

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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, 2011**

**Prepared by**

**Business Office**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
TABLE OF CONTENTS**

Page

**INTRODUCTORY SECTION**

Letter of Transmittal	i-iv
Organizational Chart	v
Roster of Officials	vi
Consultants and Advisors	vii

**FINANCIAL SECTION**

Independent Auditors' Report	1-2
------------------------------	-----

**REQUIRED SUPPLEMENTARY INFORMATION- PART I**

Management's Discussion and Analysis	3-15
--------------------------------------	------

**Basic Financial Statements**

**A. District-Wide Financial Statements**

A-1 Statement of Net Assets	16
A-2 Statement of Activities	17

**B. Fund Financial Statements**

*Governmental Funds*

B-1 Balance Sheet	18
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	19
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20

*Proprietary Funds*

B-4 Statement of Net Assets	21
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
B-6 Statement of Cash Flows	23

*Fiduciary Funds*

B-7 Statement of Fiduciary Net Assets	24
B-8 Statement of Changes in Fiduciary Net Assets	25

<b>Notes to the Basic Financial Statements</b>	26-50
--	-------

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
TABLE OF CONTENTS**

Page

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**C. Budgetary Comparison Schedules**

C-1	Budgetary Comparison Schedule – General Fund	51-57
C-2	Budgetary Comparison Schedule – Special Revenue Fund	58
C-3	Required Supplementary Information – Budgetary Comparison Schedule	59

**OTHER SUPPLEMENTARY INFORMATION**

**D. School Level Schedules – Not Applicable**

**E. Special Revenue Fund**

E-1	Combining Statement of Revenues, Expenditures and Changes in Fund Balance Special Revenue Fund – Budgetary Basis	60
E-2	Preschool Education Aid Schedule of Expenditures – Budgetary Basis – Not Applicable	61

**F. Capital Projects Fund**

F-1	Summary Schedule of Project Expenditures	62
F-2	Summary Schedule of Project Expenditures and Changes in Fund Balance – Budgetary Basis	63
F-2a	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Three Renovations Project	64
F-2b	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Construction and Equipment Additions to High School	65
F-2c	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Lavatory Renovations – Phase I	66
F-2d	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Lavatory Renovations – Phase II	67
F-2e	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Acquisition of Equipment	68
F-2f	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Acquisition of Equipment	69
F-2g	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Replace Gym Bleachers	70
F-2h	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Conversion of Board of Education Offices to Classrooms	71
F-2i	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – New Security System	72
F-2j	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – HVAC Project	73

**G. Proprietary Funds**

*Enterprise Fund*

G-1	Combining Statement of Net Assets – Not Applicable	74
G-2	Combining Statements of Revenues, Expenses and Changes in Net Assets – Not Applicable	74
G-3	Combining Statements of Cash Flows – Not Applicable	74

*Internal Service Fund – Not Applicable*

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
TABLE OF CONTENTS**

Page

**H. Fiduciary Funds**

H-1	Combining Statement of Fiduciary Net Assets	75
H-2	Statement of Changes in Fiduciary Net Assets - Not Applicable	76
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	77
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	77

**I. Long-Term Debt**

I-1	Schedule of Serial Bonds Payable	78
I-2	Schedule of Obligations under Lease Purchase Agreements	79
I-3	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	80

**J. STATISTICAL SECTION (Unaudited)**

**Financial Trends**

J-1	Net Assets by Component	81
J-2	Changes in Net Assets	82
J-3	Fund Balances – Governmental Funds	83
J-4	Changes in Fund Balances – Governmental Funds	84
J-5	General Fund Other Local Revenue by Source	85

**Revenue Capacity**

J-6	Assessed Value and Actual Value of Taxable Property	86
J-7	Computation of Direct and Overlapping Outstanding Bonded Debt	87
J-8	Principal Property Taxpayers	88
J-9	Property Tax Levies and Collections	89

**Debt Capacity**

J-10	Ratios of Outstanding Debt by Type	90
J-11	Ratios of Net General Bonded Debt Outstanding	91
J-12	Property Tax Rates - Direct and Overlapping Governments	92
J-13	Legal Debt Margin Information	93

**Demographic and Economic Information**

J-14	Demographic Statistics	94
J-15	Principal Employers	95

**Operating Information**

J-16	Full Time Equivalent District Employees by Function/Program	96
J-17	Operating Statistics	97
J-18	School Building Information	98
J-19	Schedule of Required Maintenance for School Facilities	99
J-20	Schedule of Insurance	100

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
TABLE OF CONTENTS**

Page

**K.**

**SINGLE AUDIT SECTION**

K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	101-102
K-2	Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and New Jersey OMB Circular 04-04 – Independent Auditor’s Report	103-104
K-3	Schedule of Expenditures of Federal Awards	105
K-4	Schedule of Expenditures of State Financial Assistance	106
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	107-108
K-6	Schedule of Findings and Questioned Costs	109-112
K-7	Summary Schedule of Prior Year Findings	113

## **INTRODUCTORY SECTION**



# *Watchung Hills*

## *Regional High School District*

*Long Hill & Warren Township & Watchung Borough  
108 Stirling Road ~ Warren ~ New Jersey 07059-5799*

Dr. Frances C. Stromsland  
Superintendent  
908-647-4800 ext. 4890  
Fax: 908-647-4852

Timothy M. Stys, CPA  
Business Administrator/Board Secretary  
908-647-4800 ext. 4850

November 10, 2011

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, 2011, 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 2010/2011 fiscal year with an enrollment of 2,057 which is 12 students below 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>
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%
2003/2004	1,727	11.06%
2002/2003	1,555	14.76%
2001/2002	1,355	0.67%

**2. ECONOMIC CONDITION AND OUTLOOK:**

The Watchung Hills Regional High School area is experiencing a leveling off of enrollment. Student population is still expected to grow over the next two years and then level off to approximately 2,300 students. The State of New Jersey continues to add more restrictive mandates and has dramatically reduced state aid and instituted a challenging 2% budget CAP. Additionally, the economic outlook for the State of New Jersey or the country is not positive in terms of growth and employment. Despite the difficult 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. The SAT, HSPT and AP results reflect an extremely high level of achievement. Ninety-five percent of our 2011 graduates went on to further education. This past year, we were very proud to report that the Watchung Hills Regional High School was named one of the top 1,000 high schools in the country (Number 154) by Newsweek magazine and recently had one of its graduates receive the prestigious Noble Prize Award in Physics.

#### **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, 2011.

#### **6. ACCOUNTING SYSTEM AND REPORTS:**

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

#### **7. CASH MANAGEMENT:**

The investment policy of the District is guided in large part by state statute as detailed in the "Notes to the Basic Financial Statements", Note 4. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA) or New Jersey Cash Management Fund. GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, which the funds are secured in accordance with the Act or the New Jersey Cash Management Fund.

**8. RISK MANAGEMENT:**

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

**9. OTHER INFORMATION:**

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

**10. ACKNOWLEDGEMENTS:**

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

Respectfully submitted,



Dr. Frances Stromsland  
Superintendent of Schools



Timothy M. Stys  
School Business Administrator/  
Board Secretary



WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2011

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Robert Horowitz, President Warren Township	2014
Harold Grossnickle –Vice President Warren Township	2013
Lisa A. DeMizio Long Hill Township	2014
Sondra Fechtner Watchung Borough	2014
Peter Falzarano Long Hill Township	2013
Laura Mandell Warren Township	2013
Louis Pepe Long Hill Township	2012
Peter Fallon Warren Township	2012
Paul F. Seelig Watchung Borough	2012
<u>Appointed</u>	
Gerald Binder Green Brook Township	1 year term
<u>Other Officials</u>	
Dr. Frances Stromsland, Superintendent	
Timothy M. Stys, CPA, School Business Administrator/Board Secretary	
Dr. Paul Ward, Director of Personnel	
Ronald R. Rossi, Jr., Treasurer of School Monies	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**Consultants and Advisors**

**Architect**

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

**Audit Firm**

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

**Attorney**

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

**Construction Attorney**

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

**Special Education Attorney**

Parker McCay P.A.  
1009 Lenox Drive  
Building Four East, Suite 102A  
Lawrenceville, NJ 08648

**Official Depository**

TD Bank  
1701 Route 70 East  
Cherry Hill, NJ 08034

**FINANCIAL SECTION**

# LERCH, VINCI & HIGGINS, LLP

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REGISTERED MUNICIPAL ACCOUNTANTS

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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  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA  
EDWARD N. KERE, CPA

## 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 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, 2011, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2011 on our consideration of the Watchung Hills Regional High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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.

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 as a whole. The introductory section, combining fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are also not a required part of the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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.

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
November 10, 2011

## **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, 2011. 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 2010-2011 fiscal year include the following:

- The net assets of the Watchung Hills Regional High School District exceeded its liabilities at the close of the fiscal year by \$17,002,849.
- Overall revenues were \$39,318,160. General revenues accounted for \$28,607,302 or 73% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,710,858 or 27% of total revenues.
- The school district had \$37,839,926 in expenses for governmental activities; only \$9,874,854 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$28,606,818 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 \$4,990,153.
- The General Fund fund balance at June 30, 2011 was \$3,770,136, a decrease of \$220,653 when compared with the beginning balance of \$3,990,789 at July 1, 2010.
- The school district maintains a Capital Reserve balance of \$1,116,976, a Tuition Reserve balance of \$500,000 and a Maintenance Reserve balance of \$100,000 at June 30, 2011.

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

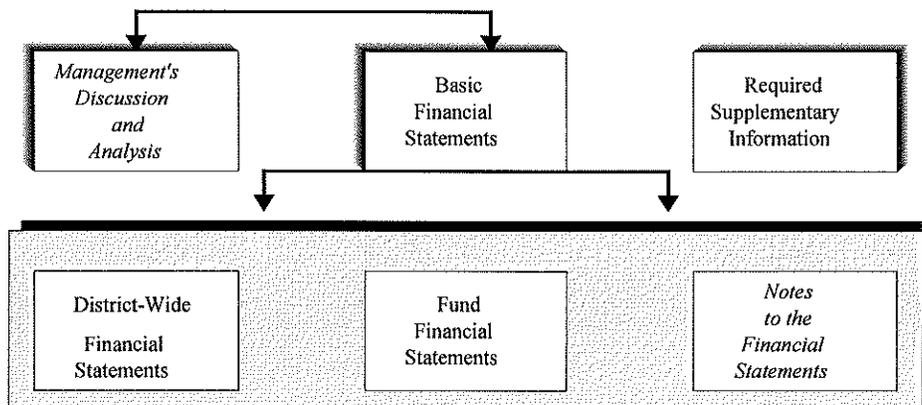
### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1



# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

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

**Figure A-2**

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	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 assets Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in fund net assets Statement of cash flows	Statements of fiduciary net assets, Statement of changes in fiduciary net assets
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified 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 and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets.
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or Paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

### District-Wide Financial Statements

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

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

# 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 assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration and plant operations and maintenance. Property taxes and state aid finances most of these activities.
- *Business type activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's Food Service and Adult School Enterprise Funds are included under this category.

### Fund Financial Statements

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

- Some funds are required by State law and bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

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

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

### Notes to the Basic Financial Statements

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

### Other Information

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

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

### DISTRICT-WIDE FINANCIAL ANALYSIS

Changes in Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$17,002,849 as of June 30, 2011. 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 assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Statement of Net Assets as of June 30, 2011 and 2010

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 5,378,509	\$ 6,391,924	\$ 236,830	\$ 215,210	\$ 5,615,339	\$ 6,607,134
Capital Assets	<u>46,237,269</u>	<u>46,240,979</u>	<u>23,926</u>	<u>17,554</u>	<u>46,261,195</u>	<u>46,258,533</u>
<b>Total Assets</b>	<u>51,615,778</u>	<u>52,632,903</u>	<u>260,756</u>	<u>232,764</u>	<u>51,876,534</u>	<u>52,865,667</u>
Long-Term Liabilities	33,785,875	35,236,678			33,785,875	35,236,678
Other Liabilities	<u>1,026,873</u>	<u>1,234,941</u>	<u>60,937</u>	<u>42,909</u>	<u>1,087,810</u>	<u>1,277,850</u>
<b>Total Liabilities</b>	<u>34,812,748</u>	<u>36,471,619</u>	<u>60,937</u>	<u>42,909</u>	<u>34,873,685</u>	<u>36,514,528</u>
Net Assets:						
Invested in Capital Assets, Net						
of Related Debt	14,020,686	13,736,776	23,926	17,554	14,044,612	13,754,330
Restricted	2,208,924	1,560,906			2,208,924	1,560,906
Unrestricted	<u>573,420</u>	<u>863,602</u>	<u>175,893</u>	<u>172,301</u>	<u>749,313</u>	<u>1,035,903</u>
<b>Total Net Assets</b>	<u>\$ 16,803,030</u>	<u>\$ 16,161,284</u>	<u>\$ 199,819</u>	<u>\$ 189,855</u>	<u>\$ 17,002,849</u>	<u>\$ 16,351,139</u>

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

### Changes in Net Assets for the Fiscal Years Ended June 30, 2011 and 2010

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 6,717,923	\$ 6,328,214	\$ 836,004	\$ 797,873	\$ 7,553,927	\$ 7,126,087
Operating Grants and Contributions	3,154,862	4,314,721			3,154,862	4,314,721
Capital Grants and Contributions	2,069	640,398			2,069	640,398
General Revenues						
Property Taxes	28,360,853	28,065,105			28,360,853	28,065,105
Unrestricted Federal and State Aid	-	213,827			-	213,827
Other	245,965	162,094	484	838	246,449	162,932
<b>Total Revenues</b>	<u>38,481,672</u>	<u>39,724,359</u>	<u>836,488</u>	<u>798,711</u>	<u>39,318,160</u>	<u>40,523,070</u>
<b>Expenses</b>						
Instruction						
Regular	16,054,820	16,863,313			16,054,820	16,863,313
Special Education	4,388,482	4,002,031			4,388,482	4,002,031
Other Instruction	97,873	91,929			97,873	91,929
School Sponsored Activities and Athletics	1,437,639	1,444,286			1,437,639	1,444,286
Support Services						
Student and Instruction Related Services	4,234,325	4,416,723			4,234,325	4,416,723
General Administration	1,160,256	1,636,833			1,160,256	1,636,833
School Administrative Services	1,798,149	1,396,908			1,798,149	1,396,908
Plant Operation and Maintenance	4,583,328	4,220,312			4,583,328	4,220,312
Pupil Transportation	1,753,052	1,863,379			1,753,052	1,863,379
Central and Other Support Services	888,268	861,134			888,268	861,134
Interest on Long-Term Debt	1,443,734	1,514,431			1,443,734	1,514,431
Food Services			707,858	665,568	707,858	665,568
Adult School	-	-	118,666	117,647	118,666	117,647
<b>Total Expenses</b>	<u>37,839,926</u>	<u>38,311,279</u>	<u>826,524</u>	<u>783,215</u>	<u>38,666,450</u>	<u>39,094,494</u>
<b>Adjustment to Fixed Assets</b>	-	(35,794)	-	-	-	(35,794)
<b>Change in Net Assets</b>	641,746	1,377,286	9,964	15,496	651,710	1,392,782
<b>Net Assets, Beginning of Year</b>	<u>16,161,284</u>	<u>14,783,998</u>	<u>189,855</u>	<u>174,359</u>	<u>16,351,139</u>	<u>14,958,357</u>
<b>Net Assets, End of Year</b>	<u>\$ 16,803,030</u>	<u>\$ 16,161,284</u>	<u>\$ 199,819</u>	<u>\$ 189,855</u>	<u>\$ 17,002,849</u>	<u>\$ 16,351,139</u>

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

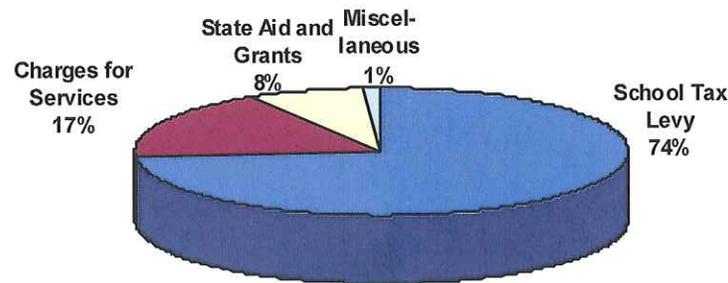
## Management's Discussion and Analysis

**Governmental Activities.** The District's total governmental activities' revenues, which includes State and Federal grants, were \$38,481,672 for the fiscal year ended June 30, 2011. Property taxes of \$28,360,853 represented 74% percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and local aid was \$3,156,931. Another source of revenues is charges for services which includes tuition from other LEAs.

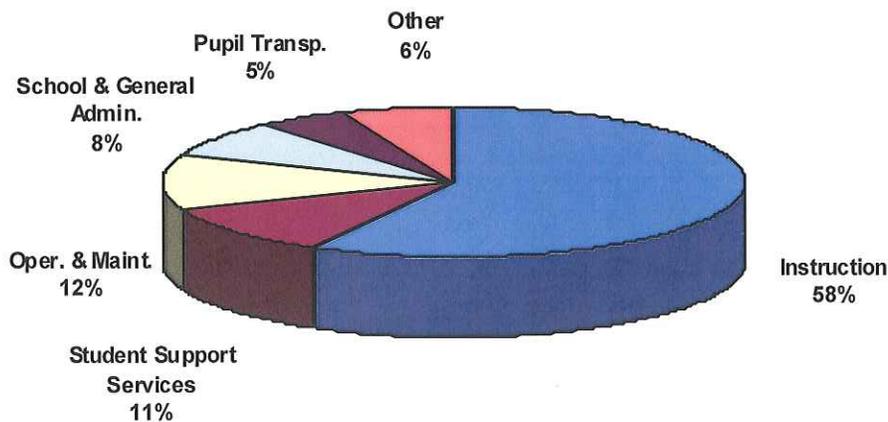
The total cost of all governmental activities programs and services was \$37,839,926. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$21,978,814 (58%) of total expenditures. Student support services, exclusive of administration, total \$4,234,325 or (11%) of total expenditures.

Total governmental activities revenues and transfers were greater than expenses, increasing net assets \$671,746 from the previous year.

Revenues by Source- Governmental Activities  
For Fiscal Year Ended June 30, 2011



Expenditures by Type- Governmental Activities  
For Fiscal Year Ended June 30, 2011



# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

**Net Cost of Governmental Activities.** The District's total cost of services was \$37,839,926. After applying program revenues, derived from charges for services of \$6,717,923 and operating and capital grants and contributions of \$3,156,931; the net cost of services of the District is \$27,965,072.

### Total and Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2011 and 2010

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Governmental Activities				
Instruction				
Regular	\$ 16,054,820	\$ 16,863,313	\$ 8,357,406	\$ 9,658,499
Special Education	4,388,482	4,002,031	3,052,953	2,262,539
Other Instruction	97,873	91,929	91,562	82,962
School Sponsored Activities and Athletics	1,437,639	1,444,286	1,321,429	1,335,822
Support Services				
Student and Instruction Related Services	4,234,325	4,416,723	3,872,932	4,011,006
General Administration	1,160,256	1,636,833	1,080,659	1,565,178
School Administration Services	1,798,149	1,396,908	1,745,819	1,347,811
Plant Operation and Maintenance	4,583,328	4,220,312	4,492,410	3,129,958
Pupil Transportation	1,753,052	1,863,379	1,617,900	1,311,955
Business and Other Support Services	888,268	861,134	888,268	807,785
Interest on Debt	1,443,734	1,514,431	1,443,734	1,514,431
<b>Total Governmental Activities</b>	<b><u>\$ 37,839,926</u></b>	<b><u>\$ 38,311,279</u></b>	<b><u>\$ 27,965,072</u></b>	<b><u>\$ 27,027,946</u></b>

**Business-Type Activities** – The District's total business-type activities revenues were \$836,488 for the year ended June 30, 2011. Charges for services accounted for over 99% of total revenues. Miscellaneous income accounted for less than 1% of total revenue for the year.

The total cost of all business-type activities programs and services was \$826,524. The District's expenses are related to Food Service programs provided to all students, teachers and administrators within the District, as well as the Adult School program.

Total business-type activities revenues were greater than expenses, increasing net assets by \$9,964 over 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 \$4,990,153. At June 30, 2010, the fund balance was \$5,810,195. This significant decrease is predominately attributable to an increase in the District's Capital Projects Fund expenditures.

Revenues for the District's governmental funds were \$38,481,672, while total expenses were \$39,301,714.

**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.

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Local Sources:				
Property Taxes	\$ 26,047,191	\$ 25,791,448	\$ 255,743	0.99%
Tuition	6,717,923	6,328,214	389,709	6.16%
Miscellaneous	245,605	149,432	96,173	64.36%
Federal Sources	13,071		13,071	N/A
State Sources	<u>2,520,446</u>	<u>3,807,042</u>	<u>(1,286,596)</u>	-33.80%
 Total General Fund Revenues	 <u>\$ 35,544,236</u>	 <u>\$ 36,076,136</u>	 <u>\$ (531,900)</u>	 -1.47%

Total General Fund Revenues decreased by \$531,900 or 1.47% over the previous year.

Local property taxes increased 0.99% over the previous year. State aid revenues decreased \$1,286,596 or 33.8% and tuition revenues increased \$389,709 or 6.16% from the prior year.

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

The following schedule presents a summary of General Fund expenditures.

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Instruction	\$ 20,456,376	\$ 20,921,077	\$ (464,701)	-2.22%
Support Services	13,371,105	13,384,422	(13,317)	-0.10%
Debt Service	510,120	441,641	68,479	15.51%
Capital Outlay	<u>312,067</u>	<u>740,317</u>	<u>(428,250)</u>	-57.85%
Total Expenditures	<u>\$ 34,649,668</u>	<u>\$ 35,487,457</u>	<u>\$ (837,789)</u>	-2.36%

In 2010-2011 General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$220,653. As a result, total fund balance decreased to \$3,770,136 at June 30, 2011. After deducting statutory transfers and reserves, the unassigned fund balance increased from \$476,721 at June 30, 2010 to \$649,058 at June 30, 2011.

**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 \$558,546, for the year ended June 30, 2011. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 83% of the total revenue for the year.

Total Special Revenue Fund revenues decreased by \$182,960 from the previous year.

Expenditures of the Special Revenue Fund were \$558,546. Instructional expenditures were \$517,326 or 93% of total expended for the year ended June 30, 2011.

**Capital Projects** - The capital projects expenditures and other financing uses exceeded revenues and other financing sources by \$596,836 decreasing fund balance to \$1,206,994 at June 30, 2011.

### 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 Exhibits 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, 2011 amounts to \$46,261,195 (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 2010-11 amounted to \$2,024,261 for governmental activities and \$13,108 for business-type activities.

**Table A-6**  
**Capital Assets at June 30, 2011 and 2010**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 105,616	\$ 105,616			\$ 105,616	\$ 105,616
Improvements Other Than Buildings	4,490,615	3,533,649			4,490,615	3,533,649
Buildings	53,812,583	52,915,918			53,812,583	52,915,918
Machinery and Equipment	5,013,827	5,202,058	\$ 115,433	\$ 95,953	5,129,260	5,298,011
Construction in Progress	-	119,911	-	-	-	119,911
	63,422,641	61,877,152	115,433	95,953	63,538,074	61,973,105
Less Accumulated Depreciation	<u>(17,185,372)</u>	<u>(15,636,173)</u>	<u>(91,507)</u>	<u>(78,399)</u>	<u>(17,276,879)</u>	<u>(15,714,572)</u>
<b>Total Capital Assets (Net)</b>	<u>\$ 46,237,269</u>	<u>\$ 46,240,979</u>	<u>\$ 23,926</u>	<u>\$ 17,554</u>	<u>\$ 46,261,195</u>	<u>\$ 46,258,533</u>

Additional information on the District's capital assets is presented in Note 3 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 \$746,749, bonds payable of \$31,816,000 and obligations under lease-purchase of \$1,223,126.

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

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

Currently, the District's budgetary funds are in good financial condition. The District currently has in excess of \$600,000 of unassigned general fund surplus. Additionally, the district was able to deposit \$600,000 in a Capital Reserve to cover unforeseen future capital expenditures and \$400,000 to cover any tuition adjustments that may result with the sending/receiving school district, Green Brook Board of Education.

Many factors were considered by the District's administration during the process of developing the fiscal year 2011-2012 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 2011/2012, the District will be faced with immaterial State aid and a strict 2% budget CAP.

The District's budget for 2011/12 is \$37,431,292. Moving forward, the Watchung Hills Regional Board of Education looks forward to working within the State mandated budget CAP restrictions while maintaining a high level of academic standard; providing a high quality of education for area students at a reasonable cost to taxpayers.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**BASIC FINANCIAL STATEMENTS**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 3,203,080	\$ 236,371	\$ 3,439,451
Receivables, net	1,919,441		1,919,441
Internal Balances	1,893	(1,893)	-
Deferred Charges	38,433		38,433
Inventory		2,352	2,352
Restricted Assets			
Cash Held in Escrow	215,662		215,662
Capital Assets			
Not Being Depreciated	105,616		105,616
Being Depreciated, Net	<u>46,131,653</u>	<u>23,926</u>	<u>46,155,579</u>
Total Assets	<u>51,615,778</u>	<u>260,756</u>	<u>51,876,534</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Liabilities	238,208	60,937	299,145
Intergovernmental Payable	14,071		14,071
Accrued Interest Payable	676,950		676,950
Unearned Revenue	97,644		97,644
Noncurrent Liabilities			
Due within one year	1,390,479		1,390,479
Due beyond one year	<u>32,395,396</u>	<u>-</u>	<u>32,395,396</u>
Total Liabilities	<u>34,812,748</u>	<u>60,937</u>	<u>34,873,685</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	14,020,686	23,926	14,044,612
Restricted for:			
Capital Projects	1,595,901		1,595,901
Debt Service	13,023		13,023
Other Purposes	600,000		600,000
Unrestricted	<u>573,420</u>	<u>175,893</u>	<u>749,313</u>
Total Net Assets	<u>\$ 16,803,030</u>	<u>\$ 199,819</u>	<u>\$ 17,002,849</u>

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 16,054,820	\$ 6,166,111	\$ 1,531,303		\$ (8,357,406)		\$ (8,357,406)
Special Education	4,388,482	551,812	781,648	\$ 2,069	(3,052,953)		(3,052,953)
Other Instruction	97,873		6,311		(91,562)		(91,562)
School Sponsored Activities and Athletics	1,437,639		116,210		(1,321,429)		(1,321,429)
Support Services:							
Student & Instruction Related Services	4,234,325		361,393		(3,872,932)		(3,872,932)
School Administrative Services	1,160,256		79,597		(1,080,659)		(1,080,659)
General Administrative Services	1,798,149		52,330		(1,745,819)		(1,745,819)
Plant Operations and Maintenance	4,583,328		90,918		(4,492,410)		(4,492,410)
Pupil Transportation	1,753,052		135,152		(1,617,900)		(1,617,900)
Central and Other Support Services	888,268				(888,268)		(888,268)
Interest on Long-Term Debt	1,443,734				(1,443,734)		(1,443,734)
Total Governmental Activities	37,839,926	6,717,923	3,154,862	2,069	(27,965,072)		(27,965,072)
Business-Type Activities:							
Adult School	118,666	93,342				\$ (25,324)	(25,324)
Food Service	707,858	742,662				34,804	34,804
Total Business-Type Activities	826,524	836,004				9,480	9,480
Total Primary Government	\$ 38,666,450	\$ 7,553,927	\$ 3,154,862	\$ 2,069	(27,965,072)	9,480	(27,955,592)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					26,047,191		26,047,191
Property Taxes Levied for Debt Service					2,313,662		2,313,662
Investment Earnings					19,272	484	19,756
Miscellaneous Income					226,693		226,693
Total General Revenues					28,606,818	484	28,607,302
Change in Net Assets					641,746	9,964	651,710
Net Assets, Beginning of Year					16,161,284	189,855	16,351,139
Net Assets, End of Year					\$ 16,803,030	\$ 199,819	\$ 17,002,849

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

**FUND FINANCIAL STATEMENTS**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**AS OF JUNE 30, 2011**

	<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	\$ 3,097,914		\$ 92,143	\$ 13,023	\$ 3,203,080
Receivables, Net					
Intergovernmental	112,683	\$ 87,849	986,995		1,187,527
Other	731,914				731,914
Due from Other Funds	21,912				21,912
Cash Held in Escrow	-	-	215,662	-	215,662
	<u>3,964,423</u>	<u>87,849</u>	<u>1,294,800</u>	<u>13,023</u>	<u>5,360,095</u>
Total Assets	<u>\$ 3,964,423</u>	<u>\$ 87,849</u>	<u>\$ 1,294,800</u>	<u>\$ 13,023</u>	<u>\$ 5,360,095</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 176,409	\$ 11,257	\$ 31,765		\$ 219,431
Due to Other Funds	14,995	20,019			35,014
Payable to Federal Government		11,608			11,608
Payable to State Government		2,463			2,463
Other Liabilities		3,782			3,782
Deferred Revenue	2,883	38,720	56,041	-	97,644
	<u>194,287</u>	<u>87,849</u>	<u>87,806</u>	<u>-</u>	<u>369,942</u>
Total Liabilities	<u>194,287</u>	<u>87,849</u>	<u>87,806</u>	<u>-</u>	<u>369,942</u>
<b>Fund Balances</b>					
<b>Restricted Fund Balance</b>					
Capital Reserve	1,116,976				1,116,976
Tuition Reserve	400,000				400,000
Tuition Reserve - Designated for Subsequent Year's Budget	100,000				100,000
Maintenance Reserve	100,000				100,000
Excess Surplus	436,022				436,022
Excess Surplus - Designated for Subsequent Year's Budget	542,774				542,774
Capital Projects Fund			1,206,994		1,206,994
Debt Service Fund				\$ 13,023	13,023
Committed Fund Balance					
Encumbrances	260,946				260,946
Assigned Fund Balance					
Encumbrances	107,134				107,134
Designated for Subsequent Year's Budget	57,226				57,226
Unassigned Fund Balance					
General Fund	649,058	-	-	-	649,058
	<u>3,770,136</u>	<u>-</u>	<u>1,206,994</u>	<u>13,023</u>	<u>4,990,153</u>
Total Fund Balances	<u>3,770,136</u>	<u>-</u>	<u>1,206,994</u>	<u>13,023</u>	<u>4,990,153</u>
Total Liabilities and Fund Balances	<u>\$ 3,964,423</u>	<u>\$ 87,849</u>	<u>\$ 1,294,800</u>	<u>\$ 13,023</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$63,422,641 and the accumulated depreciation is \$17,185,372.

46,237,269

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

(676,950)

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 4)

(33,747,442)

Net assets of governmental activities (Exhibit A-1)

\$ 16,803,030

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	\$ 26,047,191			\$ 2,313,662	\$ 28,360,853
Investment Earnings	18,912		\$ 360		19,272
Tuition	6,717,923				6,717,923
Miscellaneous	226,693	\$ 9,479	-	-	236,172
Total - Local Sources	33,010,719	9,479	360	2,313,662	35,334,220
State Sources	2,520,446	85,916	64,868		2,671,230
Federal Sources	13,071	463,151	-	-	476,222
Total Revenues	35,544,236	558,546	65,228	2,313,662	38,481,672
<b>EXPENDITURES</b>					
Current					
Regular Instruction	15,082,938	84,207	70,510		15,237,655
Special Education Instruction	3,834,104	433,119			4,267,223
Other Instruction	98,170				98,170
School Sponsored Activities & Athletics	1,441,164				1,441,164
Support Services					
Student & Instruction Related Services	3,856,661	39,151			3,895,812
School Administrative Services	1,719,004				1,719,004
General Administrative Services	988,669				988,669
Plant Operations and Maintenance	4,162,219				4,162,219
Pupil Transportation	1,753,877				1,753,877
Central and Other Support Services	890,675				890,675
Debt Service					
Principal	453,266			915,000	1,368,266
Interest and other charges	56,854			1,401,575	1,458,429
Capital Outlay	312,067	2,069	1,706,415	-	2,020,551
Total Expenditures	34,649,668	558,546	1,776,925	2,316,575	39,301,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	894,568	-	(1,711,697)	(2,913)	(820,042)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	12,080		1,127,301	360	1,139,741
Transfers Out	(1,127,301)	-	(12,440)	-	(1,139,741)
Total Other Financing Sources and (Uses)	(1,115,221)	-	1,114,861	360	-
Net Change in Fund Balances	(220,653)	-	(596,836)	(2,553)	(820,042)
Fund Balance, Beginning of Year	3,990,789	-	1,803,830	15,576	5,810,195
Fund Balance, End of Year	\$ 3,770,136	\$ -	\$ 1,206,994	\$ 13,023	\$ 4,990,153

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Total net change in fund balances - governmental funds (Exhibit B-2)** \$ (820,042)

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

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

Depreciation expense	\$ (2,024,261)	
Capital outlays	<u>2,020,551</u>	(3,710)

The issuance of long term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Additionally, governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these activities.

Repayment of Bond Principal	915,000	
Repayment of Lease Purchase Principal	<u>453,266</u>	1,368,266

In the statement of activities, costs related to the issuance of long term debt are deferred and amortized over the term of the debt. In the governmental funds, the issuance costs are reported upon issuance of the debt. This amount represents the current year amortization of the costs related to the issuance of long term debt in previous years. (4,413)

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. 19,108

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.

82,537

**Change in net assets of governmental activities (Exhibit A-2)** \$ 641,746

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**PROPRIETARY FUND**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2011**

	<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	\$ 170,829	\$ 65,542	\$ 236,371
Inventory	<u>2,352</u>	<u>-</u>	<u>2,352</u>
Total Current Assets	<u>173,181</u>	<u>65,542</u>	<u>238,723</u>
Capital Assets			
Furniture, Machinery, and Equipment	115,433		115,433
Less: Accumulated Depreciation	<u>(91,507)</u>	<u>-</u>	<u>(91,507)</u>
Total Noncurrent Assets	<u>23,926</u>	<u>-</u>	<u>23,926</u>
Total Assets	<u>197,107</u>	<u>65,542</u>	<u>262,649</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	60,937		60,937
Due to Other Funds	<u>-</u>	<u>1,893</u>	<u>1,893</u>
Total Current Liabilities	<u>60,937</u>	<u>1,893</u>	<u>62,830</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	23,926		23,926
Unrestricted	<u>112,244</u>	<u>63,649</u>	<u>175,893</u>
Total Net Assets	<u>\$ 136,170</u>	<u>\$ 63,649</u>	<u>\$ 199,819</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	\$ 742,662		\$ 742,662
Program Fees	-	\$ 93,342	93,342
	<u>742,662</u>	<u>93,342</u>	<u>836,004</u>
Total Operating Revenues			
<b>OPERATING EXPENSES</b>			
Cost of Sales	289,092		289,092
Salaries and Benefits	293,115	102,215	395,330
Other Purchased Services	17,329		17,329
Management Fee	31,901		31,901
Miscellaneous	63,313	16,451	79,764
Depreciation Expense	13,108	-	13,108
	<u>707,858</u>	<u>118,666</u>	<u>826,524</u>
Total Operating Expenses			
Operating Income/(Loss)	<u>34,804</u>	<u>(25,324)</u>	<u>9,480</u>
<b>NONOPERATING REVENUES</b>			
Interest Revenue	-	484	484
	<u>-</u>	<u>484</u>	<u>484</u>
Total Nonoperating Revenues			
Net Income/(Loss) Before Operating Transfers	34,804	(24,840)	9,964
Operating Transfers			
Operating Transfers In	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	34,804	(24,840)	9,964
Total Net Assets, Beginning of Year	<u>101,366</u>	<u>88,489</u>	<u>189,855</u>
Total Net Assets, End of Year	<u>\$ 136,170</u>	<u>\$ 63,649</u>	<u>\$ 199,819</u>

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Food Service</u>	<u>Other Non-Major</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 745,841	\$ 93,342	\$ 839,183
Cash Payments to Employees for Salaries and Benefits	(293,115)	(112,641)	(405,756)
Cash Payments to Suppliers for Goods and Services	(383,307)	(16,451)	(399,758)
Net Cash Provided (Used) for Operating Activities	<u>69,419</u>	<u>(35,750)</u>	<u>33,669</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Fixed Assets	(19,480)	-	(19,480)
Net Cash (Used for) Capital and Related Financing Activities	<u>(19,480)</u>	<u>-</u>	<u>(19,480)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	-	484	484
Net Cash Provided by Investing Activities	<u>-</u>	<u>484</u>	<u>484</u>
Net Increase/(Decrease) in Cash	49,939	(35,266)	14,673
Cash, Beginning of Year	120,890	100,808	221,698
Cash, End of Year	<u>\$ 170,829</u>	<u>\$ 65,542</u>	<u>\$ 236,371</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED FOR OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 34,804	\$ (25,324)	\$ 9,480
Adjustments to Reconcile Operating Loss to Net Cash Provided for Operating Activities			
Depreciation	13,108		13,108
Change in Assets and Liabilities			
(Increase)/Decrease in Inventory	300		300
(Increase)/Decrease in Accounts Receivable	3,179		3,179
Increase/(Decrease) in Accounts Payable	18,028		18,028
Increase/(Decrease) in Due to/from Other Funds	-	(10,426)	(10,426)
Total Adjustments	<u>34,615</u>	<u>(10,426)</u>	<u>24,189</u>
Net Cash Provided (Used) for Operating Activities	<u>\$ 69,419</u>	<u>\$ (35,750)</u>	<u>\$ 33,669</u>

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AS OF JUNE 30, 2011**

	<u>Unemployment Compensation Trust Fund</u>	<u>Scholarship Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash	\$ 54,272	\$ 45,243	\$ 492,190
Due from Other Funds	<u>-</u>	<u>-</u>	<u>14,995</u>
Total Assets	<u>54,272</u>	<u>45,243</u>	<u>\$ 507,185</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings			\$ 77,126
Intergovernmental Payable	22,425		
Due to Student Groups	<u>-</u>	<u>-</u>	<u>430,059</u>
Total Liabilities	<u>22,425</u>	<u>-</u>	<u>\$ 507,185</u>
<b>NET ASSETS</b>			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 31,847</u>	<u>\$ 45,243</u>	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Unemployment Compensation <u>Trust Fund</u></b>	<b>Scholarship <u>Fund</u></b>
<b>ADDITIONS</b>		
Contributions		
Employees	\$ 36,349	
Employer	150,000	
Private Donations		\$ 45,177
Interest	-	66
	<hr/>	<hr/>
Total Additions	186,349	45,243
	<hr/>	<hr/>
<b>DEDUCTIONS</b>		
Unemployment Claims	179,507	-
	<hr/>	<hr/>
Total Deductions	179,507	-
	<hr/>	<hr/>
Change in Net Assets	6,842	45,243
Net Assets, Beginning of Year	25,005	-
	<hr/>	<hr/>
Net Assets, End of Year	\$ 31,847	\$ 45,243
	<hr/>	<hr/>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Watchung Hills Regional High School District (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials from Warren Township Watchung Borough of Long Hill Township 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, adult school and student related activities of the District.

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

**B. Basic Financial Statements**

The basic financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements. Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

The district-wide financial statements report information on all of the nonfiduciary activities of the Board of Education. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by 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 assets, 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**B. Basic Financial Statements (Continued)**

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

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.

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

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

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated 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.

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

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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**D. Assets, Liabilities and Net Assets or Equity**

**1. *Deposits and Investments***

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

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

**2. *Receivables and Payables***

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

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

*Tuition Revenues* - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

*Tuition Expenditures* - Tuition charges for the fiscal years 2009-2010 and 2010-2011 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

Property taxes are levied pursuant to law and are collected by the municipalities and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred revenues. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 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. *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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**D. Assets, Liabilities and Net Assets or Equity**

**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.

**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.

Property, plant, and equipment of the primary government 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. *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 and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds do not permit the accrual of vacation and sick leave.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

**7. *Long-term obligations***

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

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

**8. *Fund Equity***

Beginning with fiscal year 2010/2011, the District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund 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 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.

*Excess Surplus – Designated for Subsequent Year's Budget* - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2010 audited excess surplus that was appropriated in the 2011/2012 original budget certified for taxes.

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2011 audited excess surplus that is required to be appropriated in the 2012/2013 original budget certified for taxes.

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

*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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

**8. Fund Equity (Continued)**

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

Tuition Reserve – Designated for Subsequent Year's Budget – This restriction was created in accordance with NJAC 6A:23A-17.1(F)8 to represent foreseeable future tuition adjustments for the 2008/2009 and 2009/2010 contract year that is appropriated in the 2011/2012 original budget certified for taxes.

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.

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 governing body or by an official or body to which the governing body delegates the authority.

Encumbrances – Represents outstanding purchase orders at year end 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 2011/2012 District budget certified for taxes.

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

**9. Reclassifications**

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the 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.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2010/2011. During 2010/2011 the Board increased the original budget by \$512,360. The increase was funded by additional surplus appropriated, grant awards and the reappropriation of prior year general fund encumbrances. On May 9, 2011 the Board authorized and approved an additional fund balance appropriations of \$42,999 from the general fund.

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 BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Capital Reserve (Continued)**

The activity of the capital reserve for the fiscal year ended June 30, 2011 is as follows:

Balance, July 1, 2010		\$ 1,545,330
Increased by		
Interest earnings	\$ 1,646	
Deposits Approved by Board Resolution, June 2011	<u>600,000</u>	
		<u>601,646</u>
		2,146,976
Withdrawals		
Approved by Voters in District Budget - Transferred to Capital Projects Fund		<u>1,030,000</u>
Balance, June 30, 2011		<u>\$ 1,116,976</u>

The June 30, 2011 LRFP balance of local support costs of uncompleted capital projects is \$3,308,640. 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 Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2011 is \$978,796. Of this amount, \$542,774 was designated and appropriated in the 2011/2012 original budget certified for taxes and the remaining amount of \$436,022 will be appropriated in the 2012/2013 original budget certified for taxes.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE3 DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Deposits**

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge 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 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, 2011, the book value of the Board's deposits was \$4,246,818 and bank balances of the Board's cash and deposits amounted to \$5,224,609. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>5,224,609</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, 2011 none of the Board's bank balances were exposed to custodial credit risk.

**Investments**

As of June 30, 2011, 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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE3 DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Receivables**

Receivables as of June 30, 2011 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>Capital Projects</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$ 112,683	\$ 87,849	\$ 986,995	\$ 1,187,527
Accounts	<u>731,914</u>	<u>-</u>	<u>-</u>	<u>731,914</u>
Gross Receivables	844,597	87,849	986,995	1,919,441
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 844,597</u>	<u>\$ 87,849</u>	<u>\$ 986,995</u>	<u>\$ 1,919,441</u>

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

	<u>Unearned</u>
General Fund	
Tuition Charges Receivable	\$ 2,883
Special Revenue Fund	
Unencumbered Grant Draw Downs	14,239
Grant Draw Downs Reserved for Encumbrances	24,481
Capital Projects Fund	
Unrealized School Facility Grants	<u>56,041</u>
 Total Deferred Revenue for Governmental Funds	 <u>\$ 97,644</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance, <u>July 1, 2010</u>	<u>Increases</u>	Deletions and <u>Adjustments</u>	Balance, <u>June 30, 2011</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 119,911		\$ (119,911)	
Land	105,616	-	-	\$ 105,616
Total Capital Assets, Not Being Depreciated	<u>225,527</u>	<u>-</u>	<u>-</u>	<u>105,616</u>
Capital Assets, Being Depreciated:				
Improvements Other Than Buildings	3,533,649	\$ 837,055	119,911	4,490,615
Buildings	52,915,918	896,665		53,812,583
Machinery and Equipment	5,202,058	286,831	(475,062)	5,013,827
Total Capital Assets Being Depreciated	<u>61,651,625</u>	<u>2,020,551</u>	<u>(355,151)</u>	<u>63,317,025</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(1,310,295)	(221,142)		(1,531,437)
Buildings	(10,575,252)	(1,293,719)		(11,868,971)
Machinery and Equipment	(3,750,626)	(509,400)	475,062	(3,784,964)
Total Accumulated Depreciation	<u>(15,636,173)</u>	<u>(2,024,261)</u>	<u>475,062</u>	<u>(17,185,372)</u>
Total Capital Assets, Being Depreciated, Net	<u>46,015,452</u>	<u>(3,710)</u>	<u>119,911</u>	<u>46,131,653</u>
Governmental Activities Capital Assets, Net	<u>\$ 46,240,979</u>	<u>\$ (3,710)</u>	<u>\$ -</u>	<u>\$ 46,237,269</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

	Balance, <u>July 1, 2010</u>	<u>Increases</u>	<u>Adjustments</u>	Balance, <u>June 30, 2011</u>
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 95,953	\$ 19,480	-	\$ 115,433
Total Capital Assets Being Depreciated	<u>95,953</u>	<u>19,480</u>	-	<u>115,433</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(78,399)	(13,108)	-	(91,507)
Total Accumulated Depreciation	<u>(78,399)</u>	<u>(13,108)</u>	-	<u>(91,507)</u>
Total Capital Assets, Being Depreciated, Net	<u>17,554</u>	<u>6,372</u>	-	<u>23,926</u>
Business-Type Activities Capital Assets, Net	<u>\$ 17,554</u>	<u>\$ 6,372</u>	<u>\$ -</u>	<u>\$ 23,926</u>

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

**Governmental Activities:**

Instruction		
Regular		\$ 861,054
Special		<u>129,592</u>
Total Instruction		<u>990,646</u>
Support Services		
Student and Instruction Related Services		349,877
General Administration		173,174
School Administration		84,186
Operations and Maintenance of Plant		<u>426,378</u>
Total Support Services		<u>1,033,615</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 2,024,261</u>
<b>Business-Type Activities:</b>		
Machinery and Equipment		\$ 13,108
Total Depreciation Expense-Business-Type Activities		<u>\$ 13,108</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

**Construction commitments**

The District has the following active construction projects as of June 30, 2011:

<u>Project</u>	<u>Remaining Commitment</u>
Gymnasium Bleacher Replacement	\$ 27,560
Construction of Press Box	<u>134,500</u>
	<u>\$ 162,060</u>

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

The composition of interfund balances as of June 30, 2011, is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Agency Fund	General Fund	\$ 14,995
General Fund	Special Revenue Fund	20,019
General Fund	Adult School Enterprise Fund	<u>1,893</u>
		<u>\$ 36,907</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 expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

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

**Interfund transfers**

	<u>Transfer In:</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Transfer Out:				
General Fund		\$ 1,127,301		\$ 1,127,301
Capital Projects Fund	\$ 12,080	-	\$ 360	<u>12,440</u>
Total transfers out	<u>\$ 12,080</u>	<u>\$ 1,127,301</u>	<u>\$ 360</u>	<u>\$ 1,139,741</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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Leases**

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

At June 30, 2011, there are unexpended proceeds for capital leases in the amount of \$215,662 on deposit with the fiscal agent.

**Lease Purchase Agreements**

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

**Governmental Activities:**

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 415,479	\$ 40,064	\$ 455,543
2013	430,128	25,415	455,543
2014	268,984	10,246	279,230
2015	<u>108,535</u>	<u>1,516</u>	<u>110,051</u>
	<u>\$ 1,223,126</u>	<u>\$ 77,241</u>	<u>\$ 1,300,367</u>

**F. Long-Term Debt**

**General Obligation Bonds**

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

Bonds payable at June 30, 2011 are comprised of the following issues:

\$32,426,000, 2003 Bonds, due in annual installments of \$855,000 to \$2,486,000 through January, 2028, interest at 4.25% to 4.38%	\$29,151,000
\$3,000,000, 2007 Bonds, due in annual Installments of \$120,000 to \$220,000 through January, 2027, interest at 4.00% to 4.10%	<u>2,665,000</u>
	<u>\$31,816,000</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Long-Term Debt**

**Governmental Activities:**

<u>Fiscal Year</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 975,000	\$ 1,362,975	\$ 2,337,975
2013	1,030,000	1,321,837	2,351,837
2014	1,420,000	1,278,375	2,698,375
2015	1,485,000	1,219,350	2,704,350
2016	1,550,000	1,155,440	2,705,440
2017-2021	8,950,000	4,753,362	13,703,362
2022-2026	11,325,000	2,626,862	13,951,862
2027-2029	<u>5,081,000</u>	<u>330,451</u>	<u>5,411,451</u>
	<u>\$ 31,816,000</u>	<u>\$ 14,048,652</u>	<u>\$ 45,864,652</u>

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2011 was as follows:

3% of Equalized Valuation Basis (Municipal)		\$ 247,132,546
Less: Net Debt Issued	\$ 31,816,000	
Bonds Authorized But Not Issued	<u>476</u>	
		<u>31,816,476</u>
Remaining Borrowing Power		<u>\$ 215,316,070</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

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

**Changes in long-term liabilities**

Long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2011</u>	Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 32,731,000		\$ 915,000	\$ 31,816,000	\$ 975,000
Obligations Under Lease Purchase	1,676,392		453,266	1,223,126	415,479
Compensated Absences	<u>829,286</u>	<u>-</u>	<u>82,537</u>	<u>746,749</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 35,236,678</u>	<u>\$ -</u>	<u>\$ 1,450,803</u>	<u>\$ 33,785,875</u>	<u>\$ 1,390,479</u>

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

**NOTE 4 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$33,747,742 difference are as follows:

Bonds Payable	\$31,816,000
Less: Deferred Charge For Issuance Costs (To Be Amortized Over Life Of Debt)	(38,433)
Lease Purchases Payable	1,223,126
Compensated Absences	<u>746,749</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$33,747,442</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 5 OTHER INFORMATION**

**A. Risk Management**

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

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

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the 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 insurance fund are on file with the School's Business Administrator.

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

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

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ 150,000	\$ 36,349	\$ 179,507	\$ 31,847
2009-2010		38,942	98,670	25,005
2008-2009		46,181	53,464	84,247

**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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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, 2011, 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, 2011, the District has no estimated arbitrage earnings due to the IRS.

**D. Employee Retirement Systems and Pension Plans**

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

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

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

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

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Other Pension Funds**

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

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, 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.

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

**Significant Legislation**

P.L. 2010, c. 1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Significant Legislation (Continued)**

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7<sup>th</sup> of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

**Funding Status and Funding Progress**

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 72.1 percent and \$15.1 billion.

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

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

**Actuarial Methods and Assumptions**

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 5.5% for PERS, 5.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2011, 2010 and 2009 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 <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2011	\$ 344,292	\$ 48,253	\$ 3,267
2010	272,177	51,192	
2009	215,122	47,246	

During the last three fiscal years the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed \$48,253, \$51,192 and \$47,246 during 2010/2011, 2009/2010 and 2008/2009, respectively, for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,159,627 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**E. Post-Retirement Medical Benefits**

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 514 state and local participating employers and contributing entities for Fiscal Year 2010.

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](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. 2010, c.2 effective May 21, 2010, makes changes to the SHBP-State/Local Government/Local Education concerning eligibility, cost sharing, choice of a plan, the application of benefit changes, the waiver of coverage, and multiple coverage under such plans. It also requires contributions toward the cost of health care benefits coverage by public employees and certain retirees.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Investment Valuation**

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

**Funded Status and Funding Progress**

As of June 30, 2009, the most recent actuarial valuation date, the State had a \$56.8 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$20.5 billion for state active and retired members and \$36.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

**Actuarial Methods and Assumptions**

In the June 30, 2009, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

**Post-Retirement Medical Benefits Contributions**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits and the State contributed \$883.8 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 5 OTHER INFORMATION (Continued)**

**G. 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, 2011, 2010 and 2009 were \$1,024,888, \$961,466 and \$901,326, 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. Subsequent Events**

On July 14, 2011, the District issued \$17,190,000 Refunding Bonds, Series 2011 through RBC Capital Markets. The Bonds mature January 15, 2024 and are issued with interest rates ranging from 3.00% to 5.00%.

The proceeds of the Bonds will be used to advance refund all of the Board's outstanding callable 2003 School Bonds, dated May 1, 2003 and maturing on January 15 in the years 2014 through 2024 (the "Refunded Bonds") at a redemption price of 100% of the principal amount thereof (the "Redemption Price"). Specifically, the Bonds will be used to pay: (i) when due, the interest accrued on the Refunded Bonds through and including January 15, 2013 (the "Call Date"); (ii) the Redemption Price of the Refunded Bonds on the Call Date; and (iii) the costs associated with the issuance of the Bonds.

**BUDGETARY COMPARISON SCHEDULES**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 26,047,191		\$ 26,047,191	\$ 26,047,191	
Tuition	6,735,736		6,735,736	6,717,923	\$ (17,813)
Interest	100		100	18,912	18,812
Miscellaneous	331,775		331,775	226,693	(105,082)
Federal Sources					
FEMA Reimbursement				13,071	13,071
State Sources					
Non-Public Transportation				55,767	55,767
Extraordinary Aid	77,593		77,593	87,457	9,864
Post Retirement-Pension Contributions				1,024,888	1,024,888
Teachers' Pension & Annuity Fund - Non-contributory Insurance				48,253	48,253
On-behalf TPAF Social Security Contributions	-	-	-	1,159,627	1,159,627
	<u>33,192,395</u>	<u>-</u>	<u>33,192,395</u>	<u>35,399,782</u>	<u>2,207,387</u>
Total Revenues					
<b>EXPENDITURES</b>					
<b>CURRENT</b>					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 9-12	10,738,420	\$ (161,486)	10,576,934	10,417,392	159,542
Home Instruction					
Salaries of Teachers	33,400	9,500	42,900	42,875	25
Purchased Prof.-Ed. Services	18,000	(9,500)	8,500	8,390	110
Regular Programs - Undistributed Instruction					
Purchased Prof.-Ed. Services	6,635		6,635	6,376	259
Other Purchased Services	451,113	(26,230)	424,883	410,979	13,904
General Supplies	506,406	31,766	538,172	409,420	128,752
Textbooks	186,864	(33,486)	153,378	134,353	19,025
Other Objects	21,250	(80)	21,170	12,916	8,254
	<u>11,962,088</u>	<u>(189,516)</u>	<u>11,772,572</u>	<u>11,442,701</u>	<u>329,871</u>
Total Regular Programs					
Learning and/or Language Disabilities					
Salaries of Teachers	199,981	1,960	201,941	201,606	335
Other Salaries for Instruction	358,130		358,130	317,571	40,559
Purchased Prof.-Ed. Services	15,000		15,000		15,000
Other Purchased Services	1,975		1,975	32	1,943
General Supplies	9,920		9,920	4,378	5,542
Textbooks	1,100		1,100		1,100
Other Objects	800	-	800	20	780
	<u>586,906</u>	<u>1,960</u>	<u>588,866</u>	<u>523,607</u>	<u>65,259</u>
Total Learning and/or Language Disabilities					

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Resource Room					
Salaries of Teachers	\$ 1,312,073	\$ 8,653	\$ 1,320,726	\$ 1,309,010	\$ 11,716
Other Salaries for Instruction	160,223		160,223	157,748	2,475
Other Purchased Services	1,200		1,200	721	479
General Supplies	16,825		16,825	11,198	5,627
Textbooks	1,700	-	1,700	755	945
Total Resource Room	<u>1,492,021</u>	<u>8,653</u>	<u>1,500,674</u>	<u>1,479,432</u>	<u>21,242</u>
Total Special Education	<u>2,078,927</u>	<u>10,613</u>	<u>2,089,540</u>	<u>2,003,039</u>	<u>86,501</u>
Basic Skills/Remedial Instruction					
Other Salaries for Instruction	25,580	-	25,580	25,280	300
Total Basic Skills/Remedial Instruction	<u>25,580</u>	<u>-</u>	<u>25,580</u>	<u>25,280</u>	<u>300</u>
Bilingual Education					
Salaries of Teachers	45,920		45,920	45,620	300
Other Purchased Services	500		500		500
Other Objects	600	-	600	-	600
Total Bilingual Education	<u>47,020</u>	<u>-</u>	<u>47,020</u>	<u>45,620</u>	<u>1,400</u>
School Sponsored Co-Curricular Activities					
Salaries	233,662	(1,025)	232,637	195,664	36,973
Purchased Services	13,618	6,025	19,643	16,315	3,328
Supplies and Materials	10,800	(5,350)	5,450	3,874	1,576
Transfers to Cover Deficit	19,200	1,800	21,000	21,000	-
Total School Sponsored Co-Curricular Activities	<u>277,280</u>	<u>1,450</u>	<u>278,730</u>	<u>236,853</u>	<u>41,877</u>
School Sponsored Athletics - Instruction					
Salaries	690,484	(11,700)	678,784	644,352	34,432
Purchased Services	163,100	12,468	175,568	163,539	12,029
Supplies and Materials	118,481	11,604	130,085	82,683	47,402
Other Objects	17,000	(8,950)	8,050	6,540	1,510
Total School Sponsored Athletics-Instruction	<u>989,065</u>	<u>3,422</u>	<u>992,487</u>	<u>897,114</u>	<u>95,373</u>
Total - Instruction	<u>15,379,960</u>	<u>(174,031)</u>	<u>15,205,929</u>	<u>14,650,607</u>	<u>555,322</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State - Reg.	19,504	7,000	26,504	24,827	1,677
Tuition to Other LEAs Within State - Spec.	197,292	59,450	256,742	185,461	71,281
Tuition to Co. Voc. School Dist. - Reg.	43,333		43,333	25,492	17,841
Tuition to Priv Sch. For Disabled w/in State	1,063,112	(151,900)	911,212	842,045	69,167
Tuition to Priv Sch. For Disabled & Other LEAs Spl, O/S State		1,700	1,700	1,700	
Tuition - Other	-	50,400	50,400	50,379	21
Total Undistributed Expenditures - Instruction	<u>1,323,241</u>	<u>(33,350)</u>	<u>1,289,891</u>	<u>1,129,904</u>	<u>159,987</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Attendance and Social Work Services					
Salaries of Teachers	\$ 95,867	\$ (12,900)	\$ 82,967	\$ 82,590	\$ 377
Purchased Professional & Technical Services	11,000	-	11,000	11,000	-
Total Attendance & Social Work Svcs.	<u>106,867</u>	<u>(12,900)</u>	<u>93,967</u>	<u>93,590</u>	<u>377</u>
Health Services					
Salaries of Teachers	188,862	3,860	192,722	192,473	249
Purchased Professional & Technical Services	25,000		25,000	20,400	4,600
Other Purchased Services	200		200	200	200
Supplies and Materials	9,000	-	9,000	7,033	1,967
Total Health Services	<u>223,062</u>	<u>3,860</u>	<u>226,922</u>	<u>219,906</u>	<u>7,016</u>
Other Support Services - Speech, OT, PT and Related Services					
Purchased Professional-Educational Services	8,000	-	8,000	290	7,710
Total Other Support Services-Speech, OT, PT and Related Services	<u>8,000</u>	<u>-</u>	<u>8,000</u>	<u>290</u>	<u>7,710</u>
Other Support Services - Guidance					
Salaries of Other Professional Staff	794,458	3,000	797,458	797,352	106
Salaries of Secretarial & Clerical Assistants	146,039	(18,000)	128,039	90,182	37,857
Other Salaries	141,516		141,516	114,246	27,270
Other Purchased Services	17,000	(16,000)	1,000		1,000
Supplies and Materials	4,700	1,000	5,700	3,277	2,423
Other Objects	3,495	50	3,545	(182)	3,727
Total Other Support Services - Guidance	<u>1,107,208</u>	<u>(29,950)</u>	<u>1,077,258</u>	<u>1,004,875</u>	<u>72,383</u>
Other Support Services - Child Study Team					
Salaries of Other Professional Staff	590,722	1,697	592,419	589,064	3,355
Salaries of Secretarial & Clerical Assistants	113,162		113,162	113,062	100
Other Purchased Services	8,350		8,350	2,577	5,773
Supplies and Materials	7,600		7,600	7,137	463
Other Objects	150	-	150	150	-
Total Other Support Services - Child Study Team	<u>719,984</u>	<u>1,697</u>	<u>721,681</u>	<u>711,990</u>	<u>9,691</u>
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisors of Instruction	575,979	(37,267)	538,712	533,848	4,864
Salaries of Other Professional Staff	10,000		10,000	-	10,000
Salaries of Secretarial & Clerical Assistants	61,079	-	61,079	61,078	1
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	<u>647,058</u>	<u>(37,267)</u>	<u>609,791</u>	<u>594,926</u>	<u>14,865</u>
Educational Media Services/School Library					
Salaries	140,747	(4,000)	136,747	133,986	2,761
Other Purchased Services	43,478	2,350	45,828	44,406	1,422
Supplies and Materials	29,565		29,565	23,629	5,936
Other Objects	400	-	400	8	392
Total Educational Media Services/School Library	<u>214,190</u>	<u>(1,650)</u>	<u>212,540</u>	<u>202,029</u>	<u>10,511</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Instructional Staff Training Services					
Salaries of Other Professional Staff	\$ 10,000		\$ 10,000	\$ 455	\$ 9,545
Purchased Professional/Educational Svcs.	5,000		5,000		5,000
Other Purchased Services	24,000		24,000	11,447	12,553
Supplies and Materials	15,000		15,000	1,597	13,403
Other Objects	5,000	-	5,000	5,000	-
	<u>59,000</u>	<u>-</u>	<u>59,000</u>	<u>18,499</u>	<u>40,501</u>
Total Instructional Staff Training Svcs.					
Support Services General Administration					
Salaries	376,410	\$ 5,500	381,910	378,263	3,647
Legal Services	160,000	(69,718)	90,282	76,711	13,571
Audit Fees	31,200	30,000	61,200	32,690	28,510
Other Purchased Professional Services	51,335	(11,000)	40,335	34,220	6,115
Purchased Technical Services	10,000	35,000	45,000	42,257	2,743
Communications/Telephone	80,000		80,000	71,142	8,858
BOE Other Purchased Services	1,300		1,300	46	1,254
Other Purchased Services	135,447	(4,045)	131,402	126,353	5,049
Supplies and Materials	5,600	5,275	10,875	2,787	8,088
BOE Supplies and Materials	5,280	34,720	40,000	40,000	
Miscellaneous Expenditures	24,900	1,180	26,080	21,593	4,487
BOE Membership Dues and Fees	37,670	(1,050)	36,620	24,275	12,345
	<u>919,142</u>	<u>25,862</u>	<u>945,004</u>	<u>850,337</u>	<u>94,667</u>
Total Support Services General Administration					
Support Services School Administration					
Salaries of Principals/Asst. Principals	577,582		577,582	575,360	2,222
Salaries of Other Professional Staff	331,465	57,000	388,465	386,658	1,807
Salaries of Secretarial and Clerical Assistants	261,174	(3,000)	258,174	239,512	18,662
Other Purchased Services	3,900	(3,900)			
Supplies and Materials	42,000	(4,200)	37,800	26,314	11,486
Other Objects	7,520	11,100	18,620	18,538	82
	<u>1,223,641</u>	<u>57,000</u>	<u>1,280,641</u>	<u>1,246,382</u>	<u>34,259</u>
Total Support Services School Administration					
Central Services					
Salaries	417,193		417,193	407,405	9,788
Purchased Technical Services	1,700	(42)	1,658	820	838
Misc. Purchased Services	34,100	(4,350)	29,750	11,543	18,207
Supplies and Materials	4,000	1,600	5,600	5,578	22
Interest on Lease Purchase Agreements	31,169		31,169	31,167	2
Other Objects	1,233	1,442	2,675	2,436	239
	<u>489,395</u>	<u>(1,350)</u>	<u>488,045</u>	<u>458,949</u>	<u>29,096</u>
Total Central Services					
Administration Information Technology					
Salaries	164,872	18,660	183,532	166,337	17,195
Purchased Technical Services	37,300		37,300	35,186	2,114
Other Purchased Services	17,727	4,266	21,993	21,052	941
Other Objects	500	-	500	61	439
	<u>220,399</u>	<u>22,926</u>	<u>243,325</u>	<u>222,636</u>	<u>20,689</u>
Total Administration Information Technology					

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Undist. Expend. - Required Maint. For School Facilities					
Salaries	\$ 716,251	\$ 87,723	\$ 803,974	\$ 803,261	\$ 713
Cleaning, Repair, and Maintenance	248,500	229,277	477,777	374,951	102,826
General Supplies	135,000	15,176	150,176	137,436	12,740
Other Objects	5,400	100	5,500	5,315	185
	<u>1,105,151</u>	<u>332,276</u>	<u>1,437,427</u>	<u>1,320,963</u>	<u>116,464</u>
Total Undist. Expend - Required Maint. For School Facilities					
Oth. Oper. & Maint. Of Plant					
Purchased Prof/Technical Services		27,130	27,130	4,660	22,470
Cleaning, Repair, and Maintenance Services	636,800	(101,250)	535,550	515,335	20,215
Other Purchased Property Services	86,766	750	87,516	78,242	9,274
Insurance	19,730	(7,850)	11,880	6,512	5,368
Miscellaneous Purchased Services	88,860	(400)	88,460	85,860	2,600
General Supplies	18,300		18,300	13,009	5,291
Energy(Natural Gas)	337,600	(18,800)	318,800	261,599	57,201
Energy(Electricity)	693,700	-	693,700	675,686	18,014
	<u>1,881,756</u>	<u>(100,420)</u>	<u>1,781,336</u>	<u>1,640,903</u>	<u>140,433</u>
Total Undist. Expend. - Oth. Oper. & Maint. Of Plant					
Care and Upkeep of Grounds					
Salaries	259,670	(13,500)	246,170	235,658	10,512
Purchased Prof. & Technical Services	4,900	12,850	17,750	17,221	529
Cleaning, Repair, & Maintenance Serv.	115,500	(3,350)	112,150	90,814	21,336
General Supplies	79,000	(6,521)	72,479	56,426	16,053
	<u>459,070</u>	<u>(10,521)</u>	<u>448,549</u>	<u>400,119</u>	<u>48,430</u>
Total Care and Upkeep					
Security					
Salaries	220,517		220,517	216,874	3,643
Purchased Prof. & Technical Services	11,450	15,200	26,650	23,844	2,806
General Supplies	2,000		2,000	179	1,821
Other Objects	200	-	200	170	30
	<u>234,167</u>	<u>15,200</u>	<u>249,367</u>	<u>241,067</u>	<u>8,300</u>
Total Security					
Student Transportation Services					
Sal. For Pupil Trans (Bet Home & Sch)-Reg.	51,384	2,100	53,484	52,752	732
Sal. For Pupil Trans (Other Than Bet Home & Sch)	175,056	(2,100)	172,956	143,864	29,092
Other Purchased Prof. and Technical Svce.	4,200		4,200	4,160	40
Management Fee - ESC Transportation Program	32,840		32,840	10,972	21,868
Cleaning, Repair, and Maintenance Services	50,400	(2,629)	47,771	29,682	18,089
Contr. Serv. (Bet Home & Sch)-Vendors	825,944	35,106	861,050	760,204	100,846
Contr. Serv. (Other Than Bet Home & Sch) - Vendors	3,000	3,500	6,500	6,500	
Contr. Serv. (Bet Home & Sch)-Joint Agreements	79,800		79,800	29,740	50,060
Contr. Serv. (Spec. Ed.)-Joint Agreements	625,100	(158,370)	466,730	393,441	73,289
Lease Purchase Payments - School Buses	33,512		33,512	33,500	12
Contr. Serv. - Aid in Lieu Payments	200,000	28,094	228,094	210,980	17,114
Miscellaneous Purchased Services	26,000		26,000	24,925	1,075
Supplies and Materials	33,600	(500)	33,100	21,049	12,051
Miscellaneous Expenditures	4,000	500	4,500	4,351	149
	<u>2,144,836</u>	<u>(94,299)</u>	<u>2,050,537</u>	<u>1,726,120</u>	<u>324,417</u>
Total Student Transportation Services					

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 362,297	\$ (2,000)	\$ 360,297	\$ 328,427	\$ 31,870
Other Retirement Contributions-PERS	297,160	47,132	344,292	344,292	
Other Retirement Contributions-DCRP		4,300	4,300	3,267	1,033
Unemployment Compensation		150,000	150,000	150,000	
Workmen's Compensation	170,379		170,379	169,800	579
Health Benefits	4,251,306	(66,141)	4,185,165	4,070,781	114,384
Other Employee Benefits	68,000	17,120	85,120	81,940	3,180
Total Unallocated Benefits - Employee Benefits	<u>5,149,142</u>	<u>150,411</u>	<u>5,299,553</u>	<u>5,148,507</u>	<u>151,046</u>
On-behalf Contributions - TPAF					
Post Retirement-Pension Contributions				1,024,888	(1,024,888)
Teachers' Pension & Annuity Fund - Non-contributory Insurance				48,253	(48,253)
TPAF Social Security Contributions	-	-	-	1,159,627	(1,159,627)
Total On-behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,232,768</u>	<u>(2,232,768)</u>
Total Undistributed Expenditures	<u>18,235,309</u>	<u>287,525</u>	<u>18,522,834</u>	<u>19,464,760</u>	<u>(941,926)</u>
Total Current Expenditures	<u>33,615,269</u>	<u>113,494</u>	<u>33,728,763</u>	<u>34,115,367</u>	<u>(386,604)</u>
<b>CAPITAL OUTLAY</b>					
Equipment					
Regular Programs - Instruction					
Grades 9-12	161,959	71,730	233,689	232,972	717
Support Services - Students - Special		8,350	8,350	8,322	28
School Sponsored and Other Instructional Programs		30,755	30,755	21,255	9,500
Central Services	-	3,134	3,134	3,134	-
Total Equipment	<u>161,959</u>	<u>113,969</u>	<u>275,928</u>	<u>265,683</u>	<u>10,245</u>
Facilities Acquisition and Construction Svces.					
Other Purch. Prof. and Tech. Services	16,566	(12,416)	4,150	4,150	
Construction Services	150,595	15,584	166,179	75,533	90,646
Lease Purchase Agreements - Principal	188,937	-	188,937	188,935	2
Total Facilities Acquisition and Construction Svces.	<u>356,098</u>	<u>3,168</u>	<u>359,266</u>	<u>268,618</u>	<u>90,648</u>
Total Capital Outlay	<u>518,057</u>	<u>117,137</u>	<u>635,194</u>	<u>534,301</u>	<u>100,893</u>
Total Expenditures	<u>34,133,326</u>	<u>230,631</u>	<u>34,363,957</u>	<u>34,649,668</u>	<u>(285,711)</u>
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	<u>(940,931)</u>	<u>(230,631)</u>	<u>(1,171,562)</u>	<u>750,114</u>	<u>1,921,676</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Sources (Uses)					
Capital Outlay Transfer to Capital Projects Fund		\$ (97,301)	\$ (97,301)	\$ (97,301)	
Transfer In				12,080	\$ 12,080
Capital Reserve Transfer to Capital Projects Fund	\$ (1,030,000)	-	(1,030,000)	(1,030,000)	-
Total Other Financing Sources (Uses)	(1,030,000)	(97,301)	(1,127,301)	(1,115,221)	12,080
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,970,931)	(327,932)	(2,298,863)	(365,107)	1,933,756
Fund Balances, Beginning of Year	4,222,700	-	4,222,700	4,222,700	-
Fund Balances, End of Year	\$ 2,251,769	\$ (327,932)	\$ 1,923,837	\$ 3,857,593	\$ 1,933,756
<b>Recapitulation:</b>					
<b>Restricted Fund Balance:</b>					
Capital Reserve				\$ 1,116,976	
Tuition Reserve - Designated for Subsequent Year's Budget 2009/10 School Year				100,000	
Tuition Reserve 2010/11 School Year				400,000	
Maintenance Reserve				100,000	
Excess Surplus				436,022	
Excess Surplus - Designated in Subsequent Year's Budget				542,774	
<b>Committed Fund Balance:</b>					
Encumbrances				260,946	
<b>Assigned Fund Balance:</b>					
Encumbrances				107,134	
Designated for Subsequent Year's Budget				57,226	
<b>Unassigned Fund Balance:</b>					
Unreserved				736,515	
				3,857,593	
Less: State Aid Payments Not Recognized on GAAP Extraordinary Aid				(87,457)	
Fund Balance, GAAP Basis (Exhibit B-2)				\$ 3,770,136	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State	\$ 81,304	\$ 16,880	\$ 98,184	\$ 85,916	\$ (12,268)
Federal	366,175	164,100	530,275	464,953	(65,322)
Other	29,949	3,448	33,397	32,158	(1,239)
Total Revenues	<u>\$ 477,428</u>	<u>\$ 184,428</u>	<u>\$ 661,856</u>	<u>\$ 583,027</u>	<u>\$ (78,829)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers		\$ 86,641	\$ 86,641	\$ 59,601	\$ 27,040
Purchased Professional and Educ Services	\$ 56,731	336	57,067	55,825	1,242
Other Purchased Services	366,175	(114,503)	251,672	248,255	3,417
General Supplies	29,949	108,609	138,558	125,961	12,597
Textbooks	24,573	(4,508)	20,065	20,065	-
Total Instruction	<u>477,428</u>	<u>76,575</u>	<u>554,003</u>	<u>509,707</u>	<u>44,296</u>
Support Services					
Salaries of Other Professional Staff		19,175	19,175	14,465	4,710
Personal Services - Employee Benefits		10,587	10,587	10,587	-
Purchased Professional and Educ Services		24,533	24,533	3,697	20,836
Other Purchased Services	-	7,274	7,274	5,843	1,431
Supplies and Materials		7,360	7,360	5,173	2,187
Other Objects	-	11,707	11,707	11,486	221
Total Support Services	<u>-</u>	<u>80,636</u>	<u>80,636</u>	<u>51,251</u>	<u>29,385</u>
Facilities Acquisition and Construction					
Instructional Equipment		7,217	7,217	2,069	5,148
Construction Services	-	20,000	20,000	20,000	-
Total Facilities Acquisition and Equipment	<u>-</u>	<u>27,217</u>	<u>27,217</u>	<u>22,069</u>	<u>5,148</u>
Total Expenditures	<u>477,428</u>	<u>184,428</u>	<u>661,856</u>	<u>583,027</u>	<u>78,829</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, 2011**

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.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 35,399,782	\$ 583,027
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year Encumbrances		(24,481)
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements - Current Year	(87,457)	
State Aid payments recognized for GAAP statements, not recognized for budgetary basis - Prior Year	<u>231,911</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 35,544,236</u>	<u>\$ 558,546</u>
<b>Uses/Outflows of Resources</b>		
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule (Exhibit C-1 and C-2)	\$ 34,649,668	\$ 583,027
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		
Current Year Encumbrances	<u>-</u>	<u>(24,481)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 34,649,668</u>	<u>\$ 558,546</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, 2011

	Title II Part A	Title II Part D	I.D.E.A. Part B Basic	I.D.E.A. Part B- Basic Carryover	I.D.E.A. Part B Basic	I.D.E.A. Part B- Basic ARRA	Textbooks	Nursing	Exam and Class	Non-Public Corrective Speech	Supplemental Instruction	Home Instruction	Energy Audit	Local	Grand Totals	
<b>REVENUES</b>																
Intergovernmental																
State		255	285,033	16,584	19,341	128,717		23,775	29,383	626	764	1,277	10,026		85,916	
Federal															464,953	
Local		255	285,033	16,584	19,341	128,717		23,775	29,383	626	764	1,277	10,026	32,158	32,158	
Total Revenues	\$ 15,023	\$ 255	\$ 285,033	\$ 16,584	\$ 19,341	\$ 128,717	\$ 20,065	\$ 23,775	\$ 29,383	\$ 626	\$ 764	\$ 1,277	\$ 10,026	\$ 32,158	\$ 583,027	
<b>EXPENDITURES</b>																
Instruction																
Salaries of Teachers			37,561	16,584	5,406			23,775	29,383	626	764	1,277			50	59,601
Purchased Professional and Educ Services																55,825
Other Purchased Services			238,928		9,327											248,255
General Supplies						117,480									8,481	125,961
Textbooks							20,065									20,065
Total Instruction			276,489	16,584	14,733	117,480	20,065	23,775	29,383	626	764	1,277		8,531	509,707	
Support Services																
Salaries of Other Professional Staff		13,891													574	14,465
Personal Services - Employee Benefits		1,132	4,847		4,608										10,587	3,697
Purchased Professional and Educ Services			3,697			3,995									1,593	5,843
Other Purchased Services						5,173									5,173	5,173
Supplies and Materials															1,460	11,486
Other Objects																
Total Support Services	\$ 15,023	\$ 255	\$ 8,544		\$ 4,608	\$ 9,168							\$ 10,026		3,627	51,251
Facilities Acquisition and Construction																
Instructional Equipment						2,069									20,000	2,069
Construction Services															20,000	20,000
Total Facilities Acquisition and Equipment						2,069									20,000	22,069
Total Expenditures	\$ 15,023	\$ 255	\$ 285,033	\$ 16,584	\$ 19,341	\$ 128,717	\$ 20,065	\$ 23,775	\$ 29,383	\$ 626	\$ 764	\$ 1,277	\$ 10,026	\$ 32,158	\$ 583,027	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID  
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

THIS SCHEDULE IS NOT APPLICABLE

**CAPITAL PROJECTS FUND**

SCHEDULE F-1

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Project Title/Description	Appropriations	Reallocations and Cancellations	Supplemental Authorization	Expenditures to Date		Authorized Transfers	Balance June 30, 2011
				Prior Years	Current Year		
Three Renovations Project	\$ 486,970		\$	477,920		\$	9,050
Construction and Equipment Additions	41,899,151	(10)	4,290,560	45,008,460	896,665		284,576
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	802,415			790,335		12,080	
Acquisition of Equipment	270,000			242,639	24,506		2,855
Replace Gym Bleachers	288,861	19,061		9,333	298,589		
Conversion of Board of Education Offices to Classrooms	913,346	(51,329)		29,716	40,922		791,379
New Security System	438,191	32,268		14,256	456,203		
HVAC Project	162,169	-	-	-	60,040		102,129
	<u>\$ 45,917,288</u>	<u>\$ (60,803)</u>	<u>\$ 4,290,560</u>	<u>\$ 47,094,529</u>	<u>\$ 1,776,925</u>	<u>\$ 12,080</u>	<u>\$ 1,263,511</u>
				Project Balances			\$ 1,263,511
				Less:			
				Unfunded Capital Project			476
				Fund Balance - Budgetary Basis			1,263,035
				Deferred Revenue(State Aid)			56,041
				Fund Balance - GAAP Basis			<u>\$ 1,206,994</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, 2011**

**Revenues and Other Financing Sources**

Investment Earnings	\$ 360
State Sources - SDA Grant	64,868
Transfer - Capital Reserve	1,030,000
Transfer - Capital Outlay	<u>97,301</u>
 Total Revenues	 <u>1,192,529</u>

**Expenditures and Other Financing Uses**

Purchased Professional and Technical Services	129,794
Construction Services	1,622,625
Equipment Purchases	24,506
Transfers to General Fund	12,080
Transfers to Debt Service Fund	<u>360</u>
 Total Expenditures and Other Financing Uses	 <u>1,789,365</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	(596,836)
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Fund Balance, July 1, 2010	<u>1,859,871</u>
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Fund Balance, June 30, 2011	<u><u>\$ 1,263,035</u></u>
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**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
THREE RENOVATIONS PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	317,382	-	317,382	317,382
<b>Total Revenues</b>	<u>486,970</u>	<u>-</u>	<u>486,970</u>	<u>486,970</u>
<b>Expenditures and Other Financing Uses</b>				
Unallocated	477,920	-	477,920	486,970
<b>Total Expenditures</b>	<u>477,920</u>	<u>-</u>	<u>477,920</u>	<u>486,970</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ 9,050</u>	<u>\$ -</u>	<u>\$ 9,050</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	\$ -
Revised Authorized Cost	\$ 486,970
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	100%
Original Target Completion Date	N/A
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
CONSTRUCTION AND EQUIPMENT ADDITIONS TO HIGH SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	\$ 9,472,665		\$ 9,472,665	\$ 9,472,665
Transfer from Capital Reserve	260,560	1,030,000	1,290,560	1,290,550
Bond Proceeds and Transfers	35,426,000	-	35,426,000	35,426,000
	<u>45,159,225</u>	<u>1,030,000</u>	<u>46,189,225</u>	<u>46,189,215</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	5,558,975	\$ 51,970	5,610,945	6,013,970
Construction Services	37,724,496	844,695	38,569,191	38,767,205
Equipment Purchases	1,724,989	-	1,724,989	1,408,040
	<u>45,008,460</u>	<u>896,665</u>	<u>45,905,125</u>	<u>46,189,215</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>150,765</u>	<u>\$ 133,335</u>	<u>\$ 284,100</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
Percentage Increase Over Original Authorized Cost	10.24%
Percentage Completion	99%
Original Target Completion Date	September 1, 2005
Revised Target Completion Date	December 31, 2011

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
LAVATORY RENOVATIONS - PHASE I  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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>-</u>	<u>195,000</u>	<u>195,000</u>
 Total Revenues	 <u>292,669</u>	 <u>-</u>	 <u>292,669</u>	 <u>292,669</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	50,849		50,849	28,743
Unallocated	<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>\$ -</u>	 <u>\$ 13,503</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

Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	N/A
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  
LAVATORY RENOVATIONS - PHASE II  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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>	<u>-</u>	<u>198,711</u>	<u>198,711</u>
 Total Revenues	 <u>302,723</u>	 <u>-</u>	 <u>302,723</u>	 <u>302,723</u>
<b>Expenditures and Other Financing Uses</b>				
Construction Services	27,870		27,870	87,889
Unallocated	<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>\$ -</u>	 <u>\$ 60,019</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

Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	N/A
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 OF EQUIPMENT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	\$ 802,415	-	\$ 802,415	\$ 802,415
<b>Total Revenues</b>	<u>802,415</u>	<u>-</u>	<u>802,415</u>	<u>802,415</u>
<b>Expenditures and Other Financing Uses</b>				
Transfer to General Fund		\$ 12,080	12,080	
Equipment	790,335	-	790,335	802,415
<b>Total Expenditures</b>	<u>790,335</u>	<u>12,080</u>	<u>802,415</u>	<u>802,415</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 12,080</u>	<u>\$ (12,080)</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	
Additional Authorized Cost	\$ 802,415
Revised Authorized Cost	\$ 802,415
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	N/A
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 OF EQUIPMENT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	\$ 270,000	-	\$ 270,000	\$ 270,000
Total Revenues	<u>270,000</u>	<u>-</u>	<u>270,000</u>	<u>270,000</u>
<b>Expenditures and Other Financing Uses</b>				
Equipment	<u>242,639</u>	\$ 24,506	<u>267,145</u>	<u>270,000</u>
Total Expenditures	<u>242,639</u>	<u>24,506</u>	<u>267,145</u>	<u>270,000</u>
Excess of Revenues Over Expenditures	<u>\$ 27,361</u>	<u>\$ (24,506)</u>	<u>\$ 2,855</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	\$ -
Revised Authorized Cost	\$ 270,000

Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	N/A
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  
REPLACE GYM BLEACHERS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<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	\$ 115,544		\$ 115,544	\$ 115,544
Lease Proceeds	<u>173,317</u>	<u>\$ 19,061</u>	<u>192,378</u>	<u>192,378</u>
 Total Revenues	 <u>288,861</u>	 <u>19,061</u>	 <u>307,922</u>	 <u>307,922</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	9,333	22,989	32,322	32,322
Equipment			-	
Construction Services	<u>-</u>	<u>275,600</u>	<u>275,600</u>	<u>275,600</u>
 Total Expenditures	 <u>9,333</u>	 <u>298,589</u>	 <u>307,922</u>	 <u>307,922</u>
 Excess of Revenues Over Expenditures	 <u>\$ 279,528</u>	 <u>\$ (279,528)</u>	 <u>\$ -</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	5550-050-09-1004
Grant Date	June 11, 2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 288,861
Additional Authorized Cost	\$ 19,061
Revised Authorized Cost	\$ 307,922
 Percentage Increase Over Original Authorized Cost	 6.60%
Percentage Completion	100.00%
Original Target Completion Date	June 30, 2011
Revised Target Completion Date	June 30, 2011

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
CONVERSION OF BOARD OF EDUCATION OFFICES TO CLASSROOMS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	\$ 365,338		\$ 365,338	\$ 365,338
Lease Proceeds	<u>548,008</u>	<u>\$ (51,329)</u>	<u>496,679</u>	<u>496,679</u>
 Total Revenues	 <u>913,346</u>	 <u>(51,329)</u>	 <u>862,017</u>	 <u>862,017</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	29,716	40,922	70,638	70,638
Equipment			-	
Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>791,379</u>
 Total Expenditures	 <u>29,716</u>	 <u>40,922</u>	 <u>70,638</u>	 <u>862,017</u>
 Excess of Revenues Over Expenditures	 <u>\$ 883,630</u>	 <u>\$ (92,251)</u>	 <u>\$ 791,379</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	\$ (51,329)
Revised Authorized Cost	\$ 862,017

Percentage Increase Over Original

Authorized Cost	0.00%
Percentage Completion	8.19%
Original Target Completion Date	June 30, 2011
Revised Target Completion Date	June 30, 2012

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
NEW SECURITY SYSTEM  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	\$ 159,516		\$ 159,516	\$ 159,516
Lease Proceeds	<u>278,675</u>	<u>\$ 32,268</u>	<u>310,943</u>	<u>310,943</u>
 Total Revenues	 <u>438,191</u>	 <u>32,268</u>	 <u>470,459</u>	 <u>470,459</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	14,256	5,873	20,129	20,129
Equipment			-	
Construction Services	<u>-</u>	<u>450,330</u>	<u>450,330</u>	<u>450,330</u>
 Total Expenditures	 <u>14,256</u>	 <u>456,203</u>	 <u>470,459</u>	 <u>470,459</u>
 Excess of Revenues Over Expenditures	 <u>\$ 423,935</u>	 <u>\$ (423,935)</u>	 <u>\$ -</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	5550-050-09-1002
Grant Date	June 11, 2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 438,191
Additional Authorized Cost	\$ 32,268
Revised Authorized Cost	\$ 470,459

Percentage Increase Over Original Authorized Cost	7.36%
Percentage Completion	100.00%
Original Target Completion Date	June 30, 2011
Revised Target Completion Date	June 30, 2011

**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 AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<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	\$ 64,868
Transfer from Capital Outlay	-	97,301	97,301	97,301
	<u>-</u>	<u>162,169</u>	<u>162,169</u>	<u>162,169</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	-	8,040	8,040	17,190
Equipment	-	-	-	-
Construction Services	-	52,000	52,000	144,979
	<u>-</u>	<u>60,040</u>	<u>60,040</u>	<u>162,169</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 102,129</u>	<u>\$ 102,129</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	\$ -
Revised Authorized Cost	\$ 162,169

## Percentage Increase Over Original

Authorized Cost	0.00%
Percentage Completion	37.00%
Original Target Completion Date	June 30, 2012
Revised Target Completion Date	June 30, 2012

**ENTERPRISE FUNDS**

**EXHIBIT G-1**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**EXHIBIT G-2**

**COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

**COMBINING STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

**FIDUCIARY FUNDS**

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 AS OF JUNE 30, 2011

	<u>Student Activity</u>	<u>Agency</u>	<u>Payroll</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 430,059		\$ 62,131	\$ 492,190
Due from Other Funds	-		14,995	14,995
	<hr/>		<hr/>	<hr/>
Total Assets	<u>\$ 430,059</u>		<u>\$ 77,126</u>	<u>\$ 507,185</u>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings			\$ 77,126	\$ 77,126
Due to Student Groups	<u>\$ 430,059</u>		<u>-</u>	<u>\$ 430,059</u>
	<hr/>		<hr/>	<hr/>
Total Liabilities	<u>\$ 430,059</u>		<u>\$ 77,126</u>	<u>\$ 507,185</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011**

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2011</u>
<b>ASSETS</b>				
Cash	\$ 437,251	\$ 706,038	\$ 713,230	\$ 430,059
Total	<u>\$ 437,251</u>	<u>\$ 706,038</u>	<u>\$ 713,230</u>	<u>\$ 430,059</u>
<b>LIABILITIES</b>				
Due to Student Groups	\$ 437,251	\$ 706,038	\$ 713,230	\$ 430,059
Total	<u>\$ 437,251</u>	<u>\$ 706,038</u>	<u>\$ 713,230</u>	<u>\$ 430,059</u>

**PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Balance, July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2011</u>
Payroll Deductions and Withholdings	\$ 63,404	\$ 8,840,054	\$ 8,843,228	\$ 60,230
Flexible Spending Account	14,024	51,049	48,177	16,896
Accrued Salaries and Wages	-	13,149,775	13,149,775	-
Totals	<u>\$ 77,428</u>	<u>\$ 22,040,878</u>	<u>\$ 22,041,180</u>	<u>\$ 77,126</u>

**LONG-TERM DEBT**

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF SERIAL BONDS PAYABLE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance, July 1, 2010	Increased	Decreased	Balance, June 30, 2011
			Date	Amount					
Serial Bonds - Construction and Equipment Additions to High School	5/1/2003	\$ 32,426,000	1/15/2012	\$ 855,000	4.25%				
			1/15/2013	905,000	4.25%				
			1/15/2014	1,290,000	4.25%				
			1/15/2015	1,350,000	4.25%				
			1/15/2016	1,410,000	4.25%				
			1/15/2017	1,475,000	4.25%				
			1/15/2018	1,550,000	4.25%				
			1/15/2019	1,625,000	4.25%				
			1/15/2020	1,705,000	4.25%				
			1/15/2021	1,790,000	4.25%				
			1/15/2022	1,880,000	4.25%				
			1/15/2023	1,970,000	4.30%				
			1/15/2024	2,060,000	4.38%				
			1/15/2025	2,160,000	4.38%				
			1/15/2026	2,265,000	4.38%				
			1/15/2027	2,375,000	4.38%				
		1/15/2028	2,486,000	4.38%		\$ 29,951,000	\$ 800,000	\$ 29,151,000	
Serial Bonds - Construction and Equipment Additions to High School	5/31/2007	3,000,000	1/15/2012	120,000	4.00%				
			1/15/2013	125,000	4.00%				
			1/15/2014	130,000	4.00%				
			1/15/2015	135,000	4.10%				
			1/15/2016	140,000	4.10%				
			1/15/2017	150,000	4.10%				
			1/15/2018	155,000	4.10%				
			1/15/2019	160,000	4.10%				
			1/15/2020	165,000	4.10%				
			1/15/2021	175,000	4.10%				
			1/15/2022	180,000	4.10%				
			1/15/2023	190,000	4.10%				
			1/15/2024	200,000	4.10%				
		1/15/2025	205,000	4.10%					
		1/15/2026	215,000	4.10%					
		1/15/2027	220,000	4.10%		2,780,000	115,000	2,665,000	
						\$ 32,731,000	\$ 915,000	\$ 31,816,000	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Year</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2011</u>
2007	(4) 54 Passenger Buses	5.04%	\$ 248,788	\$ 51,932		\$ 51,932	
2008	Computers and Equipment, Auditorium Sound System, Buses and Various Equipment	3.22%	802,415	496,619		160,322	\$ 336,297
2009	Computer Technology, Cafeteria Equipment & Furniture	3.52%	270,000	219,717		52,077	167,640
2010	Gym Bleachers, Security System and Classroom Conversions	3.72%	1,000,000	908,124	\$ -	188,935	719,189
				<u>\$ 1,676,392</u>	<u>\$ -</u>	<u>\$ 453,266</u>	<u>\$ 1,223,126</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, 2011**

	<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					
Local Tax Levy	\$ 2,313,662	-	\$ 2,313,662	\$ 2,313,662	-
Total Revenues	2,313,662	-	2,313,662	2,313,662	-
<b>EXPENDITURES</b>					
Regular Debt Service					
Principal	915,000		915,000	915,000	
Interest	1,401,576	-	1,401,576	1,401,575	\$ 1
Total Expenditures	2,316,576	-	2,316,576	2,316,575	1
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(2,914)	-	(2,914)	(2,913)	1
Other Financing Sources					
Operating Transfers In	-	-	-	360	360
Total Other Financing Sources	-	-	-	360	360
Fund Balance, Beginning of Year	15,576	-	15,576	15,576	-
Fund Balance, End of Year	\$ 12,662	\$ -	\$ 12,662	\$ 13,023	\$ 361

## STATISTICAL SECTION

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

### Contents

### Exhibits

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

J-1 to J-5

#### **Revenue Capacity**

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

J-10 to J-13

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

J-16 to J-20

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

#### Note:

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

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

	Fiscal Year Ended June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities</b>								
Invested in Capital Assets, Net of Related Debt	\$ 4,450,394	\$ 10,518,610	\$ 14,370,548	\$ 14,919,029	\$ 14,002,767	\$ 12,093,302	\$ 13,736,776	\$ 14,020,686
Restricted	361,989	373,764	194,652	359,760	1,978,287	2,023,524	1,560,906	2,208,924
Unrestricted	(714,084)	(327,762)	(516,399)	24,051	(402,784)	667,172	863,602	573,420
<b>Total Governmental Activities Net Assets</b>	<b>\$ 4,098,299</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>Business-Type Activities</b>								
Invested in Capital Assets	\$ 2,596	\$ 2,257	\$ 1,917	\$ 18,405	\$ 33,013	\$ 28,494	\$ 17,554	\$ 23,926
Restricted								
Unrestricted	250,246	187,078	126,589	226,021	136,743	145,865	172,301	175,893
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 252,842</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>District-Wide</b>								
Invested in Capital Assets, Net of Related Debt	\$ 4,452,990	\$ 10,520,867	\$ 14,372,465	\$ 14,937,434	\$ 14,035,780	\$ 12,121,796	\$ 13,754,330	\$ 14,044,612
Restricted	361,989	373,764	194,652	359,760	1,978,287	2,023,524	1,560,906	1,608,924
Unrestricted	(463,838)	(140,684)	(389,810)	250,072	(266,041)	813,037	1,035,903	1,349,313
<b>Total District Net Assets</b>	<b>\$ 4,351,141</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>

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

	Fiscal Year Ended June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>								
<b>Governmental Activities</b>								
Instruction								
Regular	\$ 10,900,657	\$ 12,212,116	\$ 13,260,350	\$ 15,407,328	\$ 16,180,570	\$ 16,779,671	\$ 16,863,313	\$ 16,054,820
Special Education	2,738,904	2,997,056	3,335,334	3,737,879	3,826,905	4,107,498	4,002,031	4,388,482
Other Instruction	252,853	127,487	75,733	82,111	87,252	90,859	91,929	97,873
School Sponsored Activities And Athletics	1,102,363	1,124,337	1,105,342	1,070,433	1,324,244	1,459,115	1,444,286	1,437,639
Support Services:								
Student & Instruction Related Services	3,233,855	3,533,963	4,056,939	4,004,600	4,036,851	4,187,540	4,416,723	4,234,325
School Administrative Services	1,074,738	1,220,253	1,275,999	1,325,477	1,284,020	1,582,977	1,636,833	1,160,256
General Administration	797,041	841,853	922,056	1,536,672	1,546,573	1,685,560	1,396,908	1,798,149
Plant Operations And Maintenance	2,279,514	2,235,592	2,785,733	2,810,943	3,459,276	3,908,952	4,220,312	4,583,328
Pupil Transportation	1,823,438	1,861,996	2,026,554	2,439,968	1,868,986	1,871,480	1,863,379	1,753,052
Central Services	425,190	352,754	382,939	649,847	861,994	843,973	861,134	888,268
Interest On Long-Term Debt	1,477,180	1,473,572	1,643,430	1,766,526	1,599,087	1,512,699	1,514,431	1,443,734
<b>Total Governmental Activities Expenses</b>	<b>26,105,733</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>Business-Type Activities:</b>								
Food Service	469,292	536,646	567,684	565,133	707,924	669,625	665,568	707,858
Adult School	141,087	162,601	125,318	121,682	122,266	122,541	117,647	118,666
<b>Total Business-Type Activities Expense</b>	<b>610,379</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>Total District Expenses</b>	<b>\$ 26,716,112</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>Program Revenues</b>								
<b>Governmental Activities:</b>								
Charges For Services:								
Regular	\$ 3,612,904	\$ 3,993,173	\$ 4,009,500	\$ 5,213,275	\$ 5,286,727	\$ 5,438,391	\$ 5,687,544	\$ 6,166,111
Special Education	227,771	233,903	192,299		510,531	678,048	640,670	551,812
Pupil Transportation	260,803			422,645	270			
Operating Grants And Contributions	2,923,333	3,090,593	3,400,351	4,439,498	4,552,740	4,055,305	4,314,721	3,154,862
Capital Grants And Contributions	1,205,615	4,862,783	2,874,277	583,772	(58,883)	22,089	640,398	2,069
<b>Total Governmental Activities Program Revenues</b>	<b>8,230,426</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>Business-Type Activities:</b>								
Charges For Services								
Food Service	481,230	493,781	497,581	556,602	610,678	635,888	696,636	742,662
Adult School	139,930	139,126	132,965	124,185	129,266	118,958	101,237	93,342
<b>Total Business-Type Activities Program Revenues</b>	<b>621,160</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>Total District Program Revenues</b>	<b>\$ 8,851,586</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>Net (Expense)/Revenue</b>								
Governmental Activities	\$ (17,875,307)	\$ (15,481,639)	\$ (20,393,982)	\$ (24,172,594)	\$ (25,784,373)	\$ (27,836,491)	\$ (27,027,946)	\$ (27,965,072)
Business-Type Activities	10,781	(66,340)	(62,456)	(6,028)	(90,246)	(37,329)	14,658	9,480
<b>Total District-Wide Net Expense</b>	<b>\$ (17,864,526)</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>General Revenues and Other Changes in Net Assets</b>								
<b>Governmental Activities:</b>								
Property Taxes Levied For General Purposes, Net	\$ 17,347,576	\$ 19,793,773	\$ 21,238,735	\$ 22,976,388	\$ 24,133,047	\$ 25,098,362	\$ 25,791,448	\$ 26,047,191
Taxes Levied For Debt Service	1,037,632	1,334,224	1,639,023	1,703,398	1,769,925	1,889,674	2,273,657	2,313,662
Federal and State Aid - Unrestricted	114,180	225,859	324,721	331,258	371,478	38,830	213,827	
Investment Earnings	299,726	354,181	327,246	452,937	226,098	39,803	41,361	19,272
Miscellaneous Income	100,658	239,915	348,446	82,652	273,542	80,550	120,733	226,693
Adjustment to Capital Assets					(701,287)	(71,000)	(35,794)	
Transfers	-	-	-	(120,000)	(13,000)	(34,000)	-	-
<b>Total Governmental Activities</b>	<b>18,899,772</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>Business-Type Activities:</b>								
Investment Earnings	1,509	2,833	1,627	1,948	2,576	1,502	838	484
Transfers	-	-	-	120,000	13,000	34,000	-	-
<b>Total Business-Type Activities</b>	<b>1,509</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>Total District-Wide</b>	<b>\$ 18,901,281</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>Change in Net Assets</b>								
Governmental Activities	\$ 1,024,465	\$ 6,466,313	\$ 3,484,189	\$ 1,254,039	\$ 275,430	\$ (794,272)	\$ 1,377,286	\$ 641,746
Business-Type Activities	12,290	(63,507)	(60,829)	115,920	(74,670)	(1,818)	15,496	9,964
<b>Total District</b>	<b>\$ 1,036,755</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>

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

	Fiscal Year Ended June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
General Fund								
Reserved	\$ 477,059	\$ 816,752	\$ 876,937	\$ 1,241,333	\$ 2,259,747	\$ 2,895,302	\$ 3,447,582	
Unreserved	609,388	656,664	512,537	546,006	705,101	506,808	543,207	
Restricted								\$ 2,695,772
Committed								260,946
Assigned								164,360
Unassigned								649,058
Total General Fund	\$ 1,086,447	\$ 1,473,416	\$ 1,389,474	\$ 1,787,339	\$ 2,964,848	\$ 3,402,110	\$ 3,990,789	\$ 3,770,136
All Other Governmental Funds								
Reserved	\$ 34,750,830	\$ 13,616,525	\$ 2,241,332	\$ 1,772,543	\$ 1,485,895	\$ 345,864	\$ 2,914	
Unreserved	(6,272,865)	(2,444,446)	(885,418)	567,140	1,253,929	640,127	1,816,492	
Restricted								1,220,017
Total All Other Governmental Funds	\$ 28,477,965	\$ 11,172,079	\$ 1,355,914	\$ 2,339,683	\$ 2,739,824	\$ 985,991	\$ 1,819,406	\$ 1,220,017

Beginning with Fiscal Year 2010/2011, 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 EIGHT FISCAL YEARS**  
**(Unaudited)**  
*(modified accrual basis of accounting)*

	Fiscal Year Ended June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>								
Tax Levy	\$ 18,385,208	\$ 21,127,997	\$ 22,877,758	\$ 24,679,786	\$ 25,902,972	\$ 26,988,036	\$ 28,065,105	\$ 28,360,853
Tuition Charges	3,840,675	4,227,076	4,201,799	5,213,275	5,797,258	6,116,439	6,328,214	6,717,923
Interest Earnings	299,726	354,181	327,246	452,937	226,098	39,803	41,361	19,272
Transportation	260,803	318,888		422,645	270			
Miscellaneous	100,658	239,915	349,226	84,609	283,964	106,354	146,710	236,172
State Sources	4,040,407	7,949,442	6,307,329	5,123,702	4,546,145	3,746,796	4,555,596	2,671,230
Federal Sources	202,721	229,793	291,240	228,869	308,768	343,625	587,373	476,222
<b>Total Revenues</b>	<b>27,130,198</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>Expenditures</b>								
<b>Instruction</b>								
Regular Instruction	10,772,415	12,016,139	12,883,039	14,557,698	15,511,997	15,966,802	16,141,895	15,237,655
Special Education Instruction	2,721,831	2,968,811	3,278,705	3,614,350	3,726,490	3,984,307	3,895,322	4,267,223
Other Instruction	255,458	128,355	75,140	82,191	87,628	90,509	92,472	98,170
School Sponsored Activities and Athletics	1,110,008	1,129,453	1,099,433	1,071,156	1,328,397	1,454,692	1,450,853	1,441,164
<b>Support Services:</b>								
Student and Inst. Related Services	3,246,389	3,534,421	4,004,763	3,939,793	3,755,808	3,865,495	4,111,289	3,895,812
General Administration	798,903	841,680	915,401	1,372,066	1,136,224	1,524,980	1,233,032	988,669
School Administrative Services	1,075,864	1,216,933	1,255,108	1,502,839	1,481,426	1,503,356	1,566,549	1,719,004
Plant Operations And Maintenance	2,284,273	2,236,886	2,770,965	2,793,767	3,102,862	3,529,782	3,826,535	4,162,219
Pupil Transportation	1,770,374	1,796,329	1,952,778	2,224,873	1,871,598	1,869,307	1,866,474	1,753,877
Central Services	428,971	354,910	380,392	650,277	865,241	841,069	865,522	890,675
Capital Outlay	7,691,526	22,996,249	13,184,599	3,217,538	534,489	1,286,701	1,523,256	2,020,551
<b>Debt Service:</b>								
Principal	271,250	670,346	997,467	1,125,281	1,227,073	1,380,241	1,196,893	1,368,266
Interest and Other Charges	1,026,302	1,475,697	1,456,915	1,801,148	1,648,007	1,596,383	1,532,173	1,458,429
<b>Total Expenditures</b>	<b>33,453,564</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>Excess (Deficiency) of Revenues</b>								
Over (Under) Expenditures	(6,323,366)	(16,918,917)	(9,900,107)	(1,747,154)	788,235	(1,552,571)	422,094	(820,042)
<b>Other Financing Sources (Uses)</b>								
Proceeds From Lease Purchase	1,849,000				802,415	270,000	1,000,000	
Proceeds From Serial Bonds				3,000,000				
Capital Leases (Non-Budgeted)	51,314			248,788				
Transfers In	477,705	312,304	584,465	249,564	94,510	3,914	12,662	1,139,741
Transfers Out	(477,705)	(312,304)	(584,465)	(369,564)	(107,510)	(37,914)	(12,662)	(1,139,741)
<b>Total Other Financing Sources (Uses)</b>	<b>1,900,314</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>Net Change in Fund Balances</b>	<b>\$ (4,423,052)</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>Debt Service as a Percentage of</b>								
Noncapital Expenditures	5.04%	7.56%	7.90%	8.42%	8.04%	7.92%	7.22%	7.58%

\* 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>Health Benefits Rebate</u></b>	<b><u>Rental</u></b>	<b><u>Foundation Donation</u></b>	<b><u>Misc.</u></b>	<b><u>Total</u></b>
2002	\$ 3,058,616	\$ 333,008	\$ 71,306		\$ 34,623		\$ 27,476	\$ 3,525,029
2003	3,290,040	221,953	31,407	\$ 198,472	32,245		35,222	3,809,339
2004	3,840,675	260,803	20,669		25,796		74,862	4,222,805
2005	4,227,076	318,888	41,829		28,496	\$ 125,000	86,419	4,827,708
2006	4,201,799		86,114		36,683	90,000	49,491	4,464,087
2007	5,213,275	422,645	203,185		38,259		44,393	5,921,757
2008	5,797,258	270	131,400		73,671		199,871	6,202,470
2009	6,116,439		35,889		80,550			6,232,878
2010	6,328,214		28,699		87,718		33,015	6,477,646
2011	6,717,923		18,912		91,730		134,963	6,963,528

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,	Total Assessed Value										Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>a</sup>
	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Value						
<b>Long Hill Township</b>														
2002	\$ 26,896,600	\$ 1,090,841,500	\$ 1,848,000	\$ 35,400	\$ 98,953,600	\$ 17,027,800	\$ 7,360,200	\$ 1,242,963,100	\$ 5,095,816	\$ 1,248,056,916	\$ 1,114,439,108	\$ 0.258		
2003	24,516,700	1,099,865,130	1,801,800	35,400	101,288,100	16,792,800	7,444,300	1,231,744,230	5,358,321	1,237,102,551	1,239,577,705	0.290		
2004	24,646,200	1,102,079,230	2,185,600	38,900	101,511,300	16,841,200	7,408,000	1,254,710,430	4,922,060	1,259,632,490	1,346,912,414	0.330		
2005	23,592,900	1,108,267,030	2,185,600	40,000	101,187,800	16,641,200	7,408,000	1,259,322,550	4,680,258	1,264,002,788	1,474,849,858	0.380		
2006	21,855,800	1,114,050,830	2,519,600	40,000	104,013,900	16,541,200	7,408,000	1,266,429,330	4,080,831	1,270,510,161	1,654,000,713	0.394		
2007	20,688,800	1,123,401,600	2,519,600	40,000	104,085,000	16,541,200	6,691,600	1,273,967,800	4,043,446	1,278,011,246	1,813,051,896	0.432		
2008	19,116,300	1,129,463,700	3,070,000	40,700	103,967,400	16,541,200	6,691,600	1,278,890,900	3,971,011	1,282,861,911	1,887,171,997	0.456		
2009	19,258,300	1,133,936,400	3,070,000	40,700	103,887,300	16,541,200	6,691,600	1,283,425,500	9,268,514	1,287,694,014	1,894,469,220	0.492		
2010	20,385,900	1,132,120,400	2,795,500	40,700	103,892,800	16,541,200	6,668,200	1,282,644,700	9,454,525	1,292,099,025	1,827,057,180	0.522		
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	6,241,026	1,294,013,326	1,792,478,629	0.562		
<b>Warren Township</b>														
2002	150,484,700	2,167,007,300	19,537,000	281,090	565,040,380	47,744,200	-	2,950,094,670	6,391,268	2,956,485,938	2,916,907,926	0.277		
2003	129,183,200	2,501,646,300	22,698,500	282,650	596,656,260	49,235,500	-	3,299,704,410	6,630,431	3,306,334,841	3,255,330,722	0.295		
2004	75,791,900	2,573,150,100	27,845,800	304,750	626,032,160	47,235,500	-	3,350,380,210	6,349,943	3,356,730,153	3,567,519,732	0.334		
2005	81,998,000	3,118,738,500	29,093,000	262,800	633,593,000	45,913,500	-	3,909,598,800	6,303,984	3,915,902,784	3,867,293,384	0.325		
2006	115,052,000	3,331,304,900	31,042,400	254,983	671,564,280	46,781,700	-	4,196,060,263	5,859,339	4,201,859,602	4,360,484,879	0.304		
2007	115,876,200	3,350,591,500	36,342,900	234,623	711,025,200	45,403,300	-	4,459,472,723	5,757,334	4,465,230,057	4,890,434,789	0.319		
2008	116,300,200	3,549,805,200	29,847,300	230,910	736,177,000	46,560,400	-	4,478,921,010	6,220,170	4,485,141,180	4,969,952,684	0.336		
2009	112,692,900	3,386,006,000	27,079,900	224,720	729,782,400	46,236,000	-	4,302,021,920	6,786,628	4,308,808,548	4,972,630,638	0.365		
2010	101,108,900	3,048,149,900	24,754,800	226,100	650,772,200	37,653,900	-	3,862,665,800	7,378,865	3,870,044,665	4,533,324,843	0.411		
2011	96,740,500	3,145,601,700	25,551,000	226,100	638,821,400	36,119,200	-	3,942,833,800	6,013,698	3,948,847,498	4,171,743,932	0.395		
<b>Watchung Borough</b>														
2002	43,289,200	948,143,600	810,700	6,800	174,157,900	5,827,200	10,574,100	1,172,235,400	1,607,981	1,173,843,381	1,225,757,707	0.289		
2003	48,012,900	1,166,855,300	655,200	6,800	256,778,800	5,694,000	10,574,100	1,488,577,100	1,767,699	1,490,344,799	1,363,442,718	0.258		
2004	46,557,400	1,234,853,701	669,700	6,800	272,440,800	6,229,100	43,540,000	1,604,297,301	1,670,552	1,605,968,053	1,566,623,582	0.295		
2005	49,840,700	1,353,040,400	888,300	6,800	314,230,900	6,705,800	40,000,000	1,764,712,900	1,618,708	1,766,331,608	1,698,954,855	0.294		
2006	50,009,200	1,359,902,300	888,300	6,800	311,874,300	6,705,800	40,000,000	1,769,386,700	1,398,633	1,770,785,333	1,873,508,597	0.302		
2007	43,352,700	1,415,883,400	-	-	323,091,400	7,348,400	55,160,000	1,844,835,900	1,489,275	1,846,325,175	2,047,141,917	0.304		
2008	41,366,100	1,373,917,500	-	-	333,359,400	7,295,500	60,600,000	1,816,538,500	1,562,784	1,818,101,284	1,954,456,771	0.303		
2009	41,251,800	1,277,353,900	-	-	329,769,100	7,174,900	60,600,000	1,716,149,700	1,562,784	1,717,712,484	1,887,895,598	0.318		
2010	35,609,900	1,184,481,400	-	-	295,509,400	6,367,200	56,964,000	1,578,931,900	1,762,687	1,580,694,587	1,795,197,504	0.351		
2011	35,484,200	1,204,394,400	-	-	290,376,800	6,367,300	49,255,800	1,583,878,500	1,468,637	1,587,347,137	1,684,856,609	0.363		

Source: County Abstract of Rates

<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, 2010  
(Unaudited)**

Net Direct Debt of School District as of December 31, 2010		\$ 31,816,476
Net Overlapping Debt of School District		
Long Hill Township	\$ 22,092,378	
Warren Township	25,570,073	
Watchung Borough	<u>29,034,130</u>	
		<u>76,696,581</u>
Total Direct and Overlapping Bond Debt as of December 31, 2010		<u>\$ 108,513,057</u>

Sources: County and Municipal Annual Debt Statements, December 31, 2010

- (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	2011		2002	
	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	38.32%	\$ 17,780,900	34.42%
Stirling Center Associates	9,907,400	17.90%	9,896,500	19.16%
Bell Atlantic/Verizon	4,454,525	8.05%	5,093,816	9.86%
Stirling Manor	4,000,000	7.23%	4,716,400	9.13%
Transcontinental Gas Pipeline	3,764,500	6.80%	-	0.00%
Tifa Ltd.	3,030,500	5.48%	2,982,100	5.77%
RHK/A.K. Stamping	2,312,300	4.18%	-	0.00%
Dagwood Properties	2,246,900	4.06%	-	0.00%
Millington Savings Bank	2,215,500	4.00%	3,259,300	6.31%
Active Real Estate Holdings	-	0.00%	2,003,200	3.88%
Thermoplastic Ventures	-	0.00%	1,947,500	3.77%
P.S.E. & G.	-	0.00%	1,780,900	3.45%
Jilrydan, Inc	2,197,400	3.97%	2,197,400	4.25%
	<b>\$ 55,333,425</b>	<b>100.00%</b>	<b>\$ 51,658,016</b>	<b>100.00%</b>
<b><u>Warren Township</u></b>				
King George Property Co	\$ 110,492,700	25.38%	-	0.00%
Lucent Technologies	-	0.00%	140,000,000	29.37%
Mt. Bethel Corp	80,732,200	18.54%	72,546,600	15.22%
Somerset Assoc. c/o Chubb	83,148,000	19.10%	93,295,000	19.57%
Liberty Assoc	31,015,800	7.12%	54,773,000	11.49%
30 Independence Blvd. One, LLC	33,237,800	7.63%	-	0.00%
K. Hovnanian at Warren	24,986,400	5.74%	-	0.00%
Vicendese Family	21,141,700	4.86%	17,359,700	3.64%
Warren 2001, LLC	17,655,000	4.05%	-	0.00%
Warren 84 Assoc.	-	0.00%	13,885,000	2.91%
10 Independence SPE	16,513,000	3.79%	-	0.00%
JT Warren LP, 2 Paces West	-	0.00%	34,069,000	7.15%
PW/MS Belle Mead Development	-	0.00%	17,476,500	3.67%
Sumitomo & Glenborough	-	0.00%	17,102,100	3.59%
Somerset Hills Hotel	-	0.00%	16,246,800	3.41%
Normandy Warren Associates	16,513,000	3.79%	-	0.00%
	<b>\$ 435,435,600</b>	<b>100.00%</b>	<b>\$ 476,753,700</b>	<b>100.00%</b>
<b><u>Watchung Borough</u></b>				
Watchung Square Associates	\$ 84,429,000	30.06%	\$ 25,800,400	17.64%
Blue Star Shopping Center	-	0.00%	44,287,800	30.28%
WM Crystal Ridge LLC	49,255,000	17.54%	-	0.00%
Levin Properties, LP	53,250,000	18.96%	-	0.00%
Watchung VF LLC	22,971,800	8.18%	17,622,000	12.05%
Sears Roebuck & Co	17,669,000	6.29%	19,316,400	13.21%
HD Development of Maryland, Inc.	13,500,000	4.81%	-	0.00%
Target Corp	15,528,500	5.53%	8,187,000	5.60%
Weldon Materials Inc	9,448,800	3.36%	10,017,400	6.85%
Brunswick Hot Mix Corp.	-	0.00%	-	0.00%
Treeco/Watchung LP	-	0.00%	4,283,900	2.93%
S/K Morris Township Assoc. LLC	-	0.00%	3,993,200	2.73%
Pitney Partners	7,650,000	2.72%	-	0.00%
Mini U Storage New Jersey RE LLC	7,132,000	2.54%	-	0.00%
Home Depot, USA Inc.	-	0.00%	8,162,800	5.58%
Twin Brooks County Club LP	-	0.00%	4,609,000	3.15%
	<b>\$ 280,834,100</b>	<b>100.00%</b>	<b>\$ 146,279,900</b>	<b>100.00%</b>

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	
2002	\$ 13,332,981	\$ 13,332,981	100.00%	N/A
2003	16,015,628	16,015,628	100.00%	N/A
2004	18,385,208	18,385,208	100.00%	N/A
2005	21,127,997	21,127,997	100.00%	N/A
2006	22,877,758	22,877,758	100.00%	N/A
2007	24,679,786	24,679,786	100.00%	N/A
2008	25,902,972	25,902,972	100.00%	N/A
2009	26,988,036	26,988,036	100.00%	N/A
2010	28,065,105	28,065,105	100.00%	N/A
2011	28,360,853	28,360,853	100.00%	N/A

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 RATIOS OF OUTSTANDING DEBT BY TYPE  
 LAST EIGHT 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					
2004	\$ 32,426,000	\$3,195,588	\$ 61,902		\$ 8,291,264		\$ 43,974,754	30,487	\$ 1,442	
2005	32,326,000	2,663,754	23,390		8,291,264		43,304,408	30,606	1,415	
2006	32,076,000	1,938,091	1,586	\$ 8,525,675	3,000,476		45,541,828	30,717	1,483	
2007	34,751,000	1,388,184		7,000,000	476		43,139,660	30,819	1,400	
2008	34,336,000	1,378,526		3,000,000	476		38,715,002	30,969	1,250	
2009	33,581,000	1,023,285			476		34,604,761	31,223	1,108	
2010	32,731,000	1,676,392			476		34,407,868	31,223 (Est.)	1,102	
2011	31,816,000	1,223,126			476		33,039,602	31,223 (Est.)	1,058	

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 EIGHT FISCAL YEARS  
(Unaudited)**

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2004	\$ 32,426,000		\$ 32,426,000	0.52%	\$ 1,068
2005	32,326,000		32,326,000	0.47%	1,056
2006	32,076,000		32,076,000	0.48%	1,048
2007	34,751,000		34,751,000	0.49%	1,128
2008	34,336,000		34,336,000	0.41%	1,109
2009	33,581,000		33,581,000	0.46%	1,076
2010	32,731,000		32,731,000	0.49%	1,048
2011	31,816,000		31,816,000	0.42%	1,019

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>					
2002	1.87	0.258	0.794	0.551	0.267
2003	1.98	0.290	0.850	0.550	0.290
2004	2.15	0.330	0.910	0.610	0.300
2005	2.30	0.380	0.958	0.652	0.312
2006	2.40	0.394	1.011	0.670	0.325
2007	2.50	0.432	1.034	0.760	0.274
2008	2.56	0.456	1.063	0.765	0.280
2009	2.66	0.492	1.114	0.720	0.336
2010	2.73	0.522	1.145	0.731	0.327
2011	2.82	0.562	1.180	0.744	0.329
<b><u>Warren Township</u></b>					
2002	1.75	0.277	0.824	0.211	0.438
2003	1.70	0.295	0.779	0.214	0.412
2004	1.80	0.334	0.811	0.229	0.426
2005	1.65	0.325	0.746	0.185	0.394
2006	1.63	0.304	0.744	0.206	0.376
2007	1.65	0.319	0.743	0.213	0.375
2008	1.70	0.336	0.768	0.224	0.375
2009	1.82	0.365	0.826	0.246	0.385
2010	2.05	0.411	0.945	0.295	0.394
2011	2.01	0.395	0.940	0.294	0.378
<b><u>Watchung Borough</u></b>					
2002	1.86	0.289	0.550	0.525	0.496
2003	1.54	0.258	0.503	0.395	0.384
2004	1.55	0.295	0.492	0.369	0.393
2005	1.55	0.294	0.504	0.385	0.367
2006	1.63	0.302	0.569	0.379	0.380
2007	1.61	0.304	0.542	0.387	0.377
2008	1.68	0.303	0.590	0.421	0.366
2009	1.76	0.318	0.646	0.427	0.371
2010	1.92	0.351	0.723	0.462	0.385
2011	1.96	0.363	0.728	0.491	0.379

Source: Tax Collector

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

	December 31,						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 171,056,403	\$ 189,244,886	\$ 210,607,122	\$ 251,591,766	\$ 260,554,334	\$ 255,541,716	\$ 247,132,546
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>
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>
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%

**Legal Debt Margin Calculation, December 31, 2010**

2008	\$ 8,695,387,775
2009	8,142,961,601
2010	<u>7,874,905,238</u>
	<u>\$ 24,713,254,614</u>
Average equalized valuation of taxable property	\$ 8,237,751,538
3% of Equalized Valuation Basis	247,132,546
Less Net Debt	<u>31,816,476</u>
Remaining Borrowing Power	<u>\$ 215,316,070</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>			
2001	1.7%	\$ 56,673	8,701
2002	2.6%	56,535	8,721
2003	2.6%	57,018	8,698
2004	2.6%	61,101	8,683
2005	2.7%	63,297	8,669
2006	3.1%	68,364	8,593
2007	2.8%	71,300	8,545
2008	3.7%	71,527	8,550
2009	6.3%	68,251	8,579
2010	6.4%	N/A	N/A
<b><u>Warren Township</u></b>			
2001	3.3%	56,404	14,688
2002	5.3%	55,888	15,032
2003	5.2%	56,812	15,196
2004	4.4%	59,932	15,294
2005	1.7%	62,248	15,385
2006	2.0%	67,455	15,471
2007	1.8%	71,564	15,568
2008	2.4%	73,197	15,689
2009	4.3%	69,385	15,871
2010	4.3%	N/A	N/A
<b><u>Watchung Borough</u></b>			
2001	1.7%	56,404	5,627
2002	2.6%	55,888	5,832
2003	2.9%	56,812	6,499
2004	2.4%	59,932	6,510
2005	2.8%	62,248	6,552
2006	3.0%	67,455	6,653
2007	2.7%	71,564	6,706
2008	3.6%	73,197	6,730
2009	6.4%	69,385	6,773
2010	6.4%	N/A	N/A

## 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>2011</u>		<u>2002</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
<u>Long Hill Township</u>				
				INFORMATION NOT AVAILABLE
<u>Warren Township</u>				
				INFORMATION NOT AVAILABLE
<u>Watchung Borough</u>				
				INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction						
Regular	132	149	152	153	153	142
Special Education	29	30	32	35	35	35
Other Special Education	10	10	9	9	9	9
Adult/Continuing Education Programs	1	1	1	1	1	1
Support Services:						
Student and Instruction Related Services	18	18	19	19	19	19
General Administration	7	5	5	5	9	9
School Administrative Services	10	10	12	12	12	12
Other Administrative Services	7	8	9	9	9	8
Central Services	10	7	7	8	6	6
Administrative Information Technology	4	4	4	4	5	5
Plant Operations And Maintenance	13	13	14	15	15	15
Pupil Transportation	7	7	9	10	15	1
Total	<u>248</u>	<u>262</u>	<u>273</u>	<u>280</u>	<u>288</u>	<u>262</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Teaching Staff	Pupil Teacher Ratio	Average Daily Enrollment (ADE)		Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
							High School	Enrollment (ADE)			
2001	1,346	\$ 17,109,577	\$ 12,711	1.16%	N/A	N/A	1,346	1,286.2	1,286.2	7.51%	95.56%
2002	1,355	19,266,407	14,219	11.86%	N/A	N/A	1,355	1,253.0	1,253.0	0.67%	92.47%
2003	1,555	21,318,282	13,710	-3.58%	N/A	N/A	1,555	1,478.8	1,478.8	14.76%	95.10%
2004	1,727	24,613,385	14,252	3.96%	157	1:11	1,727	1,607.0	1,607.0	11.06%	93.05%
2005	1,818	26,339,966	14,488	1.66%	157	1:11	1,818	1,737.9	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	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	1,880.0	4.75%	93.67%
2008	2,061	32,867,671	15,947	0.62%	184	1:11	2,061	1,954.0	1,954.0	2.69%	94.81%
2009	2,033	35,382,685	17,404	9.13%	188	1:11	2,033	1,967.4	1,967.4	-1.36%	96.77%
2010	2,069	35,049,943	16,941	-2.66%	188	1:11	2,069	2,068.3	2,068.3	3.59%	98.21%
2011	2,057	34,454,468	16,750	-1.14%	177	1:12	2,057	1,983.6	1,983.6	-0.58%	96.43%

Sources: District records

Note: a Enrollment based on annual October district count.

b Operating expenditures equal total expenditures less debt service and capital outlay.

c Cost per pupil represents operating expenditures divided by enrollment.

N/A - Not Available

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b><u>District Building</u></b>						
<b><u>High School</u></b>						
Square Feet	378,480	378,480	378,480	378,480	378,480	378,480
Capacity (students)	2,506	2,506	2,506	2,506	2,506	2,506
Enrollment	1,916	2,007	2,061	2,033	1,900	1,900
<b><u>Other</u></b>						
<b><u>Garage</u></b>						
Square Feet	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

Number of Schools at June 30, 2011  
Senior High School = 1

Source: District Records

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

Watchung Hills Regional High School

<u>Year</u>	
2002	\$ 1,032,826
2003	1,181,548
2004	1,077,386
2005	1,144,995
2006	1,254,409
2007	1,033,888
2008	869,201
2009	954,060
2010	1,113,820
2011	1,320,963

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SCHEDULE OF INSURANCE  
JUNE 30, 2011  
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund Property-Blanket Building/Contents	\$ 55,256,641	\$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	
Director of Adult School	50,000	

Source: School Insurance Records

**SINGLE AUDIT SECTION**

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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RALPH M. PICONE, CPA, RMA, PSA  
EDWARD N. KERE, 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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watchung Hills Regional High School District as of and for the fiscal year ended June 30, 2011, which collectively comprise the Watchung Hills Regional High School District's basic financial statements and have issued our report thereon dated November 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

### Internal Control Over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

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

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
November 10, 2011

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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RALPH M. PICONE, CPA, RMA, PSA  
EDWARD N. KERE, CPA

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

### Independent Auditor's Report

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

#### Compliance

We have audited the Watchung Hills Regional High School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Watchung Hills Regional High School District's major state programs for the fiscal year ended June 30, 2011. 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. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Watchung Hills Regional High School District's management. Our responsibility is to express an opinion on Watchung Hills Regional High School District's compliance based on our audit.

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

In our opinion, Watchung Hills Regional High School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

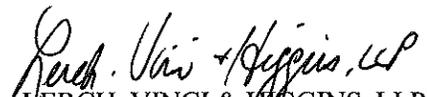
### Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a 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.

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

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

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
November 10, 2011

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal/Grantor/Pass-Through Grantor/ CFDA Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2010	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year Balances	Balance at June 30, 2011	
											(Accounts Receivable)	Due to Grantor
U.S. Department of Homeland Security General Fund FEMA				\$ 13,071	-	-	\$ 13,071	\$ 13,071	-	-	-	-
Total General Fund					-	-	13,071	13,071	-	-	-	-
U.S. Department of Education Passed-Through State Department of Education												
Special Revenue Fund												
N.C.L.B. Title II - A	84-367	NCLB533008	9/1/10-8/31/11	15,926			288	15,023			\$ (14,755)	
N.C.L.B. Title II - A	84-281A	NCLB533007	9/1/09-8/31/10	15,159	\$ (15,159)		14,871				(288)	
N.C.L.B. Title II - A	84-281A	NCLB533007	9/1/08-8/31/09	15,094	(288)		288					
N.C.L.B. Title II - D	84-318A	NCLB533008	9/1/10-8/31/11	255				255			(255)	
N.C.L.B. Title IV	84-010A	NCLB533007	9/1/09-8/31/10	2,827			2,827					
I.D.E.A. Part B, Basic	84-027A	IDEA533008	9/1/10-8/31/11	319,459			255,869	285,033			(29,164)	
I.D.E.A. Part B, Basic, Carryover	84-027A	IDEA533008	9/1/10-8/31/11	16,584			16,584					
I.D.E.A. Part B, Basic	84-027A	IDEA533008	9/1/09-8/31/10	315,872	(141,146)		160,487					
I.D.E.A. Part B, Basic	84-027A	IDEA533008	9/1/08-8/31/09	316,036	(11,833)		11,833					
I.D.E.A. Part B, Basic - ARRA	84-391	IDEA533007	9/1/09-8/31/11	415,833			92,324	128,717			(36,393)	
I.D.E.A. Part B, Basic, Carryover	84-027A	IDEA533007	9/1/07-8/31/08	37,376	13,173		-	-			-	\$ 1,565
Total Special Revenue Fund					(158,080)	-	555,371	464,953	-	-	(80,835)	1,565
Total Federal Awards					\$ (158,080)	\$ -	568,442	478,024	\$ -	\$ -	\$ (80,835)	\$ 1,565
Less Aid Not Subject to Single Audit							13,071	13,071				
Total Federal Awards Determination							\$ 555,371	\$ 464,953				

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Balance, June 30, 2010										Balance, June 30, 2011			MEMO	
	Grant or State Project Number	Grant Period	Award Received	Deferred Revenue (Acctis. Receivable)	Due to Grantor	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Adjustment	(Accounts Receivable)	Deferred Revenue	Due to Grantor		GAAP Receivable
General Fund															
Special Education Aid	10-495-034-5120-011	7/1/09-6/30/10	\$ 637,645	(61,954)		\$ 61,954									
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	817,030	(79,385)		79,385									
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	133,584	(12,979)		12,979									
Excess/Deficit Aid	10-100-034-5120-473	7/1/09-6/30/10	77,593	(77,593)		77,593									
Excess/Deficit Aid	11-100-034-5120-473	7/1/10-6/30/11	87,457	(42,999)		42,999	\$ 87,457							\$ 87,457	
Non-Public Transportation Reimb.	N/A	7/1/09-6/30/10	45,999												
Non-Public Transportation Reimb.	N/A	7/1/10-6/30/11	55,767				55,767							\$ (55,767)	55,767
Reimbursement T.P.A.F.															
Teachers' Pension & Annuity Fund - Non-contributory Insurance	11-495-034-5095-007	7/1/10-6/30/11	48,253			48,253									48,253
Post Retirement-Pension Contributions	11-495-034-5095-001	7/1/10-6/30/11	1,024,888			1,024,888									1,024,888
Social Security Contributions	10-100-034-5095-002	7/1/09-6/30/10	1,193,119	(58,437)		58,437									
Social Security Contributions	11-100-034-5095-002	7/1/10-6/30/11	1,159,627			1,102,711	1,159,627							(56,916)	1,159,627
Total General Fund				(333,347)		2,509,199	2,375,992			(200,140)				(112,683)	2,375,992
Special Revenue Fund															
Character Education, Copyover	06-495-034-5120-053	7/1/05-6/30/06	4,889		\$ 45							\$ 45			20,065
Textbook Aid	11-100-034-5120-064	7/1/10-6/30/11	20,065			20,065									20,065
Nursing Services	11-100-034-5120-070	7/1/10-6/30/11	23,775			23,775									23,775
Chapter 192/193															
Exam & Class (193)	09-100-034-5120-066	7/1/09-6/30/09	15,921		1,179							1,179			
Exam & Class (193)	10-100-034-5120-066	7/1/09-6/30/10	25,590		2,661			\$ 2,661							
Exam & Class (193)	11-100-034-5120-066	7/1/10-6/30/11	30,622			30,622	29,383					1,239			29,383
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	626			626									626
Supplemental Instruction (193)	11-100-034-5120-066	7/1/10-6/30/11	764			764									764
Home Instruction	11-100-034-5120-066	7/1/10-6/30/11	1,277			1,277								(1,277)	1,277
Energy Audit	N/A		30,079	10,026			10,026								10,026
Total Special Revenue Fund				10,026	3,885	75,852	85,916	2,661		(1,277)		2,463		(1,277)	85,916
Capital Projects Fund															
NY Economic Development Authority															
Three Renovations Project	SP-2021017		169,588	(75,477)										(75,477)	
High School Additions/Renovations	SP-2030145		947,2675	(426,280)										(426,280)	
Replace Gym Bleachers	5550-050-09-00CR		115,344	(115,344)		92,425								(23,119)	
Conversion of Board of Education Offices to Classrooms	5550-050-09-00CQ		365,338	(365,338)										(365,338)	
New Security System	5550-050-09-02VL		159,516	(159,516)		127,603								(31,913)	
HVAC Project	5550-050-10-00TB		64,868				64,868							(64,868)	64,868
Total Capital Projects Fund				(1,342,155)		220,028	64,868							(986,995)	64,868
Total All Funds				(1,465,476)	3,885	2,805,079	2,526,776	2,661		(1,188,412)		2,463		(1,100,955)	2,526,776
Less On-Behalf TPAF Pension and Annuity Aid															
T.P.A.F. - Pension- Post Ret. Medical	11-495-034-5095-001	7/1/10-6/30/11	1,024,888			1,024,888									
Teachers' Pension & Annuity Fund - Non-contributory Insurance	11-495-034-5095-007	7/1/10-6/30/11	48,253			48,253									
Total for State Financial Assistance Determination				(1,465,476)	3,885	1,731,938	1,453,635	2,661		(1,188,412)		2,463		(1,100,955)	2,526,776

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's basic financial statements.

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$144,454 for the general fund and a decrease of \$24,481 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	\$ 13,071	\$ 2,520,446	\$ 2,533,517
Special Revenue Fund	463,151	85,916	549,067
Capital Projects Fund	-	64,868	64,868
	<hr/>	<hr/>	<hr/>
Total Financial Assistance	<u>\$ 476,222</u>	<u>\$ 2,671,230</u>	<u>\$ 3,147,452</u>

**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, 2011**

**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 \$1,159,627 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011. The amount reported as TPAF Pension System Contributions in the amount of \$48,253 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,024,888 represents the amount paid by the State on behalf of the District for the year ended June 30, 2011.

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

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's basic financial statements and the amount subject to State single audit and major program determination.



**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

*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, 2011**

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

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

**CURRENT YEAR FEDERAL AWARDS**

There are none.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

**CURRENT YEAR STATE AWARDS**

There are none.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**STATUS OF PRIOR YEAR FINDINGS**

Not applicable