

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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, 2014**

**Prepared by**

**Business Office**

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## **INTRODUCTORY SECTION**



# WATCHUNG HILLS REGIONAL HIGH SCHOOL

Elizabeth C. Jewett  
Superintendent

Timothy M. Stys, CPA  
Business Administrator

George P. Alexis  
Principal

October 27, 2014

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, 2014, 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 2013/2014 fiscal year with an enrollment of 2,175 which is 39 students above the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2013/2014	2,175	1.82%
2012/2013	2,136	3.49%
2011/2012	2,064	0.34%
2010/2011	2,057	(0.57%)
2009/2010	2,069	1.77%
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%

**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 level off to approximately 2,200 students and then eventually decline. The State of New Jersey continues to add costly mandates while maintaining or reducing state aid with a 2% budget CAP. Despite the challenging environment, 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. Ninety-six percent of our 2014 graduates went on to further education. The school district is moving forward with implementation of the new teacher and principal evaluation systems and is preparing for future implementation of the PARCC (Partnership for Assessment of Readiness for College and Careers) initiative. Additionally, in September 2013, the Watchung Hills Regional High School Board of Education successfully passed a 12.5 million dollar bond referendum which included critical infrastructure repair projects including replacements of the district roofs, steam pipes, exterior walls on one wing, exhaust fans, kitchen serving areas; as well as an addition of an emergency egress. The projects will receive a state subsidy in the form of debt service aid of an anticipated 40% or 5 million dollars.

#### **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 that 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, 2014.

#### **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 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 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,

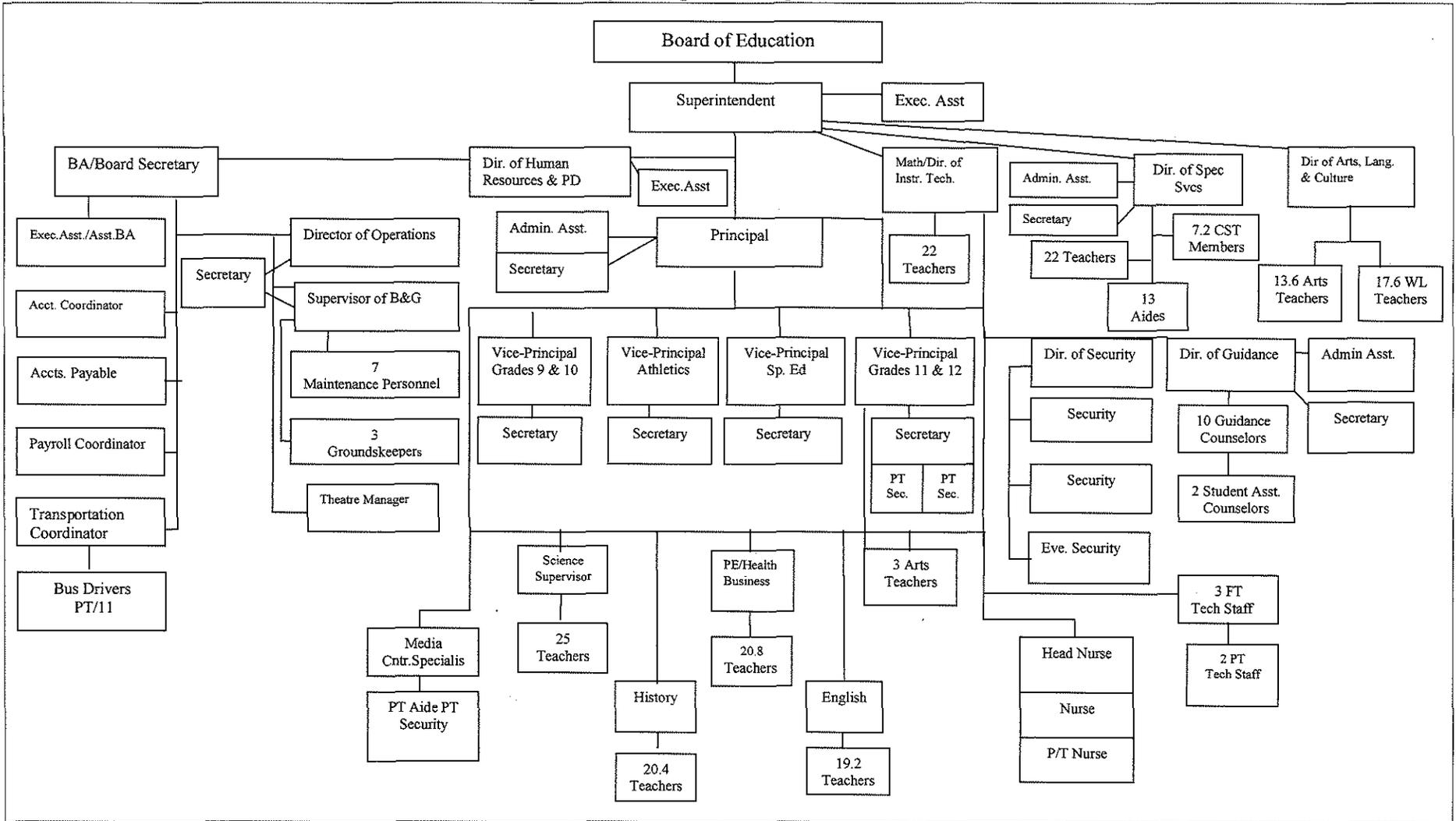


Elizabeth C. Jewett  
Superintendent of Schools



Timothy M. Stys  
School Business Administrator/  
Board Secretary

### Watchung Hills Regional High School Organization Chart



A

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2014

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Christopher Collins, President Long Hill Township	2015
Gregory J. Przybylski –Vice President Warren Township	2015
Lisa A. DeMizio Long Hill Township	2014
Sondra Fechtner Watchung Borough	2014
Peter Falzarano Long Hill Township	2016
Robert Morrison Warren Township	2016
Peter Fallon Warren Township	2016
Robert Horowitz Warren Township	2014
Barry Hunsinger Watchung Borough	2015
<u>Appointed</u>	
Gerald Binder Green Brook Township	1 year term
<u>Other Officials</u>	
Elizabeth Jewett, Superintendent	
Timothy M. Stys, CPA, School Business Administrator/Board Secretary	
Beth Scheiderman, Director of Human Resources & Professional Development	
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

**Official Depository**

TD Bank  
1701 Route 70 East  
Cherry Hill, NJ 08034

**FINANCIAL SECTION**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
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 K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
LORI T. MANUKIAN, CPA, PSA  
MARK SACO, CPA

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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, 2014 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 Office of School 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to previously 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

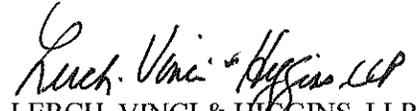
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Watchung Hills Regional High School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Watchung Hills Regional High School District.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Watchung Hills Regional High School District's internal control over financial reporting and compliance.

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
October 27, 2014

## **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, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

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 2013-2014 fiscal year include the following:

- The net position of the Watchung Hills Regional High School District at the close of the fiscal year was \$21,636,568.
- Overall revenues were \$43,352,196. General revenues accounted for \$30,356,109 or 70% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,996,087 or 30% of total revenues.
- The school district had \$40,872,240 in expenses for governmental activities; only \$12,146,077 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$30,356,096 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 \$15,588,104. The General Fund balance at June 30, 2014 was \$4,552,385, an increase of \$1,077,081 when compared with the beginning balance of \$3,475,304 at July 1, 2013.
- The General Fund unassigned budgetary basis fund balance at June 30, 2014 was \$1,172,885, which represents an increase of \$109,422 compared to the ending unassigned budgetary basis fund balance at June 30, 2013 of \$1,063,463.
- The school district maintains a Capital Reserve balance of \$1,641,718, a Tuition Reserve balance of \$600,000 and a Maintenance Reserve balance of \$192,342 at June 30, 2014.

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

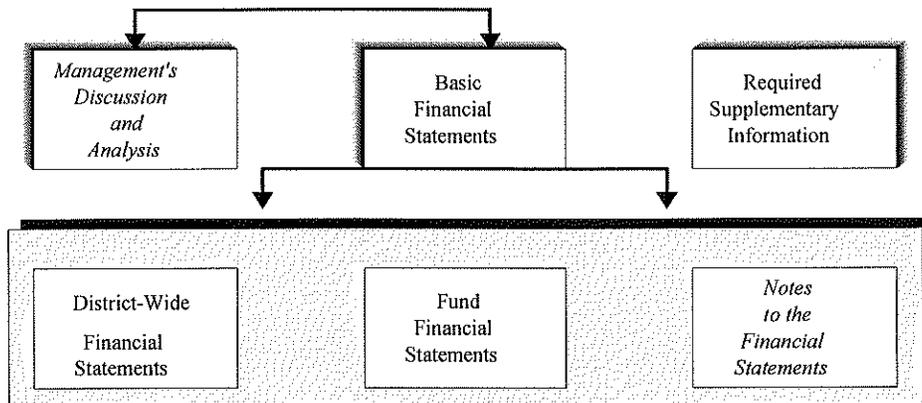
## Management's Discussion and Analysis

### 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. The table below presents how the various parts of this annual report are arranged and related to one another.



# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

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 are summarized below. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (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 position Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in fund net position Statement of cash flows	Statements of fiduciary net position, Statement of changes in fiduciary net position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability Information	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources are expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital and short-term and long-term	All assets, deferred outflows/inflows of resources 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 position 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 position and how they have changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

### District-Wide Financial Statements (continued)

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

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

### 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 fiduciary, 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 position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found 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 Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$21,636,568 as of June 30, 2014. See the following schedule:

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

By far the largest portion of the District's net position 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 are 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.

### Statement of Net Position as of June 30, 2014 and 2013

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 17,444,405	\$ 4,601,930	\$ 124,881	\$ 334,269	\$ 17,569,286	\$ 4,936,199
Capital Assets	<u>48,519,757</u>	<u>45,115,222</u>	<u>186,282</u>	<u>38,715</u>	<u>48,706,039</u>	<u>45,153,937</u>
<b>Total Assets</b>	<u>65,964,162</u>	<u>49,717,152</u>	<u>311,163</u>	<u>372,984</u>	<u>66,275,325</u>	<u>50,090,136</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding of Debt	<u>1,071,229</u>	<u>1,250,371</u>	<u>-</u>	<u>-</u>	<u>1,071,229</u>	<u>1,250,371</u>
<b>Total Deferred Outflows of Resources</b>	<u>1,071,229</u>	<u>1,250,371</u>	<u>-</u>	<u>-</u>	<u>1,071,229</u>	<u>1,250,371</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>67,035,391</u>	<u>50,967,523</u>	<u>311,163</u>	<u>372,984</u>	<u>67,346,554</u>	<u>51,340,507</u>
Long-Term Liabilities	43,124,226	31,903,863			43,124,226	31,903,863
Other Liabilities	<u>2,558,604</u>	<u>1,012,274</u>	<u>27,156</u>	<u>73,892</u>	<u>2,585,760</u>	<u>1,086,166</u>
<b>Total Liabilities</b>	<u>45,682,830</u>	<u>32,916,137</u>	<u>27,156</u>	<u>73,892</u>	<u>45,709,986</u>	<u>32,990,029</u>
Net Position:						
Invested in Capital Assets, Net of Related Debt	17,776,328	14,957,986	186,282	38,715	17,962,610	14,996,701
Restricted	12,869,779	1,419,503			12,869,779	1,419,503
Unrestricted	<u>(9,293,546)</u>	<u>1,673,897</u>	<u>97,725</u>	<u>260,377</u>	<u>(9,195,821)</u>	<u>1,934,274</u>
<b>Total Net Position</b>	<u>\$ 21,352,561</u>	<u>\$ 18,051,386</u>	<u>\$ 284,007</u>	<u>\$ 299,092</u>	<u>\$ 21,636,568</u>	<u>\$ 18,350,478</u>

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

### Changes in Net Position for the Fiscal Years Ended June 30, 2014 and 2013

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 7,476,628	\$ 6,363,447	\$ 850,010	\$ 887,173	\$ 8,326,638	\$ 7,250,620
Operating Grants and Contributions	4,669,449	4,942,848			4,669,449	4,942,848
<b>General Revenues</b>						
Property Taxes	30,093,596	29,345,227			30,093,596	29,345,227
Other	262,500	190,857	13	79	262,513	190,936
<b>Total Revenues</b>	<u>42,502,173</u>	<u>40,842,379</u>	<u>850,023</u>	<u>887,252</u>	<u>43,352,196</u>	<u>41,729,631</u>
<b>Expenses</b>						
<b>Instruction</b>						
Regular	17,155,737	16,860,889			17,155,737	16,860,889
Special Education	5,205,996	4,748,750			5,205,996	4,748,750
Other Instruction	98,584	100,310			98,584	100,310
School Sponsored Activities and Athletics	1,544,272	1,544,989			1,544,272	1,544,989
<b>Support Services</b>						
Student and Instruction Related Services	4,557,732	4,542,094			4,557,732	4,542,094
General Administration	1,027,050	1,355,199			1,027,050	1,355,199
School Administration Services	2,133,095	2,186,687			2,133,095	2,186,687
Plant Operation and Maintenance	4,523,995	3,432,478			4,523,995	3,432,478
Pupil Transportation	2,051,698	1,877,914			2,051,698	1,877,914
Central and Other Support Services	1,270,500	1,107,563			1,270,500	1,107,563
Interest on Long-Term Debt	1,303,581	1,088,192			1,303,581	1,088,192
Food Services	-	-	858,673	742,748	858,673	742,748
Adult School	-	-	215	107,625	215	107,625
<b>Total Expenses</b>	<u>40,872,240</u>	<u>38,845,065</u>	<u>858,888</u>	<u>850,373</u>	<u>41,731,128</u>	<u>39,695,438</u>
<b>Donation of Capital Assets</b>	2,000				2,000	
<b>Transfers</b>	6,220	(10,000)	(6,220)	10,000		
<b>Change in Net Position</b>	1,638,153	1,987,314	(15,085)	46,879	1,623,068	2,034,193
<b>Net Position, Beginning of Year (Restated)</b>	18,051,386	17,213,683	299,092	252,213	18,350,478	17,465,896
<b>Prior Period Adjustment</b>	1,663,022	(1,149,611)	-	-	1,663,022	(1,149,611)
<b>Net Position, End of Year</b>	<u>\$ 21,352,561</u>	<u>\$ 18,051,386</u>	<u>\$ 284,007</u>	<u>\$ 299,092</u>	<u>\$ 21,636,568</u>	<u>\$ 18,350,478</u>

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

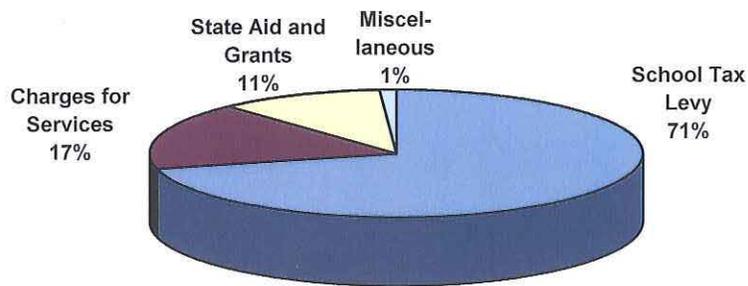
## Management's Discussion and Analysis

**Governmental Activities.** The District's total governmental activities' revenues, which includes State and Federal grants, were \$42,502,173 for the fiscal year ended June 30, 2014. Property taxes of \$30,093,596 represented 71% percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and local aid was \$4,669,449. The other major source of revenues is charges for services which includes tuition from other LEAs predominately from the Green Brook Board of Education.

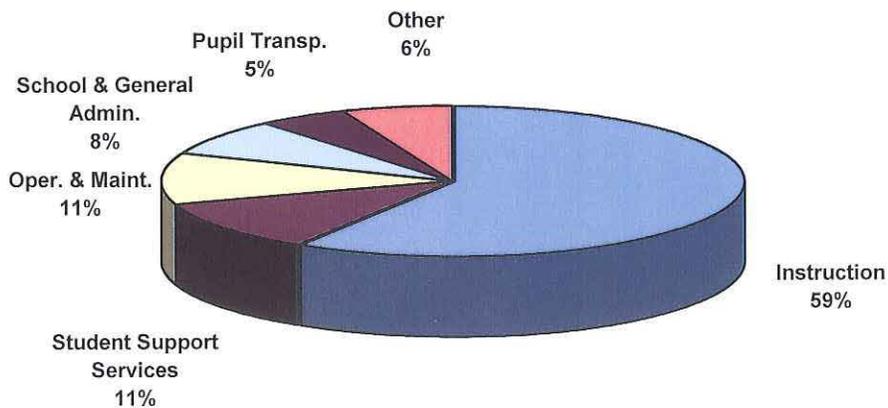
The total cost of all governmental activities programs and services was \$40,872,240. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$24,004,589 (59%) of total expenditures. Student support services, exclusive of administration, total \$4,557,732 or (11%) of total expenditures.

Total governmental activities revenues exceeded expenses and other financing sources increasing net position \$1,638,153 from the previous year.

Revenues by Source- Governmental Activities  
For Fiscal Year Ended June 30, 2014



Expenditures by Type- Governmental Activities  
For Fiscal Year Ended June 30, 2014



# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

**Net Cost of Governmental Activities.** The District's total cost of services was \$40,872,240. After applying program revenues, derived from charges for services of \$7,476,628 and operating grants and contributions of \$4,669,449; the net cost of services of the District is \$28,726,163.

### Total and Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2014 and 2013

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Governmental Activities				
Instruction				
Regular	\$ 17,155,737	\$ 16,860,889	\$ 8,307,351	\$ 8,676,306
Special Education	5,205,996	4,748,750	3,068,909	2,889,086
Other Instruction	98,584	100,310	90,917	91,327
School Sponsored Activities and Athletics	1,544,272	1,544,989	1,400,918	1,372,346
Support Services				
Student and Instruction Related Services	4,557,732	4,542,094	4,111,949	4,051,324
General Administration	1,027,050	1,355,199	1,000,696	1,230,106
School Administration Services	2,133,095	2,186,687	2,018,831	2,130,463
Plant Operation and Maintenance	4,523,995	3,432,478	4,441,631	3,353,020
Pupil Transportation	2,051,698	1,877,914	1,809,004	1,659,072
Business and Other Support Services	1,270,500	1,107,563	1,172,376	997,528
Interest on Debt and Other Charges	1,303,581	1,088,192	1,303,581	1,088,192
<b>Total Governmental Activities</b>	<b><u>\$ 40,872,240</u></b>	<b><u>\$ 38,845,065</u></b>	<b><u>\$ 28,726,163</u></b>	<b><u>\$ 27,538,770</u></b>

**Business-Type Activities** – The District's total business-type activities revenues were \$850,023 for the fiscal year ended June 30, 2014. Charges for services accounted for 99% of total revenues.

The total cost of all business-type activities programs and services was \$858,888. The District's expenses are related to Food Service programs provided to all students, teachers and administrators within the District, as well as expenses related to the closure of the Adult School program.

Total business-type activities revenues were less than expenses, decreasing net position by \$15,085 from the last year balance.

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

#### 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, unassigned fund balance may serve as a useful measure 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 governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$15,588,104. At June 30, 2013, the fund balance was \$4,104,704.

Revenues for the District's governmental funds were \$42,502,173, while total expenses were \$44,362,993.

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

The following schedule presents a summary of General Fund Revenues.

	<b>Fiscal Year Ended June 30, 2014</b>	<b>Fiscal Year Ended June 30, 2013</b>	<b>Amount of Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
Local Sources:				
Property Taxes	\$ 27,641,488	\$ 27,099,498	\$ 541,990	2.00%
Tuition	7,476,628	6,363,447	1,113,181	17.49%
Miscellaneous	243,965	184,008	59,957	32.58%
Federal Sources		1,072	(1,072)	-100.00%
State Sources	<u>4,213,416</u>	<u>4,459,577</u>	<u>(246,161)</u>	-5.52%
 Total General Fund Revenues	 <u>\$ 39,575,497</u>	 <u>\$ 38,107,602</u>	 <u>\$ 1,467,895</u>	 3.85%

Total General Fund Revenues increased by \$1,467,895 or 3.85% over the previous year.

Property taxes increased at the State CAP level, or 2.00% over the previous year. Tuition revenue increased over \$1 million. State aid revenues decreased \$246,161, primarily due to a decreased TPAF pension contribution.

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

The following schedule presents a summary of General Fund expenditures.

	Fiscal Year Ended <u>June 30, 2014</u>	Fiscal Year Ended <u>June 30, 2013</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Instruction	\$ 22,792,322	\$ 22,063,532	\$ 728,790	3.30%
Support Services	14,607,954	14,290,250	317,704	2.22%
Debt Service	400,378	455,543	(55,165)	-12.11%
Capital Outlay	<u>1,026,857</u>	<u>608,541</u>	<u>418,316</u>	68.74%
Total Expenditures	<u>\$ 38,827,511</u>	<u>\$ 37,417,866</u>	<u>\$ 1,409,645</u>	3.77%

In 2013-2014 General Fund revenues and other financing sources exceeded expenditures by \$1,077,081. As a result, total fund balance increased to \$4,552,385 at June 30, 2014. After deducting statutory transfers and reserves, the unassigned fund balance increased from \$681,166 at June 30, 2013 to \$691,556 at June 30, 2014.

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

Revenues of the Special Revenue Fund were \$456,033, for the fiscal year ended June 30, 2014. 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 decreased by \$26,166 from the previous year.

Expenditures of the Special Revenue Fund were \$456,033. Instructional expenditures were \$431,651 or 95% of total expended for the fiscal year ended June 30, 2014.

**Capital Projects** - The capital projects revenues and other financing sources exceeded expenditures and other financing uses by \$10,434,419 increasing fund balance to \$11,009,983 at June 30, 2014. The increase is primarily due to the taxpayer approved referendum project which was funded by school bonds issued during 2013/14.

### 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.

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

### 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 Exhibit C-1 of the CAFR.

### CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2014 amounts to \$48,706,039 (net of accumulated depreciation). The capital assets consist of land, site improvements, buildings, building improvements, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2013-14 amounted to \$1,794,512 for governmental activities and \$13,743 for business-type activities.

#### Capital Assets at June 30, 2014 and 2013

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 105,616	\$ 105,616			\$ 105,616	\$ 105,616
Improvements Other Than Buildings	4,256,785	5,797,045			4,256,785	5,797,045
Buildings	58,319,391	55,276,455			58,319,391	55,276,455
Machinery and Equipment	3,898,555	3,254,551	\$ 259,679	\$ 98,369	4,158,234	3,352,920
Construction in Progress	<u>2,368,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,368,985</u>	<u>-</u>
	68,949,332	64,433,667	259,679	98,369	69,209,011	64,532,036
Less Accumulated Depreciation	<u>(20,429,575)</u>	<u>(19,318,445)</u>	<u>(73,397)</u>	<u>(59,654)</u>	<u>(20,502,972)</u>	<u>(19,378,099)</u>
<b>Total Capital Assets (Net)</b>	<b><u>\$ 48,519,757</u></b>	<b><u>\$ 45,115,222</u></b>	<b><u>\$ 186,282</u></b>	<b><u>\$ 38,715</u></b>	<b><u>\$ 48,706,039</u></b>	<b><u>\$ 45,153,937</u></b>

Additional information on the District's capital assets is presented in Note 4 of this report.

# **WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

### **LONG TERM LIABILITIES**

At year end, the District's long-term liabilities consisted of compensated absences payable of \$349,216, bonds payable of \$40,093,000 and obligations under lease-purchase agreements of \$893,536.

Additional information of the District's long-term liabilities is presented in Note 4 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Currently, the District's budgetary funds are in solid financial condition. The District currently has \$1,172,885 of unassigned general fund surplus. Additionally, the district has approximately \$1.6 million in Capital Reserve to cover future capital expenditures and maintains a maintenance reserve of approximately \$192,000. The Watchung Hills Regional High School has been able to maintain an AAA Bond rating for the past three years primarily because of the practice of maintaining sufficient reserves.

Many factors were considered by the District's administration during the process of developing the fiscal year 2014/2015 budget. The primary factors were the District's projected student population, the condition of the facility, the condition of the New Jersey economy, and the economic difficulties that face our region. Going forward beyond 2014/2015, the District will be faced with the potential of level or reduced State aid and a strict 2% budget CAP.

In September 2013, the District passed a \$12.5 million referendum project. Debt service aid of approximately 40% will be received for these projects. This referendum will fund critical infrastructure repair projects including replacements of the district roofs, steam pipes, exterior walls on one wing, exhaust fans, kitchen serving areas; as well as an addition of an emergency egress.

The District's operating budget for 2014/2015 is \$37,100,730. The Watchung Hills Regional High School 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.

**FINANCIAL STATEMENTS**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 16,392,767	\$ 122,811	\$ 16,515,578
Receivables, net	275,298		275,298
Inventory		2,070	2,070
Restricted Assets			
Cash Held in Escrow	776,340		776,340
Capital Assets			
Not Being Depreciated	2,474,601		2,474,601
Being Depreciated, Net	<u>46,045,156</u>	<u>186,282</u>	<u>46,231,438</u>
Total Assets	<u>65,964,162</u>	<u>311,163</u>	<u>66,275,325</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Refunding of Debt	<u>1,071,229</u>	-	<u>1,071,229</u>
Total Deferred Outflows of Resources	<u>1,071,229</u>	-	<u>1,071,229</u>
Total Assets and Deferred Outflows of Resources	<u>67,035,391</u>	<u>311,163</u>	<u>67,346,554</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Liabilities	1,809,804	8,714	1,818,518
Intergovernmental Payable	13,323		13,323
Accrued Interest Payable	702,303		702,303
Unearned Revenue	33,174	18,442	51,616
Noncurrent Liabilities			
Due Within One Year	2,398,590		2,398,590
Due Beyond One Year	<u>40,725,636</u>	-	<u>40,725,636</u>
Total Liabilities	<u>45,682,830</u>	<u>27,156</u>	<u>45,709,986</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	17,776,328	186,282	17,962,610
Restricted for:			
Capital Projects	12,651,701		12,651,701
Debt Service	25,736		25,736
Other Purposes	192,342		192,342
Unrestricted	<u>(9,293,546)</u>	<u>97,725</u>	<u>(9,195,821)</u>
Total Net Position	<u>\$ 21,352,561</u>	<u>\$ 284,007</u>	<u>\$ 21,636,568</u>

The accompanying Notes to the 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, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 17,155,737	\$ 6,885,276	\$ 1,963,110	\$ (8,307,351)		\$ (8,307,351)
Special Education	5,205,996	591,352	1,545,735	(3,068,909)		(3,068,909)
Other Instruction	98,584		7,667	(90,917)		(90,917)
School Sponsored Activities and Athletics	1,544,272		143,354	(1,400,918)		(1,400,918)
Support Services:						
Student and Instruction Related Services	4,557,732		445,783	(4,111,949)		(4,111,949)
Plant Operations and Maintenance	4,523,995		82,364	(4,441,631)		(4,441,631)
School Administration Services	2,133,095		114,264	(2,018,831)		(2,018,831)
General Administration Services	1,027,050		26,354	(1,000,696)		(1,000,696)
Pupil Transportation	2,051,698		242,694	(1,809,004)		(1,809,004)
Central and Other Support Services	1,270,500		98,124	(1,172,376)		(1,172,376)
Interest on Long-Term Debt and Other Charges	1,303,581	-	-	(1,303,581)	-	(1,303,581)
<b>Total Governmental Activities</b>	<b>40,872,240</b>	<b>7,476,628</b>	<b>4,669,449</b>	<b>(28,726,163)</b>	<b>-</b>	<b>(28,726,163)</b>
Business-Type Activities:						
Adult School	215	764			\$ 549	549
Food Service	858,673	849,246	-	-	(9,427)	(9,427)
<b>Total Business-Type Activities</b>	<b>858,888</b>	<b>850,010</b>	<b>-</b>	<b>-</b>	<b>(8,878)</b>	<b>(8,878)</b>
<b>Total Primary Government</b>	<b>\$ 41,731,128</b>	<b>\$ 8,326,638</b>	<b>\$ 4,669,449</b>	<b>(28,726,163)</b>	<b>(8,878)</b>	<b>(28,735,041)</b>
General Revenues:						
Property Taxes:						
Levied for General Purposes				27,641,488		27,641,488
Levied for Debt Service				2,452,108		2,452,108
Investment Earnings				26,759	13	26,772
Miscellaneous Income				235,741	-	235,741
Donation of Capital Assets				2,000		2,000
Transfers				6,220	(6,220)	-
<b>Total General Revenues</b>				<b>30,364,316</b>	<b>(6,207)</b>	<b>30,358,109</b>
Change in Net Position				1,638,153	(15,085)	1,623,068
Net Position, Beginning of Year				18,051,386	299,092	18,350,478
Prior Period Adjustment (Capital Assets)				1,663,022	-	1,663,022
<b>Net Position, End of Year</b>				<b>\$ 21,352,561</b>	<b>\$ 284,007</b>	<b>\$ 21,636,568</b>

The accompanying Notes to the 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, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 4,748,338		\$ 11,619,336	\$ 25,093	\$ 16,392,767
Receivables, Net					
Intergovernmental	100,206	\$ 175,030			275,236
Other		62			62
Due from Other Funds	106,896		486	643	108,025
Cash Held in Escrow	-	-	776,340	-	776,340
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 4,955,440</u>	<u>\$ 175,092</u>	<u>\$ 12,396,162</u>	<u>\$ 25,736</u>	<u>\$ 17,552,430</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 402,423	\$ 20,501	\$ 1,385,536		\$ 1,808,460
Other Liabilities	146	1,198			1,344
Due to Other Funds	486	106,896	643		108,025
Payable to Federal Government		6,569			6,569
Payable to State Government		6,754			6,754
Unearned Revenue	-	33,174	-	-	33,174
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>403,055</u>	<u>175,092</u>	<u>1,386,179</u>	<u>-</u>	<u>1,964,326</u>
<b>Fund Balances</b>					
<b>Restricted Fund Balance</b>					
Capital Reserve	1,391,718				1,391,718
Capital Reserve - Designated for Subsequent Year's Budget	250,000				250,000
Maintenance Reserve	192,342				192,342
Tuition Reserve	600,000				600,000
Excess Surplus	479,765				479,765
Excess Surplus - Designated for Subsequent Year's Budget	468,759				468,759
Capital Projects Fund			11,009,983		11,009,983
Debt Service Fund				\$ 25,736	25,736
<b>Committed Fund Balance</b>					
Encumbrances	114,470				114,470
<b>Assigned Fund Balance</b>					
Encumbrances	153,141				153,141
Designated for Subsequent Year's Budget	210,634				210,634
<b>Unassigned Fund Balance</b>					
General Fund	691,556	-	-	-	691,556
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>4,552,385</u>	<u>-</u>	<u>11,009,983</u>	<u>25,736</u>	<u>15,588,104</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Balances	<u>\$ 4,955,440</u>	<u>\$ 175,092</u>	<u>\$ 12,396,162</u>	<u>\$ 25,736</u>	<u>                    </u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$68,949,332 and the accumulated depreciation is \$20,429,575. 48,519,757

The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is: (702,303)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 2) (42,052,997)

Net Position of governmental activities (Exhibit A-1) \$ 21,352,561

The accompanying Notes to the Financial Statements are an Integral 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, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local Sources					
Property Tax Levy	\$ 27,641,488			\$ 2,452,108	\$ 30,093,596
Interest Earnings	8,224		\$ 18,535		26,759
Tuition	7,476,628				7,476,628
Miscellaneous	235,741	\$ 8,856	-	-	244,597
Total - Local Sources	35,362,081	8,856	18,535	2,452,108	37,841,580
State Sources	4,213,416	80,037	-		4,293,453
Federal Sources	-	367,140	-	-	367,140
Total Revenues	39,575,497	456,033	18,535	2,452,108	42,502,173
<b>EXPENDITURES</b>					
Current					
Regular Instruction	16,331,165	129,042			16,460,207
Special Education Instruction	4,811,854	302,609			5,114,463
Other Instruction	99,082				99,082
School Sponsored Activities and Athletics	1,550,221				1,550,221
Support Services					
Student and Instruction Related Services	4,248,305	24,382			4,272,687
General Administrative Services	802,358		64,878		867,236
School Administrative Services	2,071,376				2,071,376
Plant Operations and Maintenance	4,156,533				4,156,533
Pupil Transportation	2,053,129				2,053,129
Central and Other Support Services	1,276,253				1,276,253
Debt Service					
Principal	268,983			1,375,000	1,643,983
Interest and Other Charges	131,395			1,123,740	1,255,135
Costs of Issuance			8,663		8,663
Capital Outlay	1,026,857	-	2,507,168	-	3,534,025
Total Expenditures	38,827,511	456,033	2,580,709	2,498,740	44,362,993
Excess (Deficiency) of Revenues Over (Under) Expenditures	747,986	-	(2,562,174)	(46,632)	(1,860,820)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	329,095			18,532	347,627
Transfers Out	-	-	(341,407)	-	(341,407)
Bond Proceeds			12,553,000	-	12,553,000
Lease Purchase Proceeds	-	-	785,000	-	785,000
Total Other Financing Sources and (Uses)	329,095	-	12,996,593	18,532	13,344,220
Net Change in Fund Balances	1,077,081	-	10,434,419	(28,100)	11,483,400
Fund Balance, Beginning of Year	3,475,304	-	575,564	53,836	4,104,704
Fund Balance, End of Year	\$ 4,552,385	\$ -	\$ 11,009,983	\$ 25,736	\$ 15,588,104

The accompanying Notes to the 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, 2014**

**Total net change in fund balances - governmental funds (Exhibit B-2)** \$ 11,483,400

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

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

Depreciation Expense	\$ (1,794,512)	
Capital Outlays	<u>3,534,025</u>	1,739,513

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, donations) is to decrease net position. These transactions are not reported in the governmental financial statements.

Donation of Capital Assets		2,000
----------------------------	--	-------

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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Serial Bonds	(12,553,000)	
Lease Purchase Agreement	<u>(785,000)</u>	(13,338,000)

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

Payment of Principal		
Serial Bonds	1,375,000	
Lease Purchase Agreements	<u>268,983</u>	1,643,983

The issuance of refunding bonds provides current financial resources to the governmental funds, while the repayment of the refunded bonds uses those current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums and other such items related to the refunding bonds when they are first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Bond Premium	326,614	
Amortization of Deferred Charge on Refunding	<u>(179,142)</u>	147,472

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. (187,255)

In the statement of activities, certain operating expenses, e.g., compensated absences 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.

147,040

**Change in net position of governmental activities (Exhibit A-2)** \$ 1,638,153

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Food Service</u>	<u>Other Non-Major</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 122,811		\$ 122,811
Inventory	<u>2,070</u>	<u>-</u>	<u>2,070</u>
Total Current Assets	<u>124,881</u>	<u>-</u>	<u>124,881</u>
Capital Assets			
Furniture, Machinery, and Equipment	259,679		259,679
Less: Accumulated Depreciation	<u>(73,397)</u>	<u>-</u>	<u>(73,397)</u>
Total Noncurrent Assets	<u>186,282</u>	<u>-</u>	<u>186,282</u>
Total Assets	<u>311,163</u>	<u>-</u>	<u>311,163</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	8,714		8,714
Unearned Revenue	<u>18,442</u>	<u>-</u>	<u>18,442</u>
Total Current Liabilities	<u>27,156</u>	<u>-</u>	<u>27,156</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	186,282		186,282
Unrestricted	<u>97,725</u>	<u>-</u>	<u>97,725</u>
Total Net Position	<u>\$ 284,007</u>	<u>\$ -</u>	<u>\$ 284,007</u>

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Food Service</u>	<u>Other Non-Major</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for Services			
Daily Sales-Reimbursable Programs	\$ 849,246		\$ 849,246
Program Fees	<u>-</u>	<u>\$ 764</u>	<u>764</u>
Total Operating Revenues	<u>849,246</u>	<u>764</u>	<u>850,010</u>
<b>OPERATING EXPENSES</b>			
Cost of Sales	324,305		324,305
Salaries and Benefits	332,841		332,841
Management Fee	39,047		39,047
Miscellaneous	148,737	215	148,952
Depreciation Expense	<u>13,743</u>	<u>-</u>	<u>13,743</u>
Total Operating Expenses	<u>858,673</u>	<u>215</u>	<u>858,888</u>
Operating Income/(Loss)	<u>(9,427)</u>	<u>549</u>	<u>(8,878)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer Out		(6,220)	(6,220)
Interest Revenue	<u>-</u>	<u>13</u>	<u>13</u>
Total Nonoperating Revenues	<u>-</u>	<u>(6,207)</u>	<u>(6,207)</u>
Change in Net Position	(9,427)	(5,658)	(15,085)
Net Position, Beginning of Year	<u>293,434</u>	<u>5,658</u>	<u>299,092</u>
Net Position, End of Year	<u>\$ 284,007</u>	<u>\$ -</u>	<u>\$ 284,007</u>

The accompanying Notes to the 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, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Food Service</b>	<b>Other Non-Major</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 849,720	\$ 764	\$ 850,484
Cash Payments to Employees for Salaries and Benefits	(332,841)		(332,841)
Cash Payments to Suppliers for Goods and Services	<u>(559,878)</u>	<u>(215)</u>	<u>(560,093)</u>
Net Cash Provided (Used) by Operating Activities	<u>(42,999)</u>	<u>549</u>	<u>(42,450)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Payments for Advances		(2,798)	(2,798)
Purchase of Fixed Assets	<u>(161,310)</u>	<u>-</u>	<u>(161,310)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(161,310)</u>	<u>(2,798)</u>	<u>(164,108)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	<u>-</u>	<u>13</u>	<u>13</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>13</u>	<u>13</u>
Net Increase/(Decrease) in Cash	(204,309)	(2,236)	(206,545)
Cash, Beginning of Year	<u>327,120</u>	<u>2,236</u>	<u>329,356</u>
Cash, End of Year	<u>\$ 122,811</u>	<u>\$ -</u>	<u>\$ 122,811</u>
<b>RECONCILIATION OF NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (9,427)	\$ 549	\$ (8,878)
Adjustments to Reconcile Operating Loss to Net Cash Provided for Operating Activities			
Depreciation	13,743		13,743
Change in Assets and Liabilities			
(Increase)/Decrease in Inventory	(579)		(579)
Increase/(Decrease) in Deferred Revenue	474		474
Increase/(Decrease) in Accounts Payable	(47,210)		(47,210)
Increase/(Decrease) in Due to/from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Adjustments	<u>(33,572)</u>	<u>-</u>	<u>(33,572)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (42,999)</u>	<u>\$ 549</u>	<u>\$ (42,450)</u>

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2014**

	<u>Unemployment Compensation Trust Fund</u>	<u>Scholarship Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash	\$ 318,138	\$ 42,980	\$ 334,145
Total Assets	<u>318,138</u>	<u>42,980</u>	<u>\$ 334,145</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings			\$ 61,368
Intergovernmental Payable	17,080		
Due to Student Groups	<u>-</u>	<u>-</u>	<u>272,777</u>
Total Liabilities	<u>17,080</u>	<u>-</u>	<u>\$ 334,145</u>
<b>NET ASSETS</b>			
Held In Trust For Unemployment Compensation Claims and Other Purposes	<u>\$ 301,058</u>	<u>\$ 42,980</u>	

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>Unemployment Compensation <u>Trust Fund</u></b>	<b>Scholarship <u>Fund</u></b>
<b>ADDITIONS</b>		
Contributions		
Employees	\$ 41,380	
Employer	50,000	
Donations		\$ 4,390
Interest	-	101
	<hr/>	<hr/>
Total Additions	91,380	4,491
	<hr/>	<hr/>
<b>DEDUCTIONS</b>		
Scholarships		1,000
Unemployment Compensation Claims	73,734	-
	<hr/>	<hr/>
Total Deductions	73,734	1,000
	<hr/>	<hr/>
Change in Net Position	17,646	3,491
Net Position, Beginning of Year	283,412	39,489
	<hr/>	<hr/>
Net Position, End of Year	\$ 301,058	\$ 42,980
	<hr/>	<hr/>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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, Long Hill Township and the Borough of Watchung, and one appointed representative from the Green Brook 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 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. New Accounting Standards**

During fiscal year 2014, the District adopted the following GASB statement:

- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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

- GASB 68, *Accounting and financial Reporting for Pensions*, will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. New Accounting Standards (Continued)**

- GASB 69, *Government Combinations and Disposals of Government Operations* will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to establish accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The District does not expect this statement to impact its financial statements.

**C. Basis of Presentation - Financial Statements**

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**District-Wide Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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.

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.

**Fund Financial Statements**

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

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, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

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 capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned 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.

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, for private donations for scholarship awards, 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.

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".

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements (Continued)**

**Reclassifications**

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

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows of Resources, and Net Position/Fund Balance**

***1. Cash, Cash Equivalents 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.

***2. Receivables***

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

***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 and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

***4. 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 and lease-purchase agreements for capital projects.

***5. 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. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. 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 its useful life 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows of Resources, and Net Position/Fund Balance (Continued)**

**5. Capital Assets (Continued)**

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

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

**6. Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board only has one item that qualifies for reporting in this category. It is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. A deferred charge on debt refunding results from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**7. Compensated Absences**

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation, 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 unused vacation, personal and sick leave benefits.

**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 position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows or resources. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment In Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**Restricted Fund Balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Capital Reserve* – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures.

*Capital Reserve – Designated for Subsequent Year's Budget* – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2014/2015 District budget certified for taxes.

*Maintenance Reserve* – This restriction 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.

*Tuition Reserve* – This restriction was created in accordance with NJAC 6A:23A-17.1(F)8 to represent foreseeable future tuition adjustments for the 2013/2014 contract year 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.

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2014 audited excess surplus that is required to be appropriated in the 2015/2016 original budget certified for taxes.

*Excess Surplus – Designated for Subsequent Year's Budget* - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2013 audited excess surplus that was appropriated in the 2014/2015 original budget certified for taxes.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows of Resources, and Net Position/Fund Balance (Continued)**

***9. Net Position/Fund Balance (Continued)***

**Governmental Fund Statements (Continued)**

**Restricted Fund Balance (Continued)**

*Capital Projects* – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

*Debt Service* – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

**Committed Fund Balance** – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

*Year-End Encumbrances* – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustee’s for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

**Assigned Fund Balance** – Amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Trustee’s or by an official or body to which the Board of Trustee’s delegates the authority.

*Year-End Encumbrances* – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

*Designated for Subsequent Year’s Budget* – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2013/2014 District budget certified for taxes.

**Unassigned Fund Balance** – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

**F. Revenues and Expenditures/Expenses**

***1. Program Revenues***

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 resources 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Revenues and Expenditures/Expenses (Continued)**

**2. *Property Taxes***

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 inflows of resources. 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 1<sup>st</sup> 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. *Tuition Revenues and Expenditures***

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 2012-2013 and 2013-2014 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.

**4. *Proprietary Funds, Operating and Non-Operating Revenues and Expenses***

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 of 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.

**NOTE 2 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 position**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the district-wide statement of net position. 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 are as follows:

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net position (Continued)**

Bonds payable	\$ 40,093,000
Add:	
Issuance Premium (to be amortized as interest expense)	1,788,474
Less:	
Deferred Charge on Refunding (to be amortized as interest expense)	(1,071,229)
Capital Leases Payable	893,536
Compensated Absences	<u>349,216</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	 <u>\$ 42,052,997</u>

**NOTE 3 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 notes to 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.

Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 6, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Information (Continued)**

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 2013/2014. During 2013/2014 the Board increased the original budget by \$975,116. The increase was funded by additional surplus appropriated, 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 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 committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

**B. Capital Reserve**

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 is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve 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 reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Capital Reserve (Continued)**

The activity of the capital reserve for the fiscal year ended June 30, 2014 is as follows:

Balance, July 1, 2013		\$ 697,761
Increased by		
Interest Earnings	\$ 294	
Approved in Original Budget	120,788	
Project Unexpended Balances - Reinstated	322,875	
Deposits Approved by Board Resolution, June 2014	<u>500,000</u>	
		<u>943,957</u>
Balance, June 30, 2014		<u>\$ 1,641,718</u>

**Analysis of Restricted Fund Balance**

Capital Reserve	\$ 1,391,718
Capital Reserve Designated for Subsequent Year's Budget	<u>250,000</u>
	<u>\$ 1,641,718</u>

The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan.

**C. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund 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, 2014 is \$948,524. Of this amount, \$468,759 was designated and appropriated in the 2014/2015 original budget certified for taxes and the remaining amount of \$479,765 will be appropriated in the 2015/2016 original budget certified for taxes.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash 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 collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million 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, 2014, the book value of the Board's deposits were \$17,987,181 and bank and brokerage firm balances of the Board's deposits amounted to \$19,525,954. The Board's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>19,525,954</u>

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. As of June 30, 2014 none of the Board's bank balances were exposed to custodial credit risk.

**Investments**

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2014, the Board had no outstanding investments.

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Receivables**

Receivables as of June 30, 2014 for the district's individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Receivables:			
Intergovernmental			
Federal		\$ 169,744	\$ 169,744
State	\$ 52,094	5,286	57,380
Other	48,112		48,112
Accounts	<u>-</u>	<u>62</u>	<u>62</u>
Gross Receivables	100,206	175,092	275,298
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 100,206</u>	<u>\$ 175,092</u>	<u>\$ 275,298</u>

**C. Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ 31,674
Grant Draw Downs Reserved for Encumbrances	<u>1,500</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 33,174</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance, <u>July 1, 2013</u>	<u>Adjustments</u>	<u>Increases</u>	Balance, <u>June 30, 2014</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 105,616			\$ 105,616
Construction in Progress	-	-	\$ 2,368,985	2,368,985
Total Capital Assets, Not Being Depreciated	<u>105,616</u>	<u>-</u>	<u>2,368,985</u>	<u>2,474,601</u>
Capital Assets, Being Depreciated:				
Improvements Other Than Buildings	5,797,045	\$ (2,422,044)	881,784	4,256,785
Buildings	55,276,455	3,042,936		58,319,391
Machinery and Equipment	3,254,551	358,748	285,256	3,898,555
Total Capital Assets Being Depreciated	<u>64,328,051</u>	<u>979,640</u>	<u>1,167,040</u>	<u>66,474,731</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(1,838,131)	146,074	(152,804)	(1,844,861)
Buildings	(14,991,807)	295,379	(1,368,694)	(16,065,122)
Machinery and Equipment	(2,488,507)	241,929	(273,014)	(2,519,592)
Total Accumulated Depreciation	<u>(19,318,445)</u>	<u>683,382</u>	<u>(1,794,512)</u>	<u>(20,429,575)</u>
Total Capital Assets, Being Depreciated, Net	<u>45,009,606</u>	<u>1,663,022</u>	<u>(627,472)</u>	<u>46,045,156</u>
Governmental Activities Capital Assets, Net	<u>\$ 45,115,222</u>	<u>\$ 1,663,022</u>	<u>\$ 1,741,513</u>	<u>\$ 48,519,757</u>
	Balance, <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2014</u>
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 98,369	\$ 161,310	-	\$ 259,679
Total Capital Assets Being Depreciated	<u>98,369</u>	<u>161,310</u>	<u>-</u>	<u>259,679</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(59,654)	(13,743)	-	(73,397)
Total Accumulated Depreciation	<u>(59,654)</u>	<u>(13,743)</u>	<u>-</u>	<u>(73,397)</u>
Total Capital Assets, Being Depreciated, Net	<u>38,715</u>	<u>147,567</u>	<u>-</u>	<u>186,282</u>
Business-Type Activities Capital Assets, Net	<u>\$ 38,715</u>	<u>\$ 147,567</u>	<u>\$ -</u>	<u>\$ 186,282</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets (Continued)**

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

**Governmental Activities:**

Instruction		
Regular	\$	771,640
Special		<u>107,671</u>
Total Instruction		<u>879,311</u>
Support Services		
Student and Instruction Related Services		305,067
General Administration		161,506
School Administration		71,780
Operations and Maintenance of Plant		<u>376,848</u>
Total Support Services		<u>915,201</u>
Total Depreciation Expense - Governmental Activities	\$	<u>1,794,512</u>
<b>Business-Type Activities:</b>		
Machinery and Equipment	\$	<u>13,743</u>
Total Depreciation Expense-Business-Type Activities	\$	<u>13,743</u>

**Construction and Other Significant Commitments**

The District has the following active construction project as of June 30, 2014:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Steam Heat Pipe Replacement	\$ 779,497	\$ 1,753,787
South Building Roof Replacement	<u>1,495,461</u>	<u>775,790</u>
Total	<u>\$ 2,274,958</u>	<u>\$ 2,529,577</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2014, is as follows:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 106,896
Capital Projects Fund	General Fund	486
Debt Service Fund	Capital Projects Fund	<u>643</u>
		<u>\$ 108,025</u>

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 to cover cash balances which were in an overdraft position.

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

**Interfund Transfers**

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
Transfer Out:			
Capital Projects Fund	\$ 322,875	\$ 18,532	\$ 341,407
Non Major Enterprise Fund	<u>6,220</u>	<u>-</u>	<u>6,220</u>
Total Transfers Out	<u>\$ 329,095</u>	<u>\$ 18,532</u>	<u>\$ 347,627</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund. In addition, the Board discontinued the Adult School Program. The residual balance remaining was transferred to the General Fund.

**F. Leases**

**Lease Purchase Agreements**

The District has entered into lease purchase agreements for various capital and equipment purchase. At June 30, 2014, there are unexpended proceeds for capital leases in the amount of \$776,340 on deposit with the fiscal agent.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Leases (Continued)**

**Lease Purchase Agreements (Continued)**

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

**Governmental Activities:**

Fiscal Year Ended				
<u>June 30</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2015	\$ 258,590	\$ 11,858		\$ 270,448
2016	153,450	8,255		161,705
2017	156,922	6,121		163,043
2018	160,472	3,938		164,410
2019	<u>164,102</u>	<u>1,707</u>		<u>165,809</u>
	<u>\$ 893,536</u>	<u>\$ 31,879</u>		<u>\$ 925,415</u>

**G. Long-Term Debt**

**General Obligation Bonds**

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. 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, 2014 are comprised of the following issues:

\$3,000,000, 2007 Bonds, due in annual installments of \$135,000 to \$220,000 through January 15, 2027, interest at 4.10%	\$ 2,290,000
\$17,190,000, 2011 Refunding Bonds, due in annual installments of \$1,290,000 to \$1,980,000 through January 15, 2024, interest at 3.00% to 5.00%	15,945,000
\$9,365,000, 2012 Refunding Bonds, due in annual installments of \$2,210,000 to \$2,445,000 through January 15, 2028, interest at 3.00% to 5.00%	9,305,000
\$12,553,000, 2013 School Bonds, due in annual installments of \$635,000 to \$1,023,000 through January 15, 2029, interest at 2.50% to 3.50%	<u>12,553,000</u>
	<u>\$40,093,000</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Long-Term Debt (Continued)**

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

**Governmental Activities:**

<u>Fiscal Year</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 2,060,000	\$ 1,490,452	\$ 3,550,452
2016	2,165,000	1,388,498	3,553,498
2017	2,260,000	1,312,183	3,572,183
2018	2,350,000	1,232,432	3,582,432
2019	2,455,000	1,137,578	3,592,578
2020-2024	14,030,000	4,160,651	18,190,651
2025-2029	14,773,000	1,258,558	16,031,558
	<u>\$ 40,093,000</u>	<u>\$ 11,980,352</u>	<u>\$ 52,073,352</u>

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2014 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 226,793,730
Less: Net Debt Issued	<u>40,093,000</u>
Remaining Borrowing Power	<u>\$ 186,700,730</u>

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 28,915,000	\$ 12,553,000	\$ 1,375,000	\$ 40,093,000	\$ 2,060,000
Add: Original Issue Premium	<u>2,115,088</u>	<u>-</u>	<u>326,614</u>	<u>1,788,474</u>	<u>-</u>
Total Bonds Payable	31,030,088	12,553,000	1,701,614	41,881,474	2,060,000
Obligations Under Lease Purchase	377,519	\$ 785,000	268,983	893,536	258,590
Compensated Absences	<u>496,256</u>	<u>-</u>	<u>147,040</u>	<u>349,216</u>	<u>80,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 31,903,863</u>	<u>\$ 13,338,000</u>	<u>\$ 2,117,637</u>	<u>\$ 43,124,226</u>	<u>\$ 2,398,590</u>

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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 and liability 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 fund, to report claims on a timely basis, cooperate with the management of the fund, 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 respective insurance funds 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:

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013-2014	\$ 50,000	\$ 41,380	\$ 73,734	\$ 301,058
2012-2013	85,000	42,108	35,461	283,412
2011-2012	200,000	36,287	76,369	191,765

**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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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, 2014, 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, 2014, 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 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

**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. TPAF is a cost sharing plan with special funding situations.

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 elect certain appointed officials and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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, but are currently suspended as a result of return legislation.

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, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://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.

**Significant Legislation**

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

The legislation's provisions impacting employee pension and health benefits include:

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS increased from age 62 to 65 for Tier 5 members.
- It increased the TPAF and PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members takes place in July of each subsequent fiscal year.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Significant Legislation (Continued)**

- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**Investment Valuation**

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. 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.

**Funding Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 76.1 percent and \$12.8 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 funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2011 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 (a) an investment rate of return for the retirement systems from 7.95 percent to 7.90 percent and (b) projected salary increases of 4.22 percent for the PERS and 3.51 percent for TPAF.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**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 6.6% for PERS, 6.6% 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 *Accounting for Pensions by State and Local Government Employees* for the fiscal year ended June 30, 2014 for TPAF, which is a cost sharing plan with special funding situations, the 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 fiscal years ended June 30, 2014, 2013 and 2012 the Board was required to contribute for PERS and DCRP 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,	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2014	\$ 314,019	\$ 657,036	\$ 4,039
2013	331,968	1,031,297	7,199
2012	363,854	502,153	7,707

During fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$657,036 for normal cost pension and NCGI premium. For fiscal years 2012/2013 and 2011/2012, the state contributed \$1,031,297 and \$502,153, respectively for normal cost pension, accrued liability and the NCGI premium.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,189,157 during the fiscal year ended June 30, 2014 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 classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

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 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-Local 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 585 state and local participating employers and contributing entities for Fiscal Year 2013.

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 paid 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 paid 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 state 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](http://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.

**Significant Legislation**

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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 July 1, 2012, the most recent actuarial valuation date, the State had a \$51.5 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$19.3 billion for state active and retired members and \$32.2 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 includes 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 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 or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2012, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**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, 2013, there were 100,139, retirees receiving post-retirement medical benefits and the State contributed \$1.07 billion 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 paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2012.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

**Post-Retirement Medical Benefits Contributions (Continued)**

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, 2014, 2013 and 2012 were \$1,077,292, \$1,666,135 and \$1,009,459 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.

**F. Prior Period Adjustments**

The District conducted an appraisal of its capital assets during the 2013/2014 school year. The update and appraisal was conducted by an independent appraisal company hired by the Board. The capital asset report valued all capital assets and their estimated historical cost through back trending and other acceptable methods. The District recorded a prior period adjustment to its July 1, 2013 capital assets values, including accumulated depreciation amounts, to reflect the amounts reported in the capital asset appraisal report.

**BUDGETARY COMPARISON SCHEDULES**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 27,641,488		\$ 27,641,488	\$ 27,641,488	
Tuition	7,377,216		7,377,216	7,476,628	\$ 99,412
Interest				7,930	7,930
Interest on Capital Reserve	100		100	294	194
Rents and Royalties	73,895		73,895	95,491	21,596
Private Contributions	5,000		5,000		(5,000)
Sale of Property	5,000		5,000		(5,000)
Miscellaneous	28,000		28,000	140,250	112,250
State Sources					
Special Education Aid	660,639		660,639	660,639	-
Security Aid	82,419		82,419	82,419	-
Transportation Aid	191,101		191,101	191,101	-
Non-Public Transportation			-	52,094	52,094
Extraordinary Aid	-		-	402,710	402,710
On-Behalf TPAF (Non-Budget)					
Pension Contribution			-	603,745	603,745
NCGI Premium			-	53,291	53,291
Post Retirement - Medical			-	1,077,292	1,077,292
Social Security	-	-	-	1,189,157	1,189,157
Total Revenues	<u>36,064,858</u>	<u>-</u>	<u>36,064,858</u>	<u>39,674,529</u>	<u>3,609,671</u>
<b>EXPENDITURES</b>					
<b>CURRENT</b>					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 9-12	10,924,952	\$ (39,542)	10,885,410	10,873,655	11,755
Home Instruction					
Salaries of Teachers	34,853	52,450	87,303	87,300	3
Purchased Prof.-Ed. Services	18,000	300	18,300	18,200	100
Regular Programs - Undistributed Instruction					
Purchased Prof.-Ed. Services	6,768	-	6,768	6,376	392
Other Purchased Services	398,610	11,758	410,368	388,055	22,313
General Supplies	706,681	8,572	715,253	623,287	91,966
Textbooks	154,850	29,375	184,225	144,650	39,575
Other Objects	19,850	-	19,850	15,679	4,171
Total Regular Programs	<u>12,264,564</u>	<u>62,913</u>	<u>12,327,477</u>	<u>12,157,202</u>	<u>170,275</u>
Learning and/or Language Disabilities					
Salaries of Teachers	257,730	13,052	270,782	270,694	88
Other Salaries for Instruction	245,186	51,724	296,910	296,224	686
Purchased Prof.-Ed. Services	15,000	(11,300)	3,700		3,700
Other Purchased Services	7,050	(2,000)	5,050	24	5,026
General Supplies	9,000	-	9,000	6,545	2,455
Textbooks	700	-	700	200	500
Other Objects	1,000	-	1,000	203	797
Total Learning and/or Language Disabilities	<u>535,666</u>	<u>51,476</u>	<u>587,142</u>	<u>573,890</u>	<u>13,252</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Resource Room					
Salaries of Teachers	\$ 1,406,149	\$ (13,663)	\$ 1,392,486	\$ 1,392,232	\$ 254
Other Salaries for Instruction	355,982	38,659	394,641	365,013	29,628
Other Purchased Services	1,051	-	1,051	331	720
General Supplies	19,000	-	19,000	10,332	8,668
Textbooks	2,500	-	2,500	694	1,806
Total Resource Room	<u>1,784,682</u>	<u>24,996</u>	<u>1,809,678</u>	<u>1,768,602</u>	<u>41,076</u>
Total Special Education	<u>2,320,348</u>	<u>76,472</u>	<u>2,396,820</u>	<u>2,342,492</u>	<u>54,328</u>
Basic Skills/Remedial Instruction					
Other Salaries for Instruction	26,197	-	26,197	25,897	300
Total Basic Skills/Remedial Instruction	<u>26,197</u>	<u>-</u>	<u>26,197</u>	<u>25,897</u>	<u>300</u>
Bilingual Education					
Salaries of Teachers	46,121	-	46,121	45,821	300
Other Purchased Services	500	-	500	-	500
Other Objects	600	-	600	-	600
Total Bilingual Education	<u>47,221</u>	<u>-</u>	<u>47,221</u>	<u>45,821</u>	<u>1,400</u>
School Sponsored Co-Curricular Activities					
Salaries	236,026	(5,025)	231,001	176,313	54,688
Purchased Services	13,618	-	13,618	8,911	4,707
Supplies and Materials	32,975	(1,740)	31,235	27,168	4,067
Transfers to Cover Deficit	19,200	-	19,200	15,806	3,394
Total School Sponsored Co-Curricular Activities	<u>301,819</u>	<u>(6,765)</u>	<u>295,054</u>	<u>228,198</u>	<u>66,856</u>
School Sponsored Athletics - Instruction					
Salaries	716,385	11,456	727,841	680,412	47,429
Purchased Services	184,500	16,505	201,005	185,820	15,185
Supplies and Materials	128,270	36,700	164,970	142,153	22,817
Other Objects	9,500	(93)	9,407	6,599	2,808
Total School Sponsored Athletics-Instruction	<u>1,038,655</u>	<u>64,568</u>	<u>1,103,223</u>	<u>1,014,984</u>	<u>88,239</u>
Total - Instruction	<u>15,998,804</u>	<u>197,188</u>	<u>16,195,992</u>	<u>15,814,594</u>	<u>381,398</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State - Reg.	36,884	(36,884)	-	-	-
Tuition to Other LEAs Within State - Spec.	385,299	(40,000)	345,299	297,367	47,932
Tuition to Co. Voc. School Dist. - Reg.	2,600	16,600	19,200	13,600	5,600
Tuition to Priv Sch. For Disabled w/in State	1,379,206	(98,188)	1,281,018	1,245,338	35,680
Tuition - Other	-	44,300	44,300	44,217	83
Total Undistributed Expenditures - Instruction	<u>1,803,989</u>	<u>(114,172)</u>	<u>1,689,817</u>	<u>1,600,522</u>	<u>89,295</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Attendance and Social Work Services					
Salaries of Teachers	\$ 91,564	\$ (41,528)	\$ 50,036	\$ 49,406	\$ 630
Purchased Professional & Technical Services	11,000	(10,200)	800	-	800
Total Attendance & Social Work Svcs.	<u>102,564</u>	<u>(51,728)</u>	<u>50,836</u>	<u>49,406</u>	<u>1,430</u>
Health Services					
Salaries of Teachers	242,775	35,015	277,790	277,525	265
Purchased Professional & Technical Services	24,200	3,050	27,250	27,205	45
Other Purchased Services	1,000	(750)	250	-	250
Supplies and Materials	15,650	(2,300)	13,350	8,866	4,484
Total Health Services	<u>283,625</u>	<u>35,015</u>	<u>318,640</u>	<u>313,596</u>	<u>5,044</u>
Other Support Services - Speech, OT, PT and Related Services					
Purchased Professional-Educational Services	79,690	62,400	142,090	123,406	18,684
Total Other Support Services-Speech, OT, PT and Related Services	<u>79,690</u>	<u>62,400</u>	<u>142,090</u>	<u>123,406</u>	<u>18,684</u>
Other Support Services - Guidance					
Salaries of Other Professional Staff	856,451	11,300	867,751	867,680	71
Salaries of Secretarial & Clerical Assistants	103,560	-	103,560	102,870	690
Other Salaries	163,382	(26,970)	136,412	136,412	-
Other Purchased Services	1,000	(150)	850	-	850
Supplies and Materials	4,820	(1,240)	3,580	2,571	1,009
Other Objects	5,881	650	6,531	5,824	707
Total Other Support Services - Guidance	<u>1,135,094</u>	<u>(16,410)</u>	<u>1,118,684</u>	<u>1,115,357</u>	<u>3,327</u>
Other Support Services - Child Study Team					
Salaries of Other Professional Staff	662,211	8,669	670,880	670,869	11
Salaries of Secretarial & Clerical Assistants	111,310	-	111,310	111,210	100
Other Purchased Services	9,900	10	9,910	6,735	3,175
Supplies and Materials	7,000	(2,137)	4,863	1,172	3,691
Other Objects	3,230	-	3,230	410	2,820
Total Other Support Services - Child Study Team	<u>793,651</u>	<u>6,542</u>	<u>800,193</u>	<u>790,396</u>	<u>9,797</u>
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisors of Instruction	358,640	115,605	474,245	473,570	675
Salaries of Other Professional Staff	8,000	-	8,000	-	8,000
Salaries of Secretarial & Clerical Assistants	63,921	(63,921)	-	-	-
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	<u>430,561</u>	<u>51,684</u>	<u>482,245</u>	<u>473,570</u>	<u>8,675</u>
Educational Media Services/School Library					
Salaries	160,400	7,505	167,905	158,653	9,252
Other Purchased Services	49,213	170	49,383	49,306	77
Supplies and Materials	24,750	200	24,950	24,323	627
Total Educational Media Services/School Library	<u>234,363</u>	<u>7,875</u>	<u>242,238</u>	<u>232,282</u>	<u>9,956</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Instructional Staff Training Services					
Salaries of Other Professional Staff	\$ 7,500	\$ 13,500	\$ 21,000	\$ 20,721	\$ 279
Salaries of Secretarial & Clerical Assist.	-	9,667	9,667	9,667	-
Other Salaries	-	7,500	7,500	4,900	2,600
Purchased Professional/Educational Svcs.	40,000	(16,600)	23,400	3,907	19,493
Other Purchased Services	24,000	-	24,000	16,466	7,534
Supplies and Materials	15,000	-	15,000	7,419	7,581
Other Objects	7,000	-	7,000	3,531	3,469
<b>Total Instructional Staff Training Svcs.</b>	<b>93,500</b>	<b>14,067</b>	<b>107,567</b>	<b>66,611</b>	<b>40,956</b>
Support Services General Administration					
Salaries	137,700	(137,700)	-	-	-
Salaries of Other Professional Staff	181,000	(14,000)	167,000	157,500	9,500
Salaries of Secretarial & Clerical Assist.	76,972	-	76,972	76,467	505
Other Salaries	9,767	-	9,767	9,767	-
Legal Services	95,000	9,000	104,000	72,425	31,575
Audit Fees	30,900	32,400	63,300	31,025	32,275
Other Purchased Professional Services	45,140	(4,076)	41,064	22,607	18,457
Purchased Technical Services	25,000	27,330	52,330	48,853	3,477
Communications/Telephone	64,100	3,388	67,488	42,916	24,572
BOE Other Purchased Services	2,000	-	2,000	1,005	995
Other Purchased Services	168,589	5,600	174,189	173,070	1,119
Supplies and Materials	5,280	1,070	6,350	6,310	40
BOE Supplies and Materials	5,600	3,730	9,330	4,467	4,863
Miscellaneous Expenditures	13,900	36,350	50,250	46,260	3,990
BOE Membership Dues and Fees	37,000	-	37,000	16,732	20,268
<b>Total Support Services General Administration</b>	<b>897,948</b>	<b>(36,908)</b>	<b>861,040</b>	<b>709,404</b>	<b>151,636</b>
Support Services School Administration					
Salaries of Principals/Asst. Principals	658,292	24,590	682,882	682,878	4
Salaries of Other Professional Staff	615,099	(90,697)	524,402	523,376	1,026
Salaries of Secretarial and Clerical Assistants	239,595	14,100	253,695	242,700	10,995
Other Purchased Services	2,900	-	2,900	681	2,219
Supplies and Materials	38,000	9,442	47,442	33,404	14,038
Other Objects	37,500	-	37,500	29,553	7,947
<b>Total Support Services School Administration</b>	<b>1,591,386</b>	<b>(42,565)</b>	<b>1,548,821</b>	<b>1,512,592</b>	<b>36,229</b>
Central Services					
Salaries	424,378	177,661	602,039	586,422	15,617
Purchased Technical Services	1,700	-	1,700	100	1,600
Misc. Purchased Services	25,800	(4,461)	21,339	14,003	7,336
Supplies and Materials	5,000	1,605	6,605	6,605	-
Interest on Lease Purchase Agreements	8,970	-	8,970	8,969	1
Other Objects	2,168	900	3,068	3,052	16
<b>Total Central Services</b>	<b>468,016</b>	<b>175,705</b>	<b>643,721</b>	<b>619,151</b>	<b>24,570</b>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Administration Information Technology					
Salaries	\$ 240,876	\$ 3,189	\$ 244,065	\$ 242,135	\$ 1,930
Purchased Technical Services	100,900	(7,539)	93,361	78,825	14,536
Other Purchased Services	26,730	6,275	33,005	30,353	2,652
Other Objects	500	-	500	14	486
	-	-	-	-	-
Total Administration Information Technology	<u>369,006</u>	<u>1,925</u>	<u>370,931</u>	<u>351,327</u>	<u>19,604</u>
Undist. Expend. - Required Maint. For School Facilities					
Salaries	755,295	83,663	838,958	830,600	8,358
Cleaning, Repair, and Maintenance	461,900	117,638	579,538	487,220	92,318
General Supplies	142,000	54,000	196,000	151,658	44,342
Other Objects	5,400	1,000	6,400	6,078	322
	-	-	-	-	-
Total Undist. Expend - Required Maint. For School Facilities	<u>1,364,595</u>	<u>256,301</u>	<u>1,620,896</u>	<u>1,475,556</u>	<u>145,340</u>
Oth. Oper. & Maint. Of Plant					
Cleaning, Repair, and Maintenance Services	639,676	(12,140)	627,536	608,578	18,958
Other Purchased Property Services	82,149	-	82,149	79,485	2,664
Insurance	8,300	300	8,600	8,600	-
Miscellaneous Purchased Services	11,778	-	11,778	9,682	2,096
General Supplies	12,000	650	12,650	12,621	29
Energy(Natural Gas)	245,000	24,000	269,000	220,193	48,807
Energy(Electricity)	575,000	(51,850)	523,150	422,714	100,436
	-	-	-	-	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>1,573,903</u>	<u>(39,040)</u>	<u>1,534,863</u>	<u>1,361,873</u>	<u>172,990</u>
Care and Upkeep of Grounds					
Salaries	253,658	(5,600)	248,058	247,987	71
Purchased Prof. & Technical Services	5,600	17,640	23,240	9,377	13,863
Cleaning, Repair, & Maintenance Serv.	99,500	(22,130)	77,370	65,670	11,700
General Supplies	59,000	2,125	61,125	58,567	2,558
	-	-	-	-	-
Total Care and Upkeep	<u>417,758</u>	<u>(7,965)</u>	<u>409,793</u>	<u>381,601</u>	<u>28,192</u>
Security					
Salaries	279,682	(6,000)	273,682	273,133	549
Purchased Prof. & Technical Services	138,700	10,470	149,170	134,830	14,340
General Supplies	17,300	(3,030)	14,270	512	13,758
Other Objects	200	200	400	374	26
	-	-	-	-	-
Total Security	<u>435,882</u>	<u>1,640</u>	<u>437,522</u>	<u>408,849</u>	<u>28,673</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Student Transportation Services					
Sal. For Pupil Trans (Bet Home & Sch)-Reg.	\$ 54,860	\$ 1,500	\$ 56,360	\$ 56,346	\$ 14
Sal. For Pupil Trans (Other Than Bet Home & Sch)	143,036	23,000	166,036	149,771	16,265
Other Purchased Prof. and Technical Svce.	6,000	-	6,000	5,796	204
Management Fee - ESC Transportation Program	16,100	4,260	20,360	20,076	284
Cleaning, Repair, and Maintenance Services	30,000	(450)	29,550	22,037	7,513
Contr. Serv. (Bet Home & Sch)-Vendors	873,100	(7,394)	865,706	778,246	87,460
Contr. Serv. (Other Than Bet Home & Sch)	19,074	(6,960)	12,114	11,927	187
- Vendors	-	-	-	-	-
Contr. Serv. (Bet Home & Sch)-Joint Agreements	25,500	31,000	56,500	56,500	-
Contr. Serv. (Spec. Ed.)-Joint Agreements	577,932	10,000	587,932	587,638	294
Lease Purchase Payments - School Buses	1,774	-	1,774	1,756	18
Contr. Serv. - Aid in Lieu Payments	235,470	(3,868)	231,602	227,620	3,982
Miscellaneous Purchased Services	26,058	4,338	30,396	30,396	-
Supplies and Materials	21,000	-	21,000	20,600	400
Miscellaneous Expenditures	5,085	-	5,085	4,316	769
<b>Total Student Transportation Services</b>	<b>2,034,989</b>	<b>55,426</b>	<b>2,090,415</b>	<b>1,973,025</b>	<b>117,390</b>
Unallocated Benefits - Employee Benefits					
Social Security Contributions	386,682	7,000	393,682	392,293	1,389
Other Retirement Contributions-PERS	386,400	(54,049)	332,351	314,019	18,332
Other Retirement Contributions-DCRP	7,200	-	7,200	4,039	3,161
Unemployment Compensation	50,000	650	50,650	50,643	7
Workmen's Compensation	178,310	9,300	187,610	187,603	7
Health Benefits	4,523,147	(320,503)	4,202,644	3,893,211	309,433
Tuition Reimbursement	106,000	7,000	113,000	111,158	1,842
Other Employee Benefits	256,423	-	256,423	218,200	38,223
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>5,894,162</b>	<b>(350,602)</b>	<b>5,543,560</b>	<b>5,171,166</b>	<b>372,394</b>
On-Behalf - TPAF (Non-Budget)					
Pension Contribution	-	-	-	603,745	(603,745)
NCGI Premium	-	-	-	53,291	(53,291)
Post Retirement-Medical	-	-	-	1,077,292	(1,077,292)
Social Security Contributions	-	-	-	1,189,157	(1,189,157)
<b>Total On-Behalf</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,923,485</b>	<b>(2,923,485)</b>
<b>Total Undistributed Expenditures</b>	<b>20,004,682</b>	<b>9,190</b>	<b>20,013,872</b>	<b>21,653,175</b>	<b>(1,639,303)</b>
<b>Total Current Expenditures</b>	<b>36,003,486</b>	<b>206,378</b>	<b>36,209,864</b>	<b>37,467,769</b>	<b>(1,257,905)</b>
<b>CAPITAL OUTLAY</b>					
Interest Deposit to Capital Reserve	100	-	100	-	100
Increase in Capital Reserve	120,788	-	120,788	-	120,788
Equipment					
Regular Programs - Instruction					
Grades 9-12	15,000	19,202	34,202	28,115	6,087
Learning and/or Language Disabilities	-	7,000	7,000	6,974	26
School Admin	-	3,461	3,461	3,461	-
Admin Info Tech	350,000	(7,802)	342,198	340,858	1,340
Operations and Maintenance	-	17,200	17,200	17,200	-
Care and Upkeep of Grounds	-	4,800	4,800	4,718	82
Athletics	4,000	35,800	39,800	19,697	20,103
<b>Total Equipment</b>	<b>489,888</b>	<b>79,661</b>	<b>569,549</b>	<b>421,023</b>	<b>148,526</b>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CAPITAL OUTLAY (Continued)</b>					
Facilities Acquisition and Construction Svces.					
Construction Services		\$ 605,834	\$ 605,834	\$ 605,834	-
Lease Purchase Agreements - Principal	\$ 211,135	-	211,135	211,133	\$ 2
Assessment of Debt Service on SDA Funding	140,964	(19,212)	121,752	121,752	-
Total Facilities Acquisition and Construction Svces.	<u>352,099</u>	<u>586,622</u>	<u>938,721</u>	<u>938,719</u>	<u>2</u>
Total Capital Outlay	<u>841,987</u>	<u>666,283</u>	<u>1,508,270</u>	<u>1,359,742</u>	<u>148,528</u>
Total Expenditures	<u>36,845,473</u>	<u>872,661</u>	<u>37,718,134</u>	<u>38,827,511</u>	<u>(1,109,377)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(780,615)</u>	<u>(872,661)</u>	<u>(1,653,276)</u>	<u>847,018</u>	<u>2,500,294</u>
Other Financing Sources					
Transfers In	-	-	-	329,095	329,095
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,095</u>	<u>329,095</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(780,615)</u>	<u>(872,661)</u>	<u>(1,653,276)</u>	<u>1,176,113</u>	<u>2,829,389</u>
Fund Balances, Beginning of Year	<u>3,857,601</u>	<u>-</u>	<u>3,857,601</u>	<u>3,857,601</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 3,076,986</u>	<u>\$ (872,661)</u>	<u>\$ 2,204,325</u>	<u>\$ 5,033,714</u>	<u>\$ 2,829,389</u>
<b>Recapitulation:</b>					
<b>Restricted Fund Balance:</b>					
Capital Reserve				\$ 1,391,718	
Capital Reserve - Designated for Subsequent Year's Budget				250,000	
Maintenance Reserve				192,342	
Tuition Reserve				600,000	
Excess Surplus				479,765	
Excess Surplus - Designated in Subsequent Year's Budget				468,759	
<b>Committed Fund Balance:</b>					
Encumbrances				114,470	
<b>Assigned Fund Balance:</b>					
Encumbrances				153,141	
Designated for Subsequent Year's Budget				210,634	
<b>Unassigned Fund Balance:</b>					
Unreserved				<u>1,172,885</u>	
				5,033,714	
Less: State Aid Payments Not Recognized on GAAP				<u>(481,329)</u>	
Fund Balance, GAAP Basis (Exhibit B-2)				<u>\$ 4,552,385</u>	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State	\$ 80,357	\$ 5,822	\$ 86,179	\$ 80,037	\$ (6,142)
Federal	353,696	97,774	451,470	395,358	(56,112)
Other	22,919	(1,141)	21,778	7,864	(13,914)
Total Revenues	<u>456,972</u>	<u>102,455</u>	<u>559,427</u>	<u>483,259</u>	<u>(76,168)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	98,099	(57,688)	40,411	38,888	1,523
Purchased Professional and Educ Services	57,425	3,080	60,505	54,466	6,039
Other Purchased Services	263,116	54,156	317,272	311,119	6,153
General Supplies	6,182	10,600	16,782	9,580	7,202
Textbooks	16,750	2,064	18,814	18,752	62
Total Instruction	<u>441,572</u>	<u>12,212</u>	<u>453,784</u>	<u>432,805</u>	<u>20,979</u>
Support Services					
Salaries of Other Professional Staff	10,400	10,778	21,178	13,694	7,484
Personal Services - Employee Benefits	5,000	5,688	10,688	10,688	-
Purchased Professional and Educ Services		45,705	45,705		45,705
Other Purchased Services		13,884	13,884	11,884	2,000
Supplies and Materials	-	14,188	14,188	14,188	-
Total Support Services	<u>15,400</u>	<u>90,243</u>	<u>105,643</u>	<u>50,454</u>	<u>55,189</u>
Total Expenditures	<u>456,972</u>	<u>102,455</u>	<u>559,427</u>	<u>483,259</u>	<u>76,168</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 certain state aid payments for budgetary purposes only and the treatment of encumbrances 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 Balance - Governmental Funds.

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 39,674,529	\$ 483,259
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances		2,492
Current Year Encumbrances		(29,718)
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements - Current Year	(481,329)	
State Aid payments recognized for GAAP statements, not recognized for budgetary basis - Prior Year	<u>382,297</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 39,575,497</u>	<u>\$ 456,033</u>
<b>Uses/Outflows of Resources</b>		
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule (Exhibit C-1 and C-2)	\$ 38,827,511	\$ 483,259
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes		
Prior Year Encumbrances		2,492
Current Year Encumbrances	<u>-</u>	<u>(29,718)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 38,827,511</u>	<u>\$ 456,033</u>

**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, 2014

	Title II Part A	I.D.E.A. Part B Basic	Title I	Non-Public						Local	Grand Totals
				Textbooks	Nursing	Exam and Class	Supplemental Instruction	Technology	Home Instruction		
<b>REVENUES</b>											
Intergovernmental											
State				\$ 18,752	\$ 26,394	\$ 17,999	\$ 4,787	\$ 6,819	\$ 5,286		\$ 80,037
Federal	\$ 14,742	\$ 328,681	\$ 51,935								395,358
Local	-	-	-	-	-	-	-	-	-	\$ 7,864	7,864
<b>Total Revenues</b>	<b>\$ 14,742</b>	<b>\$ 328,681</b>	<b>\$ 51,935</b>	<b>\$ 18,752</b>	<b>\$ 26,394</b>	<b>\$ 17,999</b>	<b>\$ 4,787</b>	<b>\$ 6,819</b>	<b>\$ 5,286</b>	<b>\$ 7,864</b>	<b>\$ 483,259</b>
<b>EXPENDITURES</b>											
Instruction											
Salaries of Teachers			\$ 38,888								\$ 38,888
Purchased Professional and Educ Services			2,146		\$ 26,394	17,999	\$ 4,787		\$ 5,286		54,466
Other Purchased Services		\$ 302,609	1,261							\$ 6,364	311,119
General Supplies			-					\$ 6,819		1,500	9,580
Textbooks			-	\$ 18,752	-	-	-	-	-	-	18,752
<b>Total Instruction</b>	<b>-</b>	<b>302,609</b>	<b>42,295</b>	<b>18,752</b>	<b>26,394</b>	<b>17,999</b>	<b>4,787</b>	<b>6,819</b>	<b>5,286</b>	<b>7,864</b>	<b>432,805</b>
Support Services											
Salaries of Other Professional Staff	\$ 13,694										13,694
Personal Services - Employee Benefits	1,048		9,640								10,688
Other Purchased Services		11,884									11,884
Supplies and Materials		14,188									14,188
<b>Total Support Services</b>	<b>14,742</b>	<b>26,072</b>	<b>9,640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,454</b>
<b>Total Expenditures</b>	<b>\$ 14,742</b>	<b>\$ 328,681</b>	<b>\$ 51,935</b>	<b>\$ 18,752</b>	<b>\$ 26,394</b>	<b>\$ 17,999</b>	<b>\$ 4,787</b>	<b>\$ 6,819</b>	<b>\$ 5,286</b>	<b>\$ 7,864</b>	<b>\$ 483,259</b>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID  
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**THIS SCHEDULE IS NOT APPLICABLE**

**CAPITAL PROJECTS FUND**

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Project Title/Description</u>	<u>Appropriations</u>	<u>Adjustments</u>	<u>Supplemental Authorization</u>	<u>Expenditures to Date</u>		<u>Cancelled</u>	<u>Balance June 30, 2014</u>
				<u>Prior Years</u>	<u>Current Year</u>		
Three Renovations Project	\$ 486,970			\$ 477,920		\$ 9,050	
Construction and Equipment Additions	41,899,151	\$ (84,927)	\$ 4,290,560	45,905,125		199,659	
Lavatory Renovations - Phase I	325,000	(32,331)		279,166		13,503	
Lavatory Renovations - Phase II	331,185	(28,462)		242,704		60,019	
Acquisition of Equipment	270,000	(2,855)		267,145			
Conversion of Board of Education Offices to Classrooms	913,346	(419,300)		462,935		31,111	
HVAC Project	162,169	(64,868)		63,884			\$ 33,417
Sewer Project	141,531			131,522		10,009	-
Roof Project	258,469		620,000	746,117	\$ 128,390		3,962
LGI Interior Project	600,000	-	-	577,958	9,793	-	12,249
Referendum Project - Infrastructure Repairs and Renovation of the High School	12,553,000				2,368,985		10,184,015
Acquisition and Installation of Equipment - Lease Purchase Agreement	785,000	-	-	-	8,663	-	776,337
	<u>\$ 58,725,821</u>	<u>\$ (632,743)</u>	<u>\$ 4,910,560</u>	<u>\$ 49,154,476</u>	<u>\$ 2,515,831</u>	<u>\$ 323,351</u>	<u>\$ 11,009,980</u>

Analysis of Cancellation	
Unfunded Capital Project	\$ 476
Capital Reserve	<u>322,875</u>
	<u>\$ 323,351</u>
Project Balances	\$ 11,009,980
Add: Interest on Escrow	<u>3</u>
Fund Balance - Budgetary Basis	<u>\$ 11,009,983</u>
Recapitulation of Fund Balance Restricted for Capital Projects	
Year End Encumbrances	\$ 2,719,457
Available for Capital Projects	<u>8,290,526</u>
Total Fund Balance - Restricted for Capital Projects	<u>\$ 11,009,983</u>

**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, 2014**

**Revenues and Other Financing Sources**

Interest on Deposits	\$ 18,532
Interest on Escrow	3
Bond Proceeds	12,553,000
Lease Purchase Proceeds	<u>785,000</u>
 Total Revenues	 <u>13,356,535</u>

**Expenditures and Other Financing Uses**

General Administrative-Cancelled SDA Grant Receivable	64,878
Purchased Professional and Technical Services	384,153
Construction Services	2,131,678
Transfer to Debt Service Fund	18,532
Transfer to Capital Reserve (Unexpended Project Balances)	<u>322,875</u>

 Total Expenditures and Other Financing Uses	 <u>2,922,116</u>
 Excess of Revenues Over Expenditures	 10,434,419
 Fund Balance, July 1, 2013	 <u>575,564</u>
 Fund Balance, June 30, 2014	 <u>\$ 11,009,983</u>

**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SDA Grant	\$ 169,588		\$ 169,588	\$ 169,588
Transfer from Capital Outlay	<u>317,382</u>	\$ (9,050)	<u>308,332</u>	<u>308,332</u>
Total Revenues	<u>486,970</u>	<u>(9,050)</u>	<u>477,920</u>	<u>477,920</u>
<b>Expenditures and Other Financing Uses</b>				
Construction Services	<u>477,920</u>	-	<u>477,920</u>	<u>477,920</u>
Total Expenditures	<u>477,920</u>	-	<u>477,920</u>	<u>477,920</u>
Excess of Revenues Over Expenditures	<u>\$ 9,050</u>	<u>\$ (9,050)</u>	<u>\$ -</u>	<u>\$ -</u>

## Additional Project Information:

Project Number	SP-2021017
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 486,970
Additional Authorized Cost	\$ (9,050)
Revised Authorized Cost	\$ 477,920

**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SDA Grant	\$ 9,387,748		\$ 9,387,748	\$ 9,472,665
Transfer from Capital Reserve	1,290,560	\$ (199,183)	1,091,377	1,290,560
Bond Proceeds and Transfers	35,426,000	-	35,426,000	35,426,000
	<u>46,104,308</u>	<u>(199,183)</u>	<u>45,905,125</u>	<u>46,189,225</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	5,610,945		5,610,945	6,013,970
Construction Services	38,569,191		38,569,191	38,767,205
Equipment Purchases	1,724,989	-	1,724,989	1,408,050
	<u>45,905,125</u>	<u>-</u>	<u>45,905,125</u>	<u>46,189,225</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>199,183</u>	<u>\$ (199,183)</u>	<u>\$ -</u>	<u>\$ -</u>

## Additional Project Information:

Project Number	SP-2030145
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	\$ 4,290,550
Revised Authorized Cost	\$ 46,189,225

**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SDA Grant	\$ 97,669		\$ 97,669	\$ 97,669
Transfer from Capital Outlay	<u>195,000</u>	<u>\$ (13,503)</u>	<u>181,497</u>	<u>195,000</u>
 Total Revenues	 <u>292,669</u>	 <u>(13,503)</u>	 <u>279,166</u>	 <u>292,669</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	50,849		50,849	28,743
Construction Services/Equipment	<u>228,317</u>	<u>-</u>	<u>228,317</u>	<u>263,926</u>
 Total Expenditures	 <u>279,166</u>	 <u>-</u>	 <u>279,166</u>	 <u>292,669</u>
 Excess of Revenues Over Expenditures	 <u>\$ 13,503</u>	 <u>\$ (13,503)</u>	 <u>\$ -</u>	 <u>\$ -</u>

## Additional Project Information:

Project Number	SP-2030144
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 325,000
Additional Authorized Cost	\$ (32,331)
Revised Authorized Cost	\$ 292,669

**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SDA Grant	\$ 104,012		\$ 104,012	\$ 104,012
Transfer from Capital Outlay	<u>198,711</u>	\$ (60,019)	<u>138,692</u>	<u>198,711</u>
 Total Revenues	 <u>302,723</u>	 <u>(60,019)</u>	 <u>242,704</u>	 <u>302,723</u>
<b>Expenditures and Other Financing Uses</b>				
Construction Services	27,870		27,870	87,889
Equipment	<u>214,834</u>	<u>-</u>	<u>214,834</u>	<u>214,834</u>
 Total Expenditures	 <u>242,704</u>	 <u>-</u>	 <u>242,704</u>	 <u>302,723</u>
 Excess of Revenues Over Expenditures	 <u>\$ 60,019</u>	 <u>\$ (60,019)</u>	 <u>\$ -</u>	 <u>\$ -</u>

## Additional Project Information:

Project Number	SP-5550-050-03-1211
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 331,185
Additional Authorized Cost	\$ (28,462)
Revised Authorized Cost	\$ 302,723

**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Lease Proceeds	\$ 267,145	-	\$ 267,145	\$ 267,145
Total Revenues	<u>267,145</u>	<u>-</u>	<u>267,145</u>	<u>267,145</u>
<b>Expenditures and Other Financing Uses</b>				
Equipment	<u>267,145</u>	<u>-</u>	<u>267,145</u>	<u>267,145</u>
Total Expenditures	<u>267,145</u>	<u>-</u>	<u>267,145</u>	<u>267,145</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Additional Project Information:

Project Number	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 270,000
Additional Authorized Cost	\$ (2,855)
Revised Authorized Cost	\$ 267,145

**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SDA Grant	\$ 177,980	\$ (31,121)	\$ 146,859	\$ 365,338
Lease Proceeds	<u>316,076</u>	<u>-</u>	<u>316,076</u>	<u>316,076</u>
Total Revenues	<u>494,056</u>	<u>(31,121)</u>	<u>462,935</u>	<u>681,414</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	73,713		73,713	73,713
Construction Services	<u>389,222</u>	<u>-</u>	<u>389,222</u>	<u>607,701</u>
Total Expenditures	<u>462,935</u>	<u>-</u>	<u>462,935</u>	<u>681,414</u>
Excess of Revenues Over Expenditures	<u>\$ 31,121</u>	<u>\$ (31,121)</u>	<u>\$ -</u>	<u>\$ -</u>

## Additional Project Information:

Project Number	5550-050-09-1001
Grant Date	June 11, 2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 913,346
Additional Authorized Cost	\$ (231,932)
Revised Authorized Cost	\$ 681,414

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
HVAC PROJECT  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SDA Grant	\$ 64,868	\$ (64,868)		
Transfer from Capital Outlay	<u>97,301</u>	<u>-</u>	<u>\$ 97,301</u>	<u>\$ 97,301</u>
 Total Revenues	 <u>162,169</u>	 <u>(64,868)</u>	 <u>97,301</u>	 <u>97,301</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	11,884		11,884	17,190
Construction Services	<u>52,000</u>	<u>-</u>	<u>52,000</u>	<u>80,111</u>
 Total Expenditures	 <u>63,884</u>	 <u>-</u>	 <u>63,884</u>	 <u>97,301</u>
 Excess of Revenues Over Expenditures	 <u>\$ 98,285</u>	 <u>\$ (64,868)</u>	 <u>\$ 33,417</u>	 <u>\$ -</u>

## Additional Project Information:

Project Number	5550-050-10-1002
Grant Date	March 31, 2011
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 162,169
Additional Authorized Cost	\$ (64,868)
Revised Authorized Cost	\$ 97,301

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
SEWER PROJECT  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Transfer from Capital Reserve	\$ 141,531	\$ (10,009)	\$ 131,522	\$ 141,531
Total Revenues	<u>141,531</u>	<u>(10,009)</u>	<u>131,522</u>	<u>141,531</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services				
Equipment				
Construction Services	<u>131,522</u>	<u>-</u>	<u>131,522</u>	<u>141,531</u>
Total Expenditures	<u>131,522</u>	<u>-</u>	<u>131,522</u>	<u>141,531</u>
Excess of Revenues Over Expenditures	<u>\$ 10,009</u>	<u>\$ (10,009)</u>	<u>\$ -</u>	<u>\$ -</u>

## Additional Project Information:

Project Number	5550-050-09-1003
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 141,531
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 141,531

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
ROOF PROJECT  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Transfer from Capital Reserve	\$ 878,469	-	\$ 878,469	\$ 878,469
Total Revenues	<u>878,469</u>	<u>-</u>	<u>878,469</u>	<u>878,469</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	72,217		72,217	33,000
Construction Services	<u>673,900</u>	\$ 128,390	<u>802,290</u>	<u>845,469</u>
Total Expenditures	<u>746,117</u>	<u>128,390</u>	<u>874,507</u>	<u>878,469</u>
Excess of Revenues Over Expenditures	<u>\$ 132,352</u>	<u>\$ (128,390)</u>	<u>\$ 3,962</u>	<u>\$ -</u>

## Additional Project Information:

Project Number	5550-050-12-6000
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 258,469
Additional Authorized Cost	\$ 620,000
Revised Authorized Cost	\$ 878,469

## Percentage Increase Over Original

Authorized Cost	239.87%
Percentage Completion	99.55%
Original Target Completion Date	June 30, 2012
Revised Target Completion Date	June 30, 2014

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
SOUTH AUDITORIUM - LARGE GROUP INSTRUCTION INTERIOR PROJECT  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Transfer from Capital Reserve	\$ 600,000	-	\$ 600,000	\$ 600,000
 Total Revenues	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>600,000</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	30,649		30,649	50,000
Construction Services	<u>547,309</u>	<u>\$ 9,793</u>	<u>557,102</u>	<u>550,000</u>
 Total Expenditures	<u>577,958</u>	<u>9,793</u>	<u>587,751</u>	<u>600,000</u>
 Excess of Revenues Over Expenditures	<u>\$ 22,042</u>	<u>\$ (9,793)</u>	<u>\$ 12,249</u>	<u>\$ -</u>

## Additional Project Information:

Project Number	5550-050-12-5000
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 600,000
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 600,000

Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	98%
Original Target Completion Date	June 30, 2013
Revised Target Completion Date	January 1, 2014

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
NORTH KITCHEN - INTERIOR ALTERATIONS  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	-	\$ 645,470	\$ 645,470	\$ 645,470
Total Revenues	-	645,470	645,470	645,470
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		5,373	5,373	70,570
Construction Services	-	-	-	574,900
Total Expenditures	-	5,373	5,373	645,470
Excess of Revenues Over Expenditures	\$ -	\$ 640,097	\$ 640,097	\$ -

## Additional Project Information:

Project Number	5550-050-13-4000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 606,575
Additional Authorized Cost	\$ 38,895
Revised Authorized Cost	\$ 645,470

## Percentage Increase Over Original

Authorized Cost	6.41%
Percentage Completion	1%
Original Target Completion Date	August 31, 2016
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
SOUTH KITCHEN - INTERIOR ALTERATIONS  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	-	\$ 491,259	\$ 491,259	\$ 491,259
 Total Revenues	 -	 491,259	 491,259	 491,259
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		4,089	4,089	53,759
Construction Services	-	-	-	437,500
 Total Expenditures	 -	 4,089	 4,089	 491,259
 Excess of Revenues Over Expenditures	 \$ -	 \$ 487,170	 \$ 487,170	 \$ -

## Additional Project Information:

Project Number	5550-050-13-5000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 580,818
Additional Authorized Cost	\$ (89,559)
Revised Authorized Cost	\$ 491,259

## Percentage Decrease Over Original

Authorized Cost	-15.42%
Percentage Completion	1%
Original Target Completion Date	August 31, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
SOUTH BUILDING - STEAM HEAT PIPE REPLACEMENT  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	-	\$ 2,635,992	\$ 2,635,992	\$ 2,635,992
 Total Revenues	 -	 2,635,992	 2,635,992	 2,635,992
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		140,037	140,037	235,992
Construction Services	-	639,460	639,460	2,400,000
 Total Expenditures	 -	 779,497	 779,497	 2,635,992
 Excess of Revenues Over Expenditures	 -	 \$ 1,856,495	 \$ 1,856,495	 \$ -

## Additional Project Information:

Project Number	5550-050-13-6000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 2,118,600
Additional Authorized Cost	\$ 517,392
Revised Authorized Cost	\$ 2,635,992

Percentage Increase Over Original Authorized Cost	24.42%
Percentage Completion	30%
Original Target Completion Date	October 15, 2014
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
SOUTH BUILDING ROOF REPLACEMENT  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	-	\$ 2,747,578	\$ 2,747,578	\$ 2,747,578
Total Revenues	-	2,747,578	2,747,578	2,747,578
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		141,426	141,426	245,428
Construction Services	-	1,354,035	1,354,035	2,502,150
Total Expenditures	-	1,495,461	1,495,461	2,747,578
Excess of Revenues Over Expenditures	\$ -	\$ 1,252,117	\$ 1,252,117	\$ -

## Additional Project Information:

Project Number	5550-050-13-9000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 3,193,156
Additional Authorized Cost	\$ (445,578)
Revised Authorized Cost	\$ 2,747,578

## Percentage Decrease Over Original

Authorized Cost	-13.95%
Percentage Completion	54%
Original Target Completion Date	October 15, 2014
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
NORTH BUILDING ROOF REPLACEMENT  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	-	\$ 3,075,189	\$ 3,075,189	\$ 3,075,189
Total Revenues	-	3,075,189	3,075,189	3,075,189
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		25,597	25,597	234,565
Construction Services	-	-	-	2,840,624
Total Expenditures	-	25,597	25,597	3,075,189
Excess of Revenues Over Expenditures	\$ -	\$ 3,049,592	\$ 3,049,592	\$ -

## Additional Project Information:

Project Number	5550-050-13-8000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 3,038,644
Additional Authorized Cost	\$ 36,545
Revised Authorized Cost	\$ 3,075,189

Percentage Increase Over Original Authorized Cost	1.20%
Percentage Completion	1%
Original Target Completion Date	August 31, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
SOUTH BUILDING - CURTAINWALL SYSTEM  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	-	\$ 797,184	\$ 797,184	\$ 797,184
Total Revenues	-	797,184	797,184	797,184
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		40,986	40,986	79,684
Construction Services	-	-	-	717,500
Total Expenditures	-	40,986	40,986	797,184
Excess of Revenues Over Expenditures	\$ -	\$ 756,198	\$ 756,198	\$ -

## Additional Project Information:

Project Number	5550-050-13-10000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 769,178
Additional Authorized Cost	\$ 28,006
Revised Authorized Cost	\$ 797,184

## Percentage Increase Over Original

Authorized Cost	3.64%
Percentage Completion	5%
Original Target Completion Date	August 31, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
REPLACEMENT AND REPAIRS OF EXHAUST FANS  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	-	\$ 523,661	\$ 523,661	\$ 523,661
Total Revenues	-	523,661	523,661	523,661
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		4,359	4,359	58,661
Construction Services	-	-	-	465,000
Total Expenditures	-	4,359	4,359	523,661
Excess of Revenues Over Expenditures	\$ -	\$ 519,302	\$ 519,302	\$ -

## Additional Project Information:

Project Number	5550-050-13-7000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 532,400
Additional Authorized Cost	\$ (8,739)
Revised Authorized Cost	\$ 523,661

## Percentage Decrease Over Original

Authorized Cost	-1.64%
Percentage Completion	1%
Original Target Completion Date	August 31, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
REPAVING OF FRONT PARKING LOT  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	-	\$ 725,009	\$ 725,009	\$ 725,009
Total Revenues	-	725,009	725,009	725,009
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		6,035	6,035	81,509
Construction Services	-	-	-	643,500
Total Expenditures	-	6,035	6,035	725,009
Excess of Revenues Over Expenditures	\$ -	\$ 718,974	\$ 718,974	\$ -

## Additional Project Information:

Project Number	5550-050-13-12000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 757,969
Additional Authorized Cost	\$ (32,960)
Revised Authorized Cost	\$ 725,009

## Percentage Decrease Over Original

Authorized Cost	-4.35%
Percentage Completion	1%
Original Target Completion Date	August 31, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
REAR PARKING LOT REPAVING  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	-	\$ 619,022	\$ 619,022	\$ 619,022
Total Revenues	-	619,022	619,022	619,022
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		5,152	5,152	67,022
Construction Services	-	-	-	552,000
Total Expenditures	-	5,152	5,152	619,022
Excess of Revenues Over Expenditures	\$ -	\$ 613,870	\$ 613,870	\$ -

## Additional Project Information:

Project Number	5550-050-13-13000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 649,688
Additional Authorized Cost	\$ (30,666)
Revised Authorized Cost	\$ 619,022

## Percentage Decrease Over Original

Authorized Cost	-4.72%
Percentage Completion	1%
Original Target Completion Date	August 31, 2016
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
EMERGENCY ACCESS DRIVEWAY AND EGRESS WALKWAYS  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	-	\$ 292,636	\$ 292,636	\$ 292,636
Total Revenues	-	292,636	292,636	292,636
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		2,436	2,436	28,636
Construction Services	-	-	-	264,000
Total Expenditures	-	2,436	2,436	292,636
Excess of Revenues Over Expenditures	\$ -	\$ 290,200	\$ 290,200	\$ -

## Additional Project Information:

Project Number	5550-050-13-11000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 306,000
Additional Authorized Cost	\$ (13,364)
Revised Authorized Cost	\$ 292,636

## Percentage Decrease Over Original

Authorized Cost	-4.37%
Percentage Completion	1%
Original Target Completion Date	August 31, 2016
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
ACQUISITION AND INSTALLATION OF EQUIPMENT  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Lease Purchase Proceeds	-	\$ 785,000	\$ 785,000	\$ 785,000
Total Revenues	-	785,000	785,000	785,000
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		8,663	8,663	12,050
Equipment	-	-	-	772,950
Total Expenditures	-	8,663	8,663	785,000
Excess of Revenues Over Expenditures	\$ -	\$ 776,337	\$ 776,337	\$ -

## Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Lease Purchase Proceeds	\$ 785,000
Original Authorized Cost	\$ 785,000
Revised Authorized Cost	\$ 785,000

Percentage Increase Over Original  
Authorized Cost

Percentage Completion	0%
Original Target Completion Date	June 30, 2015
Revised Target Completion Date	N/A

**ENTERPRISE FUNDS**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2014**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

**FIDUCIARY FUNDS**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2014**

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 272,777	\$ 61,368	\$ 334,145
Total Assets	<u>\$ 272,777</u>	<u>\$ 61,368</u>	<u>\$ 334,145</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings Due to Student Groups	\$ 272,777	\$ 61,368 -	\$ 61,368 272,777
Total Liabilities	<u>\$ 272,777</u>	<u>\$ 61,368</u>	<u>\$ 334,145</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2014</u>
<b>ASSETS</b>				
Cash	\$ 287,536	\$ 765,192	\$ 779,951	\$ 272,777
Total	<u>\$ 287,536</u>	<u>\$ 765,192</u>	<u>\$ 779,951</u>	<u>\$ 272,777</u>
<b>LIABILITIES</b>				
Due to Student Groups	\$ 287,536	\$ 765,192	\$ 779,951	\$ 272,777
Total	<u>\$ 287,536</u>	<u>\$ 765,192</u>	<u>\$ 779,951</u>	<u>\$ 272,777</u>

**PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Balance, July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2014</u>
Payroll Deductions and Withholdings	\$ 65,939	\$ 10,663,240	\$ 10,687,818	\$ 41,361
Flexible Spending Account	17,346	87,005	84,344	20,007
Accrued Salaries and Wages	<u>-</u>	<u>13,195,156</u>	<u>13,195,156</u>	<u>-</u>
Totals	<u>\$ 83,285</u>	<u>\$ 23,945,401</u>	<u>\$ 23,967,318</u>	<u>\$ 61,368</u>

**LONG-TERM DEBT**

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF SERIAL BONDS PAYABLE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance, July 1, 2013	Increased	Decreased	Balance, June 30, 2014			
			Date	Amount								
Serial Bonds - Construction and Equipment Additions to High School	5/31/2007	\$ 3,000,000	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	\$ 2,420,000	-	\$ 130,000	\$ 2,290,000			
			Refunding Bonds	7/29/2011	17,190,000	1/15/2015	1,290,000	3.00 %				
1/15/2016	1,330,000	4.00										
1/15/2017	1,390,000	4.00										
1/15/2018	1,455,000	4.00										
1/15/2019	1,535,000	4.00										
1/15/2020	1,605,000	5.00										
1/15/2021	1,700,000	5.00										
1/15/2022	1,780,000	5.00										
1/15/2023	1,880,000	5.00										
1/15/2024	1,980,000	5.00				17,190,000		1,245,000	15,945,000			
Refunding Bonds	2/2/2012	9,365,000				1/15/2025	2,210,000	3.00 %				
						1/15/2026	2,285,000	5.00				
			1/15/2027	2,365,000	5.00							
			1/15/2028	2,445,000	5.00	9,305,000	-	-	9,305,000			
School Bonds, Series 2013	11/13/2013	12,553,000	1/15/2015	635,000	2.50 %							
			1/15/2016	695,000	2.50							
			1/15/2017	720,000	2.50							
			1/15/2018	740,000	2.50							
			1/15/2019	760,000	2.50							
			1/15/2020	785,000	2.50							
			1/15/2021	810,000	3.00							
			1/15/2022	835,000	3.00							
			1/15/2023	860,000	3.00							
			1/15/2024	885,000	3.00							
			1/15/2025	910,000	3.00							
			1/15/2026	935,000	3.00							
			1/15/2027	965,000	3.25							
			1/15/2028	995,000	3.50							
			1/15/2029	1,023,000	3.50	-	\$ 12,553,000	-	12,553,000			
						\$ 28,915,000	\$ 12,553,000	\$ 1,375,000	\$ 40,093,000			

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Year</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2014</u>
2009	Computer Technology, Cafeteria Equipment & Furniture	3.52%	\$ 270,000	\$ 57,850		\$ 57,850	
2010	Gym Bleachers, Security System and Classroom Conversions	3.72%	1,000,000	319,669	-	211,133	\$ 108,536
2014	Acquisition and Installation of Equipment	1.38%	785,000	-	\$ 785,000	-	785,000
				<u>\$ 377,519</u>	<u>\$ 785,000</u>	<u>\$ 268,983</u>	<u>\$ 893,536</u>

**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, 2014**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources					
Property Tax Levy	\$ 2,452,108	-	\$ 2,452,108	\$ 2,452,108	-
Total Revenues	2,452,108	-	2,452,108	2,452,108	-
<b>EXPENDITURES</b>					
Debt Service					
Principal	1,375,000		1,375,000	1,375,000	
Interest	1,123,740	-	1,123,740	1,123,740	-
Total Expenditures	2,498,740	-	2,498,740	2,498,740	-
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(46,632)	-	(46,632)	(46,632)	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	18,532	\$ 18,532
Total Other Financing Sources	-	-	-	18,532	18,532
Excess (Deficiency) of Revenue Over/(Under) Expenditures and Other Financing Sources (Uses)	(46,632)	-	(46,632)	(28,100)	18,532
Fund Balance, Beginning of Year	53,836	-	53,836	53,836	-
Fund Balance, End of Year	\$ 7,204	\$ -	\$ 7,204	\$ 25,736	\$ 18,532

## Analysis of Restricted Fund Balance

Designated for Subsequent Year's Budget	\$ 7,204
Available for Debt Service	18,532
	<u>\$ 25,736</u>

## 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**  
*(accrual basis of accounting)*

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 10,518,610	\$ 14,370,548	\$ 14,919,029	\$ 14,002,767	\$ 12,093,302	\$ 13,736,776	\$ 14,020,686	\$ 13,903,304	\$ 14,957,986	\$ 17,776,328
Restricted	373,764	194,652	359,760	1,978,287	2,023,524	1,560,906	2,208,924	2,697,846	1,419,503	12,869,779
Unrestricted	<u>(327,762)</u>	<u>(516,399)</u>	<u>24,051</u>	<u>(402,784)</u>	<u>667,172</u>	<u>863,602</u>	<u>573,420</u>	<u>868,293</u>	<u>1,673,897</u>	<u>(9,293,546)</u>
<b>Total Governmental Activities Net Position</b>	<b>\$ 10,564,612</b>	<b>\$ 14,048,801</b>	<b>\$ 15,302,840</b>	<b>\$ 15,578,270</b>	<b>\$ 14,783,998</b>	<b>\$ 16,161,284</b>	<b>\$ 16,803,030</b>	<b>\$ 17,469,443</b>	<b>\$ 18,051,386</b>	<b>\$ 21,352,561</b>
<b>Business-Type Activities</b>										
Invested in Capital Assets	\$ 2,257	\$ 1,917	\$ 18,405	\$ 33,013	\$ 28,494	\$ 17,554	\$ 23,926	\$ 27,399	\$ 38,715	\$ 186,282
Restricted										
Unrestricted	<u>187,078</u>	<u>126,589</u>	<u>226,021</u>	<u>136,743</u>	<u>145,865</u>	<u>172,301</u>	<u>175,893</u>	<u>224,814</u>	<u>260,377</u>	<u>97,725</u>
<b>Total Business-Type Activities Net Position</b>	<b>\$ 189,335</b>	<b>\$ 128,506</b>	<b>\$ 244,426</b>	<b>\$ 169,756</b>	<b>\$ 174,359</b>	<b>\$ 189,855</b>	<b>\$ 199,819</b>	<b>\$ 252,213</b>	<b>\$ 299,092</b>	<b>\$ 284,007</b>
<b>District-Wide</b>										
Net Investment in Capital Assets	\$ 10,520,867	\$ 14,372,465	\$ 14,937,434	\$ 14,035,780	\$ 12,121,796	\$ 13,754,330	\$ 14,044,612	\$ 13,930,703	\$ 14,996,701	\$ 17,962,610
Restricted	373,764	194,652	359,760	1,978,287	2,023,524	1,560,906	1,608,924	2,697,846	1,419,503	12,869,779
Unrestricted	<u>(140,684)</u>	<u>(389,810)</u>	<u>250,072</u>	<u>(266,041)</u>	<u>813,037</u>	<u>1,035,903</u>	<u>1,349,313</u>	<u>1,093,107</u>	<u>1,934,274</u>	<u>(9,195,821)</u>
<b>Total District Net Position</b>	<b>\$ 10,753,947</b>	<b>\$ 14,177,307</b>	<b>\$ 15,547,266</b>	<b>\$ 15,748,026</b>	<b>\$ 14,958,357</b>	<b>\$ 16,351,139</b>	<b>\$ 17,002,849</b>	<b>\$ 17,721,656</b>	<b>\$ 18,350,478</b>	<b>\$ 21,636,568</b>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**  
*(accrual basis of accounting)*

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
<b>Governmental Activities</b>										
Instruction										
Regular	\$ 12,212,116	\$ 13,260,350	\$ 15,407,328	\$ 16,180,570	\$ 16,779,671	\$ 16,863,313	\$ 16,054,820	\$ 16,474,021	\$ 16,860,889	\$ 17,155,737
Special Education	2,997,056	3,335,334	3,737,879	3,826,905	4,107,498	4,002,031	4,388,482	4,522,158	4,748,750	5,205,996
Other Instruction	127,487	75,733	82,111	87,252	90,859	91,929	97,873	100,443	100,310	98,584
School Sponsored Activities And Athletics	1,124,337	1,105,342	1,070,433	1,324,244	1,459,115	1,444,286	1,437,639	1,486,681	1,544,989	1,544,272
Support Services:										
Student and Instruction Related Services	3,533,963	4,056,939	4,004,600	4,036,851	4,187,540	4,416,723	4,234,325	4,402,844	4,542,094	4,557,732
School Administrative Services	1,220,253	1,275,999	1,325,477	1,284,020	1,582,977	1,636,833	1,160,256	1,263,078	1,355,199	2,133,095
General Administration	841,853	922,056	1,536,672	1,546,573	1,685,560	1,396,908	1,798,149	1,916,028	2,186,687	1,027,050
Plant Operations And Maintenance	2,235,592	2,785,733	2,810,943	3,459,276	3,908,952	4,220,312	4,583,328	4,553,743	3,432,478	4,523,995
Pupil Transportation	1,861,996	2,026,554	2,439,968	1,868,986	1,871,480	1,863,379	1,753,052	1,784,440	1,877,914	2,051,698
Central Services	352,754	382,939	649,847	861,994	843,973	861,134	888,268	912,078	1,107,563	1,270,500
Interest On Long-Term Debt and Other Charges	1,473,572	1,643,430	1,766,526	1,599,087	1,512,699	1,514,431	1,443,734	1,286,190	1,088,192	1,303,581
<b>Total Governmental Activities Expenses</b>	<b>27,980,979</b>	<b>30,870,409</b>	<b>34,831,784</b>	<b>36,075,758</b>	<b>38,030,324</b>	<b>38,311,279</b>	<b>37,839,926</b>	<b>38,701,704</b>	<b>38,845,065</b>	<b>40,872,240</b>
<b>Business-Type Activities:</b>										
Food Service	536,646	567,684	565,133	707,924	669,625	665,568	707,858	733,677	742,748	858,673
Adult School	162,601	125,318	121,682	122,266	122,541	117,647	118,666	109,299	107,625	215
<b>Total Business-Type Activities Expense</b>	<b>699,247</b>	<b>693,002</b>	<b>686,815</b>	<b>830,190</b>	<b>792,166</b>	<b>783,215</b>	<b>826,524</b>	<b>842,976</b>	<b>850,373</b>	<b>858,888</b>
<b>Total District Expenses</b>	<b>\$ 28,680,226</b>	<b>\$ 31,563,411</b>	<b>\$ 35,518,599</b>	<b>\$ 36,905,948</b>	<b>\$ 38,822,490</b>	<b>\$ 39,094,494</b>	<b>\$ 38,666,450</b>	<b>\$ 39,544,680</b>	<b>\$ 39,695,438</b>	<b>\$ 41,731,128</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges For Services:										
Regular	\$ 3,993,173	\$ 4,009,500	\$ 5,213,275	\$ 5,286,727	\$ 5,438,391	\$ 5,687,544	\$ 6,166,111	\$ 5,802,712	\$ 5,921,000	\$ 6,885,276
Special Education	233,903	192,299		510,531	678,048	640,670	551,812	557,487	442,447	591,352
Pupil Transportation	318,888		422,645	270						
Operating Grants And Contributions	3,090,593	3,400,351	4,439,498	4,552,740	4,055,305	4,314,721	3,154,862	3,892,569	4,942,848	4,669,449
Capital Grants And Contributions	4,862,783	2,874,277	583,772	(58,883)	22,089	640,398	2,069	-	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>12,499,340</b>	<b>10,476,427</b>	<b>10,659,190</b>	<b>10,291,385</b>	<b>10,193,833</b>	<b>11,283,333</b>	<b>9,874,854</b>	<b>10,252,768</b>	<b>11,306,295</b>	<b>12,146,077</b>
<b>Business-Type Activities:</b>										
Charges For Services:										
Food Service	493,781	497,581	556,602	610,678	635,888	696,636	742,662	813,342	820,347	849,246
Adult School	139,126	132,965	124,185	129,266	118,958	101,237	93,342	81,793	66,826	764
<b>Total Business Type Activities Program Revenues</b>	<b>632,907</b>	<b>630,546</b>	<b>680,787</b>	<b>739,944</b>	<b>754,846</b>	<b>797,873</b>	<b>836,004</b>	<b>895,135</b>	<b>887,173</b>	<b>850,010</b>
<b>Total District Program Revenues</b>	<b>\$ 13,132,247</b>	<b>\$ 11,106,973</b>	<b>\$ 11,339,977</b>	<b>\$ 11,031,329</b>	<b>\$ 10,948,679</b>	<b>\$ 12,081,206</b>	<b>\$ 10,710,858</b>	<b>\$ 11,147,903</b>	<b>\$ 12,193,468</b>	<b>\$ 12,996,087</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (15,481,639)	\$ (20,393,982)	\$ (24,172,594)	\$ (25,784,373)	\$ (27,836,491)	\$ (27,027,946)	\$ (27,965,072)	\$ (28,448,936)	\$ (27,538,770)	\$ (28,726,163)
Business-Type Activities	(66,340)	(62,456)	(6,028)	(90,246)	(37,320)	14,658	9,480	52,159	36,800	(8,878)
<b>Total District-Wide Net Expense</b>	<b>\$ (15,547,979)</b>	<b>\$ (20,456,438)</b>	<b>\$ (24,178,622)</b>	<b>\$ (25,874,619)</b>	<b>\$ (27,873,811)</b>	<b>\$ (27,013,288)</b>	<b>\$ (27,955,592)</b>	<b>\$ (28,396,777)</b>	<b>\$ (27,501,970)</b>	<b>\$ (28,735,041)</b>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**  
*(accrual basis of accounting)*

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Property Taxes Levied For General Purposes, Net	\$ 19,793,773	\$ 21,238,735	\$ 22,976,388	\$ 24,133,047	\$ 25,098,362	\$ 25,791,448	\$ 26,047,191	\$ 26,568,135	\$ 27,099,498	\$ 27,641,488
Taxes Levied For Debt Service	1,334,224	1,639,023	1,703,398	1,769,925	1,889,674	2,273,657	2,313,662	2,325,313	2,245,729	2,452,108
Federal and State Aid - Unrestricted	225,859	324,721	331,258	371,478	38,830	213,827	-	-	-	-
Investment Earnings	354,181	327,246	452,937	226,098	39,803	41,361	19,272	8,519	9,124	26,759
Miscellaneous Income	239,915	348,446	82,652	273,542	80,550	120,733	226,693	213,382	181,733	235,741
Donation of Capital Assets	-	-	-	(701,287)	(71,000)	(35,794)	-	-	-	2,000
Adjustment to Capital Assets	-	-	-	(13,000)	(34,000)	-	-	-	(10,000)	-
Transfers	-	-	(120,000)	(13,000)	(34,000)	-	-	-	(10,000)	6,220
<b>Total Governmental Activities</b>	<b>21,947,952</b>	<b>23,878,171</b>	<b>25,426,633</b>	<b>26,059,803</b>	<b>27,042,219</b>	<b>28,405,232</b>	<b>28,606,818</b>	<b>29,115,349</b>	<b>29,526,084</b>	<b>30,364,316</b>
<b>Business-Type Activities:</b>										
Investment Earnings	2,833	1,627	1,948	2,576	1,502	838	484	235	79	13
Transfers	-	-	120,000	13,000	34,000	-	-	-	10,000	(6,220)
<b>Total Business-Type Activities</b>	<b>2,833</b>	<b>1,627</b>	<b>121,948</b>	<b>15,576</b>	<b>35,502</b>	<b>838</b>	<b>484</b>	<b>235</b>	<b>10,079</b>	<b>(6,207)</b>
<b>Total District-Wide</b>	<b>\$ 21,950,785</b>	<b>\$ 23,879,798</b>	<b>\$ 25,548,581</b>	<b>\$ 26,075,379</b>	<b>\$ 27,077,721</b>	<b>\$ 28,406,070</b>	<b>\$ 28,607,302</b>	<b>\$ 29,115,584</b>	<b>\$ 29,536,163</b>	<b>\$ 30,358,109</b>
<b>Change in Net Position</b>										
Governmental Activities	\$ 6,466,313	\$ 3,484,189	\$ 1,254,039	\$ 275,430	\$ (794,272)	\$ 1,377,286	\$ 641,746	\$ 666,413	\$ 1,987,314	\$ 1,638,153
Business-Type Activities	(63,507)	(60,829)	115,920	(74,670)	(1,818)	15,496	9,964	52,394	46,879	(15,085)
<b>Total District</b>	<b>\$ 6,402,806</b>	<b>\$ 3,423,360</b>	<b>\$ 1,369,959</b>	<b>\$ 200,760</b>	<b>\$ (796,090)</b>	<b>\$ 1,392,782</b>	<b>\$ 651,710</b>	<b>\$ 718,807</b>	<b>\$ 2,034,193</b>	<b>\$ 1,623,068</b>

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

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund</b>										
Reserved	\$ 816,752	\$ 876,937	\$ 1,241,333	\$ 2,259,747	\$ 2,895,302	\$ 3,447,582				
Unreserved	656,664	512,537	546,006	705,101	506,808	543,207				
Restricted							\$ 2,695,772	\$ 2,017,604	\$ 1,568,689	\$ 3,382,584
Committed							260,946	159,831	635,734	114,470
Assigned							164,360	1,242,475	589,715	363,775
Unassigned	-	-	-	-	-	-	649,058	595,658	681,166	691,556
<b>Total General Fund</b>	<u>\$ 1,473,416</u>	<u>\$ 1,389,474</u>	<u>\$ 1,787,339</u>	<u>\$ 2,964,848</u>	<u>\$ 3,402,110</u>	<u>\$ 3,990,789</u>	<u>\$ 3,770,136</u>	<u>\$ 4,015,568</u>	<u>\$ 3,475,304</u>	<u>\$ 4,552,385</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ 13,616,525	\$ 2,241,332	\$ 1,772,543	\$ 1,485,895	\$ 345,864	\$ 2,914				
Unreserved	(2,444,446)	(885,418)	567,140	1,253,929	640,127	1,816,492				
Restricted	-	-	-	-	-	-	\$ 1,220,017	\$ 1,076,939	\$ 629,400	\$ 11,035,719
Assigned	-	-	-	-	-	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<u>\$ 11,172,079</u>	<u>\$ 1,355,914</u>	<u>\$ 2,339,683</u>	<u>\$ 2,739,824</u>	<u>\$ 985,991</u>	<u>\$ 1,819,406</u>	<u>\$ 1,220,017</u>	<u>\$ 1,076,939</u>	<u>\$ 629,400</u>	<u>\$ 11,035,719</u>

Beginning with Fiscal Year 2011/2012, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Type Definitions." The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

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

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Tax Levy	\$ 21,127,997	\$ 22,877,758	\$ 24,679,786	\$ 25,902,972	\$ 26,988,036	\$ 28,065,105	\$ 28,360,853	\$ 28,893,448	\$ 29,345,227	\$ 30,093,596
Tuition Charges	4,227,076	4,201,799	5,213,275	5,797,258	6,116,439	6,328,214	6,717,923	6,360,199	6,363,447	7,476,628
Interest Earnings	354,181	327,246	452,937	226,098	39,803	41,361	19,272	8,519	9,124	26,759
Transportation	318,888		422,645	270						
Miscellaneous	239,915	349,226	84,609	283,964	106,354	146,710	236,172	243,867	201,325	244,597
State Sources	7,949,442	6,307,329	5,123,702	4,546,145	3,746,796	4,555,596	2,671,230	3,452,107	4,539,302	4,293,453
Federal Sources	229,793	291,240	228,869	308,768	343,625	587,373	476,222	409,977	383,954	367,140
<b>Total Revenues</b>	<b>34,447,292</b>	<b>34,354,598</b>	<b>36,205,823</b>	<b>37,065,475</b>	<b>37,341,053</b>	<b>39,724,359</b>	<b>38,481,672</b>	<b>39,368,117</b>	<b>40,842,379</b>	<b>42,502,173</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	12,016,139	12,883,039	14,557,698	15,511,997	15,966,802	16,141,895	15,237,655	15,620,706	16,206,477	16,460,207
Special Education Instruction	2,968,811	3,278,705	3,614,350	3,726,490	3,984,307	3,895,322	4,267,223	4,405,190	4,659,112	5,114,463
Other Instruction	128,355	75,140	82,191	87,628	90,509	92,472	98,170	100,717	100,916	99,082
School Sponsored Activities and Athletics	1,129,453	1,099,433	1,071,156	1,328,397	1,454,692	1,450,853	1,441,164	1,489,913	1,552,459	1,550,221
<b>Support Services:</b>										
Student and Inst. Related Services	3,534,421	4,004,763	3,939,793	3,755,808	3,865,495	4,111,289	3,895,812	4,060,064	4,133,872	4,272,687
General Administration	841,680	915,401	1,372,066	1,136,224	1,524,980	1,233,032	988,669	1,077,580	1,201,371	867,236
School Administrative Services	1,216,933	1,255,108	1,502,839	1,481,426	1,503,356	1,566,549	1,719,004	1,837,674	2,129,664	2,071,376
Plant Operations And Maintenance	2,236,886	2,770,965	2,793,767	3,102,862	3,529,782	3,826,535	4,162,219	4,121,842	4,045,956	4,156,533
Pupil Transportation	1,796,329	1,952,778	2,224,873	1,871,598	1,869,307	1,866,474	1,753,877	1,785,174	1,879,581	2,053,129
Central Services	354,910	380,392	650,277	865,241	841,069	865,522	890,675	914,337	1,113,931	1,276,253
Capital Outlay	22,996,249	13,184,599	3,217,538	534,489	1,286,701	1,523,256	2,020,551	1,101,801	1,912,107	3,534,025
<b>Debt Service:</b>										
Debt Issuance Costs								229,984		8,663
Advance Refunding Escrow								1,486,283		
Principal	670,346	997,467	1,125,281	1,227,073	1,380,241	1,196,893	1,368,266	1,390,479	1,520,128	1,643,983
Interest and Other Charges	1,475,697	1,456,915	1,801,148	1,648,007	1,596,383	1,532,173	1,458,429	1,360,286	1,364,608	1,255,135
<b>Total Expenditures</b>	<b>51,366,209</b>	<b>44,254,705</b>	<b>37,952,977</b>	<b>36,277,240</b>	<b>38,893,624</b>	<b>39,302,265</b>	<b>39,301,714</b>	<b>40,982,030</b>	<b>41,820,182</b>	<b>44,362,993</b>
<b>Excess (Deficiency) of Revenues</b>										
Over (Under) Expenditures	(16,918,917)	(9,900,107)	(1,747,154)	788,235	(1,552,571)	422,094	(820,042)	(1,613,913)	(977,803)	(1,860,820)
<b>Other Financing Sources (Uses)</b>										
Proceeds From Lease Purchase				802,415	270,000	1,000,000				785,000
Proceeds From Serial Bonds			3,000,000							12,553,000
Refunding Bond Proceeds								26,555,000		
Premium on Refunding Bonds								2,552,267		
Payments to Refunded Bonds Escrow								(27,391,000)		
Capital Leases (Non-Budgeted)			248,788							
Transfers In	312,304	584,465	249,564	94,510	3,914	12,662	1,139,741	400,616	1,220,643	347,627
Transfers Out	(312,304)	(584,465)	(369,564)	(107,510)	(37,914)	(12,662)	(1,139,741)	(400,616)	(1,230,643)	(341,407)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>3,128,788</b>	<b>789,415</b>	<b>236,000</b>	<b>1,000,000</b>	<b>-</b>	<b>1,716,267</b>	<b>(10,000)</b>	<b>13,344,220</b>
<b>Net Change in Fund Balances</b>	<b>\$ (16,918,917)</b>	<b>\$ (9,900,107)</b>	<b>\$ 1,381,634</b>	<b>\$ 1,577,650</b>	<b>\$ (1,316,571)</b>	<b>\$ 1,422,094</b>	<b>\$ (820,042)</b>	<b>\$ 102,354</b>	<b>\$ (987,803)</b>	<b>\$ 11,483,400</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>7.56%</b>	<b>7.90%</b>	<b>8.42%</b>	<b>8.04%</b>	<b>7.92%</b>	<b>7.22%</b>	<b>7.58%</b>	<b>6.90%</b>	<b>7.23%</b>	<b>7.10%</b>

\* 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)**

<b>Fiscal Year Ended June 30</b>	<b><u>Tuition</u></b>	<b><u>Transportation</u></b>	<b><u>Interest on Investments</u></b>	<b><u>Rental</u></b>	<b><u>Foundation Donation</u></b>	<b><u>Misc.</u></b>	<b><u>Total</u></b>
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
2011	6,717,923		18,912	91,730		134,963	6,963,528
2012	6,360,199		7,903	102,385		107,734	6,578,221
2013	6,363,447		8,481	88,701		86,826	6,547,455
2014	7,476,628		8,224	95,491		140,250	7,720,593

Source: District Records

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

Fiscal Year Ended June 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 <sup>a</sup>
<b>Long Hill Township</b>												
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	4,268,514	1,287,694,014	1,894,469,220	0.492
2010	20,585,900	1,137,120,400	2,795,500	40,700	103,892,800	16,541,200	6,668,200	1,287,644,700	4,454,525	1,292,099,025	1,839,145,332	0.522
2011	19,059,600	1,139,562,700	2,245,100	39,700	104,055,800	16,541,200	6,268,200	1,287,772,300	4,509,141	1,292,281,441	1,792,478,629	0.562
2012	17,735,400	1,127,011,200	3,103,600	45,700	103,707,100	16,541,200	6,268,200	1,274,412,400	4,714,115	1,279,126,515	1,695,714,200	0.587
2013	16,751,400	1,115,697,400	4,115,700	45,700	102,227,500	16,445,900	6,268,200	1,261,551,800	3,796,526	1,265,348,326	1,623,851,325	0.594
2014	16,714,900	1,111,286,000	3,734,200	47,400	102,470,400	16,304,600	6,268,200	1,256,825,700	3,141,460	1,259,967,160	1,597,186,047	0.593
<b>Warren Township</b>												
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	4,567,425,015	0.411
2011	96,740,500	3,145,601,700	25,551,000	-	638,821,400	36,119,200	-	3,942,833,800	6,013,698	3,948,847,498	4,171,743,932	0.395
2012	82,894,100	3,222,571,800	26,443,200	198,300	634,340,600	35,303,600	-	4,001,751,600	5,764,382	4,007,517,982	4,151,349,860	0.388
2013	72,272,000	3,344,937,520	27,157,100	-	627,211,600	35,451,500	-	4,107,029,720	5,478,908	4,112,508,628	4,194,970,394	0.391
2014	61,316,700	3,471,066,700	27,930,700	189,800	633,883,600	39,665,800	-	4,234,053,300	5,568,016	4,239,621,316	4,288,083,148	0.404
<b>Borough of Watchung</b>												
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	1,912,929,426	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	1,824,791,793	0.351
2011	35,484,200	1,204,394,400	-	-	290,376,800	6,367,300	49,255,800	1,585,878,500	1,468,637	1,587,347,137	1,684,856,609	0.363
2012	35,511,800	1,221,449,700	-	-	282,766,200	6,273,400	49,255,800	1,595,256,900	1,577,286	1,596,834,186	1,674,592,266	0.377
2013	31,860,700	1,214,066,800	377,200	5,280	294,459,700	6,237,300	47,400,000	1,594,406,980	1,484,459	1,595,891,439	1,641,460,927	0.384
2014	31,400,800	1,246,894,300	355,000	5,280	296,015,200	6,237,500	47,400,000	1,628,308,080	1,151,575	1,629,459,655	1,634,355,194	0.376

Source: County Abstract of Ratables

<sup>a</sup> Tax rates are per \$100

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING BONDED DEBT  
FOR YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

Net Direct Debt of School District as of December 31, 2013		\$ 41,468,000
Net Overlapping Debt of School District		
Long Hill Township	\$ 23,652,109	
Warren Township	21,800,606	
Borough of Watchung	<u>26,080,848</u>	
		<u>71,533,563</u>
Total Direct and Overlapping Bond Debt as of December 31, 2013		<u>\$ 113,001,563</u>

Sources: County and Municipal Annual Debt Statements, December 31, 2013

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

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

Taxpayer	2014		2005	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
<b><u>Long Hill Township</u></b>				
Valley and Plainfield Associate	\$ 21,204,400	1.68%	\$ 21,204,400	1.68%
Stirling Center Associates	9,907,400	0.78%	9,896,500	0.78%
Bell Atlantic/Verizon	4,509,141	0.36%	5,801,258	0.46%
Stirling Manor	4,000,000	0.32%	4,716,400	0.37%
Transcontinental Gas Pipeline	3,764,500	0.30%	3,690,300	0.29%
Tifa Ltd.	3,030,500	0.24%	2,999,300	0.24%
RHK/A.K. Stamping			3,791,900	0.30%
Dagwood Prop. (Ind. Soccer, LLC)	2,246,900	0.18%	2,246,900	0.18%
Millington Savings Bank	2,215,500	0.18%	3,259,300	0.26%
Thermoplastic Ventures	2,068,600	0.16%	-	0.00%
Jilrydan, Inc (Realty, LLC)	2,197,400	0.17%	2,197,400	0.17%
	<u>\$ 55,144,341</u>	<u>4.36%</u>	<u>\$ 59,803,658</u>	<u>4.73%</u>
<b><u>Warren Township</u></b>				
King George Property Co. (SJP)	\$ 129,301,200	3.05%	\$ 114,657,000	2.93%
Mt. Bethel Corp	72,174,400	1.70%	79,520,100	2.03%
Somerset Assoc. c/o Chubb	77,365,000	1.82%	82,351,000	2.10%
Liberty Assoc			43,797,800	1.12%
Normandy Warren Holdings, LLC	14,945,400	0.35%	-	0.00%
184 Property Owner, LLC	31,023,500	0.73%	-	0.00%
GC Net Lease (Warren) Investors	28,666,300	0.68%	-	0.00%
Vicendese Family LTD	17,097,200	0.40%	19,989,300	0.51%
Warren 2001 C/O Thomson Reuters	15,841,000	0.37%	-	0.00%
10 Independence C/O Mack Realty	14,945,400	0.35%	16,271,300	0.42%
JT Warren LP, 2 Paces West			31,159,000	0.80%
Sumitomo & Glenborough			29,364,800	0.75%
Hines VAF Independence			16,271,300	0.42%
SK Warren Associates, LLC	14,400,000	0.34%	16,500,000	0.42%
	<u>\$ 415,759,400</u>	<u>9.81%</u>	<u>\$ 449,881,600</u>	<u>11.49%</u>
<b><u>Watchung Borough</u></b>				
Watchung Square Associates	\$ 80,977,300	4.97%	\$ 92,121,700	5.22%
Blue Star Shopping Center			54,664,600	3.09%
MGD Holdings Watch, LLC			40,000,000	2.26%
Levin Properties, LP	52,527,300	3.22%	-	0.00%
Avalon II NJ Value II, LLP	47,400,000	2.91%	-	0.00%
Watchung VF LLC	22,868,300	1.40%	26,078,700	1.48%
Sears Roebuck & Co	17,054,900	1.05%	19,316,500	1.09%
HD Development of Maryland, Inc.	13,265,000	0.81%	-	0.00%
Target Corp	14,908,000	0.91%	17,700,000	1.00%
680 Mountain Boulevard, LLC	11,990,000	0.74%	-	0.00%
1620 Route 22 East, LLC	9,772,400	0.60%	-	0.00%
Weldon Materials Inc	9,559,600	0.59%	10,500,000	0.59%
Pitney Partners			5,800,000	0.33%
Twin Brooks Country Club, LP			13,682,000	0.77%
Home Depot, USA Inc.			18,761,300	1.06%
	<u>\$ 280,322,800</u>	<u>17.20%</u>	<u>\$ 298,624,800</u>	<u>16.91%</u>

Source: Municipal Tax Assessor

**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	
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
2011	28,360,853	28,360,853	100.00%	N/A
2012	28,893,448	28,893,448	100.00%	N/A
2013	29,345,227	29,345,227	100.00%	N/A
2014	30,093,596	30,093,596	100.00%	N/A

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

Fiscal Year Ended June 30,	Governmental Activities					Total District	Population *	Per Capita
	General Obligation Bonds	Lease Purchase Agreements	Capital Leases	Bond Anticipation Notes (BANs)	Debt Authorized But Not Issued			
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	29,862	1,152
2011	31,816,000	1,223,126			476	33,039,602	29,958	1,103
2012	30,005,000	807,647			476	30,813,123	30,326	1,016
2013	28,915,000	377,519			-	29,292,519	30,562	958
2014	40,093,000	893,536			-	40,986,536	30,562 (Est.)	1,341

Source: District records

\* Total Population of Long Hill, Warren and Watchung

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
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	0.50%	1,076
2010	32,731,000		32,731,000	0.48%	1,096
2011	31,816,000		31,816,000	0.42%	1,062
2012	30,005,000		30,005,000	0.40%	989
2013	28,915,000		28,915,000	0.41%	946
2014	40,093,000		40,093,000	0.56%	1,312

Source: District records

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

<u>Calendar Year</u>	<u>Total</u>	<u>Regional School District</u>	<u>Local School District</u>	<u>Municipality</u>	<u>County</u>
<b><u>Long Hill Township</u></b>					
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
2011	2.82	0.562	1.180	0.744	0.329
2012	2.86	0.587	1.179	0.766	0.327
2013	2.96	0.594	1.250	0.788	0.324
2014	2.87	0.593	1.161	0.788	0.326
<b><u>Warren Township</u></b>					
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
2011	2.01	0.395	0.940	0.294	0.378
2012	1.99	0.388	0.934	0.289	0.382
2013	2.02	0.391	0.923	0.314	0.389
2014	2.04	0.404	0.914	0.319	0.400
<b><u>Borough of Watchung</u></b>					
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
2011	1.96	0.363	0.728	0.491	0.379
2012	2.01	0.377	0.732	0.519	0.386
2013	2.07	0.384	0.748	0.546	0.391
2014	2.09	0.376	0.748	0.572	0.398

Source: Tax Collector

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN YEARS  
(Unaudited)**

December 31,

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 171,056,403	\$ 189,244,886	\$ 210,607,122	\$ 251,591,766	\$ 260,554,334	\$ 255,541,716	\$ 247,132,546	\$ 230,189,071	\$ 230,189,071	\$ 226,793,730
Total Net Debt Applicable to Limit	<u>40,717,264</u>	<u>32,326,000</u>	<u>34,751,476</u>	<u>34,336,476</u>	<u>33,581,476</u>	<u>32,731,476</u>	<u>31,816,476</u>	<u>30,005,476</u>	<u>28,915,476</u>	<u>40,093,000</u>
Legal Debt Margin	<u>\$ 130,339,139</u>	<u>\$ 156,918,886</u>	<u>\$ 175,855,646</u>	<u>\$ 217,255,290</u>	<u>\$ 226,972,858</u>	<u>\$ 222,810,240</u>	<u>\$ 215,316,070</u>	<u>\$ 200,183,595</u>	<u>\$ 201,273,595</u>	<u>\$ 186,700,730</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	23.80%	17.08%	16.50%	13.65%	12.89%	12.81%	12.87%	13.04%	12.56%	17.68%

**Legal Debt Margin Calculation, December 31, 2013**

	2011	7,677,180,881
	2012	7,466,821,025
	2013	<u>7,535,371,070</u>
		<u>\$ 22,679,372,976</u>
Average equalized valuation of taxable property	\$	7,559,790,992
3% of Equalized Valuation Basis		226,793,730
Less Net Debt		<u>40,093,000</u>
Remaining Borrowing Power		<u>\$ 186,700,730</u>

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

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income (2)</u>	<u>Population (1)</u>
<b><u>Long Hill Township</u></b>			
2004	2.6%	\$ 60,234	8,683
2005	2.7%	62,260	8,669
2006	3.1%	66,827	8,593
2007	2.8%	69,900	8,545
2008	3.7%	71,990	8,550
2009	6.3%	67,544	8,579
2010	6.4%	68,725	8,710
2011	6.2%	71,933	8,751
2012	6.4%	74,057	8,774
2013	6.8%	N/A	8,812
<b><u>Warren Township</u></b>			
2004	4.4%	61,059	15,294
2005	1.7%	63,874	15,385
2006	2.0%	68,298	15,471
2007	1.8%	71,792	15,568
2008	2.4%	73,126	15,689
2009	4.3%	68,901	15,871
2010	4.3%	70,116	15,341
2011	4.2%	73,068	15,379
2012	4.4%	75,863	15,716
2013	5.3%	N/A	15,885
<b><u>Borough of Watchung</u></b>			
2004	2.4%	61,059	6,510
2005	2.8%	63,874	6,552
2006	3.0%	68,298	6,653
2007	2.7%	71,792	6,706
2008	3.6%	73,126	6,730
2009	6.4%	68,901	6,773
2010	6.4%	70,116	5,811
2011	6.3%	73,068	5,828
2012	6.6%	75,863	5,836
2013	4.2%	N/A	5,865

## Sources:

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

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

<u>Employer</u>	<u>2014</u>		<u>2005</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

Long Hill Township

INFORMATION NOT AVAILABLE

Warren Township

INFORMATION NOT AVAILABLE

Borough of Watchung

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Instruction								
Regular	149	152	153	153	142	143	148	148
Special Education	30	32	35	35	35	35	37	41
Other Special Education	10	9	9	9	9	9	9	9
Adult/Continuing Education Programs	1	1	1	1	1	1	1	-
Support Services:								
Student and Instruction Related Services	18	19	19	19	19	19	19	19
General Administration	5	5	5	9	9	9	9	10
School Administrative Services	10	12	12	12	12	12	14	14
Other Administrative Services	8	9	9	9	8	6	6	6
Central Services	7	7	8	6	6	6	6	6
Administrative Information Technology	4	4	4	5	5	5	5	5
Plant Operations And Maintenance	13	14	15	15	15	15	15	15
Pupil Transportation	7	9	10	15	1	1	1	1
Total	<u>262</u>	<u>273</u>	<u>280</u>	<u>288</u>	<u>262</u>	<u>261</u>	<u>270</u>	<u>274</u>

Source: District Personnel Records

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

<u>Fiscal Year</u>	<u>Enrollment<sup>a</sup></u>	<u>Operating Expenditures<sup>b</sup></u>	<u>Cost Per Pupil<sup>c</sup></u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil Teacher Ratio High School</u>	<u>Average Daily Enrollment (ADE)</u>	<u>Average Daily Attendance (ADA)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
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	32,470,271	15,755	-0.60%	184	1:11	2,061	1,954.0	2.69%	94.81%
2009	2,033	35,382,685	17,404	10.47%	189	1:11	2,033	1,967.4	-1.36%	96.77%
2010	2,069	35,049,943	16,941	-2.66%	188	1:11	2,069	2,003.4	1.77%	96.83%
2011	2,057	34,454,468	16,750	-1.13%	177	1:12	2,057	1,983.6	-0.58%	96.43%
2012	2,064	35,413,197	17,158	2.43%	180	1:12	2,064	1,990.0	0.34%	96.41%
2013	2,136	37,023,339	17,333	1.02%	185	1:12	2,136	2,044.1	3.49%	95.70%
2014	2,175	37,921,187	17,435	0.59%	189	1:12	2,175	2,089.0	1.83%	96.05%

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.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b><u>District Building</u></b>								
<b><u>High School</u></b>								
Square Feet	391,915	391,915	391,915	391,915	391,915	391,915	391,915	391,915
Capacity (students)	2,506	2,506	2,506	2,506	2,506	2,506	2,506	2,506
Enrollment	2,007	2,061	2,033	2,069	2,057	2,069	2,136	2,175
<b><u>Garage</u></b>								
Square Feet	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
<b><u>Field House</u></b>								
Square Feet	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000

Number of Schools at June 30, 2014  
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)**

<u>Year</u>		
2005	\$	1,144,995
2006		1,254,409
2007		1,033,888
2008		869,201
2009		954,060
2010		1,113,820
2011		1,320,963
2012		1,311,846
2013		1,379,308
2014		1,475,556

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SCHEDULE OF INSURANCE  
JUNE 30, 2014**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - SAIF Property-Blanket Building/Contents	\$ 65,128,134	\$1,000
Automobile	5,000,000	
Collision		1,000
Comprehensive		1,000
General Liability	5,000,000	
Employee Benefits Liability		1,000
School Board Legal	10,000,000	10,000
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	

Source: School Insurance Records

**SINGLE AUDIT SECTION**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
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ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
LORI T. MANUKIAN, CPA, PSA  
MARK SACO, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, 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, 2014 and the related notes to the financial statements, which collectively comprise the Watchung Hills Regional High School District's basic financial statements and have issued our report thereon dated October 27, 2014.

#### Internal Control Over Financial Reporting

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

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

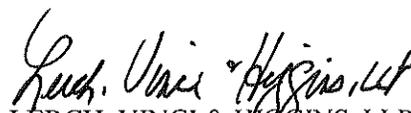
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Watchung Hills Regional High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Watchung Hills Regional High School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Watchung Hills Regional High School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
October 27, 2014



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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LORI T. MANUKIAN, CPA, PSA  
MARK SACO, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL  
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Compliance for Each Major State Program**

We have audited the Watchung Hills Regional High School District's compliance with the types of compliance requirements described in the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Watchung Hills Regional High School District's major state programs for the fiscal year ended June 30, 2014. The Watchung Hills Regional High School District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Watchung Hills Regional High School District's major state programs based on our audit of the types of compliance requirements referred to above. 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 Office of School Finance, Department of Education, State of New Jersey; 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 state program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Watchung Hills Regional High School District's compliance.

### ***Opinion on Each Major State Program***

In our opinion, the Watchung Hills Regional High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of the Watchung Hills Regional High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Watchung Hills Regional High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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 Watchung Hills Regional High School District's internal control over compliance.

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

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04**

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, 2014 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated October 27, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
October 27, 2014

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2013	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year Balances	Balance at June 30, 2014			Memo		
											(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Budgetary Receivable	
U.S. Department of Homeland Security FEMA		N/A		15,367	\$ (6,202)	-	\$ 6,202	-	-	-	-	-	-	-	-	-
Total General Fund					(6,202)	-	6,202	-	-	-	-	-	-	-	-	-
U.S. Department of Education Passed-Through State Department of Education																
Special Revenue Fund																
N.C.L.B. Title I	84.010A	NCLB74013	7/1/13-6/30/14	40,522		\$ 10,153	25,164	\$ 50,675	\$ (10,153)		\$ (25,511)				\$ (23,365)	\$ (25,511)
N.C.L.B. Title I	84.010A	NCLB74013	9/1/12-8/31/13	46,907	(23,567)	(10,153)	24,827	1,260	10,153		-					
N.C.L.B. Title II - A	84.281A	NCLB533007	7/1/13-6/30/14	12,315		2,427		14,742	(2,427)		(14,742)				(14,742)	(14,742)
N.C.L.B. Title II - A	84.281A	NCLB533007	9/1/12-8/31/13	12,917	(10,490)	(2,427)	10,490		2,427		-					
I.D.E.A Part B, Basic	84.027A	IDEA533008	7/1/13-6/30/14	322,296		52,090	170,972	328,681	(52,090)		(203,414)	\$ 45,705			(131,637)	(157,709)
I.D.E.A Part B, Basic	84.027A	IDEA533008	9/1/12-8/31/13	328,122	(148,741)	(52,090)	148,741		52,090		-					
I.D.E.A Part B, Basic	84.027A	IDEA533008	9/1/11-8/31/12	348,909		10,407						10,407				
I.D.E.A Part B, Basic	84.027A	IDEA533008	9/1/10-8/31/11	319,459		5,424							\$ 5,424			
I.D.E.A Part B, Basic, Carryover	84.027A	IDEA533007	9/1/07-8/31/08	37,376	1,145	-	-	-	-	-	-	-		1,145		
Total Special Revenue Fund					(165,822)	-	380,194	395,358	-	-	(243,667)	56,112	6,569		(169,744)	(197,962)
Total Federal Awards					\$ (172,024)	\$ -	\$ 386,396	\$ 395,358	\$ -	\$ -	\$ (243,667)	\$ 56,112	\$ 6,569	\$ (169,744)	\$ (197,962)	

This schedule was not subject to single audit in accordance with OMB Circular A-133.



**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, 2014**

**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 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 prepared and 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 financial statements. The information in these schedules is presented in accordance with requirements of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The 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 a decrease of \$99,032 for the general fund and a decrease of \$27,226 for the 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:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,213,416	\$ 4,213,416
Special Revenue Fund	\$ 367,140	80,037	447,177
 Total Financial Assistance	 \$ 367,140	 \$ 4,293,453	 \$ 4,660,593

**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, 2014**

**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 \$1,189,157 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2014. The amount reported as TPAF Pension System Contributions in the amount of \$657,036 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,077,292 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2014.

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

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions 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 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, 2014**

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with 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, 2014

*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**

Not Applicable

**CURRENT YEAR STATE AWARDS**

There are none.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**

There were none.