

**BOROUGH OF WATCHUNG  
SCHOOL DISTRICT**

**Borough of Watchung School District  
Watchung, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

**Comprehensive Annual  
Financial Report**

**of the**

**BOROUGH OF WATCHUNG SCHOOL DISTRICT**

**Watchung, New Jersey**

**For the Fiscal Year Ended June 30, 2015**

**Borough of Watchung School District**

**Watchung Borough School District Board of Education  
Business Office**

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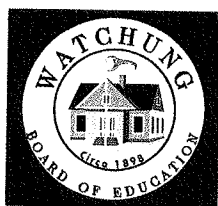
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INTRODUCTORY SECTION



# Watchung Borough Board of Education

One Dr. Parenty Way, Watchung, NJ 07069  
Phone: 908-755-8536 Fax: 908-755-6946

Dr. Barbara A. Resko, Superintendent  
Irfan Evcil, Business Administrator/Board Secretary

November 24, 2015

Honorable President and  
Members of the Board of Education  
Watchung Borough School District  
County of Somerset, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the Watchung Borough School District for the fiscal year ended June 30, 2015, 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 Borough Board of Education (the District). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statement and results of operations 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 basic financial statements and schedules, as well as the auditor's report thereon. 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 Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

**1. REPORTING ENTITY AND ITS SERVICES:** The Watchung Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) in codification section 2100. All funds of the District are included in this report. The Watchung Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, as well as special education for handicapped students. The District completed the 2013-2014 fiscal year with an enrollment of 716 students, which is 1 less student than the previous year's enrollment. The enrollment includes 21 preschool tuition students.

Honorable President and  
Members of the Board of Education  
Watchung Borough School District  
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**2. ECONOMIC CONDITION AND OUTLOOK:** The Borough of Watchung was organized on April 20, 1926 and covers an area of approximately 6.2 square miles. Watchung was settled in the early eighteenth century and grew slowly until recent years. In 1960 the population was 3,312 and in 2000 it was 5,613. Watchung Borough is primarily a suburban residential community with 1,872 residential structures. The Borough also has a number of substantial commercial ratables principally located on State Highway 22 on the outskirts of the Borough. The Watchung Square Mall, a 750,000 square foot shopping center was completed and is currently assessed for over \$128 million. Crystal Ridge, a new 280-unit apartment complex has also been completed adjacent to the shopping center. This portion of the project is assessed at over \$40 million. These units are expected to generate 100 students when fully occupied. Currently we have 75 students from Crystal Ridge in our Pre-K through 8 system.

**3. MAJOR INITIATIVES:** The Watchung Borough Public Schools have continued to provide excellence in education for all students, Pre-K through eighth grade. This is the District's fourth year of tuition based, integrated Preschool Program for three and four year old children. A full-day academic kindergarten is offered to students who reach age five by October 1st. Spanish and French are offered to students in grades 6-8. Students in grades K-5 study Spanish. Mathematics includes accelerated geometry and algebra. Industrial Arts and Robotics are taught at the middle school level. Award winning vocal and instrumental music, art, and performing arts opportunities abound in our schools. SOAR is the District's program for gifted and talented students. Guidance counselors in both schools assist teachers and administrators with assessing and meeting the academic, social and emotional needs of our students. The Child Study Team has coordinated a multiple disabled special education program for students in Bayberry School and an intensive resource class in Valley View as required by the New Jersey Department of Education.

Several successful initiatives were completed during the 2014-2015 school year. The following are some examples of program enhancements and District improvements:

STEM classes were initiated at the elementary level. A History Club was piloted at the middle school. A Wind Ensemble program was added at the middle school. Students also excelled in Future Cities, athletics, and the performing arts. The middle school play, *Music Man Jr.*, was a smash hit!

An updated Technology Plan was developed for the 2013-2016 school years. The District entered into a shared service with EIRC to meet its technology requirements and staffing needs. In addition to the District's Chromebook initiative, eReaders, iPads, SmartBoards, and Distance Learning equipment are available to all students. Chromebooks were distributed to all middle school students in October 2014. A grade level set of Chromebooks was available for fourth graders. Special attention was given to areas such as keyboarding skills, online assessments, and computer literacy skills to advance students' competencies for PARCC assessments. The Chromebook initiative will be expanded to grades 2, 3 and 4 during the 2015-2016 school year. Students in grades K-3 had increased access to classroom sets of iPads.

The organizational structure and resources were provided for the District's internal and external communication systems, technology training, email and voicemail, and teacher webpages. Extra care was given to be PARCC ready for testing (Grades 3-8) in Spring 2015. No major glitches were reported. Chromebooks were a major advantage for students taking the PARCC assessments! The District had commendable standardized test scores and met all School Performance Report Card targets.



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The District website has been redesigned to reflect a crisp, user-friendly format including Quick Links. Apps for the website were developed and are available for iPhone and Android users. At the middle school level, PowerSchool continued to be utilized as the District's web-based student information system (SIS) with robust tools for viewing, manipulating, storing, and retrieving data. A free PowerSchool for Parents app may be downloaded from the iTunes Store. Several parent meetings were held throughout the year on topics such as Chromebooks, Online textbook resources, and PARCC.

The District adopted and implemented the Danielson's Framework for Teaching model and the Teachscape platform in compliance with the State's new teacher evaluation requirements. The Multidimensional Principal Performance Rubric was adopted to assess administrators. Mandated training for staff was conducted through GCN's on-line professional development service. Source4Teachers was contracted as the District's new substitute service.

The following curriculum guides were aligned with the New Jersey Core Curriculum Content Standards and the Common Core State Standards: Mathematics, Language Arts, Science, Social Studies, Technology, Industrial Arts, Visual & Performing Arts, World Languages, Health & Physical Education. 21<sup>st</sup> Century College & Careers have been integrated into the curriculum guides. A link to the public portal for parents to view the revised curriculum in Rubicon Atlas was added to the District's website. All curricula are reviewed and approved by the Board of Education.

A second cohort of K-8 teachers received "leader" training in Learner-Active, Technology-Infused Classroom (LATIC) by Innovative Designs for Education (IDE). The program focuses on problem-based learning. All K-8 teachers have access to the *IDEportal* as an instructional resource.

The District continued to be guided by its five year Facilities Plan. Several safety and security upgrades were completed. The roof and skylights were replaced at the elementary school. Both school buildings have full Rokus Wi-Fi capabilities. New ceiling tiles, lighting, fire detection devices, and lockers were installed at the middle school. Recently completed projects at Valley View during spring recess include ball field improvements, trex decking, team benches, and soundproofing of HVAC. Both buildings have security film and functioning sound systems. Summer projects will include sidewalk repairs, gym ceiling solutions, additional parking spaces, and seal coating/patching of driveways.

The Somerset County Youth Service Commission again provided grants that sponsored spring and fall programs for the Bayberry Girls on the Run and Valley View Girls on Track. These self-esteem building after-school running programs are for girls at Bayberry and Valley View Schools. The programs are designed to help girls develop self-confidence, determination, and focus on goal setting and cooperation.

The Watchung Educational Foundation is an organization that was established to raise money for Bayberry and Valley View Schools to provide an ongoing centralized source of additional funds and resources to assist the Watchung Borough School District in maintaining and enhancing the quality of education in Watchung. The Watchung Educational Foundation's major contribution for the 2014-2015 school year was Learner Active Technology Infused Classroom Coaching.

Honorable President and  
Members of the Board of Education  
Watchung Borough School District  
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The school programs are further enhanced by involvement of parents in the Parent Teacher Organization and community groups such as the Watchung Hills Municipal Alliance, Garden Club and the Watchung Police Department's D.A.R.E. program. The PTO funded the following grants for the District in the 2014-2015 school year:

- Technology (iPads and SmartBoards)
- Subscription for Accelerated Readers
- Study Island Renewal
- Keyboarding
- Block grants for Art, Industrial Arts, Choral, Instrumental Music, Music Composition, Physical Education, Foreign Language, Social Studies and Science, Library

The District contracted with Source4Teachers for the 2014-2015 school year to fill positions such as daily and long-term substitute teachers, and track support staff absences. Also, the District contracted with MissionOne, Source4Teachers sister company, to fill the special education paraprofessional positions. These services have benefited the District by reducing administrative work and providing financial savings related to insurance.

**4. INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system 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 system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District management.

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

**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. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2015.

Honorable President and  
Members of the Board of Education  
Watchung Borough School District  
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November 24, 2015

**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 "Notes to the Basic Financial Statements", Note 1.

**7. CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**8. RISK MANAGEMENT:** The Board carries various forms of insurance that includes, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on J-20.

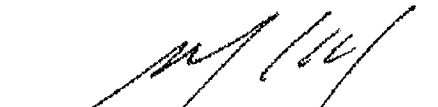
**9. OTHER INFORMATION: Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP was selected as the Board's Audit firm. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

**10. ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Watchung Borough School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our Business Office staff.

Respectfully submitted by,



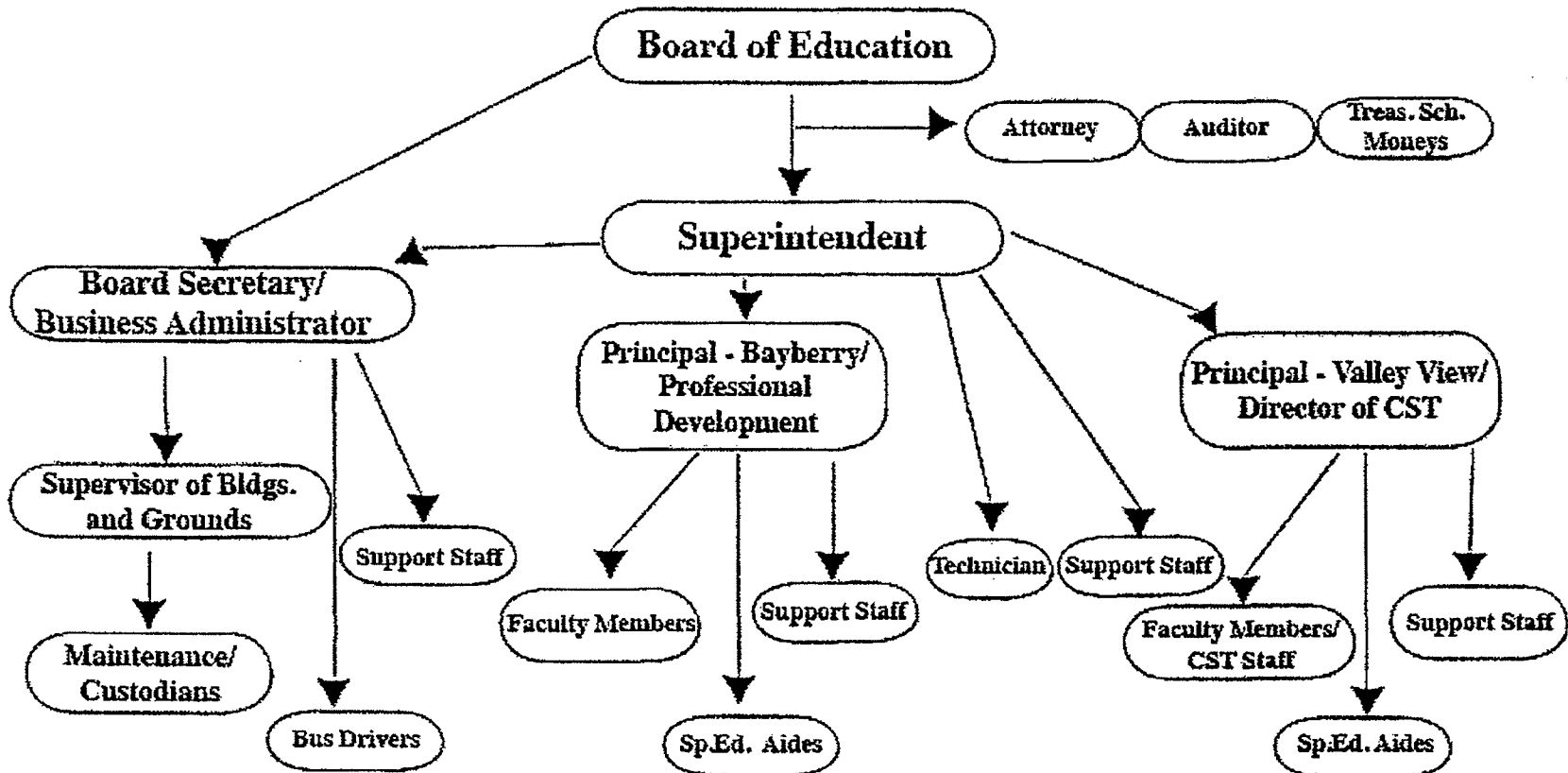
Barbara A. Resko, Ph.D.  
Superintendent



Irfan Evcil  
Business Administrator/Board Secretary

# WATCHUNG BOROUGH BOARD OF EDUCATION

## ORGANIZATIONAL CHART Unit Control



June 2011

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2015

**Members of the Board of Education**

**Term Expires**

James Rhyner, President	2015
Ellyn Margulies, Vice President	2017
Margo Langer	2015
Tiffany Brigante	2015
Joseph Mattiassi	2017
Georgia Glasser-Nehls	2016
Tina Kelly	2017
John Malchow	2015
Thomas Sicola	2016

**Other Officials**

Barbara A. Resko, Ph. D., Superintendent of Schools  
 Heather Spitzer, Business Administrator/Board Secretary  
 Mary Nunn, Principal  
 Michael Vignola, Vice Principal  
 William J. Hance, Treasurer  
 Sciarrillo, Cornell, Merlino, McKeever & Osborne, LLC. - Legal Counsel

**BOROUGH OF WATCHUNG SCHOOL DISTRICT  
Consultants and Advisors**

**Audit Firm**

Nisivoccia LLP  
Mount Arlington Corporate Center  
200 Valley Road Suite 300  
Mount Arlington, NJ 07856  
and  
Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860

**Attorney at Law**

Sciarrillo, Cornell, Merlino, McKeever & Osborne, LLC.  
238 St. Paul Street  
Westfield, NJ 070910

**Architect**

Parette Somjen Architects  
439 Route 46 East  
Rockaway, NJ 07866

**Benefit Advisor**

Brown & Brown Benefit Advisors  
24 Arnett Avenue Suite 200  
Lambertville, NJ 08530

**Property Insurance**

Willis  
350 Mt. Kemble Avenue  
P.O. Box 1959  
Morristown, NJ 07962

**Official Depository**

Investors Bank  
1153 Valley Road  
Stirling, NJ 07980

FINANCIAL SECTION



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

## Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Borough of Watchung School District  
 County of Somerset, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Watchung School District (the "District") in the County of Somerset, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



The Honorable President and Members  
of the Board of Education  
Borough of Watchung School District  
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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Watchung School District, in the County of Somerset, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 9 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 17 to the basic financial statements.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the required supplementary information pension schedules and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements 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 and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey’s OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

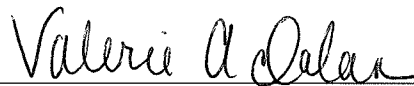
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 24, 2015  
Mount Arlington, New Jersey

NISIVOCIA LLP



Valerie A. Dolan  
Licensed Public School Accountant #2526  
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**BOROUGH OF WATCHUNG SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
(Unaudited)

This section of Borough of Watchung School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2015. 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.

**Financial Highlights**

- The District's financial status is strong, in spite of minimal increases in state aid for several years.
- Overall revenue was \$15.4 million.
- Overall expenditures were \$13.6 million.
- Actual revenue was slightly more than expected, primarily in additional state aid from extraordinary aid and nonpublic transportation aid.
- Enrollment in the District has slightly decreased for the current year and cost per pupil has been increasing.

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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 such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *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.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

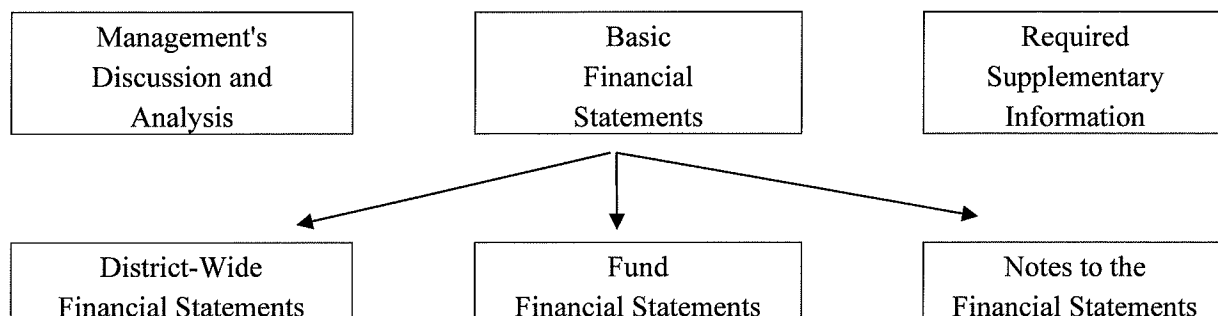


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents 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 special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources 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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## District-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial 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 divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

## 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 by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal 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 are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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, additional information at the bottom of the governmental funds statements explains the relationship (or difference) 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. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. 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. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

*Notes to 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 immediately following the fund financial statements.

### Financial Analysis of the District as a Whole

*Net Position.* The District's combined net position increased \$1,856,151. Net position from governmental activities increased by \$1,855,861 and net position from business activities increased by \$290. Net investment in capital assets increased by \$1,967,708, restricted net position decreased by \$66,623 and unrestricted net position decreased by \$44,934.

**Figure A-3**  
**Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2014/2015	2013/2014 *	2014/2015	2013/2014	2014/2015	2013/2014	
Current and Other Assets	\$ 3,355,173	\$ 3,447,406	\$ 6,836	\$ 3,953	\$ 3,362,009	\$ 3,451,359	-2.59%
Capital Assets, Net	14,809,958	14,569,657	15,011	17,604	14,824,969	14,587,261	1.63%
Total Assets	18,165,131	18,017,063	21,847	21,557	18,186,978	18,038,620	0.82%
Deferred Outflows of Resources	253,999	243,667			253,999	243,667	4.24%
Long-Term Debt Outstanding	7,016,209	8,861,730			7,016,209	8,861,730	-20.83%
Other Liabilities	674,037	774,938			674,037	774,938	-13.02%
Total Liabilities	7,690,246	9,636,668			7,690,246	9,636,668	-20.20%
Deferred Inflows of Resources	248,961				248,961		100.00%
Net Position:							
Net Investment in Capital Assets	10,919,958	8,949,657	15,011	17,604	10,934,969	8,967,261	21.94%
Restricted	2,746,220	2,812,843			2,746,220	2,812,843	-2.37%
Unrestricted/(Deficit)	(3,186,255)	(3,138,438)	6,836	3,953	(3,179,419)	(3,134,485)	-1.43%
Total Net Position	\$ 10,479,923	\$ 8,624,062	\$ 21,847	\$ 21,557	\$ 10,501,770	\$ 8,645,619	21.47%

\* - As Restated

*Changes in Net Position.* The District's combined net position was \$10,501,770 on June 30, 2015, or \$1,856,151 more than it was the year before. (See Figure A-3). Net investment in capital assets increased by \$1,967,708 primarily due to additions to capital assets of \$651,196, the retirement of bond principal of \$1,730,000 offset by depreciation expense of \$413,488. Restricted net position decreased by \$66,623 due to a \$176,372 increase in capital reserve offset by decreases in capital projects fund balance of \$156,905 and debt service of \$86,090. Unrestricted net position decreased by \$44,934 due primarily to the net of the unamortized bond premium, the net of the deferred inflow and outflows relating to pension liability, increase in compensated absences and decrease in accrued interest payable offset by excess revenues.

**Figure A-4**  
**Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	
Revenue:							
Program Revenue:							
Tuition from Individuals	\$ 141,637	\$ 146,749			\$ 141,637	\$ 146,749	-3.48%
Charges for Services			\$ 6,450	\$ 7,235	6,450	7,235	-10.85%
Operating Grants & Contributions	2,763,449	1,550,169	6,461	6,407	2,769,910	1,556,576	77.95%
General Revenue:							
Property Taxes	12,254,461	12,002,602			12,254,461	12,002,602	2.10%
Unrestricted Federal and State Aid	179,847	38,852			179,847	38,852	362.90%
Other	67,147	47,762			67,147	47,762	40.59%
Total Revenue	<u>15,406,541</u>	<u>13,786,134</u>	<u>12,911</u>	<u>13,642</u>	<u>15,419,452</u>	<u>13,799,776</u>	11.74%
Expenses:							
Instruction	8,454,925	7,467,200			8,454,925	7,467,200	13.23%
Pupil and Instruction Services	1,784,730	1,724,922			1,784,730	1,724,922	3.47%
Administrative and Business	1,394,828	1,167,944			1,394,828	1,167,944	19.43%
Maintenance and Operations	1,267,013	1,106,697			1,267,013	1,106,697	14.49%
Transportation	514,800	492,628			514,800	492,628	4.50%
Other	134,384	286,883	12,621	21,698	147,005	308,581	-52.36%
Total Expenses	<u>13,550,680</u>	<u>12,246,274</u>	<u>12,621</u>	<u>21,698</u>	<u>13,563,301</u>	<u>12,267,972</u>	10.56%
Increase in Net Position	<u>\$ 1,855,861</u>	<u>\$ 1,539,860</u>	<u>\$ 290</u>	<u>\$ (8,056)</u>	<u>\$ 1,856,151</u>	<u>\$ 1,531,804</u>	21.17%

*Revenue Sources.* The District's total revenue for the 2014/2015 school year was \$15,419,452 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$12,254,461 of the total, or 79.47 percent. (See Figure A-5). 19.13 percent came from state and federal aid and the remainder from miscellaneous sources.

**Figure A-5**  
**Sources of School District Revenue - Fiscal Year 2015**

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 2,769,910	17.96%
Property Taxes	12,254,461	79.47%
Federal and State Categorical Grants	179,847	1.17%
Charges for Services	6,450	0.04%
Other	208,784	1.36%
	<u>\$ 15,419,452</u>	<u>100.00%</u>



The total cost of all programs and services was \$13,563,301. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (79.30 percent). (See Figure A-6). Other significant cost areas include Administrative and Business activities (10.28 percent) and Maintenance and Operations activities (9.34 percent). The most significant contributors to the costs of Maintenance and Operations were salaries, fuel and other costs. It is important to remember that \$410,895 in depreciation is included in expenses for the year.

**Figure A-6**  
**Sources of School District Expenses - Fiscal Year 2015**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 8,454,925	62.34%
Pupil and Instruction Services	1,784,730	13.16%
Administrative and Business	1,394,828	10.28%
Maintenance and Operations	1,267,013	9.34%
Transportation	514,800	3.80%
Other	147,005	1.08%
	<u>\$ 13,563,301</u>	<u>100.00%</u>

### **Governmental Activities**

As discussed elsewhere in this commentary, the financial position of the District remains strong. Maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions continued during the year were:

- Participation in a joint insurance fund operated by Diploma Joint Insurance Fund resulting in low cost property, liability and workers compensation insurance.
- Participation in Joint Transportation Agreements.
- Participation in Joint Purchasing Agreements.
- Participation in e-Rate Programs.

It is crucial that the District examine its expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial obligation placed on the District's taxpayers by each of these functions:

**Figure A-7**  
**Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2014/2015	2013/2014	2014/2015	2013/2014
Instruction	\$ 8,454,925	\$ 7,467,200	\$ 6,197,996	\$ 6,033,528
Pupil and Instruction Services	1,784,730	1,724,922	1,580,662	1,689,677
Administrative and Business	1,394,828	1,167,944	1,189,715	1,086,692
Maintenance and Operations	1,267,013	1,106,697	1,181,951	1,106,697
Transportation	514,800	492,628	502,523	492,628
Other	134,384	286,883	134,384	286,883
	<u>\$ 13,550,680</u>	<u>\$ 12,246,274</u>	<u>\$ 10,787,231</u>	<u>\$ 10,696,105</u>

- The cost of all governmental activities this year was approximately \$13.55 million.
- The federal and state governments subsidized certain programs with grants and contributions of \$2.94 million.
- Approximately \$12.25 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

#### **Business-Type Activities**

Net position from the District's business-type activity increased by \$290 (Refer to Figure A-4). Factors contributing to these results included:

- Food service revenues exceeded expenses by \$290, accounting for all of the increase in the net position of the business-type activities.

#### **Financial Analysis of the District's Funds**

The District's financial position remains strong despite significant changes in the student clientele and difficult economic times.

In an effort to return special education students to the District, the District has increased classroom teaching staff, special education aides and special transportation. The savings realized from the reduction in out of district placements, however, has largely offset the cost of these additional teachers and special education aides. Fringe benefit costs for all staff have increased significantly in the past several years.

These factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

## General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

## Capital Asset and Debt Administration

**Figure A-8**  
**Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	
Land	\$ 411,364	\$ 411,364			\$ 411,364	\$ 411,364	0.00%
Building and Building Improvements	12,906,637	13,232,277			12,906,637	13,232,277	-2.46%
Machinery and Equipment	432,883	432,835	\$ 15,011	\$ 17,604	447,894	450,439	-0.57%
Construction in Progress	1,059,074	493,181			1,059,074	493,181	114.74%
<b>Total Capital Assets (Net of Depreciation)</b>	<b>\$ 14,809,958</b>	<b>\$ 14,569,657</b>	<b>\$ 15,011</b>	<b>\$ 17,604</b>	<b>\$ 14,824,969</b>	<b>\$ 14,587,261</b>	<b>1.63%</b>

## Long-term Debt

At year-end, the District had \$3,890,000 in general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

**Figure A-9**  
**Outstanding Long-Term Debt**

	Total School District		Percentage Change
	2014/2015	2013/2014 *	
General Obligation Bonds	\$ 3,890,000	\$ 5,620,000	-30.78%
Net Pension Liability	2,911,523	3,061,374	-4.89%
	6,801,523	8,681,374	
Compensated Absences	214,686	180,356	19.03%
	<b>\$ 7,016,209</b>	<b>\$ 8,861,730</b>	<b>-20.83%</b>

\* - Restated

- The District continued to pay down its debt, retiring \$1,730,000 of outstanding bonds.
- Compensated absences payable increased by a net amount of \$34,330.
- The net pension liability decreased by \$149,851 from the prior year.

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Tax Levy - The Board opted to prepare its 2015-2016 budget with a 1.5% tax increase. The unrestricted fund balance is limited to 2% of our expenditures as per the New Jersey Department of Education regulations. Thus, looking ahead to the development of the 2016-2017 budget, it will be important to prepare a budget that will closely reflect actual expenditures since the unrestricted fund will not permit much flexibility.
- Personnel – Our last contract settlement in 2013 placed a 2% increase each year on total compensation costs for our collective bargaining unit through June 30, 2016. Settlement rates reached in Somerset County since October 1, 2014, average as follows: 2.47% in 2015-2016, 2.53% in 2016-2017 and 2.58% in 2017-2018. (Source: NJSBA, October 5, 2015). Preparation by our Board for negotiations will begin before the end of the calendar year.

## **Request for Information**

This financial report is designed to provide a general overview of the Borough of Watchung School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Charisse Gutierrez, Interim School Business Administrator/Board Secretary, at the Board of Education Office at One Dr. Parenty Way, Watchung, NJ 07069.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 913,488	\$ 4,992	\$ 918,480
Interfund Receivable	3,809		3,809
Receivable from State Government	189,553		189,553
Receivable from Federal Government		1,844	1,844
Other Accounts Receivable	21,805		21,805
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,785,018		1,785,018
Maintenance Reserve Account - Cash and Cash Equivalents	441,500		441,500
Capital Assets:			
Sites (Land) and Construction in Progress	1,470,438		1,470,438
Depreciable Buildings and Building Improvements and Machinery and Equipment	13,339,520	15,011	13,354,531
Total Assets	<u>18,165,131</u>	<u>21,847</u>	<u>18,186,978</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount on Refunding	162,445		162,445
Changes in Assumptions - Pensions	91,554		91,554
Total Deferred Outflows of Resources	<u>253,999</u>		<u>253,999</u>
<b>LIABILITIES</b>			
Accrued Interest Payable	124,100		124,100
Accounts Payable - Vendors	130,672		130,672
Unearned Revenue	183,113		183,113
Unamortized Bond Premium	236,152		236,152
Noncurrent Liabilities:			
Due Within One Year	1,875,000		1,875,000
Due Beyond One Year	5,141,209		5,141,209
Total Liabilities	<u>7,690,246</u>		<u>7,690,246</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Investment Gains - Pensions	173,511		173,511
Changes in Proportions - Pensions	75,450		75,450
Total Deferred Inflows of Resources	<u>248,961</u>		<u>248,961</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	\$ 10,919,958	\$ 15,011	\$ 10,934,969
Restricted for:			
Capital Projects	1,930,243		1,930,243
Other Purposes	815,977		815,977
Unrestricted/(Deficit)	<u>(3,186,255)</u>	<u>6,836</u>	<u>(3,179,419)</u>
Total Net Position	<u>\$ 10,479,923</u>	<u>\$ 21,847</u>	<u>\$ 10,501,770</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT



BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$ 6,972,932		\$ 1,813,860		\$ (5,159,072)	\$ (5,159,072)
Special Education	1,206,798		376,604		(830,194)	(830,194)
Other Special Instruction	214,587		40,617		(173,970)	(173,970)
School-Sponsored Other Instruction	60,608		25,848		(34,760)	(34,760)
<b>Support Services:</b>						
Tuition	22,822				(22,822)	(22,822)
Student & Instruction Related Services	1,761,908		204,068		(1,557,840)	(1,557,840)
General Administrative Services	470,641		105,902		(364,739)	(364,739)
School Administrative Services	597,384		64,232		(533,152)	(533,152)
Central Services	294,621		33,828		(260,793)	(260,793)
Administrative Information Technology	32,182		1,151		(31,031)	(31,031)
Plant Operations and Maintenance	1,267,013		85,062		(1,181,951)	(1,181,951)
Pupil Transportation	514,800		12,277		(502,523)	(502,523)
Interest on Long Term Debt	87,246				(87,246)	(87,246)
Capital Outlay	47,138				(47,138)	(47,138)
<b>Total Governmental Activities</b>	<b>13,550,680</b>		<b>2,763,449</b>		<b>(10,787,231)</b>	<b>(10,787,231)</b>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 12,621	\$ 6,450	\$ 6,461			\$ 290	\$ 290
Total Business-Type Activities	12,621	6,450	6,461			290	290
Total Primary Government	<u>\$ 13,563,301</u>	<u>\$ 6,450</u>	<u>\$ 2,769,910</u>	<u>\$ -0-</u>	<u>\$ (10,787,231)</u>	<u>290</u>	<u>(10,786,941)</u>
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				10,319,773			10,319,773
Taxes Levied for Debt Service				1,934,688			1,934,688
Federal and State Aid not Restricted				179,847			179,847
Tuition from Individuals				141,637			141,637
Miscellaneous Income				67,147			67,147
Total General Revenue				<u>12,643,092</u>			<u>12,643,092</u>
Change in Net Position				1,855,861		290	1,856,151
Net Position - Beginning - (Restated)				<u>8,624,062</u>		<u>21,557</u>	<u>8,645,619</u>
Net Position - Ending				<u>\$ 10,479,923</u>		<u>\$ 21,847</u>	<u>\$ 10,501,770</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<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 and Cash Equivalents	\$ 710,908	\$ 33,965	\$ 49,414	\$ 119,201	\$ 913,488
Receivables From State Government	189,553				189,553
Other Receivables	18,331	3,474			21,805
Interfund Receivables	3,809	4,285			8,094
Restricted Cash and Cash Equivalents	2,226,518				2,226,518
<b>Total Assets</b>	<b>\$ 3,149,119</b>	<b>\$ 41,724</b>	<b>\$ 49,414</b>	<b>\$ 119,201</b>	<b>\$ 3,359,458</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable - Vendors	\$ 112,687	\$ 17,985			\$ 130,672
Interfund Payable	4,285				4,285
Unearned Revenue	11,015	23,739	\$ 29,158	\$ 119,201	183,113
<b>Total Liabilities</b>	<b>127,987</b>	<b>41,724</b>	<b>29,158</b>	<b>119,201</b>	<b>318,070</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Capital Reserve Account	1,785,018				1,785,018
Maintenance Reserve Account	441,500				441,500
Excess Surplus Designated for Subsequent Year's Expenditures	185,626				185,626
Excess Surplus	188,351				188,351
Capital Projects Fund			145,225		145,225
<b>Assigned:</b>					
Encumbrances	52,856				52,856

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Unassigned/(Deficit):					
General Fund	\$ 367,781				\$ 367,781
Capital Projects Fund			\$ (124,969)		(124,969)
Total Fund Balances	<u>3,021,132</u>		<u>20,256</u>		<u>3,041,388</u>
Total Liabilities and Fund Balances	<u>\$ 3,149,119</u>	<u>\$ 41,724</u>	<u>\$ 49,414</u>	<u>\$ 119,201</u>	

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$20,654,695 and the accumulated depreciation is \$5,844,737.	\$ 14,809,958
Interest on long-term debt is not accrued in Governmental Funds, but rather is recognized as an expenditure when due.	(124,100)
Deferred Interest costs are not reported as expenditures in the Governmental Funds in the year of the expenditure.	162,445
Bond Premiums are Reported as revenue in the Governmental Funds. The Premiums are \$944,608 and the amortization is \$708,456.	(236,152)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(2,911,523)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Changes in Assumptions - Pensions	91,554
Investments in Gains - Pensions	(173,511)
Changes in Proportions - Pensions	(75,450)
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	<u>(4,104,686)</u>
Net Position of Governmental Activities	<u>\$ 10,479,923</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUE:</b>					
Local Sources:					
Local Tax Levy	\$ 10,319,773			\$ 1,934,688	\$ 12,254,461
Tuition from Individuals	141,637				141,637
Interest Earned on Capital Reserve Funds	2,690				2,690
Miscellaneous	64,457	\$ 90,650			155,107
Total - Local Sources	10,528,557	90,650		1,934,688	12,553,895
State Sources	1,603,795				1,603,795
Federal Sources		152,653			152,653
Total Revenue	12,132,352	243,303		1,934,688	14,310,343
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	4,016,877	107,452			4,124,329
Special Education Instruction	696,909	135,851			832,760
Other Special Instruction	140,597				140,597
School Sponsored/Other Instruction	38,760				38,760
Support Services and Undistributed Costs:					
Tuition	22,822				22,822
Student & Instruction Related Services	1,265,711				1,265,711
General Administrative Services	318,630				318,630
School Administrative Services	371,366				371,366
Central Services	198,130				198,130
Administrative Information Technology	28,900				28,900
Plant Operations and Maintenance	1,000,008				1,000,008
Pupil Transportation	477,048				477,048
Allocated and Unallocated Benefits	3,048,256				3,048,256

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>EXPENDITURES</b>					
Debt Service:					
Principal				\$ 1,730,000	\$ 1,730,000
Interest and Other Charges				204,688	204,688
Capital Outlay	\$ 132,441		\$ 565,893		698,334
Total Expenditures	11,756,455	\$ 243,303	565,893	1,934,688	14,500,339
Excess/(Deficit) of Revenue over/(under) Expenditures	375,897		(565,893)		(189,996)
<b>OTHER FINANCING SOURCES/(USES)</b>					
Transfers In			408,988		408,988
Transfers Out	(408,988)				(408,988)
Total Other Financing Sources/(Uses)	(408,988)		408,988		
Net Change in Fund Balances	(33,091)		(156,905)		(189,996)
Fund Balance—July 1	3,054,223		\$ 177,161		3,231,384
Fund Balance—June 30	\$ 3,021,132	\$ - 0 -	\$ 20,256	\$ - 0 -	\$ 3,041,388

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF WATCHUNG 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, 2015

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ (189,996)
Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit 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 differs from capital outlays in the period.		
	Depreciation Expense	\$ (410,895)
	Capital outlays	<u>651,196</u>
		240,301
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+)		1,730,000
Also, the governmental funds report the effect of deferred interest costs relative to an advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (-)		(81,222)
Finally, the governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)		118,076
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		80,588
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Changes in Net Pension Liability		149,851
Deferred Outflows:		
Changes in Assumptions		91,554
Deferred Inflows:		
Net Difference between projected and actual investment earnings on Pension Plan Investments		(173,511)
Changes in Proportions		<u>(75,450)</u>
		<u>(7,556)</u>
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		<u>(34,330)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 1,855,861</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



Exhibit B-4

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business-type Activities - <u>Enterprise Funds</u> Food Service <u>Non-Major Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,992
Intergovernmental Accounts Receivable:	
Federal	<u>1,844</u>
Total Current Assets	<u>6,836</u>
Non-Current Assets:	
Capital Assets	35,360
Less: Accumulated Depreciation	<u>(20,349)</u>
Total Non-Current Assets	<u>15,011</u>
Total Assets	<u>21,847</u>
 <b>NET POSITION:</b>	
Net Investment in Capital Assets	15,011
Unrestricted	<u>6,836</u>
Total Net Position	<u>\$ 21,847</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART OF THIS STATEMENT

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds
	Food Service
	Non-Major Fund
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 6,450
Total Operating Revenue	6,450
Operating Expenses:	
Cost of Sales	10,028
Depreciation Expense	2,593
Total Operating Expenses	12,621
Operating Loss	(6,171)
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	6,461
Total Non-Operating Revenue	6,461
Change in Net Position	290
Net Position - Beginning of Year	21,557
Net Position - End of Year	\$ 21,847

THE ACCOMPANYING NOTES TO THE BASIS FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART OF THIS STATEMENT

Exhibit B-6

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-type            Activities -            Enterprise Funds            Food Service            Non-Major Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 6,450
Payments to Food Service Vendor	(10,028)
Payments to Suppliers	(5,000)
	(8,578)
Net Cash Used for Operating Activities	
Cash Flows from Noncapital Financing Activities:	
Federal Sources:	
Special Milk Program	5,984
	5,984
Net Cash Provided by Noncapital Financing Activities	
Net Decrease in Cash and Cash Equivalents	(2,594)
Cash and Cash Equivalents, July 1	7,586
Cash and Cash Equivalents, June 30	\$ 4,992
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (6,171)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	2,593
Changes in Assets and Liabilities:	
(Decrease) in Interfund Payable	(5,000)
	(8,578)
Net Cash Used for Operating Activities	\$ (8,578)

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN  
 INTEGRAL PART OF THIS STATEMENT

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 194,702	\$ 14,594	\$ 88,668
Total Assets	<u>194,702</u>	<u>14,594</u>	<u>88,668</u>
<b>LIABILITIES:</b>			
Accrued Salaries and Wages Payable	158,586		
Due to Student Groups	27,010		
Payroll Deductions and Withholdings	5,297		
Interfund Payable:			
General Fund	<u>3,809</u>		
Total Liabilities	<u>194,702</u>		
<b>NET POSITION:</b>			
Held in Trust for Flexible Spending Claims		14,594	
Held in Trust for Unemployment Claims			<u>88,668</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 14,594</u>	<u>\$ 88,668</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART OF THIS STATEMENT

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Employee Contributions	\$ 43,026	\$ 10,645
Total Contributions	<u>43,026</u>	<u>10,645</u>
Investment Earnings:		
Interest	3	247
Net Investment Earnings	<u>3</u>	<u>247</u>
Total Additions	<u>43,029</u>	<u>10,892</u>
Deductions		
Unemployment Compensation Claims		35,844
Flex Spending Claims	<u>39,877</u>	
Total Deductions	<u>39,877</u>	<u>35,844</u>
Change in Net Position	3,152	(24,952)
Net Position - Beginning of the Year	<u>11,442</u>	<u>113,620</u>
Net Position - End of the Year	<u>\$ 14,594</u>	<u>\$ 88,668</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART OF THIS STATEMENT

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include one elementary and one middle school located in the Borough of Watchung. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects or debt service. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Milk Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The milk service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund, Flexible Spending Trust and Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.



BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,133,110	\$ 241,697
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		1,606
Prior Year State Aid Payments Recognized for GAAP Statements	36,351	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(37,109)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 12,132,352</u>	<u>\$ 243,303</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,756,455	\$ 241,697
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.		1,606
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 11,756,455	\$ 243,303

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized on a budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

	Capital Projects Fund
Fund Balance - (Budgetary Basis)	\$ 321,715
Reconciliation to Government Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on a GAAP Basis	(301,459)
Fund Balance per Governmental Funds (GAAP)	\$ 20,256

E. Cash and Cash Equivalents:

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, 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.

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

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2015, the amount earned by these employees but not yet disbursed was \$158,586.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences:

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

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

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$3,021,132 General Fund fund balance at June 30, 2015, \$52,856 is assigned for encumbrances; \$441,500 is restricted in the maintenance reserve account; \$1,785,018 is restricted in the capital reserve account; \$185,626 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; \$188,351 is restricted for current year excess surplus in accordance with N.J.S.A.18A:7F-7 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017; and there is \$367,781 in unassigned fund balance, which is \$37,109 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2016.

Capital Projects Fund: Of the \$20,256 fund balance in the Capital Projects Fund at June 30, 2015, \$145,225 is restricted and there is (\$124,969) in unassigned Fund Balance, which excludes \$301,458 of SDA grants receivable not recognized on a GAAP Basis.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus as noted above.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated: (Con't)

Unassigned fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of \$37,109 as of June 30, 2015 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for a capital reserve, a maintenance reserve, excess surplus and the Capital Projects Fund.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2015 in Capital Projects Fund on a GAAP Basis.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances at June 30, 2015 in the General Fund.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2015 for the deferred amount on the refunding and for changes in assumptions for pensions.

The District had a deferred inflow of resources at June 30, 2015 for the net difference between projected and actual investment earnings on pension plan investments and changes in proportion in pensions

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Deficit Net Position:

The District has a deficit in unrestricted net position of \$3,186,255 in its governmental activities, which is due to unassigned General Fund balance of \$367,281, \$52,856 of General Fund fund balance assigned for encumbrances, a \$(124,969) deficit in unassigned Capital Projects Funds fund balance, \$91,554 of changes in pension assumptions; and net of deferred interest of \$162,445 and accrued interest payable of \$124,100, unamortized bond premium of \$236,152, investment gains in pensions of \$173,511, changes in proportion in pensions of \$75,450, net pension liability of \$2,911,523, and \$214,686 of compensated absences payable. This deficit does not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

T. Revenue - Exchange and Nonexchange Transactions:

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

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.



BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School Districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (7) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2015, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve Account	Restricted Cash and Cash Equivalents Maintenance Reserve Account	Total
Checking Accounts	\$ 1,216,444	\$1,785,018	\$ 441,500	\$ 3,442,962
	<u>\$ 1,216,444</u>	<u>\$1,785,018</u>	<u>\$ 441,500</u>	<u>\$ 3,442,962</u>

During the period ended June 30, 2015, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was \$3,442,962 and the bank balance was \$4,207,618.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account in the amount of \$15,000 was established by Board resolution on October 15, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line item appropriations or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014		\$ 1,765,552
Deposit by Board Resolution June 24, 2015	\$ 425,764	
Interest Earnings	<u>2,690</u>	
		428,454
Less: Withdrawal by Board Resolution August 27, 2014		<u>(408,988)</u>
Ending Balance, June 30, 2015		<u>\$ 1,785,018</u>

The balance in the capital reserve account at June 30, 2015 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan. The withdrawal from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$100,000 was established by the Borough of Watchung School District during the year ended June 30, 2010. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring assigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Balance July 1, 2014	\$ 341,500
Deposit by Board Resolution June 25, 2015	<u>100,000</u>
Balance June 30, 2015	<u>\$ 441,500</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets not Being Depreciated:</b>				
Sites (Land)	\$ 411,364			\$ 411,364
Construction in Progress	493,181	\$ 565,893		1,059,074
<b>Total Capital Assets Not Being Depreciated</b>	<u>904,545</u>	<u>565,893</u>		<u>1,470,438</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Building Improvements	18,070,311			18,070,311
Machinery and Equipment	1,028,643	85,303		1,113,946
<b>Total Capital Assets Being Depreciated</b>	<u>19,098,954</u>	<u>85,303</u>		<u>19,184,257</u>
<b>Governmental Activities Capital Assets</b>	<u>20,003,499</u>	<u>651,196</u>		<u>20,654,695</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Building Improvements	(4,838,034)	(325,640)		(5,163,674)
Machinery and Equipment	(595,808)	(85,255)		(681,063)
	<u>(5,433,842)</u>	<u>(410,895)</u>		<u>(5,844,737)</u>
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 14,569,657</u>	<u>\$ 240,301</u>	<u>\$ - 0 -</u>	<u>\$ 14,809,958</u>
<b>Business Type Activities:</b>				
<b>Capital Assets Being Depreciated:</b>				
Machinery and Equipment	\$ 35,360			\$ 35,360
Less Accumulated Depreciation	(17,756)	\$ (2,593)		(20,349)
<b>Business Type Activities Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 17,604</u>	<u>\$ (2,593)</u>	<u>\$ - 0 -</u>	<u>\$ 15,011</u>

Depreciation expense was charged to governmental functions as follows:

General Administration	\$ 22,202
Maintenance / Operations	17,455
Student & Instruction Related Services	16,330
Regular Instruction	1,725
Student Transportation	5,517
Unallocated	347,666
	<u>\$ 410,895</u>

NOTE 7: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2015, the District transferred funds of \$40,513 to the capital outlay accounts for equipment which did not require approval from the County Superintendent.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the District-wide financial statements:

	Beginning Balance <u>Restated</u>	<u>Accrued</u>	<u>Retired</u>	Ending Balance
Serial Bonds Payable	\$ 5,620,000		\$ 1,730,000	\$ 3,890,000
Net Pension Liability	3,061,374		149,851	2,911,523
Compensated Absences Payable	<u>180,356</u>	<u>\$ 36,545</u>	<u>2,215</u>	<u>214,686</u>
	<u>\$ 8,861,730</u>	<u>\$ 36,545</u>	<u>\$ 1,882,066</u>	<u>\$ 7,016,209</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board will be liquidated through the Debt Service Fund. Bonds payable at June 30, 2015 is as follows:

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	Balance <u>6/30/2015</u>
School Refunding Bonds	8/13/2009	2.00%-4.00%	12/15/2016	<u>\$ 3,890,000</u>

Principal and interest due on serial bonds outstanding are as follows:

<u>Fiscal Year Ended</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,875,000	\$ 124,100	\$ 1,999,100
2017	<u>2,015,000</u>	<u>38,613</u>	<u>2,053,613</u>
	<u>\$ 3,890,000</u>	<u>\$ 162,713</u>	<u>\$ 4,052,713</u>

On August 13, 2009, the Watchung Borough School District issued \$8,770,000 refunding bonds with interest rates ranging from 2.00% to 4.50% to advance refund \$8,938,000 school bonds with interest rates of 3.875% to 4.375%. The refunding bonds mature on December 15, 2009 through 2016. The net proceeds from the issuance of the refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called on December 15, 2012 through 2016. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$398,996, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$369,791.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

B. Bonds Authorized But Not Issued:

As of June 30, 2015, the Board had bonds authorized but not issued in the amount of \$355.

C. Capital Leases Payable:

As of June 30, 2015, the District had no capital leases payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance for compensated absences is \$214,686. There is no current portion of compensated absences payable. This compensated absences payable will be liquidated through the General Fund.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the Food Service Fund.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long-term portion is \$2,911,523 See Note 9 for further information on the PERS.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$128,198 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2015, the District reported a liability of \$2,911,523 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.016%, which was an increase of 0.0005% from its proportion measured as of June 30, 2013.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

## NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$135,819. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 91,554	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		\$ 173,511
Changes in Proportion		75,450
	\$ 91,554	\$ 248,961

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2015	\$ (26,548)
2016	(26,548)
2017	(26,548)
2018	(26,548)
2019	16,830
Thereafter	7,405
	\$ (81,957)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%



BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Actuarial Assumptions (Cont'd)

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1%	Current	1%
	Decrease (4.39%)	Discount Rate (5.39%)	Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 3,662,794	\$ 2,911,523	\$ 2,280,645

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2015, the State of New Jersey contributed \$244,852 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,341,050.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$24,922,223. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.046%, which was a decrease of .000% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>24,922,223</u>
Total	\$	<u><u>24,922,223</u></u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$1,341,050 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		1,741,236,574
	<u>\$ 2,306,623,861</u>	<u>\$ 1,763,205,593</u>

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported as reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,496)
2020	304,620,646
Thereafter	761,551,612
	<u>\$ 543,418,268</u>

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Actuarial Assumptions (Cont'd)

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$53,813,067,539	\$44,738,870,539

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

For DCRP, the District recognized pension expense of \$8,957 for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$12,059 for the fiscal year ended June 30, 2015.

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L.1990, c.6, required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding 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 employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$388,701, \$323,438 and \$335,509 for 2015, 2014 and 2013, respectively.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are provided through Horizon Blue Cross/Blue Shield.

Property and Liability Insurance

The Borough of Watchung School District is a member of the Diploma Joint Insurance Fund (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

The financial information for Fund year ended June 30, 2015 is not available. Selected, summarized financial information for the Fund as of June 30, 2014 is as follows:

	<u>Diploma Joint Insurance Fund</u>
Total Assets	<u>\$ 11,850,847</u>
Net Position	<u>\$ 4,673,557</u>
Total Revenue	<u>\$ 6,790,691</u>
Total Expenses	<u>\$ 7,780,187</u>
Change in Net Position	<u>\$ (989,496)</u>
Members Dividends	<u>\$ -0-</u>

Financial statements for the Fund are available at the Fund's Executive Director's Office:

Public Entity Group Administrative Services  
51 Everett Drive  
Suite B-40  
West Windsor, NJ 08550

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

The following is a summary of the District's contributions, employee contributions and interest earned, reimbursements to the State for benefits paid and the ending balance of the District's Unemployment Trust Fiduciary Fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015	\$ -0-	\$ 10,892	\$ 35,844	\$ 88,668
2014	-0-	12,634	31,298	113,620
2013	-0-	10,925	32,636	132,284



BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,809	\$ 4,285
Special Revenue Fund	4,285	
Fiduciary Accounts		3,809
	<u>\$ 8,094</u>	<u>\$ 8,094</u>

The interfund between the General Fund and the Fiduciary Accounts represents General Fund monies not yet received as of June 30, 2015. The interfund between General Fund and Special Revenue represents a cancellation of a local grant receivable and other expenses that were paid by the Special Revenue Fund on behalf of the General Fund for local grants.

NOTE 13. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 14. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed on the following page, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

The plan administrators are as follows:

AIG (V.A.L.I.C.)  
AXA Equitable Life Assurance  
Metropolitan Life Insurance Company  
Lincoln Investment Planning, Inc.

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

The school district participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District estimates that the potential claims against it resulting from litigation not covered by insurance would not materially affect the financial position of the District.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 15. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2015, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds.

General Fund	Total Governmental Funds
\$ 52,856	\$ 52,856

NOTE 16. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school District on a predetermined mutually agreed-upon schedule.

NOTE 17. PRIOR YEAR RESTATEMENT

The District also made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

	Balance 6/30/14 as Previously Reported	Retroactive Adjustments	Balance 6/30/15 as Restated
Governmental Activities:			
Non Current Liabilities:			
Due Beyond One Year	\$ 5,800,356	\$ 3,061,374	\$ 8,861,730
Total Liabilities	6,575,294	3,061,374	9,636,668
Net Position:			
Unrestricted/(Deficit)	(77,064)	(3,061,374)	(3,138,438)
Total Net Position	11,685,436	(3,061,374)	8,624,062

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability	0.016018085200%	0.015550733000%
District's proportionate share of the net pension liability	\$ 3,061,374	\$ 2,911,523
District's covered employee payroll	\$ 1,006,888	\$ 952,957
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	304.04%	305.53%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 120,693	\$ 128,198
Contributions in relation to the contractually required contribution	<u>(120,693)</u>	<u>(128,198)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 1,006,888	\$ 952,957
Contributions as a percentage of covered employee payroll	11.99%	13.45%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
State's proportion of the net pension liability attributable to the District	0.0466300114%	0.0459199119%
State's proportionate share of the net pension liability attributable to the District	\$ 23,207,562	\$ 24,922,223
District's covered employee payroll	\$ 4,674,455	\$ 4,807,187
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	496.48%	518.44%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES



BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 10,319,773		\$ 10,319,773	\$ 10,319,773	
Tuition from Individuals	100,000	\$ 50,000	150,000	141,637	\$ (8,363)
Interest Earned on Capital Reserve Funds				2,690	2,690
Interest Earned on Investments				9,004	9,004
Miscellaneous				55,453	55,453
Total - Local Sources	<u>10,419,773</u>	<u>50,000</u>	<u>10,469,773</u>	<u>10,528,557</u>	<u>58,784</u>
State Sources:					
Transportation Aid	52,008		52,008	52,008	
Special Education Aid	347,512		347,512	347,512	
Security Aid	11,137		11,137	11,137	
Other State Aids	13,820		13,820	13,820	
Extraordinary Aid				146,190	146,190
Nonpublic Transportation Aid				8,700	8,700
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				244,852	244,852
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				388,701	388,701
TPAF Social Security (Reimbursed - Non-Budgeted)				391,633	391,633
Total State Sources	<u>424,477</u>		<u>424,477</u>	<u>1,604,553</u>	<u>1,180,076</u>
TOTAL REVENUES	<u>10,844,250</u>	<u>50,000</u>	<u>10,894,250</u>	<u>12,133,110</u>	<u>1,238,860</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 63,495	\$ 26,771	\$ 90,266	\$ 90,266	
Kindergarten - Salaries of Teachers	187,135	(13,660)	173,475	173,475	
Grades 1-5 - Salaries of Teachers	1,781,526	45,706	1,827,232	1,827,232	
Grades 6-8 - Salaries of Teachers	1,273,927	38,917	1,312,844	1,312,844	
Regular Programs - Home Instruction:					
Salaries of Teachers	2,500	(293)	2,207	2,207	
Regular Programs - Undistributed Instruction:					
Other Salaries of Instruction	41,330	(41,330)			
Purchased Professional - Educational Services	9,000	160,316	169,316	169,316	
Other Purchased Services (400-500 series)	45,000	65,812	110,812	104,441	\$ 6,371
General Supplies	220,413	121,149	341,562	270,572	70,990
Textbooks	65,668	10,600	76,268	61,254	15,014
Other Objects	5,825	(555)	5,270	5,270	
Total Regular Programs - Instruction	<u>3,695,819</u>	<u>413,433</u>	<u>4,109,252</u>	<u>4,016,877</u>	<u>92,375</u>
Special Education:					
Multiple Disabilities:					
Salaries of Teachers	50,675	17,503	68,178	68,178	
Other Salaries for Instruction	14,647	(7,166)	7,481	7,481	
Purchased Professional - Educational Services		6,896	6,896	6,896	
General Supplies	2,000	(631)	1,369	1,369	
Total Multiple Disabilities	<u>67,322</u>	<u>16,602</u>	<u>83,924</u>	<u>83,924</u>	

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 470,264	\$ (73,107)	\$ 397,157	\$ 397,157	
Other Salaries for Instruction	113,579	5	113,584	113,584	
Purchased Professional - Educational Services		99,958	99,958	99,958	
General Supplies	4,000	(1,714)	2,286	2,286	
Total Resource Room/Resource Center	<u>587,843</u>	<u>25,142</u>	<u>612,985</u>	<u>612,985</u>	
Preschool Disabilities - Part - Time:					
Salaries of Teachers	2,000	(2,000)			
Total Preschool Disabilities - Part - Time	<u>2,000</u>	<u>(2,000)</u>			
Total Special Education Instruction	<u>657,165</u>	<u>39,744</u>	<u>696,909</u>	<u>696,909</u>	
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	199,105	(97,357)	101,748	101,748	
Total Basic Skills/Remedial - Instruction	<u>199,105</u>	<u>(97,357)</u>	<u>101,748</u>	<u>101,748</u>	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	38,000	6,047	44,047	38,161	\$ 5,886
Supplies and Materials		688	688	688	
Total School-Sponsored Cocurricular Activities - Instruction	<u>38,000</u>	<u>6,735</u>	<u>44,735</u>	<u>38,849</u>	<u>5,886</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 27,300	\$ (1,108)	\$ 26,192	\$ 26,192	
Purchased Services (300-500 series)	5,000		5,000	3,267	\$ 1,733
Supplies and Materials	4,600	(191)	4,409	4,409	
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<u>36,900</u>	<u>(1,299)</u>	<u>35,601</u>	<u>33,868</u>	<u>1,733</u>
Summer School - Instruction:					
Salaries		892	892	892	
<b>Total Summer School - Instruction</b>		<u>892</u>	<u>892</u>	<u>892</u>	
Community Services Programs/Operations:					
Other Objects	4,000		4,000	4,000	
<b>Total Community Services Programs/Operations</b>	<u>4,000</u>		<u>4,000</u>	<u>4,000</u>	
<b>Total Instruction</b>	<u>4,630,989</u>	<u>362,148</u>	<u>4,993,137</u>	<u>4,893,143</u>	<u>99,994</u>
Undistributed Expenditures:					
Instuction:					
Tuition to Other LEAs Within the State - Special	131,377		131,377	14,535	116,842
Tuition to Private Schools for the Handicapped - Within State	176,340		176,340	8,287	168,053
<b>Total Undistributed Expenditures - Instruction</b>	<u>307,717</u>		<u>307,717</u>	<u>22,822</u>	<u>284,895</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 112,503	\$ 21,125	\$ 133,628	\$ 133,628	
Purchased Professional and Technical Services	3,000	(500)	2,500	2,500	
Other Purchased Services (400-500 series)	500	(140)	360	360	
Supplies and Materials	3,500	2,915	6,415	6,415	
Total Health Services	<u>119,503</u>	<u>23,400</u>	<u>142,903</u>	<u>142,903</u>	
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	71,809	(4,999)	66,810	66,810	
Purchased Professional - Educational Services	90,000	26,235	116,235	116,235	
Supplies and Materials	600	168	768	768	
Total Other Support Services - Speech, OT, PT and Related Services	<u>162,409</u>	<u>21,404</u>	<u>183,813</u>	<u>183,813</u>	
Other Support Services - Students - Extra Services:					
Salaries	313,082	(154,441)	158,641	158,641	
Purchased Professional - Educational Services	600	132,563	132,563	132,563	
Total Other Support Services - Students - Extra Services	<u>313,082</u>	<u>(21,878)</u>	<u>291,204</u>	<u>291,204</u>	
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	159,380	(29,188)	130,192	130,192	
Supplies and Materials	1,000	(4)	996	996	
Total Other Support Services - Students - Guidance	<u>160,380</u>	<u>(29,192)</u>	<u>131,188</u>	<u>131,188</u>	

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	\$ 212,632	\$ 200	\$ 212,832	\$ 212,832	
Salaries of Secretarial and Clerical Assistants	31,244	1	31,245	31,245	
Other Objects	7,200	(7,200)			
Other Purchased Professional - Technical Services		4,450	4,450	3,700	\$ 750
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	500	1,534	2,034	2,034	
Supplies and Materials	5,700	7,553	13,253	12,995	258
<b>Total Other Support Services - Students - Child Study Teams</b>	<u>257,276</u>	<u>6,538</u>	<u>263,814</u>	<u>262,806</u>	<u>1,008</u>
Improvement of Instructional Services:					
Salaries of Other Professional Staff	42,422	(38,607)	3,815	3,815	
Other Salaries	21,801	(4,811)	16,990	16,990	
Purchased Professional - Educational Services		32,955	32,955	28,767	4,188
Other Purchased Services (400-500)	2,100	10,361	12,461	12,461	
<b>Total Improvement of Instructional Services</b>	<u>66,323</u>	<u>(102)</u>	<u>66,221</u>	<u>62,033</u>	<u>4,188</u>
Educational Media Services/School Library:					
Salaries	88,575	1,500	90,075	90,075	
Salaries of Technology Coordinators	42,422	(42,422)			
Purchased Professional and Technical Services	4,110	28,844	32,954	28,767	4,187
Other Purchased Services (400-500)	2,000	14,178	16,178	16,178	
Supplies and Materials	16,675	(2,442)	14,233	10,764	3,469
Other Objects	230	5	235	235	
<b>Total Educational Media Services/School Library</b>	<u>154,012</u>	<u>(337)</u>	<u>153,675</u>	<u>146,019</u>	<u>7,656</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Instructional Staff Training Services:					
Other Salaries	\$ 1,100	\$ 4,407	\$ 5,507	\$ 5,507	
Purchased Professional - Educational Services	25,000	12,440	37,440	37,440	
Other Purchased Services (400-500 series)	1,500	248	1,748	1,748	
Other Objects	4,000	(2,950)	1,050	1,050	
<b>Total Instructional Staff Training Services</b>	<b>31,600</b>	<b>14,145</b>	<b>45,745</b>	<b>45,745</b>	
Support Services - General Administration:					
Salaries	171,739	30,535	202,274	202,274	
Legal Services	30,000	(17,381)	12,619	12,619	
Audit Fees	28,540	(13,740)	14,800	14,800	
Architectural/Engineering Services	8,000	(8,000)			
Other Purchased Professional Services	2,200	10,800	13,000	13,000	
Purchased Technical Services	7,000	(7,000)			
Communications/Telephone	60,113	4,778	64,891	49,273	\$ 15,618
Miscellaneous Purchased Services (400-500 series)	7,000	8,858	15,858	12,416	3,442
General Supplies	6,946	(2,372)	4,574	4,574	
BOE In-House Training/Meeting Supplies		1,368	1,368	1,368	
Miscellaneous Expenditures	9,000	(6,491)	2,509	2,509	
BOE Membership Dues and Fees		5,797	5,797	5,797	
<b>Total Support Services - General Administration</b>	<b>330,538</b>	<b>7,152</b>	<b>337,690</b>	<b>318,630</b>	<b>19,060</b>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	265,043	(10,156)	254,887	254,887	
Salaries of Secretarial and Clerical Assistants	109,398	(1,529)	107,869	107,869	
Purchased Professional and Technical Services	7,500	(7,500)			

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration (Cont'd):					
Other Purchased Services (400-500 series)	\$ 500	\$ 14	\$ 514	\$ 514	
Supplies and Materials	7,391	(1,014)	6,377	6,377	
Other Objects	1,500	219	1,719	1,719	
<b>Total Support Services - School Administration</b>	<b>391,332</b>	<b>(19,966)</b>	<b>371,366</b>	<b>371,366</b>	
Support Services - Central Services:					
Salaries	193,478	(1,004)	192,474	191,045	\$ 1,429
Miscellaneous Purchased Services (400-500 series)	1,000	2,030	3,030	3,030	
Supplies and Materials	1,868	997	2,865	2,865	
Miscellaneous Expenditures		1,190	1,190	1,190	
<b>Total Support Services - Central Services</b>	<b>196,346</b>	<b>3,213</b>	<b>199,559</b>	<b>198,130</b>	<b>1,429</b>
Support Services - Administrative Information Technology:					
Salaries		6,500	6,500	6,500	
Purchased Professional Services	23,920	3,601	27,521	21,535	5,986
Supplies and Materials		865	865	865	
<b>Total Support Services - Administrative Information Technology</b>	<b>23,920</b>	<b>10,966</b>	<b>34,886</b>	<b>28,900</b>	<b>5,986</b>
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	66,000	19,617	85,617	81,606	4,011
General Supplies	15,000	9,497	24,497	24,167	330
<b>Total Required Maintenance of School Facilities</b>	<b>81,000</b>	<b>29,114</b>	<b>110,114</b>	<b>105,773</b>	<b>4,341</b>



BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Custodial Services:					
Salaries	\$ 461,318	\$ 12,689	\$ 474,007	\$ 471,931	\$ 2,076
Purchased Professional and Technical Services	1,500	(219)	1,281	1,281	
Cleaning, Repair and Maintenance Services	20,900	(5,063)	15,837	15,837	
Other Purchased Property Services	9,000	2,261	11,261	11,238	23
Insurance	96,359	(2,017)	94,342	94,342	
General Supplies	52,456	3,136	55,592	55,385	207
Energy (Electricity)	74,000	88,876	162,876	161,515	1,361
Other Objects	1,050	3,288	4,338	4,338	
Energy (Natural Gas)	200,000	(140,656)	59,344	59,344	
<b>Total Custodial Services</b>	<b>916,583</b>	<b>(37,705)</b>	<b>878,878</b>	<b>875,211</b>	<b>3,667</b>
Care and Upkeep of Grounds:					
Salaries	8,452	10	8,462	8,462	
Cleaning, Repair, & Maintenance Serv		5,280	5,280	5,280	
General Supplies	2,000	3,282	5,282	5,282	
<b>Total Care and Upkeep of Grounds</b>	<b>10,452</b>	<b>8,572</b>	<b>19,024</b>	<b>19,024</b>	
Student Transportation Services:					
Salaries of Non-Instructional Aides	4,694	(4,694)			
Salaries for Transportation - Between Home & School - Regular	3,045	(3,045)			
Salaries for Transportation - Between Home & School - Special	57,334	11,999	69,333	69,333	
Salaries for Pupil Trans. (Between Home & School) - NonPublic	5,582	(5,582)			
Management Fee - ESCs & CTAs Transportation Program	3,000	(1,847)	1,153	1,153	
Other Purchased Professional and Technical Services		1,610	1,610	1,610	
Cleaning, Repair and Maintenance Services	3,000	1,766	4,766	4,766	

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Student Transportation Services (Cont'd):					
Contracted Services:					
Between Home and School - Vendors	\$ 297,000	\$ (91,355)	\$ 205,645	\$ 183,360	\$ 22,285
Other Than Between Home and School - Vendors	12,000	7,516	19,516	18,744	772
Between Home and School - Joint Agreements	54,606	87,268	141,874	141,874	
Special Education Students - Vendors	21,318	(21,318)			
Special Education Students - ESCs & CTSA's	55,239	(22,439)	32,800	32,800	
Aid in Lieu of Payments - NonPublic	30,000	(12,320)	17,680	17,680	
Miscellaneous Purchased Services - Transportation	1,840	2,731	4,571	4,571	
Supplies and Materials	5,500	(5,500)			
Other Objects	400	757	1,157	1,157	
Total Student Transportation Services	<u>554,558</u>	<u>(54,453)</u>	<u>500,105</u>	<u>477,048</u>	<u>23,057</u>
Unallocated Benefits:					
Social Security Contributions	153,519		153,519	117,610	35,909
Other Retirement Contributions- PERS	152,250	(24,052)	128,198	128,198	
Other Retirement Contributions- Regular	10,000	3,550	13,550	8,957	4,593
Unemployment Compensation	20,000	20,000	40,000		40,000
Workmen's Compensation	59,932		59,932	54,758	5,174
Health Benefits	2,020,782	(237,751)	1,783,031	1,703,873	79,158
Tuition Reimbursement	20,000		20,000	5,760	14,240
Other Employee Benefits	59,600	(28,000)	31,600	3,914	27,686
Total Unallocated Benefits	<u>2,496,083</u>	<u>(266,253)</u>	<u>2,229,830</u>	<u>2,023,070</u>	<u>206,760</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				\$ 244,852	\$ (244,852)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				388,701	(388,701)
TPAF Social Security (Reimbursed - Non-Budgeted)				391,633	(391,633)
Total On-Behalf Contributions				1,025,186	(1,025,186)
Total Personal Services - Employee Benefits	\$ 2,496,083	\$ (266,253)	\$ 2,229,830	3,048,256	(818,426)
Total Undistributed Expenses	6,573,114	(305,382)	6,267,732	6,730,871	(463,139)
TOTAL CURRENT EXPENSE	11,204,103	56,766	11,260,869	11,624,014	(363,145)
CAPITAL OUTLAY					
Equipment:					
Instruction - Grades 6-8		4,261	4,261	4,261	
Undistributed Expenditures:					
General Administration	59,244		59,244	57,573	1,671
School Administration		4,500	4,500	2,919	1,581
Required Maintenance for School Facilities		20,550	20,550	20,550	
Care and Upkeep of Grounds		11,202	11,202		11,202
Total Equipment	59,244	40,513	99,757	85,303	14,454

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Engineering Services	\$ 13,500	\$ (2,202)	\$ 11,298		\$ 11,298
Construction Services	40,446	(39,946)	500		500
Other Objects		22,584	22,584		22,584
Assessment for Debt Service on SDA Funding	47,138		47,138	\$ 47,138	
Total Facilities Acquisition and Construction Services	<u>101,084</u>	<u>(19,564)</u>	<u>81,520</u>	<u>47,138</u>	<u>34,382</u>
TOTAL CAPITAL OUTLAY	<u>160,328</u>	<u>20,949</u>	<u>181,277</u>	<u>132,441</u>	<u>48,836</u>
TOTAL EXPENDITURES	<u>11,364,431</u>	<u>77,715</u>	<u>11,442,146</u>	<u>11,756,455</u>	<u>(314,309)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(520,181)	(27,715)	(547,896)	376,655	924,551
Other Financing Uses:					
Transfer to Capital Projects Fund - Capital Reserve		(408,988)	(408,988)	(408,988)	
Total Other Financing Uses		<u>(408,988)</u>	<u>(408,988)</u>	<u>(408,988)</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	(520,181)	(436,703)	(956,884)	(32,333)	924,551
Fund Balance, July 1	<u>3,090,574</u>		<u>3,090,574</u>	<u>3,090,574</u>	
Fund Balance, June 30	<u>\$ 2,570,393</u>	<u>\$ (27,715)</u>	<u>\$ 2,542,678</u>	<u>\$ 3,058,241</u>	<u>\$ 924,551</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<u>Recapitulation:</u>					
Restricted:					
Excess Surplus				\$ 188,351	
Excess Surplus - For Subsequent Year's Expenditures				185,626	
Capital Reserve				1,785,018	
Maintenance Reserve				441,500	
Assigned:					
Year End Encumbrances				52,856	
Unassigned				404,890	
				3,058,241	
Reconciliation to Governmental Funds Statements (GAAP):					
Last Two State Aid Payments not Recognized on GAAP Basis				(37,109)	
Fund Balance per Governmental Funds (GAAP)				\$ 3,021,132	

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources		\$ 109,854	\$ 109,854	\$ 89,044	\$ (20,810)
Federal Sources	\$ 125,641	27,299	152,940	152,653	(287)
<b>Total Revenues</b>	<u>125,641</u>	<u>137,153</u>	<u>262,794</u>	<u>241,697</u>	<u>(21,097)</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	125,641	(102,126)	23,515	22,095	1,420
Purchased Professional/Technical Services		16,262	16,262		16,262
General Supplies		53,886	53,886	50,591	3,295
Tuition		92,586	92,586	92,586	
Other Objects		43	43	43	
<b>Total Instruction</b>	<u>125,641</u>	<u>60,651</u>	<u>186,292</u>	<u>165,315</u>	<u>20,977</u>
Support Services:					
Salaries of Other Professional Staff		27,314	27,314	27,314	
Personal Services - Employee Benefits		5,691	5,691	5,691	
Purchased Professional and Educational Services		4,950	4,950	4,950	
Supplies and Materials		8,547	8,547	8,427	120
<b>Total Support Services</b>		<u>46,502</u>	<u>46,502</u>	<u>46,382</u>	<u>120</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment		30,000	30,000	30,000	
<b>Total Facilities Acquisition and Construction Services</b>		<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	
<b>Total Expenditures</b>	<u>\$ 125,641</u>	<u>\$ 137,153</u>	<u>\$ 262,794</u>	<u>\$ 241,697</u>	<u>\$ 21,097</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,133,110	\$ 241,697
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		1,606
Prior Year State Aid Payments Recognized for GAAP Statements	36,351	
Current year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(37,109)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 12,132,352	\$ 243,303
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,756,455	\$ 241,697
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.		1,606
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 11,756,455	\$ 243,303

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The general fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)



SPECIAL REVENUE FUND

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	No Child Left Behind	IDEA Part B		Local	Totals
	Title II Part A	Basic	Preschool		
REVENUE:					
Local Sources				\$ 89,044	\$ 89,044
Federal Sources	\$ 16,802	\$ 129,397	\$ 6,454		152,653
Total Revenue	16,802	129,397	6,454	89,044	241,697
EXPENDITURES:					
Instruction:					
Salaries of Teachers	13,660		5,995	2,440	22,095
Other Purchased Services		92,586			92,586
General Supplies				50,591	50,591
Other Objects				43	43
Total Instruction	13,660	92,586	5,995	53,074	165,315
Support Services:					
Salaries of Other Professional Staff		27,314			27,314
Personal Services - Employee Benefits	3,142	2,090	459		5,691
Purchased Professional and Educational Services				4,950	4,950
Supplies and Materials		7,407		1,020	8,427
Total Support Services	3,142	36,811	459	5,970	46,382
Facilities Acquisition:					
Instructional Equipment				30,000	30,000
Total Facilities Acquisition				30,000	30,000
Total Expenditures	\$ 16,802	\$ 129,397	\$ 6,454	\$ 89,044	\$ 241,697

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

CAPITAL PROJECTS FUND

Exhibit F-1

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 272,658
Transfer from Capital Reserve	408,988
	<hr/>
Total Revenue and Other Financing Sources	681,646
	<hr/>
Expenditures:	
Legal	543
Other Purchased Professional and Technical Services	48,000
Construction Services	517,350
	<hr/>
Total Expenditures	565,893
	<hr/>
Excess of Revenue Over Expenditures	115,753
Fund Balance - Beginning of Year	205,962
	<hr/>
Fund Balance - End of Year	\$ 321,715
	<hr/> <hr/>
<u>Recapitulation:</u>	
Restricted Fund Balance	\$ 145,225
Committed Fund Balance	176,490
	<hr/>
	321,715
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	(301,459)
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 20,256
	<hr/> <hr/>

Exhibit F-1A

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
RENOVATE, CONSTRUCT, FURNISH AND EQUIP ADDITIONS TO THE BAYBERRY AND VALLEY VIEW SCHOOLS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Prior Periods	Current Year	Totals	Revised Authorized Costs
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 5,096,645		\$ 5,096,645	\$ 5,096,645
Bond Proceeds	18,903,000		18,903,000	18,903,000
Total Revenue and Other Financing Sources	23,999,645		23,999,645	23,999,645
Expenditures:				
Equipment	91,433		91,433	271,930
Legal Services	106,061		106,061	103,000
Other Purchased Professional and Technical Services	2,386,462		2,386,462	2,369,550
Construction Services	21,270,464		21,270,464	21,255,520
Total Expenditures	23,854,420		23,854,420	24,000,000
Excess of Revenue and Other Financing Sources over Expenditures	\$ 145,225	\$ - 0 -	\$ 145,225	\$ (355)
Additional Project Information:				
Project Number	SP201964/201965			
Grant Date	2/14/2003			
Bond Authorization Date	8/19/2009			
Bonds Authorized	\$ 18,903,000			
Bonds Issued	\$ 18,903,000			
Original Authorized Cost	\$ 24,000,000			
Change Orders	- 0 -			
Revised Authorized Costs	\$ 24,000,000			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	99.39%			
Original Target Completion Date	9/1/2004			
Revised Target Completion Date	9/1/2015			

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
VALLEY VIEW MIDDLE SCHOOL - RENOVATIONS TO BATHROOMS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 64,646		\$ 64,646	\$ 64,646
Transfer from Capital Reserve	<u>130,334</u>		<u>130,334</u>	<u>130,334</u>
Total Revenue and Other Financing Sources	<u>194,980</u>		<u>194,980</u>	<u>194,980</u>
Expenditures:				
Legal Services	1,342		1,342	1,342
Other Purchased Professional and Technical Services	49,645		49,645	41,614
Construction Services	<u>115,125</u>		<u>115,125</u>	<u>152,024</u>
Total Expenditures	<u>166,112</u>		<u>166,112</u>	<u>194,980</u>
Excess of Revenue and Other Financing Sources over Expenditures	<u>\$ 28,868</u>	<u>\$ -0-</u>	<u>\$ 28,868</u>	<u>\$ -0-</u>
Additional Project Information:				
SDA Project Number	5540-050-09-0ZXK			
Grant Date	6/3/2010			
Original Authorized Cost	\$ 194,980			
Change Orders	<u>-0-</u>			
Revised Authorized Costs	<u>\$ 194,980</u>			
Percentage Completion	85.19%			
Original Target Completion Date	9/1/2010			
Revised Target Completion Date	9/1/2015			

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
BAYBERRY SCHOOL - RENOVATIONS TO BATHROOMS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Prior Periods	Current Year	Totals	Revised Authorized Costs
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 74,458		\$ 74,458	\$ 74,458
Transfer from Capital Reserve	116,917		116,917	116,917
Total Revenue and Other Financing Sources	191,375		191,375	191,375
Expenditures:				
Legal Services	1,342		1,342	1,342
Other Purchased Professional and Technical Services	33,678		33,678	28,303
Construction Services	124,486		124,486	161,730
Total Expenditures	159,506		159,506	191,375
Excess of Revenue and Other Financing Sources over Expenditures	\$ 31,869	\$ -0-	\$ 31,869	\$ -0-
Additional Project Information:				
SDA Project Number	5540-050-09-0ZYJ			
Grant Date	6/3/2010			
Original Authorized Cost	\$ 191,375			
Change Orders	-0-			
Revised Authorized Costs	\$ 191,375			
Percentage Completion	83.35%			
Original Target Completion Date	9/1/2010			
Revised Target Completion Date	9/1/2015			



BOROUGH OF WATCHUNG SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
BAYBERRY SCHOOL - PARTIAL ROOF REPLACEMENT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Prior Periods	Current Year	Totals	Revised Authorized Costs
<b>Revenue and Other Financing Sources:</b>				
State Sources - SDA Grant		\$ 272,658	\$ 272,658	\$ 272,658
Transfer from Capital Reserve		408,988	408,988	408,988
<b>Total Revenue and Other Financing Sources</b>		<b>681,646</b>	<b>681,646</b>	<b>681,646</b>
<b>Expenditures:</b>				
Legal Services		543	543	3,500
Other Purchased Professional and Technical Services		48,000	48,000	48,000
Construction Services		517,350	517,350	630,146
<b>Total Expenditures</b>		<b>565,893</b>	<b>565,893</b>	<b>681,646</b>
<b>Excess of Revenue and Other Financing Sources over Expenditures</b>	<b>\$ -0-</b>	<b>\$ 115,753</b>	<b>\$ 115,753</b>	<b>\$ -0-</b>
<b>Additional Project Information:</b>				
SDA Project Number	5540-040-13-1001			
Grant Date	01/06/14			
Original Authorized Cost	\$ 681,646			
Change Orders	-0-			
Revised Authorized Costs	<u>\$ 681,646</u>			
Percentage Completion	83.02%			
Original Target Completion Date	07/30/15			
Revised Target Completion Date	07/30/15			

PROPRIETARY FUNDS

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2015

## ASSETS:

Current Assets:		
Cash and Cash Equivalents	\$	4,992
Intergovernmental Accounts Receivable:		
Federal		1,844
		<hr/>
Total Current Assets		6,836
		<hr/>
Non-Current Assets:		
Capital Assets		35,360
Less: Accumulated Depreciation		(20,349)
		<hr/>
Total Non-Current Assets		15,011
		<hr/>
Total Assets		21,847
		<hr/>
NET POSITION:		
Net Investment in Capital Assets		15,011
Unrestricted		6,836
		<hr/>
Total Net Position	\$	<u>21,847</u>

## Exhibit G-2

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenue:	
Local Sources:	
Daily Sales	\$ 6,450
	<hr/>
Total Operating Revenue	6,450
	<hr/>
Operating Expenses:	
Cost of Sales	10,028
Depreciation Expense	2,593
	<hr/>
Total Operating Expenses	12,621
	<hr/>
Operating (Loss)	(6,171)
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	6,461
	<hr/>
Total Non-Operating Revenue	6,461
	<hr/>
Change in Net Position	290
Net Position - Beginning of Year	21,557
	<hr/>
Net Position - End of Year	\$ 21,847
	<hr/> <hr/>

Exhibit G-3

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 6,450
Payments to Food Service Vendor	(10,028)
Payments to Suppliers	(5,000)
	<hr/>
Net Cash Used for Operating Activities	(8,578)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Federal Sources:	
Special Milk Program	5,984
	<hr/>
Net Cash Provided by Noncapital Financing Activities	5,984
	<hr/>
Net Decrease in Cash and Cash Equivalents	(2,594)
Cash and Cash Equivalents, July 1	7,586
	<hr/>
Cash and Cash Equivalents, June 30	\$ 4,992
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (6,171)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	2,593
Changes in Assets and Liabilities:	
(Decrease) in Interfund Payable	(5,000)
	<hr/>
Net Cash Used for Operating Activities	\$ (8,578)
	<hr/> <hr/>

FIDUCIARY FUNDS

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Student Activities</u>	<u>Payroll Agency</u>	<u>Total Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 28,743	\$ 165,959	\$ 194,702	\$ 14,594	\$ 88,668
Total Assets	<u>28,743</u>	<u>165,959</u>	<u>194,702</u>	<u>14,594</u>	<u>88,668</u>
<b>LIABILITIES:</b>					
Accrued Salaries and Wages Payable		158,586	158,586		
Due to Student Groups	27,010		27,010		
Payroll Deductions and Withholdings		5,297	5,297		
Interfund Payable:					
General Fund	<u>1,733</u>	<u>2,076</u>	<u>3,809</u>		
Total Liabilities	<u>27,010</u>	<u>165,959</u>	<u>194,702</u>		
<b>NET POSITION:</b>					
Held in Trust for Flexible Spending Claims				14,594	
Held in Trust for Unemployment Claims					
Claims					<u>88,668</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 14,594</u>	<u>\$ 88,668</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Employee Contributions	\$ 43,026	\$ 10,645
Total Contributions	<u>43,026</u>	<u>10,645</u>
Investment Earnings:		
Interest	3	247
Net Investment Earnings	<u>3</u>	<u>247</u>
Total Additions	<u>43,029</u>	<u>10,892</u>
Deductions		
Unemployment Compensation Claims		35,844
Flexible Spending Claims	<u>39,877</u>	
Total Deductions	<u>39,877</u>	<u>35,844</u>
Change in Net Position	3,152	(24,952)
Net Position - Beginning of the Year	<u>11,442</u>	<u>113,620</u>
Net Position - End of the Year	<u>\$ 14,594</u>	<u>\$ 88,668</u>



Exhibit H-3

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 32,356	\$ 75,850	\$ 79,463	\$ 28,743
Total Assets	<u>\$ 32,356</u>	<u>\$ 75,850</u>	<u>\$ 79,463</u>	<u>\$ 28,743</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 32,356	\$ 74,117	\$ 79,463	\$ 27,010
Interfund Payable to General Fund		<u>1,733</u>		<u>1,733</u>
Total Liabilities	<u>\$ 32,356</u>	<u>\$ 75,850</u>	<u>\$ 79,463</u>	<u>\$ 28,743</u>

Exhibit H-4

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Elementary School:				
Valley View School	\$ 16,406	\$ 57,980	\$ 60,082	\$ 14,304
Bayberry School	9,461	12,858	14,561	7,758
Sporting Officials	6,489	5,012	6,553	4,948
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total All Schools	<u>\$ 32,356</u>	<u>\$ 75,850</u>	<u>\$ 81,196</u>	<u>\$ 27,010</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 181,428	\$ 9,140,529	\$ 9,155,998	\$ 165,959
Total Assets	<u>\$ 181,428</u>	<u>\$ 9,140,529</u>	<u>\$ 9,155,998</u>	<u>\$ 165,959</u>
 <u>LIABILITIES:</u>				
Net Payroll		\$ 4,032,332	\$ 4,032,332	
Accrued Salaries and Wages Payable	\$ 159,137	158,595	159,146	\$ 158,586
Payroll Deduction and Withholdings	4,100	4,947,526	4,946,329	5,297
Interfund Payable:				
General Fund	<u>18,191</u>	<u>2,076</u>	<u>18,191</u>	<u>2,076</u>
Total Liabilities	<u>\$ 181,428</u>	<u>\$ 9,140,529</u>	<u>\$ 9,155,998</u>	<u>\$ 165,959</u>

LONG-TERM DEBT

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
GENERAL LONG-TERM DEBT ACCOUNT GROUP  
STATEMENT OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2015		Interest Rate	Balance July 1, 2014	Retired or Matured	Balance June 30, 2015
			Date	Amount				
School Refunding Bonds	08/13/09	\$ 8,770,000	12/15/15	\$ 1,875,000	4.50%			
			12/15/16	450,000	3.25%			
			12/15/16	1,565,000	4.00%	\$ 5,620,000	\$ 1,730,000	\$ 3,890,000
						<u>\$ 5,620,000</u>	<u>\$ 1,730,000</u>	<u>\$ 3,890,000</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 1,934,688		\$ 1,934,688	\$ 1,934,688	
Total Revenue	<u>1,934,688</u>		<u>1,934,688</u>	<u>1,934,688</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	204,688		204,688	204,688	
Redemption of Principal	1,730,000		1,730,000	1,730,000	
Total Expenditures	<u>1,934,688</u>		<u>1,934,688</u>	<u>1,934,688</u>	
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	-0-		-0-	-0-	
Fund Balance, July 1	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION



**STATISTICAL SECTION**  
**(UNAUDITED)**

This part of the School'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 School's overall financial health.

**Contents**

	<b><u>Exhibit</u></b>
<p><b>Financial Trends</b></p> <p>These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p><b>Revenue Capacity</b></p> <p>These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.</p>	J-6 thru J-9
<p><b>Debt Capacity</b></p> <p>These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p><b>Demographic and Economic Information</b></p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p><b>Operating Information</b></p> <p>These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.</p>	J-16 thru J-20

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

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
ACCRUAL BASIS OF ACCOUNTING  
UNAUDITED

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 8,080,406	\$ 9,377,723	\$ 10,188,050	\$ 10,823,137	\$ 12,440,718	\$ 13,419,096	\$ 5,444,985	\$ 7,580,737	\$ 8,949,657	\$ 10,919,958
Restricted	2,554,088	2,296,193	2,314,767	2,337,978	2,486,694	2,586,913	2,627,560	2,982,530	2,812,843	2,746,220
Unrestricted/(Deficit)	274,753	176,429	(254,479)	119,772	(914,897)	(797,669)	(341,668)	(417,691)	(3,138,438)	(3,186,255)
<b>Total Governmental Activities Net Position</b>	<u>\$ 10,909,247</u>	<u>\$ 11,850,346</u>	<u>\$ 12,248,338</u>	<u>\$ 13,280,887</u>	<u>\$ 14,012,515</u>	<u>\$ 15,208,340</u>	<u>\$ 7,730,877</u>	<u>\$ 10,145,576</u>	<u>\$ 8,624,062</u>	<u>\$ 10,479,923</u>
<b>Business-type Activities</b>										
Net Investment in Capital Assets								\$ 20,197	\$ 17,604	\$ 15,011
Unrestricted	\$ 4,558	\$ 4,558	\$ 865	\$ 2,519	\$ 1,721	\$ 3,977	\$ 5,726	9,416	3,953	6,836
<b>Total Business-type Activities Net Position</b>	<u>\$ 4,558</u>	<u>\$ 4,558</u>	<u>\$ 865</u>	<u>\$ 2,519</u>	<u>\$ 1,721</u>	<u>\$ 3,977</u>	<u>\$ 5,726</u>	<u>\$ 29,613</u>	<u>\$ 21,557</u>	<u>\$ 21,847</u>
<b>District-wide</b>										
Net Investment in Capital Assets	\$ 8,080,406	\$ 9,377,723	\$ 10,188,050	\$ 10,823,137	\$ 12,440,718	\$ 13,419,096	\$ 5,444,985	\$ 7,600,934	\$ 8,967,261	\$ 10,934,969
Restricted	2,554,088	2,296,193	2,314,767	2,337,978	2,486,694	2,586,913	2,627,560	2,982,530	2,812,843	2,746,220
Unrestricted/(Deficit)	279,311	180,987	(253,614)	122,291	(913,176)	(793,692)	(335,942)	(408,275)	(3,134,485)	(3,179,419)
<b>Total District Net Position</b>	<u>\$ 10,913,805</u>	<u>\$ 11,854,904</u>	<u>\$ 12,249,203</u>	<u>\$ 13,283,406</u>	<u>\$ 14,014,236</u>	<u>\$ 15,212,317</u>	<u>\$ 7,736,603</u>	<u>\$ 10,175,189</u>	<u>\$ 8,645,619</u>	<u>\$ 10,501,770</u>

\*-As Restated

Source: School District Financial Reports

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
ACCRUAL BASIS OF ACCOUNTING  
UNAUDITED

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities										
Instruction:										
Regular	\$ 4,014,732	\$ 4,593,823	\$ 4,990,389	\$ 4,854,747	\$ 5,094,073	\$ 4,949,781	\$ 5,279,666	\$ 5,680,582	\$ 6,085,168	\$ 6,972,932
Special Education	612,055	768,066	642,267	833,309	882,425	873,731	891,087	918,890	1,012,370	1,206,798
Other Special Instruction	297,197	315,211	285,167	199,771	286,326	311,516	307,659	274,789	235,535	214,587
School-Sponsored/ Other Instruction			125,336	177,429	91,631	84,127	89,208	130,134	134,127	60,608
Support Services:										
Tuition	493,332	332,413	352,947	386,597	378,793	414,674	359,309	381,886	209,674	22,822
Student & Instruction Related Services	1,581,226	1,730,710	1,860,049	1,631,991	1,732,724	1,476,248	1,514,397	1,532,896	1,515,248	1,761,908
General Administrative Services	574,416	641,823	468,050	354,789	571,162	453,102	480,517	432,302	426,100	470,641
School Administrative Services	390,077	480,330	510,535	437,933	515,665	528,936	466,518	480,194	467,853	597,384
Plant Operations and Maintenance	1,010,145	1,142,929	1,359,366	1,151,374	1,129,582	1,206,358	1,224,782	1,188,082	1,106,697	1,267,013
Pupil Transportation	567,931	587,400	583,269	526,882	597,244	565,314	540,830	563,612	492,628	514,800
Central Services and Administrative Information Technology			282,086	353,600	207,193	210,672	308,359	271,782	273,991	326,803
Capital Outlay						57,866	37,147	119,998	129,852	47,138
Interest on Long-term Debt	648,278	616,582	581,841	543,333	560,823	566,240	287,699	254,398	157,031	87,246
<b>Total Governmental Activities Expenses</b>	<b>10,189,388</b>	<b>11,209,288</b>	<b>12,041,303</b>	<b>11,451,755</b>	<b>12,047,642</b>	<b>11,698,565</b>	<b>11,787,178</b>	<b>12,229,545</b>	<b>12,246,274</b>	<b>13,550,680</b>
Business-type Activities:										
Food Service	12,553	10,219	22,797	20,414	19,187	16,080	14,348	11,712	21,698	12,621
<b>Total Business-type Activities Expense</b>	<b>12,553</b>	<b>10,219</b>	<b>22,797</b>	<b>20,414</b>	<b>19,187</b>	<b>16,080</b>	<b>14,348</b>	<b>11,712</b>	<b>21,698</b>	<b>12,621</b>
<b>Total District Expenses</b>	<b>\$ 10,201,941</b>	<b>\$ 11,219,507</b>	<b>\$ 12,064,100</b>	<b>\$ 11,472,169</b>	<b>\$ 12,066,829</b>	<b>\$ 11,714,645</b>	<b>\$ 11,801,526</b>	<b>\$ 12,241,257</b>	<b>\$ 12,267,972</b>	<b>\$ 13,563,301</b>
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction (Tuition)			\$ 3,935							
Operating Grants and Contributions	\$ 2,079,791	\$ 2,376,308	1,478,947	\$ 588,273	\$ 901,996	\$ 928,058	\$ 1,320,584	\$ 1,568,461	\$ 1,550,169	\$ 2,763,449
<b>Total Governmental Activities Program Revenues</b>	<b>2,079,791</b>	<b>2,376,308</b>	<b>1,482,882</b>	<b>588,273</b>	<b>901,996</b>	<b>928,058</b>	<b>1,320,584</b>	<b>1,568,461</b>	<b>1,550,169</b>	<b>2,763,449</b>
Business-type Activities:										
Charges for Services										
Food Service	7,720	8,997	11,086	11,189	10,731	10,237	8,326	8,353	7,235	6,450
Operating Grants and Contributions	4,011		8,018	9,644	7,658	8,099	7,771	7,049	6,407	6,461
<b>Total Business-type Activities Program Revenues</b>	<b>11,731</b>	<b>8,997</b>	<b>19,104</b>	<b>20,833</b>	<b>18,389</b>	<b>18,336</b>	<b>16,097</b>	<b>15,402</b>	<b>13,642</b>	<b>12,911</b>
<b>Total District Program Revenues</b>	<b>\$ 2,091,522</b>	<b>\$ 2,385,305</b>	<b>\$ 1,501,986</b>	<b>\$ 609,106</b>	<b>\$ 920,385</b>	<b>\$ 946,394</b>	<b>\$ 1,336,681</b>	<b>\$ 1,583,863</b>	<b>\$ 1,563,811</b>	<b>\$ 2,776,360</b>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
ACCRUAL BASIS OF ACCOUNTING  
UNAUDITED

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenue										
Governmental Activities	\$ (8,109,597)	\$ (8,832,980)	\$ (10,558,421)	\$ (10,863,482)	\$ (11,145,645)	\$ (10,770,507)	\$ (10,466,594)	\$ (10,661,084)	\$ (10,696,105)	\$ (10,787,231)
Business-type Activities	(822)	(1,222)	(3,693)	419	(798)	2,256	1,749	3,690	(8,056)	290
Total District-wide Net Expense	<u>\$ (8,110,419)</u>	<u>\$ (8,834,202)</u>	<u>\$ (10,562,114)</u>	<u>\$ (10,863,063)</u>	<u>\$ (11,146,443)</u>	<u>\$ (10,768,251)</u>	<u>\$ (10,464,845)</u>	<u>\$ (10,657,394)</u>	<u>\$ (10,704,161)</u>	<u>\$ (10,786,941)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 7,940,952	\$ 8,548,938	\$ 8,907,646	\$ 9,263,952	\$ 9,606,630	\$ 9,791,813	\$ 9,791,813	\$ 9,938,532	\$ 10,137,302	\$ 10,319,773
Taxes Levied for Debt Service	811,265	876,367	1,553,357	1,620,012	1,652,575	1,653,751	1,770,400	1,817,200	1,865,300	1,934,688
Federal and State aid not restricted	80,707	121,924	324,924	887,882	490,662	386,722	82,040	58,675	38,852	166,027
Tuition		6,450		10,090	11,481	25,503	131,577	144,670	7,909	141,637
Investment Earnings	146,617	159,618	109,325	6,961	2,006	354	7,931	250	250	
Miscellaneous Income	14,796	62,004	61,171	107,124	92,717	68,093	45,403	25,475	168,159	67,147
N.J. Economic Development Authority grants										
Adjustment to Capital Assets	(299,350)									
Other Local Governments - Unrestricted Transfers		(1,222)			21,203	40,095	44,112	44,335	18,193	13,820
Total Governmental Activities	<u>8,694,987</u>	<u>9,774,079</u>	<u>10,956,423</u>	<u>11,896,021</u>	<u>11,877,274</u>	<u>11,966,331</u>	<u>11,873,276</u>	<u>12,029,137</u>	<u>12,235,965</u>	<u>12,643,092</u>
Business-type Activities:										
Investment Earnings		\$ 1,222		\$ 1,235						
Total Business-type Activities		<u>1,222</u>		<u>1,235</u>						
Total District-wide	<u>\$ 8,694,987</u>	<u>\$ 9,775,301</u>	<u>\$ 10,956,423</u>	<u>\$ 11,897,256</u>	<u>\$ 11,877,274</u>	<u>\$ 11,966,331</u>	<u>\$ 11,873,276</u>	<u>\$ 12,029,137</u>	<u>\$ 12,235,965</u>	<u>\$ 12,643,092</u>
Change in Net Position										
Governmental Activities	\$ 585,390	\$ 941,099	\$ 398,002	\$ 1,032,539	\$ 731,628	\$ 1,195,824	\$ 1,406,682	\$ 1,368,053	\$ 1,539,860	\$ 1,855,861
Business-type Activities	(822)		(3,693)	1,654	(798)	2,256	1,749	3,690	(8,056)	290
Total District	<u>\$ 584,568</u>	<u>\$ 941,099</u>	<u>\$ 394,309</u>	<u>\$ 1,034,193</u>	<u>\$ 730,830</u>	<u>\$ 1,198,080</u>	<u>\$ 1,408,431</u>	<u>\$ 1,371,743</u>	<u>\$ 1,531,804</u>	<u>\$ 1,856,151</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
MODIFIED ACCRUAL BASIS OF ACCOUNTING  
UNAUDITED

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Assigned						\$ 332,548	\$ 366,311	\$ 208,124	\$ 145,240	\$ 52,856
Restricted/Reserved						2,062,231	2,448,979	2,837,306	2,667,619	2,600,495
Unassigned						355,400	279,627	275,317	241,364	367,781
Reserved	\$ 1,593,015	\$ 2,138,094	\$ 2,150,442	\$ 2,214,622	\$ 2,122,729					
Unreserved	333,255	278,668	321,615	308,188	265,759					
Total General Fund	<u>\$ 1,926,271</u>	<u>\$ 2,416,763</u>	<u>\$ 2,472,058</u>	<u>\$ 2,522,810</u>	<u>\$ 2,388,488</u>	<u>\$ 2,750,179</u>	<u>\$ 3,094,917</u>	<u>\$ 3,320,747</u>	<u>\$ 3,054,223</u>	<u>\$ 3,021,132</u>
All Other Governmental Funds										
Restricted/Reserved						\$ 192,134	\$ 178,581	\$ 145,224	\$ 145,224	\$ 145,225
Committed								31,937	31,937	
Reserved	\$ 830,500	\$ 62,629	\$ 41,474	\$ 2,374	\$ 313,316					
Unreserved, Reported in:										
Capital Projects Fund	157,004	120,535	122,851	142,851						
Debt Service Fund			1		50,649					
Unassigned / (Deficit)										(124,969)
Total All Other Governmental Funds	<u>\$ 987,504</u>	<u>\$ 183,163</u>	<u>\$ 164,325</u>	<u>\$ 145,225</u>	<u>\$ 363,965</u>	<u>\$ 192,134</u>	<u>\$ 178,581</u>	<u>\$ 177,161</u>	<u>\$ 177,161</u>	<u>\$ 20,256</u>
Total Governmental Funds	<u>\$ 2,913,774</u>	<u>\$ 2,599,926</u>	<u>\$ 2,636,383</u>	<u>\$ 2,668,035</u>	<u>\$ 2,752,453</u>	<u>\$ 2,942,313</u>	<u>\$ 3,273,498</u>	<u>\$ 3,497,908</u>	<u>\$ 3,231,384</u>	<u>\$ 3,041,388</u>

Source: School District Financial Reports

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
MODIFIED ACCRUAL BASIS OF ACCOUNTING  
UNAUDITED

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Tax Levy	\$ 9,400,495	\$ 10,041,887	\$ 10,461,003	\$ 10,883,964	\$ 11,259,205	\$ 11,445,564	\$ 11,562,213	\$ 11,755,732	\$ 12,002,602	\$ 12,254,461
Tuition Charges		6,450	3,935	10,090	11,481	25,503	131,577	144,670	7,909	141,637
Other Local			34,296		21,203	40,095	44,112	44,335	18,193	
Interest Earnings	146,617	159,618	109,325	6,961	2,006	354		250	250	2,690
Miscellaneous	45,207	99,016	26,875	107,124	134,934	111,676	147,430	64,896	250,274	155,107
State Sources	1,344,016	1,664,380	1,657,468	1,329,712	1,144,841	1,033,583	1,133,001	1,439,380	1,360,164	1,603,795
Federal Sources	137,793	180,257	146,402	146,443	205,600	237,614	175,527	148,335	146,742	152,653
<b>Total Revenue</b>	<b>11,074,128</b>	<b>12,151,608</b>	<b>12,439,304</b>	<b>12,484,294</b>	<b>12,779,270</b>	<b>12,894,389</b>	<b>13,193,860</b>	<b>13,597,598</b>	<b>13,786,134</b>	<b>14,310,343</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	2,792,576	3,059,095	3,322,626	3,503,570	3,424,209	3,322,441	3,350,559	3,544,806	3,967,409	4,124,329
Special Education Instruction	385,651	482,852	398,905	543,558	608,707	602,522	595,448	611,277	705,291	832,760
Other Special Instruction	218,254	223,934	178,395	199,771	178,589	185,403	201,941	178,354	156,157	140,597
School-Sponsored/Other Instruction			90,097	92,768	91,631	84,127	65,521	78,414	81,780	38,760
<b>Support Services:</b>										
Tuition	493,332	332,413	352,947	386,597	378,793	414,674	359,309	381,886	209,674	22,822
Student & Other Instruction Related Services	1,228,668	1,266,605	1,334,904	1,304,311	1,277,381	1,002,444	1,088,293	1,107,301	1,120,431	1,265,711
General Administrative Services	470,180	485,790	341,956	364,363	350,675	315,145	400,830	360,425	354,460	318,630
School Administrative Services	280,029	316,673	339,692	336,655	347,734	316,589	321,663	322,439	333,337	371,366
Central Services and Administrative										
Information Technology			194,138	201,209	207,193	210,672	235,189	210,782	215,309	227,030
Plant Operations and Maintenance	880,390	972,269	972,885	1,049,221	943,934	996,071	1,052,290	1,024,532	942,759	1,000,008
Pupil Transportation	552,695	569,345	556,975	508,771	571,497	530,465	511,509	537,064	468,272	477,048
Unallocated Benefits	1,940,754	2,410,859	2,675,329	2,303,026	2,569,026	2,730,224	2,829,434	3,009,911	2,992,923	3,048,256
Capital Outlay	1,508,329	851,451	545,640	38,810	138,557	289,352	80,289	188,797	639,556	698,334
<b>Debt Service:</b>										
Principal	810,000	875,000	970,000	1,075,000	1,205,000	1,290,000	1,410,000	1,500,000	1,595,000	1,730,000
Interest and Other Charges	649,544	617,949	583,356	545,013	401,926	414,400	360,400	317,200	270,300	204,688
<b>Total Expenditures</b>	<b>12,210,400</b>	<b>12,464,235</b>	<b>12,857,846</b>	<b>12,452,643</b>	<b>12,694,852</b>	<b>12,704,529</b>	<b>12,862,675</b>	<b>13,373,188</b>	<b>14,052,658</b>	<b>14,500,339</b>

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
MODIFIED ACCRUAL BASIS OF ACCOUNTING  
UNAUDITED

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Excess/(Deficit) of Revenues										
Over/(Under) Expenditures	\$ (1,136,273)	\$ (312,627)	\$ (418,543)	\$ 31,651	\$ 84,418	\$ 189,860	\$ 331,185	\$ 224,410	\$ (266,524)	\$ (189,996)
Other Financing Sources/(Uses)										
Serial Bonds Issued					8,770,000					
Serial Bonds Defeased					(8,938,000)					
Bond Issuance Costs					(126,832)					
Bond Premium					944,609					
Deferred Interest					(649,777)					
Capital Leases (Non-budgeted)			455,000							
Transfers in		17,790								408,988
Transfers out		(19,012)								(408,988)
Total Other Financing Sources/(Uses)		(1,222)	455,000							
Net Change in Fund Balances	<u>\$ (1,136,273)</u>	<u>\$ (313,849)</u>	<u>\$ 36,457</u>	<u>\$ 31,651</u>	<u>\$ 84,418</u>	<u>\$ 189,860</u>	<u>\$ 331,185</u>	<u>\$ 224,410</u>	<u>\$ (266,524)</u>	<u>\$ (189,996)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>13.64%</u>	<u>12.86%</u>	<u>12.62%</u>	<u>13.05%</u>	<u>12.80%</u>	<u>13.73%</u>	<u>13.85%</u>	<u>13.78%</u>	<u>13.91%</u>	<u>14.02%</u>

Source: School District Financial Reports

Exhibit J-5

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
MODIFIED ACCRUAL BASIS OF ACCOUNTING  
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2006	\$ 146,617		\$ 14,796	\$ 161,413
2007	159,618	6,450	99,016	265,084
2008	109,325	3,935	26,875	140,135
2009	6,961	10,090	63,131	80,182
2010	2,006	11,481	90,086	103,573
2011	354	25,503	108,188	134,045
2012	7,931	131,577	45,403	184,911
2013	250	144,670	109,231	254,151
2014	250	146,749	47,512	194,511
2015	11,694	141,637	55,453	208,784

Source: School District of the Borough of Watchung records



BOROUGH OF WATCHUNG SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS  
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2005	\$ 49,840,700	\$ 1,353,040,400	\$ 895,100	N/A	\$ 314,230,900	\$ 6,705,800	\$ 40,000,000	\$ 1,764,712,900	\$ 1,618,708	\$ 1,766,331,608	\$ 0.503	\$ 1,718,510,703
2006	50,009,200	1,359,902,300	895,100	N/A	311,874,300	6,705,800	40,000,000	1,769,386,700	1,398,633	1,770,785,333	0.567	1,857,818,879
2007	43,352,700	1,415,883,400	N/A	N/A	323,091,400	7,348,400	55,160,000	1,844,835,900	1,489,275	1,846,325,175	0.541	2,047,141,917
2008	41,366,100	1,373,917,500	N/A	N/A	333,359,400	7,295,500	60,600,000	1,816,538,500	1,562,784	1,818,101,284	0.590	1,964,456,771
2009	41,251,800	1,277,353,900	N/A	N/A	329,769,100	7,174,900	60,600,000	1,716,149,700	1,562,784	1,717,712,484	0.647	1,912,929,426
2010 *	35,609,900	1,184,481,400	N/A	N/A	295,509,400	6,367,200	56,964,000	1,578,931,900	1,762,687	1,580,694,587	0.724	1,824,791,793
2011	35,484,200	1,204,394,400	N/A	N/A	290,376,800	6,367,300	49,255,800	1,585,878,500	1,360,900	1,587,239,400	0.728	1,684,856,609
2012	35,511,800	1,221,449,700	N/A	N/A	282,766,200	6,273,400	49,255,800	1,595,256,900	1,577,286	1,596,834,186	0.732	1,674,592,266
2013	31,860,700	1,214,066,800	377,200	5,280	294,459,700	6,237,300	47,400,000	1,594,406,980	1,484,459	1,595,891,439	0.732	1,641,460,927
2014	31,400,800	1,246,894,300	355,000	5,280	296,015,200	6,237,500	47,400,000	1,628,308,080	1,151,575	1,629,459,655	0.737	1,684,505,323

\* - Reassessment of taxes was effective

N/A - Not Applicable

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100 of assessed value.

Source: Municipal Tax Assessor

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
(Rate per \$100 of Assessed Value)

Year Ended December 31,	School District of the Borough of Watchung Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	General Obligation		Total Direct	Regional High School		County	
	Basic Rate <sup>a</sup>	Debt Service <sup>b</sup>		Municipality	District		
2005	\$ 0.423	\$ 0.080	\$ 0.503	\$ 0.385	\$ 0.294	\$ 0.365	\$ 1.547
2006	0.483	0.084	0.567	0.377	0.302	0.378	1.624
2007	0.461	0.080	0.541	0.387	0.304	0.375	1.607
2008	0.502	0.088	0.590	0.422	0.303	0.364	1.679
2009	0.552	0.095	0.647	0.427	0.318	0.369	1.761
2010 *	0.619	0.105	0.724	0.463	0.351	0.383	1.921
2011	0.617	0.111	0.728	0.492	0.363	0.303	1.886
2012	0.619	0.113	0.732	0.519	0.377	0.309	1.937
2013	0.618	0.114	0.732	0.546	0.400	0.390	2.068
2014	0.621	0.116	0.737	0.573	0.388	0.396	2.094

\* - Reassessment of taxes was effective

Note:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation.

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

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

Source: Municipal Tax Collector and School Business Administrator

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

<u>Taxpayer</u>	<u>2014</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>

INFORMATION NOT AVAILABLE

<u>Taxpayer</u>	<u>2005</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>

INFORMATION NOT AVAILABLE

Source: Municipal Tax Assessor

BOROUGH OF WATCHUNG 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 <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 9,400,495	\$ 9,400,495	100.00%	-0-
2007	10,041,887	10,041,887	100.00%	-0-
2008	10,461,002	10,461,002	100.00%	-0-
2009	10,883,964	10,883,964	100.00%	-0-
2010	11,259,205	11,259,205	100.00%	-0-
2011	11,445,564	11,445,564	100.00%	-0-
2012	11,562,213	11,562,213	100.00%	-0-
2013	11,755,732	11,755,732	100.00%	-0-
2014	12,002,602	12,002,602	100.00%	-0-
2015	12,254,461	12,254,461	100.00%	-0-

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

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

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities Capital Leases	Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Obligations Under Lease-Purchase Agreement	Bond Anticipation Notes (BANs)				
2006	\$ 15,708,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 15,708,000	3.46%	2,361
2007	14,833,000	-0-	-0-	-0-	-0-	14,833,000	3.08%	2,212
2008	13,863,000	-0-	-0-	-0-	355,000	14,218,000	2.89%	2,113
2009	12,788,000	-0-	-0-	-0-	-0-	12,788,000	2.74%	1,888
2010	11,415,000	-0-	-0-	-0-	-0-	11,415,000	2.80%	1,964
2011	10,125,000	-0-	-0-	-0-	-0-	10,125,000	2.38%	1,737
2012	8,715,000	-0-	-0-	-0-	-0-	8,715,000	1.97%	1,493
2013	7,215,000	-0-	-0-	-0-	-0-	7,215,000	1.62%	1,230
2014	5,620,000	-0-	-0-	-0-	-0-	5,620,000	1.26%	958
2015	3,890,000	-0-	-0-	-0-	-0-	3,890,000	0.87%	663

Source: School District Financial Reports

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

- <sup>a</sup> See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation <sup>a</sup> Taxable	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2006	\$ 15,708,000	-0-	\$ 15,708,000	0.89%	\$ 2,361.04
2007	14,833,000	-0-	14,833,000	0.84%	2,211.90
2008	13,863,000	-0-	13,863,000	0.75%	2,059.88
2009	12,788,000	-0-	12,788,000	0.70%	1,888.09
2010	11,415,000	-0-	11,415,000	0.66%	1,963.36
2011	10,125,000	-0-	10,125,000	0.64%	1,494.91
2012	8,715,000	-0-	8,715,000	0.55%	1,491.78
2013	7,215,000	-0-	7,215,000	0.45%	1,230.18
2014	5,620,000	-0-	5,620,000	0.35%	956.11
2015	3,890,000	-0-	3,890,000	0.24%	663.48

Source: School District Financial Reports

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

a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2014  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Watchung Hills Regional High School	\$ 40,093,000	21.62%	\$ 8,669,492
Borough of Watchung	22,102,785	100.00%	22,102,785
County of Somerset - Borough's Share	76,449,818	2.88%	<u>2,198,134</u>
Subtotal, Overlapping Debt			32,970,411
Borough of Watchung School District Direct Debt			<u>3,890,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 36,860,411</u></u>

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

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

Sources: Assessed value data used to estimate applicable percentages provided by the Somerset County Board of Taxation; debt outstanding data provided by each governmental unit.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2015

	<u>Equalized valuation basis</u>
	2013 1,628,644,104
	2014 1,630,272,986
	2015 1,683,353,748
	<u>\$ 4,942,270,838</u>
Average Equalized Valuation of Taxable Property	<u>\$ 1,647,423,613</u>
Debt Limit (3% of average equalization value)	\$ 49,422,708 <sup>a</sup>
Net Bonded School Debt	3,890,000
Legal Debt Margin	<u>\$ 45,532,708</u>

	<u>Fiscal Year</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Limit	\$ 54,306,404	\$ 52,707,158	\$ 51,057,251	\$ 49,853,252	\$ 49,422,708
Total Net Debt Applicable to Limit	<u>10,215,000</u>	<u>8,715,000</u>	<u>7,215,000</u>	<u>3,890,000</u>	<u>3,890,000</u>
Legal Debt Margin	<u>\$ 44,091,404</u>	<u>\$ 43,992,158</u>	<u>\$ 43,842,251</u>	<u>\$ 45,963,252</u>	<u>\$ 45,532,708</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	18.81%	16.53%	14.13%	7.80%	7.87%

	<u>Fiscal Year</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 50,447,953	\$ 55,373,713	\$ 58,062,085	\$ 58,878,984	\$ 58,119,876
Total Net Debt Applicable to Limit	<u>15,708,000</u>	<u>14,833,000</u>	<u>13,863,000</u>	<u>12,788,000</u>	<u>11,415,000</u>
Legal Debt Margin	<u>\$ 34,739,953</u>	<u>\$ 40,540,713</u>	<u>\$ 44,199,085</u>	<u>\$ 46,090,984</u>	<u>\$ 46,704,876</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	31.14%	26.79%	23.88%	21.72%	19.64%

<sup>a</sup> Limit set by NJSIA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

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



BOROUGH OF WATCHUNG SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Year	Population <sup>a</sup>	Borough of Watchung Personal Income <sup>b</sup>	Somerset County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2006	6,653	\$ 453,608,193	\$ 68,181	3.00%
2007	6,706	480,665,962	71,677	2.70%
2008	6,730	491,364,030	73,011	4.10%
2009	6,773	470,086,838	69,406	6.40%
2010	5,814	406,433,484	69,906	6.40%
2011	5,842	424,736,768	72,704	6.30%
2012	5,865	451,124,070	76,918	N/A
2013	5,878	456,632,430	77,685	6.60%
2014	5,863 **	455,467,155 ***	77,685 *	4.20%
2015	5,865 **	455,622,525 ***	77,685 *	4.80%

\* - Latest Somerset County per capita personal income available (2013) was used for calculation purposes.

\*\* - Latest population data available (2014.) was used for calculation purposes.

\*\*\*- Latest Borough personal income available (2013) was used for calculation purposes.

N/A - Information not available

Source:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

2014		
		Percentage of Total Employment
Employer	Employees	

INFORMATION NOT AVAILABLE

2005		
		Percentage of Total Employment
Employer	Employees	

INFORMATION NOT AVAILABLE

Source: Somerset County Chamber of Commerce.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST NINE 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>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction										
Regular	49	49	50	49	49	47	50	50	51	50
Special education	10	11	10	9	9	8	9	9	28	14
Other instruction	3	2	3	4	3	3	3	3	0	0
Support Services:										
Student & instruction related services	22	24	29	27	28	25	21	21	9	9
School administrative services	5	6	5	6	6	6	6	6	6	6
General and business administrative services	5	5	5	5	5	5	5	5	3	5
Plant operations and maintenance	9	11	9	9	9	9	9	8	11	10
Pupil transportation	1	1	2	2	2	2	2	2	3	1
Total	<u>104</u>	<u>109</u>	<u>113</u>	<u>111</u>	<u>111</u>	<u>105</u>	<u>105</u>	<u>104</u>	<u>111</u>	<u>95</u>

Source: School District of the Borough of Watchung Personnel Records

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2006	660	\$ 9,242,528	\$ 14,004	3.76%	84	N/A	N/A	659.4	633.1	1.01%	96.01%
2007	671	10,119,835	15,082	7.70%	86	N/A	N/A	673.5	644.8	2.14%	95.74%
2008	688	10,758,850	15,638	3.69%	92	N/A	N/A	687.2	658.2	2.03%	95.78%
2009	698	10,793,820	15,464	-1.11%	89	N/A	N/A	698.8	671.2	1.69%	96.05%
2010	718	10,949,369	15,250	-1.38%	75	N/A	N/A	716.7	687.1	2.56%	95.87%
2011	714	10,710,777	15,001	-1.63%	67	N/A	N/A	710.0	679.6	-0.93%	95.72%
2012	710	11,011,986	15,510	3.39%	67	N/A	N/A	681.3	654.7	-4.04%	96.10%
2013	717	11,367,191	15,854	2.22%	67	N/A	N/A	720.8	693.0	5.80%	96.14%
2014	716	11,547,802	16,128	1.73%	67	N/A	N/A	688.5	663.0	-4.48%	96.30%
2015	691	11,867,317	17,174	6.48%	61	N/A	N/A	670.4	645.6	-2.63%	96.30%

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment.  
 This Cost Per Pupil may be different from other Cost Per Pupil calculations.

N/A: Information not available

Source: Borough of Watchung District Records

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST NINE FISCAL YEARS  
UNAUDITED

<u>District Building</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Valley View										
Square Feet	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960
Capacity (students)	470	470	470	470	470	470	470	470	470	470
Enrollment	284	284	309	319	342	351	349	334	303	327
Bayberry										
Square Feet	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629
Capacity (students)	638	638	638	638	638	638	638	638	638	638
Enrollment	388	388	379	379	376	363	361	383	413	364

Number of Schools at June 30, 2015  
 Elementary = 2

Note: Enrollment is based on the annual October district count.

Source: District Facilities Office

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE  
LAST TEN FISCAL YEARS  
UNAUDITED

Undistributed Expenditures--Required  
Maintenance for School Facilities  
11-000-261-xxx

<u>*School Facility</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Bayberry Elementary	\$ 50,885	\$ 42,778	\$ 95,980	\$ 80,000	\$ 77,428
Valley View	54,888	50,641	46,374	112,785	86,713
District Total	<u>\$ 105,773</u>	<u>\$ 93,419</u>	<u>\$ 142,354</u>	<u>\$ 192,785</u>	<u>\$ 164,141</u>

<u>*School Facility</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Bayberry Elementary	\$ 35,391	\$ 38,619	\$ 35,611	\$ 60,018	\$ 18,646
Valley View	33,374	24,557	29,294	48,526	14,687
District Total	<u>\$ 68,765</u>	<u>\$ 63,176</u>	<u>\$ 64,905</u>	<u>\$ 108,544</u>	<u>\$ 33,333</u>

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

Source: District records

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2015  
UNAUDITED

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Diploma Joint Insurance Fund		
Package Policy:		
Blanket Real and Personal Property	\$ 250,000,000	\$ 5,000
Earthquake	25,000,000	5,000
Flood	10,000,000	5,000
Boiler and Machinery	100,000,000	5,000
Crime Coverage:		
Faithful Performance	500,000	1,000
Money and Securities	50,000	1,000
General Liability	5,000,000	1,000
Automobile	5,000,000	1,000
School Board Legal Liability	5,000,000	5,000
Workers Compensation	Statutory 5,000,000	
Excess Umbrella Liability	5,000,000	
Catastrophe Umbrella Liability	50,000,000	
Environmental Liability	1,000,000	10,000
Selective Insurance:		
Surety Bonds:		
Board Secretary/Business Administrator	225,000	
Treasurer of School Moneys	225,000	

Source: District records

SINGLE AUDIT SECTION





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Report on Internal Control Over Financial Reporting and  
 on Compliance and Other Matters Based on an Audit of Financial Statements  
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Borough of Watchung School District  
 County of Somerset, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Watchung, in the County of Somerset (the "District") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2015.

**Internal Control Over Financial Reporting**

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

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

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

The Honorable President and Members  
of the Board of Education  
Borough of Watchung School District  
Page 2

### **Compliance and Other Matters**

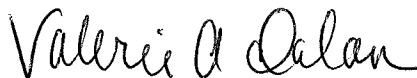
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **Purpose of this Report**

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

November 24, 2015  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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Valerie A. Dolan  
Licensed Public School Accountant # 2526  
Certified Public Accountant



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Report on Compliance For Each Major State Program;  
Report on Internal Control Over Compliance Required by OMB Circular A-133  
and New Jersey's OMB Circulars 04-04 and 15-08

Independent Auditors' Report

The Honorable President and Members  
of the Board of Education  
Borough of Watchung School District  
County of Somerset, New Jersey

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

We have audited the Board of Education of the Borough of Watchung's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2015. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major State Program**

In our opinion, the District compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2015.

The Honorable President and Members  
of the Board of Education  
Borough of Watchung School District  
Page 2

### Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04 and 15-08, 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 District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 or NJOMB 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

November 24, 2015  
Mount Arlington, New Jersey

NISIVOCCIA LLP



Valerie A. Dolan  
Licensed Public School Accountant # 2526  
Certified Public Accountant

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014			Cash Received	Budgetary Expenditures	Balance at June 30, 2015		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor			Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:												
No Child Left Behind Consolidated Grant:												
Title II, Part A	84.286A	NCLB 554015	7/1/14-6/30/15	\$ 16,802				\$ 16,802	\$ (16,802)			
Title II, Part A	84.286A	NCLB 554014	7/1/13-6/30/14	16,363	\$ (4,327)			4,327				
					(4,327)			21,129	(16,802)			
Special Education Cluster:												
IDEA Combined Grant:												
I.D.E.A. Part B, Basic	84.027	IDEA 554015	7/1/14-6/30/15	129,397				129,397	(129,397)			
I.D.E.A. Part B, Basic	84.027	IDEA 554014	7/1/13-6/30/14	123,911	(70,371)			70,371				
I.D.E.A. Part B, Preschool	84.173	IDEA 554015	7/1/14-6/30/15	6,454				6,454	(6,454)			
I.D.E.A. Part B, Preschool	84.173	IDEA 554014	7/1/13-6/30/14	6,468	(6,468)			6,468				
Total Special Education Cluster					(76,839)			212,690	(135,851)			
Total U.S. Department of Education					(81,166)			233,819	(152,653)			
U.S. Department of Agriculture:												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Special Milk Program	10.556	N/A	7/1/14-6/30/15	6,461				4,617	(6,461)	\$ (1,844)		
Special Milk Program	10.556	N/A	7/1/13-6/30/14	6,407	(1,367)			1,367				
Total U.S. Department of Agriculture/Child Nutrition Cluster					(1,367)			5,984	(6,461)	(1,844)		
Total Federal Awards					\$ (82,533)	\$ -0-	\$ -0-	\$ 239,803	\$ (159,114)	\$ (1,844)	\$ -0-	\$ -0-

N/A - Not Applicable

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014			Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2015		MEMO	
				Budgetary Accounts Receivable	Due to Grantor	Cash Received			GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education												
General Fund:												
Categorical Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	\$ 52,008			\$ 47,461	\$ (52,008)				\$ (4,547)	\$ 47,475
Categorical Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	347,512			317,132	(347,512)				(30,380)	352,964
Categorical Security Aid	15-495-034-5120-078	7/1/14-6/30/15	11,137			10,163	(11,137)				(974)	10,218
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	6,910			6,306	(6,910)				(604)	352,964
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	6,910			6,306	(6,910)				(604)	10,218
Extraordinary Aid	15-100-034-5120-473	7/1/14-6/30/15	146,190				(146,190)		\$ 146,190		(146,190)	55,578
Nonpublic Transportation	15-495-035-5120-014	7/1/14-6/30/15	8,700				(8,700)		8,700		(8,700)	8,700
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/15	391,633			356,970	(391,633)		34,663		(34,663)	341,526
Categorical Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	52,008	\$ (4,604)		4,604						52,008
Categorical Special Education Aid	14-495-034-5120-089	7/1/13-6/30/14	347,512	(30,761)		30,761						347,512
Categorical Security Aid	14-495-034-5120-078	7/1/13-6/30/14	11,137	(986)		986						11,137
Extraordinary Aid	14-100-034-5120-473	7/1/13-6/30/14	21,409	(21,630)		21,630						21,630
Nonpublic Transportation	14-495-035-5120-014	7/1/13-6/30/14	6,085	(6,085)		6,085						6,085
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13-6/30/14	401,090	(17,460)		17,460						401,090
<b>Total General Fund State Aid</b>				<b>(81,526)</b>		<b>825,864</b>	<b>(971,000)</b>		<b>189,553</b>		<b>(226,662)</b>	<b>2,019,105</b>
Capital Projects Fund:												
N.J. Economic Development Authority Grant	SP210964/201965	N/A	5,096,645	(1)							(1)	5,096,645
N.J. Schools Development Authority Grant	5540-050-09-0ZXK	N/A	64,647	(8,137)							(8,137)	56,510
N.J. Schools Development Authority Grant	5540-050-09-0ZYJ	N/A	74,458	(20,663)							(20,663)	53,795
N.J. Schools Development Authority Grant	5540-040-13-1001	N/A	272,658								(272,658)	
<b>Total Capital Projects Fund</b>				<b>(28,801)</b>							<b>(301,459)</b>	<b>5,206,950</b>
<b>Total State Awards</b>				<b>\$ (110,327)</b>	<b>\$ -0-</b>	<b>\$ 825,864</b>	<b>\$ (971,000)</b>	<b>\$ -0-</b>	<b>\$ 189,553</b>	<b>\$ -0-</b>	<b>\$ (528,121)</b>	<b>\$ 7,226,055</b>

N/A - Not Available

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Watchung School District under programs of the federal and state governments for the fiscal year ended June 30, 2015. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

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, special revenue and debt service funds to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payments for the prior year and for the current budget year, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes, the current year payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The capital projects fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition. For GAAP purposes, that revenue is not recognized until the project is expended and a final expenditure request is submitted to the Schools Development Authority for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$758 for the general fund, \$1,606 for the special revenue fund, which is all for local grants and is not included in the table below, and (\$301,459) for the capital projects fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general, special revenue, and capital projects funds. Additionally, the schedule of expenditures of state awards does not include the TPAF Pension Contribution and on-behalf TPAF Pension and Post Retirement Contributions revenue of \$244,852 and \$388,701, respectively.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,603,795	\$ 1,603,795
Special Revenue Fund	\$ 152,653		152,653
Food Service Fund	6,461		6,461
Total Awards	<u>\$ 159,114</u>	<u>\$ 1,603,795</u>	<u>\$ 1,762,909</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2015.

NOTE 6. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA GRANTS)

The District has been awarded grants totaling \$5,508,408 from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2015, the District has not drawn down \$301,459 of the grant funds. In the Capital Projects Fund, the District realized the full amount of the grant funds as a revenue on a budgetary basis in the year awarded and is realizing the grant funds as revenue on a GAAP basis when grant funds are expended and submitted for reimbursement.



BOROUGH OF WATCHUNG SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2015 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Categorical Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	\$ 347,512	\$ 347,512
Categorical Security Aid	15-495-034-5120-078	7/1/14-6/30/15	11,137	11,137
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	6,910	6,910
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	6,910	6,910

- The threshold used for distinguishing between Type A and Type B state programs was \$300,000.
- The District was determined to be a "low-risk" auditee for state programs.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any finding or questioned costs for state awards as defined in section 510(a) of the federal circular and NJOMB 04-04 and 15-08.

BOROUGH OF WATCHUNG SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

The District had no prior year audit findings.