,122
2026-2029	7,561,000	660,050	8,221,050
	$ 32,731,000	$ 15,423,229	$ 48,154,229

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2010 was as follows:

3% of Equalized Valuation Basis (Municipal)	$ 255,541,716
Less: Net Debt Issued	32,731,476
Remaining Borrowing Power	$ 222,810,240

Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
Bonds Payable	$ 33,581,000		$ 850,000	$ 32,731,000	$ 915,000
Obligations Under Lease Purchase	1,023,285	$ 1,000,000	346,893	1,676,392	453,266
Compensated Absences	983,605	-	154,319	829,286	-
Governmental Activity Long-Term Liabilities	$ 35,587,890	$ 1,000,000	$ 1,351,212	$ 35,236,678	$ 1,368,266

For the governmental activities, compensated absences are liquidated by the general fund.

NOTE 4 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $35,193,832 difference are as follows:

Bonds Payable	$32,731,000
Less: Deferred Charge For Issuance Costs (To Be Amortized Over Life Of Debt)	(42,846)
Lease Purchases Payable	1,676,392
Compensated Absences	829,286
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	$35,193,832

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the district-wide statement of activities

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $196,893 difference are as follows:

Debt issued or incurred:	
Lease purchase financing	$ (1,000,000)
Principal repayments:	
General obligation bonds and loans	850,000
Lease purchase	346,893
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	$ 196,893

NOTE 5 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the School Alliance Insurance Fund (the "Fund"). The Fund is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the funds, to report claims on a timely basis, cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

The Fund provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the fund are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's fiduciary trust fund for the current and previous two years:

Fiscal Year	Employee Contributions	Amount Reimbursed	Ending Balance
2009-2010	$ 38,942	$ 98,670	$ 25,005
2008-2009	46,181	53,464	84,247
2007-2008	29,107	17,725	90,865

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

NOTE 5 OTHER INFORMATION (Continued)

B. Contingent Liabilities (Continued)

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2010, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2010, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Dvision of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valnation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Significant Legislation

P.L. 2009, c. 19, effective March 17, 2009 provided an option for local employers to contribute 50 percent of the normal and accrued liability contribution amounts certified by the PERS for payments due in State fiscal year 2009. This law also provided that a local employer may pay 100 percent of the required contribution. Such an employer was credited with the full payment and any such amounts were not to be included in their unfunded liability. The actuaries for PERS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

P.L. 2008, c. 89, effective November 1, 2008, increased the TPAF and PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; changed the early retirement provisions; increased the minimum annual compensation required for membership eligibility for new members on or after the effective date of this law.

P.L. 2007, c. 103, certain parts effective July 1, 2007, provided for the following: changed contribution rates of TPAF, PERS, and Defined Contribution Retirement Program (DCRP) to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) which included the creation of the School Employees' Health Benefit Program (SEHBP) and established an employee contribution of 1.5 percent of the employee's base salary.

Funding Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 72.6 percent with an unfunded actuarial accrued liability of $34.4 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 69.6 percent and $23.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.2 percent and $11.4 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Methods and Assumptions

In the June 30, 2008 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.5% for PERS, 5.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2010 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2010, 2009 and 2008 the Board was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended June 30,	PERS	On-behalf TPAF
2010	$ 272,177	$ 51,192
2009	215,122	47,246
2008	149,873	997,421

During 2009/2010 and 2008/2009 school years, the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed $51,192 and $47,246 during 2009/2010 and 2008/2009, respectively, for the NCGI premium.

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $1,193,119 during the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 484 state and local participating employers and contributing entities for Fiscal Year 2009.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the State had a $55.9 billion unfunded actuarial accrued liability for other postemployment benefits (OPEB) which is made up to $19.8 billion for state active and retired members and $36.1 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2008, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2009, there were 84,590 retirees receiving post-retirement medical benefits and the State contributed $837.7 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid $116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in fiscal year 2009.

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions (Coutinued)

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2010, 2009 and 2008 were $961,466, $901,326 and $843,945, respectively, which equaled the required contributions for each year . The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

BUDGETARY COMPARISON SCHEDULES

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Transfers	Modified Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources					
Local Tax Levy	$ 25,791,448		$ 25,791,448	$ 25,791,448	
Tuition	6,397,003		6,397,003	6,328,214	$ (68,789)
Interest	55,100		55,100	28,699	(26,401)
Miscellaneous	76,775		76,775	120,733	43,958
State Sources					
Transportation Aid	817,050		817,050	531,082	(285,968)
Special Education Aid	637,645		637,645	414,469	(223,176)
Security Aid	133,584		133,584	86,830	(46,754)
Non-Public Transportation				42,999	42,999
Extraordinary Aid	152,087		152,087	77,593	(74,494)
Other - SDA				364,605	364,605
On-behalf Post Retirement-Pension Contributions				961,466	961,466
On-behalf TPAF - Non-contributory Insurance				51,192	51,192
On-behalf TPAF Social Security Contributions	-	-	-	1,193,119	1,193,119
Total Revenues	34,060,692	-	34,060,692	35,992,449	1,931,757
EXPENDITURES					
CURRENT					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 9-12	11,124,444	$ (60,234)	11,064,210	10,913,819	150,391
Home Instruction					
Salaries of Teachers	33,400		33,400	31,629	1,771
Purchased Prof.-Ed. Services	13,000		13,000	12,670	330
Regular Programs - Undistributed Instruction					
Purchased Prof.-Ed. Services	6,100	280	6,380	6,376	4
Purchased Technical Services	2,700		2,700	-	2,700
Other Purchased Services	377,527	5,225	382,752	356,140	26,612
General Supplies	566,992	(11,069)	555,923	489,143	66,780
Textbooks	167,750	26,310	194,060	187,503	6,557
Other Objects	20,376	(3,910)	16,466	12,407	4,059
Total Regular Programs	12,312,289	(43,398)	12,268,891	12,009,687	259,204
Learning and/or Language Disabilities					
Salaries of Teachers	193,620		193,620	183,143	10,477
Other Salaries for Instruction	343,779		343,779	307,151	36,628
Purchased Prof.-Ed. Services	15,000		15,000		15,000
Other Purchased Services	12,000	(9,185)	2,815	907	1,908
General Supplies	12,000	(2,650)	9,350	6,235	3,115
Texthooks	2,000	(300)	1,700		1,700
Other Objects	800	-	800	-	800
Total Learning and/or Language Disabilities	579,199	(12,135)	567,064	497,436	69,628

Continued

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Transfers	Modified Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT (Continued)					
Resource Room					
Salaries of Teachers	$ 1,230,582	$ 14,451	$ 1,245,033	$ 1,244,618	$ 415
Other Salaries for Instruction	155,642	(1,000)	154,642	151,932	2,710
Other Purchased Services	1,200		1,200	432	768
General Supplies	10,000	1,334	11,334	11,176	158
Textbooks	2,500	300	2,800	2,690	110
Total Resource Room	1,399,924	15,085	1,415,009	1,410,848	4,161
Total Special Education	1,979,123	2,950	1,982,073	1,908,284	73,789
Basic Skills/Remedial Instruction					
Other Salaries for Instruction	25,095	-	25,095	24,795	300
Total Basic Skills/Remedial Instruction	25,095	-	25,095	24,795	300
Bilingual Education					
Salaries of Teaehers	45,920		45,920	44,835	1,085
Other Purehased Serviees	500		500		500
General Supplies	600	(600)	-		
Other Objects	-	600	600	-	600
Total Bilingual Edueation	47,020	-	47,020	44,835	2,185
School Sponsored Co-Curricular Activities					
Salaries	230,980	4,440	235,420	202,944	32,476
Purchased Services	14,500	(90)	14,410	12,443	1,967
Supplies and Materials	10,800	(4,800)	6,000	4,694	1,306
Transfers to Cover Deficit	19,200	1,800	21,000	21,000	-
Total School Sponsored Co-Curricular Activities	275,480	1,350	276,830	241,081	35,749
School Sponsored Athletics - Instruction					
Salaries	678,940	390	679,330	639,257	40,073
Purchased Services	209,000	3,211	212,211	172,895	39,316
Supplies and Materials	144,501	27,299	171,800	110,190	61,610
Other Objects	17,000	1,945	18,945	11,148	7,797
Total School Sponsored Athletics-Instruction	1,049,441	32,845	1,082,286	933,490	148,796
Total - Instruetion	15,688,448	(6,253)	15,682,195	15,162,172	520,023
Undistributed Expenditures					
Instruetion					
Tuition to Other LEAs Within State - Reg.	22,917	12,000	34,917	34,719	198
Tuition to Other LEAs Within State - Spec.	535,430	(218,000)	317,430	237,285	80,145
Tuition to Co. Voc. School Dist. - Reg.	40,870		40,870	38,703	2,167
Tuition to Priv Sch. For Disabled w/in State	665,950	120,000	785,950	734,584	51,366
Tuition to Priv Sch. For Disabled & Other LEAs Spl, Outside State	19,200		19,200	3,200	16,000
Tuition - Other	-	41,000	41,000	40,866	134
Total Uudistributed Expenditures - Instruction	1,284,367	(45,000)	1,239,367	1,089,357	150,010

Continued

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Transfers	Modified Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT (Continued)					
Attendance and Social Work Services					
Salaries of Teachers	$ 87,452	$ (2,300)	$ 85,152	$ 78,173	$ 6,979
Purchased Professional & Technical Services	11,000	-	11,000	11,000	-
Total Attendance & Social Work Svcs.	98,452	(2,300)	96,152	89,173	6,979
Health Services					
Salaries of Teachers	180,390	7,138	187,528	187,524	4
Purchased Professional & Technical Services	25,000	(110)	24,890	20,099	4,791
Other Purchased Services	200		200		200
Supplies and Materials	9,000	-	9,000	5,573	3,427
Total Health Services	214,590	7,028	221,618	213,196	8,422
Speech, OT, PT & Related Services					
Purchased Professional-Educational Services	8,000	-	8,000	7,517	483
Total Speech, OT, PT & Related Services	8,000	-	8,000	7,517	483
Guidance					
Salaries of Other Professional Staff	751,941	9,000	760,941	758,598	2,343
Salaries of Secretarial & Clerical Assistants	137,484		137,484	137,484	-
Other Salaries	132,947	2,000	134,947	134,035	912
Other Purchased Services	18,550		18,550	210	18,340
Supplies and Materials	21,000	580	21,580	15,989	5,591
Other Objects	3,000	-	3,000	1,089	1,911
Total Guidance	1,064,922	11,580	1,076,502	1,047,405	29,097
Child Study Team					
Salaries of Other Professional Staff	566,050	2,600	568,650	567,098	1,552
Salaries of Secretarial & Clerical Assistants	108,712		108,712	108,612	100
Other Purchased Services	17,000	(150)	16,850	5,964	10,886
Supplies and Materials	6,800	10,500	17,300	17,294	6
Other Objects	-	150	150	150	-
Total Child Study Team	698,562	13,100	711,662	699,118	12,544
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisors of Instruction	683,263	6,001	689,264	689,186	78
Salaries of Other Professional Staff	14,400	(3,001)	11,399	3,832	7,567
Salaries of Secretarial & Clerical Assistants	59,881	-	59,881	59,881	-
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	757,544	3,000	760,544	752,899	7,645
Educational Media Services/School Library					
Salaries	173,797	(12,850)	160,947	140,222	20,725
Other Purchased Services	35,946	(290)	35,656	35,251	405
Supplies and Materials	23,715	1,290	25,005	22,893	2,112
Other Objects	400	-	400	-	400
Total Educational Media Services/School Library	233,858	(11,850)	222,008	198,366	23,642

Continued

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Transfers	Modified Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT (Continued)					
Instructional Staff Training Services					
Salaries of Other Professional Staff	$ 5,000	$ 2,200	$ 7,200	$ 5,941	$ 1,259
Purchased Professional/Educational Svcs.	5,500		5,500		5,500
Other Purchased Services	24,000		24,000	21,935	2,065
Supplies and Materials	15,000	(200)	14,800	9,877	4,923
Other Objects	5,000	3,500	8,500	8,500	-
Total Instructional Staff Training Svcs.	54,500	5,500	60,000	46,253	13,747
Support Services General Administration					
Salaries	381,331		381,331	381,225	106
Legal Services	410,000		410,000	400,465	9,535
Audit Fees	30,000	28,300	58,300	28,275	30,025
Other Purchased Professional Services	30,000	(5,800)	24,200	22,174	2,026
Purchased Technical Services	10,000	9,000	19,000	18,770	230
Communications/Telephone	105,000	(23,302)	81,698	71,889	9,809
BOE Other Purchased Services	3,300		3,300	1,393	1,907
Other Purchased Services	126,000	2,202	128,202	125,851	2,351
Supplies and Materials	7,392	5,005	12,397	3,929	8,468
BOE Supplies and Materials	5,280	(5,280)			
Miscellaneous Expenditures	24,900	275	25,175	20,275	4,900
BOE Membership Dues and Fees	36,656	2,700	39,356	33,726	5,630
Total Support Services General Administration	1,169,859	13,100	1,182,959	1,107,972	74,987
Support Services School Administration					
Salaries of Principals/Asst. Principals	581,369	(3,000)	578,369	556,386	21,983
Salaries of Other Professional Staff	301,426		301,426	301,426	
Salaries of Secretarial and Clerical Assistants	259,962	(1,080)	258,882	244,339	14,543
Other Purchased Services	3,900	(500)	3,400	2,429	971
Supplies and Materials	42,000	(2,518)	39,482	32,087	7,395
Other Objects	16,320	8,780	25,100	24,257	843
Total Support Services School Administration	1,204,977	1,682	1,206,659	1,160,924	45,735
Central Services					
Salaries	413,372	900	414,272	414,241	31
Purchased Technical Services	3,000	(480)	2,520	927	1,593
Misc. Purchased Services	45,300	(4,600)	40,700	17,147	23,553
Supplies and Materials	4,000	500	4,500	4,415	85
Interest on Lease Purchase Agreements	45,000	(12,232)	32,768	18,175	14,593
Other Objects	3,100	200	3,300	3,141	159
Total Central Services	513,772	(15,712)	498,060	458,046	40,014
Administration Information Technology					
Salaries	196,616	(3,760)	192,856	148,462	44,394
Purchased Technical Services	42,950	11,500	54,450	49,948	4,502
Other Purchased Services	10,000	12,932	22,932	19,482	3,450
Supplies and Materials		11,200	11,200	11,178	22
Other Objects	500	-	500	-	500
	-				
Total Administration Information Technology	250,066	31,872	281,938	229,070	52,868

Continued

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Transfers	Modified Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT (Continued)					
Undist. Expend. - Required Maint. For School Facilities					
Salaries	$ 685,678	$ 57,250	$ 742,928	$ 733,326	$ 9,602
Cleaning, Repair, and Maintenance	231,745	132,175	363,920	221,602	142,318
General Supplies	120,000	44,017	164,017	148,293	15,724
Other Objects	5,000	5,600	10,600	10,599	1
Total Undist. Expend - Required Maint. For School Facilities	1,042,423	239,042	1,281,465	1,113,820	167,645
Custodial Services					
Purchased Prof/Technical Services		29,939	29,939	12,713	17,226
Cleaning, Repair, and Maintenance Services	586,500	(28,600)	557,900	544,616	13,284
Other Purchased Property Services	57,000	58,100	115,100	115,055	45
Insurance	35,000	(24,510)	10,490	9,953	537
Miscellaneous Purchased Services	89,063	(1,200)	87,863	85,858	2,005
General Supplies	17,000	1,639	18,639	15,167	3,472
Energy(Heat and Electricity)	1,146,700	(180,530)	966,170	889,714	76,456
Total Custodial Services	1,931,263	(145,162)	1,786,101	1,673,076	113,025
Care and Upkeep of Grounds					
Salaries	252,055	(7,900)	244,155	218,431	25,724
Purchased Prof. & Technical Services	2,000	7,750	9,750	9,635	115
Cleaning, Repair, & Maintenance Serv.	113,000	2,500	115,500	107,111	8,389
General Supplies	54,000	21,350	75,350	64,638	10,712
Total Care and Upkeep	421,055	23,700	444,755	399,815	44,940
Security					
Salaries	161,411	34,740	196,151	189,720	6,431
Purchased Prof. & Technical Services	6,800	1,804	8,604	8,450	154
General Supplies		2,046	2,046	1,690	356
Other Objects	-	350	350	349	1
Total Security	168,211	38,940	207,151	200,209	6,942
Student Transportation Services					
Sal. For Pupil Trans (Bet Home & Sch)-Reg.	206,326	(3,600)	202,726	159,324	43,402
Sal. For Pupil Trans (Bet Home & Sch)-Spec.	149,963	(600)	149,363	130,114	19,249
Sal. For Pupil Trans (Other Than Bet Home & Sch)	166,505	(20,655)	145,850	107,552	38,298
Other Purchased Prof. and Technical Svce.	3,800	900	4,700	4,675	25
Management Fee - ESC Transportation Program	27,000	(2,125)	24,875	9,952	14,923
Cleaning, Repair, and Maintenance Services	28,200	12,060	40,260	35,512	4,748
Rental Payments - School Buses		1,000	1,000	510	490
Contr. Serv. (Bet Home & Sch)-Vendors	686,300	24,884	711,184	679,193	31,991
Contr. Serv. (Other Than Bet Home & Sch) - Vendors	3,000	(500)	2,500	2,214	286
Contr. Serv. (Bet Home & Sch)-Joint Agreements	79,800	(55,000)	24,800		24,800
Contr. Serv. (Spec. Ed.)-Joint Agreements	443,100	(17,984)	425,116	352,850	72,266
Lease Purchase Payments - School Buses	88,176	55,000	143,176	142,072	1,104
Contr. Serv. - Aid in Lieu Payments	200,000	(21,700)	178,300	152,858	25,442
Miscellaneous Purchased Services	26,000	-	26,000	26,000	-
Supplies and Materials	70,000	710	70,710	37,668	33,042
Miscellaneous Expenditures	4,000	1,775	5,775	5,766	9
Total Student Transportation Services	2,182,170	(25,835)	2,156,335	1,846,260	310,075

Continued

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Transfers	Modified Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT (Continued)					
Unallocated Benefits - Employee Benefits					
Social Seeurity Contributions	$ 378,976		$ 378,976	$ 366,391	$ 12,585
Other Retirement Contributions-Regular	235,425	$ 36,752	272,177	272,177	
Workmen's Compensation	164,466	(2,200)	162,266	160,624	1,642
Health Benefits	3,940,886	(29,769)	3,911,117	3,856,819	54,298
Tuition Reimbursement	200,000	45,000	245,000	239,979	5,021
Other Employee Benefits	105,000	(43,452)	61,548	58,849	2,699
Total Unalloeated Benefits - Employee Benefits	5,024,753	6,331	5,031,084	4,954,839	76,245
Non-Budgeted (On-Behalf)					
Post Retirement-Pension Contributions				961,466	(961,466)
TPAF - Non-contributory Insurance				51,192	(51,192)
TPAF Social Security Contributions	-	-	-	1,193,119	(1,193,119)
Total On-behalf Contributions	-	-	-	2,205,777	(2,205,777)
Total Undistributed Expenditures	18,323,344	149,016	18,472,360	19,493,092	(1,020,732)
Total Current Expenditures	34,011,792	142,763	34,154,555	34,655,264	(500,709)
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruetion					
Grades 9-12		3,599	3,599	3,599	
Support Serviees - Students - Speeial		33,262	33,262	33,259	3
Central Services	-	3,200	3,200	-	3,200
Total Equipment	-	40,061	40,061	36,858	3,203
Facilities Acquisition and Construction Svees.					
Other Purch. Prof. and Tech. Services	42,000	(20,000)	22,000	12,772	9,228
Construction Serviees	321,800	423,806	745,606	690,687	54,919
Lease Purehase Agreements - Principal	185,000	-	185,000	91,876	93,124
Total Faeilities Acquisition and Construetion Svees.	548,800	403,806	952,606	795,335	157,271
Total Capital Outlay	548,800	443,867	992,667	832,193	160,474
Total Expenditures	34,560,592	586,630	35,147,222	35,487,457	(340,235)
Exeess (Defieieney) of Revenues Over/(Under) Expenditures	(499,900)	(586,630)	(1,086,530)	504,992	1,591,522

Continued

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Transfers	Modified Budget	Actual	Variance Final to Actual
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures (Carried Forward)	$ (499,900)	$ (586,630)	$ (1,086,530)	$ 504,992	$ 1,591,522
Fund Balances, Beginning of Year	3,717,708	-	3,717,708	3,717,708	-
Fund Balances, End of Year	$ 3,217,808	$ (586,630)	$ 2,631,178	$ 4,222,700	$ 1,591,522
Recapitulation:					
Reserved for Encumbrances				$ 284,933	
Capital Reserve				1,545,330	
Tuition Reserve - Designated for Subsequent Year's Budget					
2007/08 School Year				300,000	
2008/09 School Year				100,000	
Tuitiou Reserve					
2009/10 School Year				100,000	
Maintenance Reserve				100,000	
Excess Surplus				542,774	
Exeess Surplus - Designated in Subsequent Year's Budget				474,545	
Designated for Subsequent Year's Budget				66,486	
Unreserved				708,632	
				4,222,700	
Less: State Aid Payments Not Recognized on GAAP					
Deferred State Aid Payment			(154,318)		
Extraordinary Aid			(77,593)		
				(231,911)	
Fund Balance, GAAP Basis (Exhibit B-2)				$ 3,990,789	

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Intergovernmental					
State	$ 78,363	$ 2,375	$ 80,738	$ 78,077	$ (2,661)
Federal	378,535	403,473	782,008	587,373	(194,635)
Other	19,452	15,243	34,695	19,007	(15,688)
Total Revennes	$ 476,350	$ 421,091	$ 897,441	$ 684,457	$ (212,984)
EXPENDITURES					
Instruction					
Salaries of Teachers	$ 81,781	$ 9,583	$ 91,364	$ 65,123	$ 26,241
Purchased Professional and Educ Services	41,431	26,676	68,107	65,446	2,661
Other Purchased Services	316,036	(64,793)	251,243	245,040	6,203
General Supplies	15,200	142,185	157,385	14,325	143,060
Textbooks	21,732	2,941	24,673	24,673	-
Total Instruction	476,180	116,592	592,772	414,607	178,165
Support Services					
Salaries of Other Professional Staff		14,349	14,349	14,349	-
Personal Services - Employee Benefits		8,930	8,930	2,221	6,709
Purchased Professional and Educ Services		42,164	42,164	25,953	16,211
Other Purchased Services	170	4,760	4,930	-	4,930
Supplies and Materials		5,900	5,900	11,000	(5,100)
Other Objects	-	4,181	4,181	2,500	1,681
Total Support Services	170	80,284	80,454	56,023	24,431
Facilities Acquisition and Construction					
Instructional Equipment		182,215	182,215	171,827	10,388
Non - Instructional Equipment	-	42,000	42,000	42,000	-
Total Facilities Acquisition and Equipment	-	224,215	224,215	213,827	10,388
Total Expenditures	476,350	421,091	897,441	684,457	212,984
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -	$ -

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differenees between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exeeption of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of eneumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Funds 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.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balanee - Governmental Funds.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Aetnal amounts (budgetary basis) revenue from the budgetary comparison schedule (Exhibits C-1 and C-2)	$ 35,992,449	$ 684,457
Difference - Budget to GAAP		
Grant aeeounting budgetary basis differs from GAAP in that eneumbranees are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbranees		37,049
Current Year Encumbranees		
State Aid payments reeognized for budgetary purposes, not recognized for GAAP statements - Current Year	(231,911)	
State Aid payments recognized for GAAP statements, not recognized for budgetary basis - Prior Year	315,598	-
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	$ 36,076,136	$ 721,506
Uses/Outflows of Resources		
Aetual amounts (budgetary basis) total outflows from the budgetary comparison sehedule (Exhibit C-1 and C-2)	$ 35,487,457	$ 684,457
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not reeeived are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes		
Prior Year Encumbrances		37,049
Current Year Eneumbrances	-	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balanees - Governmental Funds (Exhibit B-2)	$ 35,487,457	$ 721,506

SPECIAL REVENUE FUND

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Title II Carryover	Title II Part A	Title IV Carryover	Title IV	I.D.E.A. Part B-Basic Carryover	I.D.E.A. Part B Basic	I.D.E.A. Part B-Basic ARRA	Non-Public Textbooks	Non-Public Nursing	Non-Public Exam and Class	Non-Public Corrective Speech	Non-Public Supplemental Instruction	Local	Grand Totals
REVENUES														
Intergovernmental														
State								$ 24,673	$ 29,259	$ 22,929	$ 897	$ 319		$ 78,077
Federal	$ 288	$ 15,159	$ 3,259	$ 2,827	$ 22,350	$ 280,955	$ 262,535							587,373
Local	-	-	-	-	-	-	-	-	-	-	-	-	$ 19,007	19,007
Total Revenues	$ 288	$ 15,159	$ 3,259	$ 2,827	$ 22,350	$ 280,955	$ 262,535	$ 24,673	$ 29,259	$ 22,929	$ 897	$ 319	$ 19,007	$ 684,457
EXPENDITURES														
Instruction														
Salaries of Teachers			$ 2,607	$ 2,356	$ 22,350	$ 35,628							$ 2,182	$ 65,123
Purchased Professional and Educ Services						12,042			$ 29,259	22,929	$ 897	$ 319		65,446
Other Purchased Services						233,285	$ 11,755							245,040
General Supplies							-						14,325	14,325
Textbooks	-	-	-	-	-	-	-	$ 24,673	-	-	-	-	-	24,673
Total Instruction	-	-	2,607	2,356	22,350	280,955	11,755	24,673	29,259	22,929	897	319	16,507	414,607
Support Services														
Salaries of Other Professional Staff	$ 267	$ 14,082												14,349
Personal Services - Employee Benefits	21	1,077	652	471										2,221
Purchased Professional and Educ Services							25,953							25,953
Other Purchased Services														-
Supplies and Materials							11,000							11,000
Other Objects	-	-	-	-	-	-	-	-	-	-	-	-	2,500	2,500
Total Support Services	288	15,159	652	471	-	-	36,953	-	-	-	-	-	2,500	56,023
Facilities Acquisition and Construction														
Instructional Equipment							171,827							171,827
Non-Instructional Equipment	-	-	-	-	-	-	42,000	-	-	-	-	-	-	42,000
Total Facilities Acquisition and Equipment	-	-	-	-	-	-	213,827	-	-	-	-	-	-	213,827
Total Expenditures	$ 288	$ 15,159	$ 3,259	$ 2,827	$ 22,350	$ 280,955	$ 262,535	$ 24,673	$ 29,259	$ 22,929	$ 897	$ 319	$ 19,007	$ 684,457

EXHIBIT E-2

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

THIS SCHEDULE IS NOT APPLICABLE

CAPITAL PROJECTS FUND

SCHEDULE F-1

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Project Title/Description	Appropriations	Supplemental Authorization	Expenditures to Date: Prior Years	Expenditures to Date: Current Year	Prior Years Canceled	Balance June 30, 2010
Three Renovations Project	$ 486,970		$ 477,920			$ 9,050
Construction and Equipment Additions	41,899,151	$ 3,260,560	44,604,581	$ 403,879	$ 10	151,241
Lavatory Renovations - Phase I	325,000		279,166		32,331	13,503
Lavatory Renovations - Phase II	331,185		242,704		28,462	60,019
Acquisition of Equipment	802,415		683,535	106,800		12,080
Acquisition of Equipment	270,000		746	241,893		27,361
Replace Gym Bleachers	288,861			9,333		279,528
Conversion of Board of Education Offices to Classrooms	913,346			29,716		883,630
New Security System	438,191	-	-	14,256	-	423,935
	$ 45,755,119	$ 3,260,560	$ 46,288,652	$ 805,877	$ 60,803	$ 1,860,347

Project Balances	$ 1,860,347
Less:	
Unfunded Capital Project	476
Fund Balanee - Budgetary Basis	1,859,871
Deferred Revenue(State Aid)	56,041
Fund Balanee - GAAP Basis	$ 1,803,830

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Revenues and Other Financing Sources		
Investment Earnings	$	12,662
State Sources - SDA Grant		640,398
Lease Proceeds		1,000,000
Total Revenues		1,653,060
Expenditures and Other Financing Uses		
Purchased Professional and Technical Services		130,367
Construction Services		326,817
Equipment Purchases		348,693
Transfers		12,662
Total Expenditures and Other Financing Uses		818,539
Excess (Deficiency) of Revenues Over (Under) Expenditures		834,521
Fund Balance, July 1, 2009		1,025,350
Fund Balance, June 30, 2010	$	1,859,871

SCHEDULE F-2a

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
THREE RENOVATIONS PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	$ 169,588		$ 169,588	$ 169,588
Transfer from Capital Outlay	317,382	-	317,382	317,382
Total Revenues	486,970	-	486,970	486,970
Expenditures and Other Financing Uses				
Unallocated	477,920	-	477,920	486,970
Total Expenditures	477,920	-	477,920	486,970
Excess of Revenues Over Expenditures	$ 9,050	$ -	$ 9,050	$ -

Additional Project Information:	
Project Number	SP-2021017
Grant Date	
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 486,970
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 486,970
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	100%
Original Target Completion Date	N/A
Revised Target Completion Date	N/A

SCHEDULE F-2b

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
CONSTRUCTION AND EQUIPMENT ADDITIONS TO HIGH SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sourees - SDA Grant	$ 9,472,665		$ 9,472,665	$ 9,472,665
Transfer from Capital Reserve	260,560		260,560	260,560
Bond Proeeeds and Transfers	35,426,000	-	35,426,000	35,426,000
Total Revenues	45,159,225	-	45,159,225	45,159,225
Expenditures and Other Finaneing Uses				
Purchased Professional and Technical Services	5,481,913	$ 77,062	5,558,975	6,013,970
Construction Services	37,397,679	326,817	37,724,496	37,737,215
Equipment Purchases	1,724,989	-	1,724,989	1,408,040
Total Expenditures	44,604,581	403,879	45,008,460	45,159,225
Exeess (Defieiency) of Revenues Over (Under) Expenditures	$ 554,644	$ (403,879)	$ 150,765	$ -

Additional Project Information:	
Project Number	SP-2030145
Grant Date	
Bond Authorization Date	May 1, 2003
Bonds Authorized	$ 32,426,476
Bonds Issued	$ 32,426,000
Original Authorized Cost	$ 41,898,675
Additional Authorized Cost	$ 3,260,550
Revised Authorized Cost	$ 45,159,225
Percentage Increase Over Original Authorized Cost	7.78%
Percentage Completion	99.67%
Original Target Completion Date	September 1, 2005
Revised Target Completion Date	Dccember 31, 2007

SCHEDULE F-2c

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
LAVATORY RENOVATIONS - PHASE I
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	$ 97,669		$ 97,669	$ 97,669
Transfer from Capital Outlay	195,000	-	195,000	195,000
Total Revenues	292,669	-	292,669	292,669
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	50,849		50,849	28,743
Unallocated	228,317	-	228,317	263,926
Total Expenditures	279,166	-	279,166	292,669
Excess of Revenues Over Expenditures	$ 13,503	$ -	$ 13,503	$ -

Additional Project Information:	
Project Number	SP-2030144
Grant Date	
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 325,000
Reduced Authorized Cost	$ 32,331
Revised Authorized Cost	$ 292,669
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	95.39%
Original Target Completion Date	June 30, 2007
Revised Target Completion Date	June 30, 2007

SCHEDULE F-2d

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
LAVATORY RENOVATIONS - PHASE II
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	$ 104,012		$ 104,012	$ 104,012
Transfer from Capital Outlay	198,711	-	198,711	198,711
Total Revenues	302,723	-	302,723	302,723
Expenditures and Other Financing Uses				
Construction Services	27,870		27,870	87,889
Unallocated	214,834	-	214,834	214,834
Total Expenditures	242,704	-	242,704	302,723
Excess of Revenues Over Expenditures	$ 60,019	$ -	$ 60,019	$ -

Additional Project Information:	
Project Number	SP-5550-050-03-1211
Grant Date	
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 331,185
Reduced Authorized Cost	$ 28,462
Revised Authorized Cost	$ 302,723
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	80.17%
Original Target Completion Date	June 30, 2007
Revised Target Completion Date	June 30, 2007

SCHEDULE F-2e

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ACQUISITION OF EQUIPMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Lease Proceeds	$ 802,415	-	$ 802,415	$ 802,415
Total Revenues	802,415	-	802,415	802,415
Expenditures and Other Financing Uses				
Equipment	683,535	$ 106,800	790,335	802,415
Total Expenditures	683,535	106,800	790,335	802,415
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 118,880	$ (106,800)	$ 12,080	$ -

Additional Project Information:	
Project Number	
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 802,415
Additional Authorized Cost	
Revised Authorized Cost	$ 802,415
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	98.49%
Original Target Completion Date	June 30, 2009
Revised Target Completion Date	June 30, 2010

SCHEDULE F-2f

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ACQUISITION OF EQUIPMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Lease Proeeeds	$ 270,000	-	$ 270,000	$ 270,000
Total Revenues	270,000	-	270,000	270,000
Expenditures and Other Financing Uses				
Equipment	746	$ 241,893	242,639	270,000
Total Expenditnres	746	241,893	242,639	270,000
Excess of Revenues Over Expenditures	$ 269,254	$ (241,893)	$ 27,361	$ -

Additional Project Information:	
Project Number	
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 270,000
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 270,000
Percentage Inerease Over Original Authorized Cost	0.00%
Percentage Completion	89.59%
Original Targct Completion Date	June 30, 2010
Revised Target Completion Date	June 2010

SCHEDULE F-2g

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
REPLACE GYM BLEACHERS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant		$ 115,544	$ 115,544	$ 115,544
Lease Proceeds	-	173,317	173,317	173,317
Total Revenues	-	288,861	288,861	288,861
Expenditures and Other Financing Uses				
Purchased Professional and Teehnical Services		9,333	9,333	
Equipment			-	
Construction Services	-	-	-	288,861
Total Expenditures	-	9,333	9,333	288,861
Excess of Revenues Over Expenditures	$ -	$ 279,528	$ 279,528	$ -

Additional Project Information:	
Project Number	5550-050-09-1004
Grant Date	6/11/2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 288,861
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 288,861
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	3.23%
Original Target Completion Date	June 30, 2011
Revised Target Completion Date	June 30, 2011

SCHEDULE F-2h

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
CONVERSION OF BOARD OF EDUCATION OFFICES TO CLASSROOMS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant		$ 365,338	$ 365,338	$ 365,338
Lease Proceeds	-	548,008	548,008	548,008
Total Revenues	-	913,346	913,346	913,346
Expenditures and Other Financing Uses				
Purehased Professional and Technical Services		29,716	29,716	
Equipment			-	
Construction Serviees	-	-	-	913,346
Total Expenditures	-	29,716	29,716	913,346
Exeess of Revenues Over Expenditures	$ -	$ 883,630	$ 883,630	$ -

Additional Project Information:	
Project Number	5550-050-09-1001
Grant Date	6/11/2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 913,346
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 913,346
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	3.25%
Original Target Completion Date	June 30, 2011
Revised Target Completion Date	June 30, 2011

SCHEDULE F-2i

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
NEW SECURITY SYSTEM
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sourees - SDA Grant		$ 159,516	$ 159,516	$ 159,516
Lease Proeeeds	-	278,675	278,675	239,275
Total Revenues	-	438,191	438,191	398,791
Expenditures and Other Financing Uses				
Purchased Professional and Technical Serviees		14,256	14,256	
Equipment			-	
Construction Services	-	-	-	398,791
Total Expenditures	-	14,256	14,256	398,791
Excess of Revenues Over Expenditures	$ -	$ 423,935	$ 423,935	$ -

Additional Projcct Information:	
Project Number	5550-050-09-1002
Grant Date	6/11/2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 438,191
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 438,191
Percentage Incrcase Over Original Authorized Cost	0.00%
Percentage Completion	3.25%
Original Target Completiou Date	June 30, 2011
Revised Target Completion Date	June 30, 2011

ENTERPRISE FUNDS

EXHIBIT G-1

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

EXHIBIT H-1

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2010

	Agency		
	Studeut Activity	Payroll	Total
ASSETS			
Cash	$ 437,251	$ 62,433	$ 499,684
Due from Other Funds	-	14,995	14,995
Total Assets	$ 437,251	$ 77,428	$ 514,679
LIABILITIES			
Payroll Deductions and Withholdings		$ 77,428	$ 77,428
Due to Student Groups	$ 437,251	-	437,251
Total Liabilities	$ 437,251	$ 77,428	$ 514,679

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

EXHIBIT H-3

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Increases	Decreases	Balance, June 30, 2010
ASSETS				
Cash	$ 436,569	$ 883,970	$ 883,288	$ 437,251
Total	$ 436,569	$ 883,970	$ 883,288	$ 437,251
LIABILITIES				
Other Reserves	$ 1,245	$ 6	$ 1,251	
Due to Student Groups	435,324	883,964	882,037	$ 437,251
Total	$ 436,569	$ 883,970	$ 883,288	$ 437,251

EXHIBIT H-4

PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance, Jnly 1, 2009	Increases	Decreases	Balance, June 30, 2010
Payroll Deductions and Withholdings	$ 60,251	$ 9,101,312	$ 9,098,159	$ 63,404
Flexible Spending Account	6,537	41,950	34,463	14,024
Accrued Salaries and Wages	-	13,601,608	13,601,608	-
Totals	$ 66,788	$ 22,744,870	$ 22,734,230	$ 77,428

LONG-TERM DEBT

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Balance, July 1, 2009	Increased	Decreased	Balance, June 30, 2010
Serial Bonds - Construction and Equipment Additions to High School	5/1/2003	$ 32,426,000	1/15/2011	$ 800,000	4.25%				
			1/15/2012	855,000	4.25%				
			1/15/2013	905,000	4.25%				
			1/15/2014	1,290,000	4.25%				
			1/15/2015	1,350,000	4.25%				
			1/15/2016	1,410,000	4.25%				
			1/15/2017	1,475,000	4.25%				
			1/15/2018	1,550,000	4.25%				
			1/15/2019	1,625,000	4.25%				
			1/15/2020	1,705,000	4.25%				
			1/15/2021	1,790,000	4.25%				
			1/15/2022	1,880,000	4.25%				
			1/15/2023	1,970,000	4.30%				
			1/15/2024	2,060,000	4.38%				
			1/15/2025	2,160,000	4.38%				
			1/15/2026	2,265,000	4.38%				
			1/15/2027	2,375,000	4.38%				
			1/15/2028	2,486,000	4.38%	$ 30,691,000		$ 740,000	$ 29,951,000
Serial Bonds - Construction and Equipment Additions to High School	5/31/2007	3,000,000	1/15/2011	115,000	4.00%				
			1/15/2012	120,000	4.00%				
			1/15/2013	125,000	4.00%				
			1/15/2014	130,000	4.00%				
			1/15/2015	135,000	4.10%				
			1/15/2016	140,000	4.10%				
			1/15/2017	150,000	4.10%				
			1/15/2018	155,000	4.10%				
			1/15/2019	160,000	4.10%				
			1/15/2020	165,000	4.10%				
			1/15/2021	175,000	4.10%				
			1/15/2022	180,000	4.10%				
			1/15/2023	190,000	4.10%				
			1/15/2024	200,000	4.10%				
			1/15/2025	205,000	4.10%				
			1/15/2026	215,000	4.10%				
			1/15/2027	220,000	4.10%	2,890,000	-	110,000	2,780,000
						$ 33,581,000	$ -	$ 850,000	$ 32,731,000

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Year	Description	Interest Rate	Amount of Original Issue	Balance, Jnly 1, 2009	Additions	Retirements	Balance, June 30, 2010
2007	(4) 54 Passenger Buses	5.04%	$ 248,788	$ 101,345		$ 49,413	$ 51,932
2008	Computers and Equipment, Auditorium Sound System, Buses and Various Equipment	3.22%	802,415	651,940		155,321	496,619
2009	Computer Technology, Cafeteria Equipment & Furniture	3.52%	270,000	270,000		50,283	219,717
2010	Gym Bleachers, Security System and Classroom Conversions	3.72%	1,000,000	-	$ 1,000,000	91,876	908,124
				$ 1,023,285	$ 1,000,000	$ 346,893	$ 1,676,392

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources					
Local Tax Levy	$ 2,273,657	-	$ 2,273,657	$ 2,273,657	-
Total Revenues	2,273,657	-	2,273,657	2,273,657	-
EXPENDITURES					
Regular Debt Service					
Principal	850,000		850,000	850,000	
Interest	1,437,425	-	1,437,425	1,437,425	-
Total Expenditures	2,287,425	-	2,287,425	2,287,425	-
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(13,768)	-	(13,768)	(13,768)	-
Other Financing Sources					
Operating Transfers In	-	-	-	12,662	$ 12,662
Total Other Financing Sources	-	-	-	12,662	12,662
Fund Balance, Beginning of Year	16,682	-	16,682	16,682	-
Fund Balance, End of Year	$ 2,914	$ -	$ 2,914	$ 15,576	$ 12,662

STATISTICAL SECTION

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

Contents	Exhibits
Financial Trends	
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	J-1 to J-5
Revenue Capacity	
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	J-6 to J-9
Debt Capacity	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	J-10 to J-13
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	J-14 and J-15
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	J-16 to J-20

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

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 and GASB No. 44 in fiscal year 2006 only seven years of information are available with certain statistical exhibits.Each year thereafter, an additional year's data will be included until ten years of data is present.

EXHIBIT J-1

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,						
	2004	2005	2006	2007	2008	2009	2010
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	$ 4,450,394	$ 10,518,610	$ 14,370,548	$ 14,919,029	$ 14,002,767	$ 12,093,302	$ 13,736,776
Restricted	361,989	373,764	194,652	359,760	1,978,287	2,023,524	1,560,906
Unrestricted	(714,084)	(327,762)	(516,399)	24,051	(402,784)	667,172	863,602
Total Governmental Activities Net Assets	$ 4,098,299	$ 10,564,612	$ 14,048,801	$ 15,302,840	$ 15,578,270	$ 14,783,998	$ 16,161,284
Business-Type Activities							
Invested in Capital Assets	$ 2,596	$ 2,257	$ 1,917	$ 18,405	$ 33,013	$ 28,494	$ 17,554
Restricted							
Unrestricted	250,246	187,078	126,589	226,021	136,743	145,865	172,301
Total Business-Type Activities Net Assets	$ 252,842	$ 189,335	$ 128,506	$ 244,426	$ 169,756	$ 174,359	$ 189,855
District-Wide							
Invested in Capital Assets, Net of Related Debt	$ 4,452,990	$ 10,520,867	$ 14,372,465	$ 14,937,434	$ 14,035,780	$ 12,121,796	$ 13,754,330
Restricted	361,989	373,764	194,652	359,760	1,978,287	2,023,524	1,560,906
Unrestricted	(463,838)	(140,684)	(389,810)	250,072	(266,041)	813,037	1,035,903
Total District Net Assets	$ 4,351,141	$ 10,753,947	$ 14,177,307	$ 15,547,266	$ 15,748,026	$ 14,958,357	$ 16,351,139

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental Activities							
Instruction							
Regular	$ 10,900,657	$ 12,212,116	$ 13,260,350	$ 15,407,328	$ 16,180,570	$ 16,779,671	$ 16,863,313
Special Education	2,738,904	2,997,056	3,335,334	3,737,879	3,826,905	4,107,498	4,002,031
Other Instruction	252,853	127,487	75,733	82,111	87,252	90,859	91,929
School Sponsored Activities And Athletics	1,102,363	1,124,337	1,105,342	1,070,433	1,324,244	1,459,115	1,444,286
Support Services:							
Student & Instruction Related Services	3,233,855	3,533,963	4,056,939	4,004,600	4,036,851	4,187,540	4,416,723
School Administrative Services	1,074,738	1,220,253	1,275,999	1,325,477	1,284,020	1,582,977	1,636,833
General Administration	797,041	841,853	922,056	1,536,672	1,546,573	1,685,560	1,396,908
Plant Operations And Maintenance	2,279,514	2,235,592	2,785,733	2,810,943	3,459,276	3,908,952	4,220,312
Pupil Transportation	1,823,438	1,861,996	2,026,554	2,439,968	1,868,986	1,871,480	1,863,379
Central Services	425,190	352,754	382,939	649,847	861,994	843,973	861,134
Interest On Long-Term Debt	1,477,180	1,473,572	1,643,430	1,766,526	1,599,087	1,512,699	1,514,431
Total Governmental Activities Expenses	26,105,733	27,980,979	30,870,409	34,831,784	36,075,758	38,030,324	38,311,279
Business-Type Activities:							
Food Service	469,292	536,646	567,684	565,133	707,924	669,625	665,568
Adult School	141,087	162,601	125,318	121,682	122,266	122,541	117,647
Total Business-Type Activities Expense	610,379	699,247	693,002	686,815	830,190	792,166	783,215
Total District Expenses	$ 26,716,112	$ 28,680,226	$ 31,563,411	$ 35,518,599	$ 36,905,948	$ 38,822,490	$ 39,094,494
Program Revenues							
Governmental Activities:							
Charges For Services:							
Regular	$ 3,612,904	$ 3,993,173	$ 4,009,500	$ 5,213,275	$ 5,286,727	$ 5,438,391	$ 5,687,544
Special Education	227,771	233,903	192,299		510,531	678,048	640,670
Pupil Transportation	260,803	318,888		422,645	270		
Operating Grants And Contributions	2,923,333	3,090,593	3,400,351	4,439,498	4,552,740	4,055,305	4,314,721
Capital Grants And Contributions	1,205,615	4,862,783	2,874,277	583,772	(58,883)	22,089	640,398
Total Governmental Activities Program Revenues	8,230,426	12,499,340	10,476,427	10,659,190	10,291,385	10,193,833	11,283,333
Business-Type Activities:							
Charges For Services							
Food Service	481,230	493,781	497,581	556,602	610,678	635,888	696,636
Adult School	139,930	139,126	132,965	124,185	129,266	118,958	101,237
Total Business Type Activities Program Revenues	621,160	632,907	630,546	680,787	739,944	754,846	797,873
Total District Program Revenues	$ 8,851,586	$ 13,132,247	$ 11,106,973	$ 11,339,977	$ 11,031,329	$ 10,948,679	$ 12,081,206
Net (Expense)/Revenue							
Governmental Activities	$ (17,875,307)	$ (15,481,639)	$ (20,393,982)	$ (24,172,594)	$ (25,784,373)	$ (27,836,491)	$ (27,027,946)
Business-Type Activities	10,781	(66,340)	(62,456)	(6,028)	(90,246)	(37,320)	14,658
Total District-Wide Net Expense	$ (17,864,526)	$ (15,547,979)	$ (20,456,438)	$ (24,178,622)	$ (25,874,619)	$ (27,873,811)	$ (27,013,288)

EXHIBIT J-2

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,						
	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Property Taxes Levied For General Purposes, Net	$ 17,347,576	$ 19,793,773	$ 21,238,735	$ 22,976,388	$ 24,133,047	$ 25,098,362	$ 25,791,448
Taxes Levied For Debt Service	1,037,612	1,334,224	1,639,023	1,703,398	1,769,925	1,889,674	2,273,657
Federal and State Aid - Unrestricted	114,180	225,859	324,721	331,258	371,478	38,830	213,827
Investment Earnings	299,726	354,181	327,246	452,937	226,098	39,803	41,361
Miscellaneous Income	100,658	239,915	348,446	82,652	273,542	80,550	120,733
Adjustment to Capital Assets					(701,287)	(71,000)	(35,794)
Transfers	-	-	-	(120,000)	(13,000)	(34,000)	-
Total Governmental Activities	18,899,772	21,947,952	23,878,171	25,426,633	26,059,803	27,042,219	28,405,232
Business-Type Activities:							
Investment Earnings	1,509	2,833	1,627	1,948	2,576	1,502	838
Transfers	-	-	-	120,000	13,000	34,000	-
Total Business-Type Activities	1,509	2,833	1,627	121,948	15,576	35,502	838
Total District-Wide	$ 18,901,281	$ 21,950,785	$ 23,879,798	$ 25,548,581	$ 26,075,379	$ 27,077,721	$ 28,406,070
Change in Net Assets							
Governmental Activities	$ 1,024,465	$ 6,466,313	$ 3,484,189	$ 1,254,039	$ 275,430	$ (794,272)	$ 1,377,286
Business-Type Activities	12,290	(63,507)	(60,829)	115,920	(74,670)	(1,818)	15,496
Total District	$ 1,036,755	$ 6,402,806	$ 3,423,360	$ 1,369,959	$ 200,760	$ (796,090)	$ 1,392,782

EXHIBIT J-3

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,						
	2004	2005	2006	2007	2008	2009	2010
General Fund							
Reserved	$ 477,059	$ 816,752	$ 876,937	$ 1,241,333	$ 2,259,747	$ 2,895,302	$ 3,447,582
Unreserved	609,388	656,664	512,537	546,006	705,101	506,808	543,207
Total General Fund	$ 1,086,447	$ 1,473,416	$ 1,389,474	$ 1,787,339	$ 2,964,848	$ 3,402,110	$ 3,990,789
All Other Governmental Funds							
Reserved	$ 34,750,830	$ 13,616,525	$ 2,241,332	$ 1,772,543	$ 1,485,895	$ 345,864	$ 2,914
Unreserved	(6,272,865)	(2,444,446)	(885,418)	567,140	1,253,929	640,127	1,816,492
Total All Other Governmental Funds	$ 28,477,965	$ 11,172,079	$ 1,355,914	$ 2,339,683	$ 2,739,824	$ 985,991	$ 1,819,406

EXHIBIT J-4

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,						
	2004	2005	2006	2007	2008	2009	2010
Revenues							
Tax Levy	$ 18,385,208	$ 21,127,997	$ 22,877,758	$ 24,679,786	$ 25,902,972	$ 26,988,036	$ 28,065,105
Tuition Charges	3,840,675	4,227,076	4,201,799	5,213,275	5,797,258	6,116,439	6,328,214
Interest Earnings	299,726	354,181	327,246	452,937	226,098	39,803	41,361
Transportation	260,803	318,888		422,645	270		
Miscellaneous	100,658	239,915	349,226	84,609	283,964	106,354	146,710
State Sources	4,040,407	7,949,442	6,307,329	5,123,702	4,546,145	3,746,796	4,555,596
Federal Sources	202,721	229,793	291,240	228,869	308,768	343,625	587,373
Total Revenue	27,130,198	34,447,292	34,354,598	36,205,823	37,065,475	37,341,053	39,724,359
Expenditures							
Instruction							
Regular Instruction	10,772,415	12,016,139	12,883,039	14,557,698	15,511,997	15,966,802	16,141,895
Special Education Instruction	2,721,831	2,968,811	3,278,705	3,614,350	3,726,490	3,984,307	3,895,322
Other Instruction	255,458	128,355	75,140	82,191	87,628	90,509	92,472
School Sponsored Activities and Athletics	1,110,008	1,129,453	1,099,433	1,071,156	1,328,397	1,454,692	1,450,853
Support Services:							
Student and Inst. Related Services	3,246,389	3,534,421	4,004,763	3,939,793	3,755,808	3,865,495	4,111,289
General Administration	798,903	841,680	915,401	1,372,066	1,136,224	1,524,980	1,233,032
School Administrative Services	1,075,864	1,216,933	1,255,108	1,502,839	1,481,426	1,503,356	1,566,549
Plant Operations And Maintenanec	2,284,273	2,236,886	2,770,965	2,793,767	3,102,862	3,529,782	3,826,535
Pupil Transportation	1,770,374	1,796,329	1,952,778	2,224,873	1,871,598	1,869,307	1,866,474
Central Services	428,971	354,910	380,392	650,277	865,241	841,069	865,522
Capital Outlay	7,691,526	22,996,249	13,184,599	3,217,538	534,489	1,286,701	1,523,256
Debt Service:							
Principal	271,250	670,346	997,467	1,125,281	1,227,073	1,380,241	1,196,893
Interest and Other Charges	1,026,302	1,475,697	1,456,915	1,801,148	1,648,007	1,596,383	1,532,173
Total Expenditures	33,453,564	51,366,209	44,254,705	37,952,977	36,277,240	38,893,624	39,302,265
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,323,366)	(16,918,917)	(9,900,107)	(1,747,154)	788,235	(1,552,571)	422,094
Other Financing Sources (Uses)							
Proceeds From Lease Purchase	1,849,000				802,415	270,000	1,000,000
Proceeds From Serial Bonds				3,000,000			
Capital Leases (Non-Budgeted)	51,314			248,788			
Transfers In	477,705	312,304	584,465	249,564	94,510	3,914	12,662
Transfers Out	(477,705)	(312,304)	(584,465)	(369,564)	(107,510)	(37,914)	(12,662)
Total Other Financing Sources (Uses)	1,900,314	-	-	3,128,788	789,415	236,000	1,000,000
Net Change in Fund Balances	$ (4,423,052)	$ (16,918,917)	$ (9,900,107)	$ 1,381,634	$ 1,577,650	$ (1,316,571)	$ 1,422,094
Debt Service as a Percentage of Noncapital Expenditures	5.04%	7.56%	7.90%	8.42%	8.04%	7.92%	7.22%

* Noncapital expenditures are total expenditures less capital outlay.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30	Tuition	Transportation	Interest on Investments	Health Benefits Rebate	Rental	Foundation Donation	Misc.	Total
2001	$ 2,926,399	$ 306,968	$ 191,907		$ 28,171		$ 115,547	$ 3,568,992
2002	3,058,616	333,008	71,306		34,623		27,476	3,525,029
2003	3,290,040	221,953	31,407	$ 198,472	32,245		35,222	3,809,339
2004	3,840,675	260,803	20,669		25,796		74,862	4,222,805
2005	4,227,076	318,888	41,829		28,496	$ 125,000	86,419	4,827,708
2006	4,201,799		86,114		36,683	90,000	49,491	4,464,087
2007	5,213,275	422,645	203,185		38,259		44,393	5,921,757
2008	5,797,258	270	131,400		73,671		199,871	6,202,470
2009	6,116,439		35,889		80,550			6,232,878
2010	6,328,214		28,699		87,718		33,015	6,477,646

Source: District Records

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(Unaudited)

Fiscal Year Ended Juue 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate [a]
Long Hill Township												
2001	8,335,450	495,351,390	1,107,500	35,225	45,299,070	7,050,000	4,125,200	561,303,835	2,654,559	563,958,394	1,043,305,225	0.549
2002	26,896,600	1,090,841,500	1,848,000	35,400	98,953,600	17,027,800	7,360,200	1,242,963,100	5,093,816	1,248,056,916	1,114,439,108	0.258
2003	24,516,700	1,099,865,130	1,801,800	35,400	101,288,100	16,792,800	7,444,300	1,251,744,230	5,358,321	1,257,102,551	1,239,577,705	0.290
2004	24,646,200	1,102,079,230	2,185,600	38,900	101,511,300	16,841,200	7,408,000	1,254,710,430	4,922,060	1,259,632,490	1,346,912,414	0.330
2005	23,592,900	1,108,267,030	2,185,600	40,000	101,187,800	16,641,200	7,408,000	1,259,322,530	4,680,258	1,264,002,788	1,474,849,858	0.380
2006	21,855,800	1,114,050,830	2,519,600	40,000	104,013,900	16,541,200	7,408,000	1,266,429,330	4,080,831	1,270,510,161	1,654,000,713	0.394
2007	20,688,800	1,123,401,600	2,519,600	40,000	104,085,000	16,541,200	6,691,600	1,273,967,800	4,043,446	1,278,011,246	1,813,051,896	0.432
2008	19,116,300	1,129,463,700	3,070,000	40,700	103,967,400	16,541,200	6,691,600	1,278,890,900	3,971,011	1,282,861,911	1,887,171,997	0.456
2009	19,258,300	1,133,936,400	3,070,000	40,700	103,887,300	16,541,200	6,691,600	1,283,425,500	9,268,514	1,287,694,014	1,894,469,220	0.492
2010	20,585,900	1,132,120,400	2,795,500	40,700	103,892,800	16,541,200	6,668,200	1,282,644,700	9,454,525	1,292,099,025	1,827,057,180	0.522
Warren Township												
2001	164,937,610	1,939,454,100	18,619,100	387,200	533,751,780	44,814,500	-	2,701,964,290	6,197,142	2,708,161,432	2,483,849,434	0.261
2002	150,484,700	2,167,007,300	19,537,000	281,090	565,040,380	47,744,200	-	2,950,094,670	6,391,268	2,956,485,938	2,916,907,926	0.277
2003	129,185,200	2,501,646,300	22,698,500	282,650	596,656,260	49,235,500	-	3,299,704,410	6,650,431	3,306,354,841	3,255,330,722	0.295
2004	75,791,900	2,573,150,100	27,845,800	304,750	626,052,160	47,235,500	-	3,350,380,210	6,349,943	3,356,730,153	3,567,519,732	0.334
2005	81,998,000	3,118,738,500	29,093,000	262,800	633,593,000	45,913,500	-	3,909,598,800	6,303,984	3,915,902,784	3,867,293,384	0.325
2006	115,052,000	3,331,304,900	31,042,400	254,983	671,564,280	46,781,700	-	4,196,000,263	5,859,339	4,201,859,602	4,360,484,879	0.304
2007	115,876,200	3,550,591,500	36,342,900	234,623	711,025,200	45,402,300	-	4,459,472,723	5,757,334	4,465,230,057	4,890,434,789	0.319
2008	116,300,200	3,549,805,200	29,847,300	230,910	736,177,000	46,560,400	-	4,478,921,010	6,220,170	4,485,141,180	4,969,952,684	0.336
2009	112,692,900	3,386,006,000	27,079,900	224,720	729,782,400	46,236,000	-	4,302,021,920	6,786,628	4,308,808,548	4,972,630,638	0.365
2010	101,108,900	3,048,149,900	24,754,800	226,100	650,772,200	37,653,900	-	3,862,665,800	7,378,865	3,870,044,665	4,533,324,843	0.411
Watchung Borough												
2001	63,946,900	871,092,300	706,200	6,800	131,949,700	5,812,200	1,498,200	1,075,012,300	1,610,570	1,076,622,870	1,115,235,401	0.260
2002	43,289,200	948,143,600	810,700	6,800	174,157,900	5,827,200		1,172,235,400	1,607,981	1,173,843,381	1,225,757,707	0.289
2003	48,012,900	1,166,855,300	655,200	6,800	256,778,800	5,694,000	10,574,100	1,488,577,100	1,767,699	1,490,344,799	1,363,442,718	0.258
2004	46,557,400	1,234,853,701	669,700	6,800	272,440,800	6,229,100	43,540,000	1,604,297,501	1,670,552	1,605,968,053	1,566,423,582	0.295
2005	49,840,700	1,353,040,400	888,300	6,800	314,230,900	6,705,800	40,000,000	1,764,712,900	1,618,708	1,766,331,608	1,698,954,835	0.294
2006	50,009,200	1,359,902,300	888,300	6,800	311,874,300	6,705,800	40,000,000	1,769,386,700	1,398,633	1,770,785,333	1,873,508,597	0.302
2007	43,352,700	1,415,883,400	-	-	323,091,400	7,348,400	55,160,000	1,844,835,900	1,489,275	1,846,325,175	2,047,141,917	0.304
2008	41,366,100	1,373,917,500	-	-	333,359,400	7,295,500	60,600,000	1,816,538,500	1,562,784	1,818,101,284	1,954,456,771	0.303
2009	41,251,800	1,277,353,900	-	-	329,769,100	7,174,900	60,600,000	1,716,149,700	1,562,784	1,717,712,484	1,887,895,598	0.318
2010	35,609,900	1,184,481,400	-	-	295,509,400	6,367,200	56,964,000	1,578,931,900	1,762,687	1,580,694,587	1,795,197,504	0.351

Source: County Abstract of Ratahles

a Tax rates are per $100

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING BONDED DEBT
FOR YEAR ENDED DECEMBER 31, 2009
(Unaudited)

Net Direct Debt of School District as of December 31, 2009		$ 32,731,476
Net Overlapping Debt of School District		
Long Hill Township	$ 23,574,932	
Warren Township	24,207,000	
Watchung Borough	31,369,252	
		79,151,184
Total Direct and Overlapping Bond Debt as of December 31, 2009		$ 111,882,660

Sources: County and Municipal Annual Debt Statements, December 31, 2009

(1) Long Hill Township - Morris County
Warren Township - Somerset County
Watchung Borough - Somerset County

EXHIBIT J-8

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Taxpayer	2010 Taxable Assessed Value	2010 % of Total District Net Assessed Value	2001 Taxable Assessed Value	2001 % of Total District Net Assessed Value
Long Hill Township				
Valley and Plainfield Associate	$ 21,204,400	38.32%	$ 17,780,900	34.42%
Stirling Center Associates	9,907,400	17.90%	9,896,500	19.16%
Bell Atlantic/Verizon	4,454,525	8.05%	5,093,816	9.86%
Stirling Manor	4,000,000	7.23%	4,716,400	9.13%
Transeontinental Gas Pipeline	3,764,500	6.80%		
Tifa Ltd.	3,030,500	5.48%	2,982,100	5.77%
RHK/A.K. Stamping	2,312,300	4.18%		
Dagwood Properties	2,246,900	4.06%		
Millington Savings Bank	2,215,500	4.00%	3,259,300	6.31%
Active Real Estate Holdings			2,003,200	3.88%
Thermoplastic Ventures			1,947,500	3.77%
P.S.E. & G.			1,780,900	3.45%
Jilrydan, Ine	2,197,400	3.97%	2,197,400	4.25%
	$ 55,333,425	100.00%	$ 51,658,016	100.00%
Warren Towuship				
King George Property Co	$ 110,492,700	25.38%		
Liberty Assoc./Lucent Lease			$ 143,374,000	30.99%
Mt. Bethel Corp	80,732,200	18.54%	61,500,500	13.29%
Somerset Assoc. c/o Chubb	83,148,000	19.10%	93,295,000	20.17%
Liberty Assoc	31,015,800	7.12%	58,762,080	12.70%
30 Independence Blvd. One, LLC	33,237,800	7.63%		
K. Hovnanian at Warren	24,986,400	5.74%		
Vicendese Family	21,141,700	4.86%	11,280,800	2.44%
Warren 2001, LLC	17,655,000	4.05%		
Warren 84 Assoc.			12,000,000	2.59%
10 Independence SPE	16,513,000	3.79%		
JT Warren LP, 2 Paces West			35,936,800	7.77%
PW/MS Bclle Mead Development			19,284,500	4.17%
Sumitomo & Glenborough			17,102,100	3.70%
Somerset Hills Hotel			10,085,000	2.18%
Normandy Warren Associates	16,513,000	3.79%	-	
	$ 435,435,600	100.00%	$ 462,620,780	100.00%
Watchung Borough				
Watchung Squarc Associates	$ 85,849,000	29.23%	$ 42,426,000	34.43%
WM Crystal Ridge LLC	56,964,000	19.39%		
Levin Properties, LP	53,250,000	18.13%	17,622,000	14.30%
Watchung VF LLC	24,754,600	8.43%	13,564,300	11.01%
Sears Roebuck & Co	18,350,000	6.25%	19,316,400	15.68%
HD Development of Maryland, Inc.	13,500,000	4.60%		
Target Corp	15,528,500	5.29%		
Weldon Materials Inc	9,607,700	3.27%		
Brunswick Hot Mix Corp.			9,789,300	7.95%
Treeco/Watchung LP			4,283,900	3.48%
S/K Morris Township Assoc. LLC			3,993,200	3.24%
Pitney Partners	7,650,000	2.60%	3,600,000	2.92%
Mini U Storage New Jersey RE LLC	8,268,000	2.81%		
Home Depot, USA Inc.			4,008,000	3.25%
Twin Brooks County Club LP	-		4,609,000	3.74%
	$ 293,721,800	100.00%	$ 123,212,100	100.00%

Source: Municipal Tax Assessor
N/A - Not Available

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	$ 12,504,517	$ 12,504,517	100.00%	N/A
2002	13,332,981	13,332,981	100.00%	N/A
2003	16,015,628	16,015,628	100.00%	N/A
2004	18,385,208	18,385,208	100.00%	N/A
2005	21,127,997	21,127,997	100.00%	N/A
2006	22,877,758	22,877,758	100.00%	N/A
2007	24,679,786	24,679,786	100.00%	N/A
2008	25,902,972	25,902,972	100.00%	N/A
2009	26,988,036	26,988,036	100.00%	N/A
2010	28,065,105	28,065,105	100.00%	N/A

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities: General Obligation Bonds	Lease Purchase Agreements	Capital Leases	Bond Anticipation Notes (BANs)	Debt Authorized But Not Issued	Total District	Population *	Per Capita
2004	$ 32,426,000	$3,195,588	$ 61,902		$ 8,291,264	$ 43,974,754	30,487	$ 1,442
2005	32,326,000	2,663,754	23,390		8,291,264	43,304,408	30,606	1,415
2006	32,076,000	1,938,091	1,586	$ 8,525,675	3,000,476	45,541,828	30,717	1,483
2007	34,751,000	1,388,184		7,000,000	476	43,139,660	30,819	1,400
2008	34,336,000	1,378,526		3,000,000	476	38,715,002	30,969	1,250
2009	33,581,000	1,023,285			476	34,604,761	31,223	1,108
2010	32,731,000	1,676,392			476	34,407,868	31,223 (Est.)	1,102

Source: District records

* Total Population of Long Hill, Warren and Watchung

EXHIBIT J-11

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SIX FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding: General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2004	$ 32,426,000		$ 32,426,000	0.52%	$ 1,068
2005	32,326,000		32,326,000	0.47%	1,056
2006	32,076,000		32,076,000	0.48%	1,048
2007	34,751,000		34,751,000	0.49%	1,128
2008	34,336,000		34,336,000	0.41%	1,109
2009	33,581,000		33,581,000	0.46%	1,076
2010	32,731,000		32,731,000	0.49%	1,048

Source: District records

EXHIBIT J-12

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
PER $100 OF ASSESSED VALUATION
LAST TEN YEARS
(Unaudited)

Calendar Year	Total	Regional School District	Local School District	Municipality	County
Long Hill Township					
2001	3.82	0.549	1.675	1.041	0.555
2002	1.87	0.258	0.794	0.551	0.267
2003	1.98	0.290	0.850	0.550	0.290
2004	2.15	0.330	0.910	0.610	0.300
2005	2.30	0.380	0.958	0.652	0.312
2006	2.40	0.394	1.011	0.670	0.325
2007	2.50	0.432	1.034	0.760	0.274
2008	2.56	0.456	1.063	0.765	0.280
2009	2.66	0.492	1.114	0.720	0.336
2010	2.73	0.522	1.145	0.731	0.327
Warren Township					
2001	1.75	0.261	0.853	0.200	0.436
2002	1.75	0.277	0.824	0.211	0.438
2003	1.70	0.295	0.779	0.214	0.412
2004	1.80	0.334	0.811	0.229	0.426
2005	1.65	0.325	0.746	0.185	0.394
2006	1.63	0.304	0.744	0.206	0.376
2007	1.65	0.319	0.743	0.213	0.375
2008	1.70	0.336	0.768	0.224	0.375
2009	1.82	0.365	0.826	0.246	0.385
2010	2.05	0.411	0.945	0.295	0.394
Watchung Borough					
2001	1.77	0.260	0.510	0.510	0.490
2002	1.86	0.289	0.550	0.525	0.496
2003	1.54	0.258	0.503	0.395	0.384
2004	1.55	0.295	0.492	0.369	0.393
2005	1.55	0.294	0.504	0.385	0.367
2006	1.63	0.302	0.569	0.379	0.380
2007	1.61	0.304	0.542	0.387	0.377
2008	1.68	0.303	0.590	0.421	0.366
2009	1.76	0.318	0.646	0.427	0.371
2010	1.92	0.351	0.723	0.462	0.385

Source: Tax Collector

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST SIX YEARS

	Calendar Year					
	2004	2005	2006	2007	2008	2009
Debt Limit	$ 171,056,403	$ 189,244,886	$ 210,607,122	$ 251,591,766	$ 260,554,334	$ 255,541,716
Total Net Debt Applicable to Limit	40,717,264	32,326,000	34,751,476	34,336,476	33,581,476	32,731,476
Legal Debt Margin	$ 130,339,139	$ 156,918,886	$ 175,855,646	$ 217,255,290	$ 226,972,858	$ 222,810,240
Total Net Debt Applieable to the Limit as a Percentage of Debt Limit	23.80%	17.08%	16.50%	13.65%	12.89%	12.81%

Legal Debt Margin Caleulation, December 31, 2009

2007	$ 8,715,822,213
2008	8,695,387,775
2009	8,142,961,601
	$25,554,171,589
Average equalized valuation of taxable property	$ 8,518,057,196
3% of Equalized Valuation Basis	255,541,716
Less Net Debt	32,731,476
Remaining Borrowing Power	$ 222,810,240

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

EXHIBIT J-14

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)

Year Ended December 31,	Unemployment Rate	Per Capita Income (2)	Population (1)
Long Hill Township			
2000	1.3%	56,107	8,772
2001	1.7%	56,673	8,701
2002	2.6%	56,535	8,721
2003	2.6%	57,018	8,698
2004	2.6%	61,101	8,683
2005	2.7%	63,297	8,669
2006	3.1%	68,364	8,593
2007	2.8%	71,300	8,545
2008	3.7%	71,812	8,550
2009	6.3%	N/A	8,579
Warren Township			
2000	2.6%	57,510	14,370
2001	3.3%	56,404	14,688
2002	5.3%	55,888	15,032
2003	5.2%	56,812	15,196
2004	4.4%	59,932	15,294
2005	1.7%	62,248	15,385
2006	2.0%	67,455	15,471
2007	1.8%	71,564	15,568
2008	2.4%	72,201	15,689
2009	4.3%	N/A	15,871
Watchung Borough			
2000	1.3%	57,510	5,622
2001	1.7%	56,404	5,627
2002	2.6%	55,888	5,832
2003	2.9%	56,812	6,499
2004	2.4%	59,932	6,510
2005	2.8%	62,248	6,552
2006	3.0%	67,455	6,653
2007	2.7%	71,564	6,706
2008	3.6%	72,201	6,730
2009	6.4%	N/A	6,773

Sources:
(1) US Census Reports
(2) State of New Jersey
N/A - Not Available

EXHIBIT J-15

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

	2010		2001	
Employer	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
Long Hill Township				
	INFORMATION NOT AVAILABLE			
Warren Township				
	INFORMATION NOT AVAILABLE			
Watchung Borough				
	INFORMATION NOT AVAILABLE			

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS
(Unaudited)

Function/Program	2006	2007	2008	2009	2010
Instruction					
Regular	132	149	152	153	153
Special Education	29	30	32	35	35
Other Special Education	10	10	9	9	9
Adult/Continuing Education Programs	1	1	1	1	1
Support Services:					
Student and Instruction Related Services	18	18	19	19	19
General Administration	7	5	5	5	9
School Administrative Services	10	10	12	12	12
Other Administrative Services	7	8	9	9	9
Central Services	10	7	7	8	6
Administrative Information Technology	4	4	4	4	5
Plant Operations And Maintenance	13	13	14	15	15
Pupil Transportation	7	7	9	10	15
Total	248	262	273	280	288

Source: District Personnel Records

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Enrollment [a]	Operating Expenditures [b]	Cost Per Pupil [c]	Pereentage Change	Teaching Staff	Pupil Teacher Ratio High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2000	1,252	$ 15,732,042	$ 12,566	-0.20%	N/A	N/A	1,252	1,194.9	3.47%	95.44%
2001	1,346	17,109,577	12,711	1.16%	N/A	N/A	1,346	1,286.2	7.51%	95.56%
2002	1,355	19,266,407	14,219	11.86%	N/A	N/A	1,355	1,253.0	0.67%	92.47%
2003	1,555	21,318,282	13,710	-3.58%	N/A	N/A	1,555	1,478.8	14.76%	95.10%
2004	1,727	24,613,385	14,252	3.96%	157	1:11	1,727	1,607.0	11.06%	93.05%
2005	1,818	26,339,966	14,488	1.66%	157	1:11	1,818	1,737.9	5.27%	95.59%
2006	1,916	28,699,547	14,979	3.39%	161	1:12	1,916	1,848.5	5.39%	96.48%
2007	2,007	31,809,010	15,849	5.81%	179	1:11	2,007	1,880.0	4.75%	93.67%
2008	2,061	32,867,671	15,947	0.62%	184	1:11	2,061	1,954.0	2.69%	94.81%
2009	2,033	35,382,685	17,404	9.13%	188	1:11	2,033	1,967.4	-1.36%	96.77%
2010	2,106	35,049,943	16,643	-4.37%	188	1:11	2,106	2,068.3	3.59%	98.21%

Sources: District records

Note:
a Enrollment based on annual October district count.
b Operating expenditures equal total expenditures less debt service and capital outlay.
c Cost per pupil represents operating expenditures divided by enrollment.

N/A - Not Available

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST FIVE FISCAL YEARS
(Unaudited)

	2006	2007	2008	2009	2010
District Building					
High School					
Square Feet	378,480	378,480	378,480	378,480	378,480
Capacity (students)	2,506	2,506	2,506	2,506	2,506
Enrollment	1,916	2,007	2,061	2,033	1,900
Other					
Garage					
Square Feet	4,200	4,200	4,200	4,200	4,200
Field House					
Square Feet	2,000	2,000	2,000	2,000	2,000

Number of Schools at June 30, 2010
Senior High School = 1

Source: District Records

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(Unaudited)

Watchung Hills Regional High School

Year	
2001	$ 893,858
2002	1,032,826
2003	1,181,548
2004	1,077,386
2005	1,144,995
2006	1,254,409
2007	1,033,888
2008	869,201
2009	954,060
2010	1,113,820

EXHIBIT J-20

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF INSURANCE
JUNE 30, 2010
(Unaudited)

	Coverage	Deductible
School Package Policy - Diploma Joint Insurance Fund		
Property-Blanket Building/Contents	$ 55,256,641	$1,000
Automobile	10,000,000	
Collision		500
Comprehensive		500
General Liability	5,000,000	
Employee Benefits Liability		1,000
School Board Legal	10,000,000	5,000
Pollution Liability	1,000,000	10,000
Worker's Compensation	5,000,000	
Commercial Umbrella Excess - (G/L, Auto, W/C)	5,000,000	
Commercial Umbrella Excess - CAP	50,000,000	
Public Employees' Faithful Performance Blanket		
Position Bond - Selective Insurance Co.		
Business Administrator	100,000	
Treasurer of School Monies	300,000	
Director of Adult School	50,000	

Source: School Insurance Records

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

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REGISTERED MUNICIPAL ACCOUNTANTS

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RALPH M. PICONE, CPA, RMA, PSA

EXHIBIT K-1

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

Honorable President and Members
of the Board of Trustees
Watchung Hills Regional High School District
Warren, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watchung Hills Regional High School District as of and for the fiscal year ended June 30, 2010, which collectively comprise the Watchung Hills Regional High School District's basic financial statements and have issued our report thereon dated October 20, 2010. We conducted our audit 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 and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Watchung Hills Regional High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Watchung Hills Regional High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Watchung Hills Regional High School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Watchung Hills Regional High School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Watchung Hills Regional High School 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 Division of Finance, Department of Education, State of New Jersey.

However, we noted certain matters that we have reported to management of the Watchung Hills Regional High School District in a separate report entitled, "Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance" dated October 20, 2010.

This report is intended solely for the information and use of the Board of Trustees, management, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 20, 2010

LERCH, VINCI & HIGGINS, LLP

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Honorable President and Members
of the Board of Trustees
Watchung Hills Regional High School District
Warren, New Jersey

Compliance

We have audited the Watchung Hills Regional High School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Watchung Hills Regional High School District's major federal and state programs for the fiscal year ended June 30, 2010. Watchung Hills Regional High School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Watchung Hills Regional High School District's management. Our responsibility is to express an opinion on Watchung Hills Regional High School District's compliance based on our audit.

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 as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Watchung Hills Regional High School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Watchung Hills Regional High School District's compliance with those requirements.

In our opinion, Watchung Hills Regional High School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

Management of Watchung Hills Regional High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Watchung Hills Regional High School District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lerch, Vinci & Higgins, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary J. Vinci

Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 20, 2010

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2009	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year Balances	Balance at June 30, 2010 (Accounts Receivable)	Balance at June 30, 2010 Deferred Revenue	Balance at June 30, 2010 Due to Grantor
U.S. Department of Education													
Passed-Through State Department of Education													
Special Revenue Fund													
N.C.L.B. Title II - A	84.281A	NCLB533008	9/1/08-8/31/09	$ 15,094	$ (14,806)		$ 14,806	$ 288			$ (288)		
N.C.L.B. Title II - A	84.281A	NCLB533007	9/1/09-8/31/10	15,159				15,159			(15,159)		
N.C.L.B. Title IV	84.010A	NCLB533008	9/1/08-8/31/09	3,259			3,259	3,259					
N.C.L.B. Title IV	84.010A	NCLB533007	9/1/09-8/31/10	2,827			-	2,827			(2,827)		
I.D.E.A Part B, Basic	84.027A	IDEA533008	9/1/08-8/31/09	316,036	(31,233)		41,750	22,350			(11,833)		
I.D.E.A Part B, Basic	84.027A	IDEA533008	9/1/09-8/31/10	315,872			139,809	280,955			(141,146)		
I.D.E.A Part B, Basic - ARRA	84.391A	IDEA533007	9/1/09-8/31/10	415,833			262,535	262,535					
I.D.E.A. Part B, Basic, Carryover	84.027A	IDEA533007	9/1/07-8/31/08	37,376	13,173	-	-	-	-	-	-	$ 1,565	$ 11,608
Total Special Revenue Fund					(32,866)	-	462,159	587,373	-	-	(171,253)	1,565	11,608
Total Federal Awards					$ (32,866)	$ -	$ 462,159	$ 587,373	$ -	$ -	$ (171,253)	$ 1,565	$ 11,608

The Notes to the Schedules of Federal Awards and State Financial Assistance are an Integral Part of this Statement

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Received	Balance, June 30, 2009 Deferred Revenue (Accts. Receivable)	Balance, June 30, 2009 Due to Grantor	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Adjustment	Balance, June 30, 2010 (Accounts Receivable)	Balance, June 30, 2010 Deferred Revenue	Balance, June 30, 2010 Due to Grantor		MEMO GAAP Receivable	MEMO Cumulative Total Expenditures
General Fund																
Special Education Aid	09-495-034-5120-011	7/1/08-6/30/09	$ 804,360	$ (70,006)			$ 70,006							*		
Special Education Aid	10-495-034-5120-011	7/1/09-6/30/10	637,645				352,515	$ 414,469			$ (61,954)			*		$ 414,469
Transportation Aid	09-495-024-5120-014	7/1/08-6/30/09	651,789	(56,728)			56,728							*		
Transportation Aid	10-495-024-5120-014	7/1/09-6/30/10	817,050				451,697	531,082			(79,385)			*		531,082
Security Aid	09-495-034-5120-084	7/1/08-6/30/09	152,130	(11,500)			11,500							*		-
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	133,584				73,851	86,830			(12,979)			*		86,830
Extraordinary Aid	09-100-034-5120-473	7/1/08-6/30/09	177,364	(177,364)			177,364							*		
Extraordinary Aid	10-100-034-5120-473	7/1/09-6/30/10	77,593					77,593			(77,593)			*		77,593
Non Public Transportation Reimb.	N/A	7/1/08-6/30/09	44,614	(44,614)			44,614							*		
Non Public Transportation Reimb.	N/A	7/1/09-6/30/10	42,999					42,999			(42,999)			*	$ (42,999)	42,999
NJ Economic Development Authority														*		
HVAC Units	5550-050-04-00R0		342,616	-			342,580	342,616		$ 36				*	-	
Parapet Removal	5550-050-04-1000		44,113	-			22,024	22,024						*	-	
Reimbursement T.P.A.F														*		
Teachers' Pension & Annuity Fund -														*		
Non-contributory Insurance	10-495-034-5095-007	7/1/09-6/30/10	51,192				51,192	51,192						*		51,192
Post Retirement-Pension Contributions	10-495-034-5095-001	7/1/09-6/30/10	961,466				961,466	961,466						*		961,466
Social Security Contributions	09-100-034-5095-002	7/1/08-6/30/09	1,155,362	(57,776)			57,776							*		
Social Security Contributions	10-100-034-5095-002	7/1/09-6/30/10	1,193,119	-	-	-	1,134,682	1,193,119	-	-	(58,437)	-	-	*	(58,437)	1,193,119
Total General Fund				(417,988)	-	-	3,807,995	3,723,390	-	36	(333,347)	-	-		(101,436)	3,358,750
Special Revenue Fund																
Character Education, Carryover	06-495-034-5120-053	7/1/05-6/30/06	4,889			$ 45							$ 45	*		
Textbook Aid	10-100-034-5120-064	7/1/09-6/30/10	24,673				24,673	24,673						*		24,673
Nursing Services	10-100-034-5120-070	7/1/09-6/30/10	29,259				29,259	29,259						*		29,259
Chapter 192/193														*		
Exam & Class (193)	09-100-034-5120-066	7/1/08-6/30/09	15,921		$ 609				$ 609	1,179			1,179	*		-
Exam & Class (193)	10-100-034-5120-066	7/1/09-6/30/10	25,590				25,590	22,929					2,661	*		22,929
Corrective Speech	10-100-034-5120-066	7/1/09-6/30/10	897				897	897						*		897
Supplemental Instruction (193)	10-100-034-5120-066	7/1/09-6/30/10	319				319	319					-	*		319
Energy Audit			30,079	(30,079)	-	-	40,105	-	-	-	-	$ 10,026	-	*	-	30,079
Total Special Revenue Fund				(30,079)	609	45	120,843	78,077	609	1,179	-	10,026	3,885	*	-	108,156
Capital Projects Fund																
NJ Economic Development Authority																
Three Renovations Project	SP-2021017		169,588	(168,740)			93,263				(75,477)			*	(75,477)	169,588
High School Additions/Renovations	SP-2030145		9,472,675	(426,280)							(426,280)			*	(426,280)	
Replace Gym Bleachers	5550-050-09-00CR		115,544					115,544			(115,544)			*	(115,544)	
Conversion of Board of Education Offices	5550-050-09-00CQ		365,338					365,338			(365,338)			*	(365,338)	
New Security System	5550-050-09-0ZYL		159,516	-	-	-	-	159,516	-	-	(159,516)	-	-	*	(159,516)	9,472,675
Total Capital Projects Fund				(595,020)	-	-	93,263	640,398	-	-	(1,142,155)	-	-	*	(1,142,155)	9,642,263
Total All Funds				$ (1,043,087)	$ 609	$ 45	$ 4,022,101	$ 4,441,865	$ 609	$ 1,215	$ (1,475,502)	$ 10,026	$ 3,885	*	$ (1,243,591)	$ 13,109,169
Less On-Behalf TPAF Pension and Annuity Aid														*		
T.P.A.F. - Pension- Post Ret. Medical	10-495-034-5095-001	7/1/09-6/30/10	961,466				961,466	961,466								
Teachers' Pension & Annuity Fund - Non-contributory Insurance	10-495-034-5095-007	7/1/09-6/30/10	51,192				51,192	51,192								
							1,012,658	1,012,658								
Total for State Financial Assistance Determination							$ 3,009,443	$ 3,429,207								

Adjustments represent cancellation of prior year orders.

The Notes to the Schedules of Federal Awards and State Financial Assistance are an Integral Part of the Statement

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Watchung Hills Regional High School District. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using 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 Notes 1(C) to the Board's basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed 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 year due to the state deferral and recording of certain 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, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of $83,687 and $37,049 for the general fund and special revenue fund. See the Notes to Required Supplementary Information 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 presented as follows:

	Federal	State	Total
General Fund		$ 3,807,042	$ 3,807,042
Special Revenue Fund	$ 587,373	108,156	695,529
Capital Projects Fund	-	640,398	640,398
Total Financial Assistance	$ 587,373	$ 4,555,596	$ 5,142,969

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of $1,193,119 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010. The amount reported as TPAF Non-contributory Insurance in the amount of $51,192 and TPAF Post-Retirement Medical Benefits Contributions in the amount of $961,466 represents the amount paid by the State on behalf of the District for the year ended June 30, 2010.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are not subject to a State single audit and, therefore, are excluded from 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 and major program determination.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
1) Material weakness(es) identified?	____ yes	X no	
2) Were significant deficiency(ies) identified that were not considered to be material weaknesses?	____ yes	X none reported	
Noncompliance material to basic financial statements noted?	____ yes	X no	

State Awards Section

Dollar threshold used to determine Type A programs:	$ 300,000		
Auditee qualified as low-risk auditee?	____ yes	X no	
Type of auditors' report on compliance for major programs:	Unqualified		
Internal Control over compliance:			
1) Material weakness(es) identified?	____ yes	X no	
2) Were significant deficiency(ies) identified that were not considered to be material weaknesses?	____ yes	X none reported	
Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04?	____ yes	X no	

Identification of major programs:

GMIS Number(s)	Name of State Program
10-100-034-5095-002	T.P.A.F. Social Security Contributions
10-495-034-5120-011	Special Education Aid
10-495-024-5120-014	Transportation Aid

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part I – Summary of Auditor's Results

Federal Awards Section

Internal Control over compliance:

1) Material weakness(es) identified?	yes	X no
2) Were significant deficiency(ies) identified that were not considered to be material weaknesses?	yes	X none
Type of auditor's report on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section.510(a))?	yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	IDEA - Basic
84.391	IDEA - Basic - ARRA

Dollar threshold used to determine Type A Programs	$ 300,000	
Auditee qualified as low-risk auditee?	yes	X no

EXHIBIT K-6

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There are none

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR FEDERAL AWARDS

There are none.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR STATE AWARDS

There are none.

EXHIBIT K-7

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Not applicable