

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Warren, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Watchung Hills Regional High School District

Warren, New Jersey

For The Fiscal Year Ended June 30, 2016

Prepared by

Business Office

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INTRODUCTORY SECTION



WATCHUNG HILLS REGIONAL HIGH SCHOOL

Elizabeth C. Jewett
Superintendent

Timothy M. Stys, CPA
Business Administrator

George P. Alexis
Principal

October 24, 2016

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

Dear Board Members:

The comprehensive annual financial report of the Watchung Hills Regional High School District Board of Education for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Watchung Hills Regional High School Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes the Independent Auditors' Report, Management's Discussion and Analysis and basic financial statements including the district-wide financial statements presented in accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statements. The basic financial statements also include individual fund financial statements, Notes to Financial Statements and Required Supplementary Information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), and the State OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Watchung Hills Regional High School District is an independent reporting entity within the criteria adopted by the GASB. All funds of the District are included in this report. The Watchung Hills Regional High School Board of Education constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels 9 through 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2015/2016 fiscal year with an enrollment of 2,137 which is 58 students above the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015/2016	2,137	(2.73%)
2014/2015	2,197	1.01%
2013/2014	2,175	1.82%
2012/2013	2,136	3.49%
2011/2012	2,064	0.34%
2010/2011	2,057	(0.57%)
2009/2010	2,069	1.77%
2008/2009	2,033	(1.36%)
2007/2008	2,061	2.64%
2006/2007	2,007	5.58%

2. ECONOMIC CONDITION AND OUTLOOK:

The Watchung Hills Regional High School area is experiencing a leveling off of enrollment. Student population is still expected to level off to approximately 2,200 students and then eventually decline. The State of New Jersey continues to add costly mandates while maintaining or reducing state aid with a 2% budget CAP. Despite the challenging environment, the Watchung Hills Regional High School is committed to move forward with the expectation of full compliance to regulations, adherence to the strict budget CAP and understanding of the difficult economic conditions of our taxpayers while continuing to provide high quality instruction to students.

3. INTERNAL ACCOUNTING CONTROLS:

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

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

3. INTERNAL ACCOUNTING CONTROLS (Continued):

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

4. BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

5. ACCOUNTING SYSTEM AND REPORTS:

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

6. CASH MANAGEMENT:

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

7. RISK MANAGEMENT:

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

8. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci and Higgins, LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the U.S. Uniform Guidance and the State OMB Circular 15-08. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's report related specifically to the single audit is included in the single audit section of this report.

9. ACKNOWLEDGEMENTS:

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

Respectfully submitted,

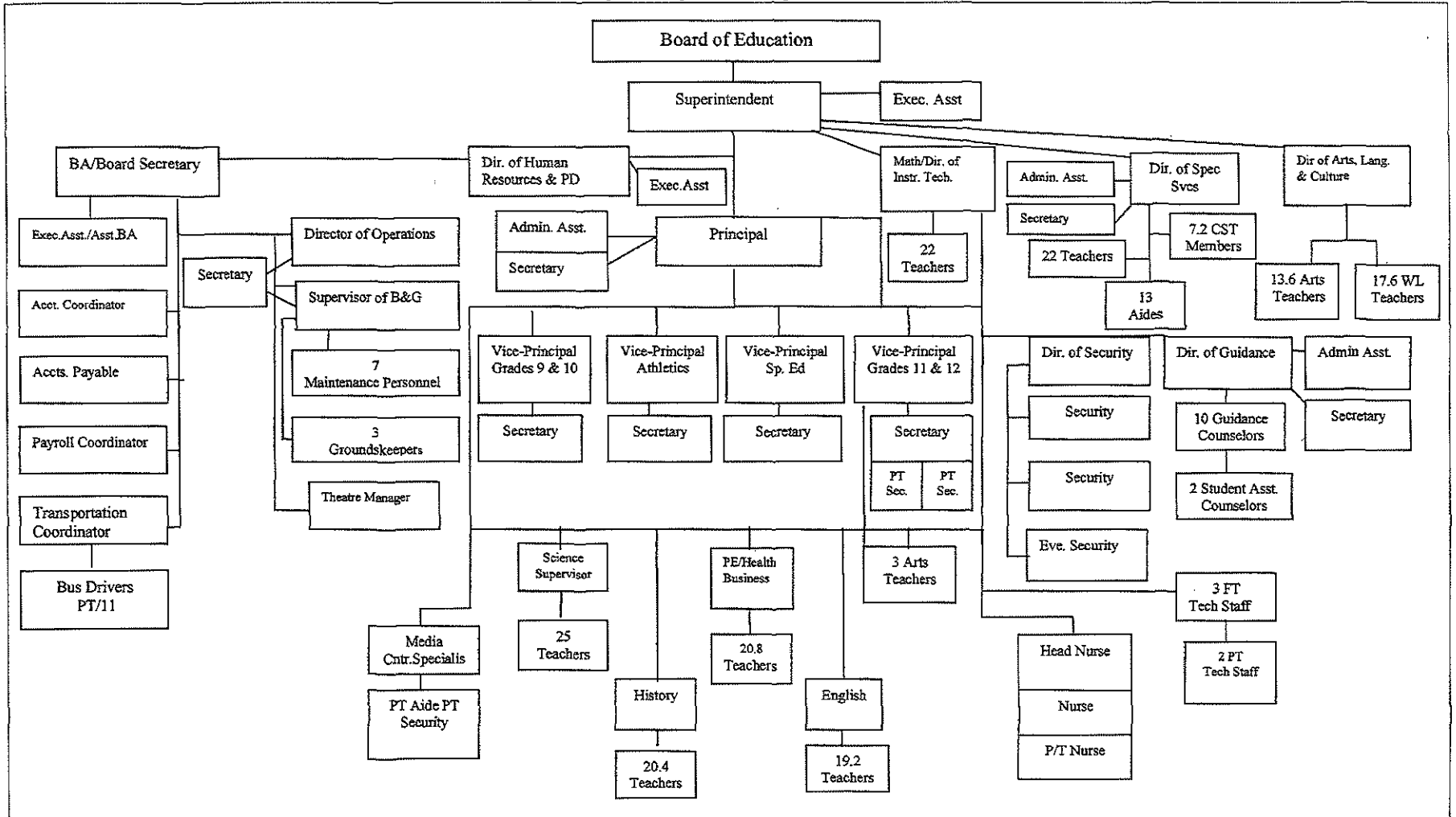


Elizabeth C. Jewett
Superintendent of Schools



Timothy M. Stys
School Business Administrator/
Board Secretary

Watchung Hills Regional High School Organization Chart



WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2016

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Gregory J. Przybylski – President Warren Township	2018
Robert Morrison – Vice President Warren Township	2016
Christopher Collins Long Hill Township	2018
Lisa A. DeMizio Long Hill Township	2017
Peter Fallon Warren Township	2016
Peter Falzarano Long Hill Township	2016
Sondra Fechtner Watchung Borough	2017
Barry Hunsinger Watchung Borough	2018
Glenn Mastrobattista Warren Township	2017
<u>Appointed</u>	
Bruce Martins Green Brook Township	1 year term
<u>Other Officials</u>	
Elizabeth Jewett, Superintendent	
Timothy M. Stys, CPA, School Business Administrator/Board Secretary	
Beth Scheiderman, Director of Human Resources & Professional Development	
Ronald R. Rossi, Jr., Treasurer of School Monies	

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

Architect

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

Audit Firm

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

Attorney

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

Construction Attorney

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

Official Depository

TD Bank
1701 Route 70 East
Cherry Hill, NJ 08034

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watchung Hills Regional High School District, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watchung Hills Regional High School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Watchung Hills Regional High School District's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Watchung Hills Regional High School District.

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

The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2016 on our consideration of the Watchung Hills Regional High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Watchung Hills Regional High School District's internal control over financial reporting and compliance.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 24, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

This section of the Watchung Hills Regional High School District's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. 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

Key financial highlights for the 2015-2016 fiscal year include the following:

- The net position of the Watchung Hills Regional High School District at the close of the fiscal year was \$11,724,960.
- Overall revenues were \$51,509,248. General revenues accounted for \$32,544,150 or 63% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$18,965,098 or 37% of total revenues.
- The school district had \$49,923,794 in expenses for governmental activities; only \$18,003,532 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$32,544,150 were adequate to provide funding for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$10,131,563. The General Fund balance at June 30, 2016 was \$6,104,481 an increase of \$830,482 when compared with the beginning balance of \$5,273,999 at July 1, 2015.
- The General Fund unassigned budgetary basis fund balance at June 30, 2016 was \$1,170,851, which represents a decrease of \$17,452 compared to the ending unassigned budgetary basis fund balance at June 30, 2015 of \$1,188,303.
- The school district maintains a Capital Reserve balance of \$2,592,307, a Tuition Reserve balance of \$550,000 and a Maintenance Reserve balance of \$342,342 at June 30, 2016.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

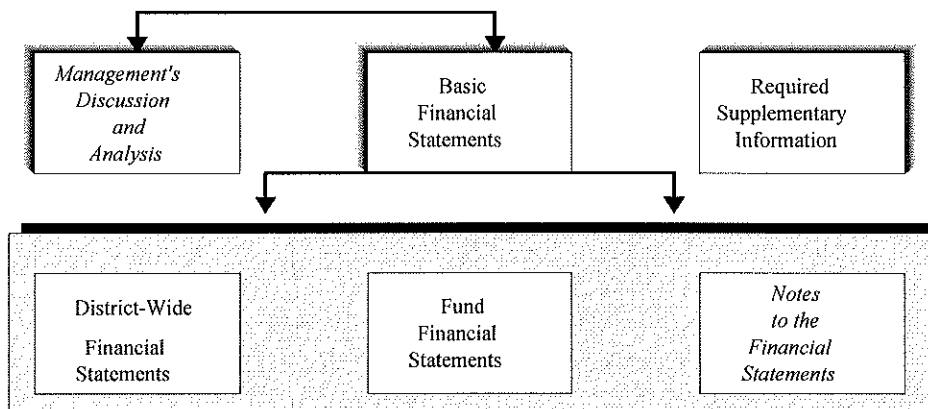
Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The table below presents how the various parts of this annual report are arranged and related to one another.



WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

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

Major Features of the District-Wide and Fund Financial Statements

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

District-Wide Financial Statements

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

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

District-Wide Financial Statements (continued)

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Fund Financial Statements (continued)

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

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

Notes to the Financial Statements

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

Other Information

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

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

DISTRICT-WIDE FINANCIAL ANALYSIS

Changes in Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$11,724,960 as of June 30, 2016. See the following statement of net position.

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Statement of Net Position As of June 30, 2016 and 2015

	<u>Activities</u>		<u>Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets						
Current and Other Assets	\$ 10,611,492	\$ 12,513,135	\$ 190,748	\$ 136,450	\$ 10,802,240	\$ 12,649,585
Capital Assets	<u>49,109,258</u>	<u>47,884,576</u>	<u>218,111</u>	<u>135,946</u>	<u>49,327,369</u>	<u>48,020,522</u>
Total Assets	<u>59,720,750</u>	<u>60,397,711</u>	<u>408,859</u>	<u>272,396</u>	<u>60,129,609</u>	<u>60,670,107</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding of Debt	829,467	908,498	-	-	829,467	908,498
Deferred Amounts on Net Pension Liability	<u>1,732,983</u>	<u>480,011</u>	<u>-</u>	<u>-</u>	<u>1,732,983</u>	<u>480,011</u>
Total Deferred Outflows of Resources	<u>2,562,450</u>	<u>1,388,509</u>	<u>-</u>	<u>-</u>	<u>2,562,450</u>	<u>1,388,509</u>
Total Assets and Deferred Outflows of Resources	<u>62,283,200</u>	<u>61,786,220</u>	<u>408,859</u>	<u>272,396</u>	<u>62,692,059</u>	<u>62,058,616</u>
Liabilities						
Long-Term Liabilities	49,722,259	48,679,699			49,722,259	48,679,699
Other Liabilities	<u>1,058,089</u>	<u>1,580,279</u>	<u>25,925</u>	<u>34,441</u>	<u>1,084,014</u>	<u>1,614,720</u>
Total Liabilities	<u>50,780,348</u>	<u>50,259,978</u>	<u>25,925</u>	<u>34,441</u>	<u>50,806,273</u>	<u>50,294,419</u>
Deferred Inflows of Resources						
Deferred Amounts on Net Pension Liability	<u>160,826</u>	<u>480,654</u>	<u>-</u>	<u>-</u>	<u>160,826</u>	<u>480,654</u>
Total Deferred Inflows of Resources	<u>160,826</u>	<u>480,654</u>	<u>-</u>	<u>-</u>	<u>160,826</u>	<u>480,654</u>
Total Liabilities and Deferred Inflows of Resources	<u>50,941,174</u>	<u>50,740,632</u>	<u>25,925</u>	<u>34,441</u>	<u>50,967,099</u>	<u>50,775,073</u>
Net Position:						
Net Investment in Capital Assets	15,113,001	15,417,519	218,111	135,946	15,331,112	15,553,465
Restricted	3,640,492	8,079,606			3,640,492	8,079,606
Unrestricted	<u>(7,411,467)</u>	<u>(12,451,537)</u>	<u>164,823</u>	<u>102,009</u>	<u>(7,246,644)</u>	<u>(12,349,528)</u>
Total Net Position	<u>\$ 11,342,026</u>	<u>\$ 11,045,588</u>	<u>\$ 382,934</u>	<u>\$ 237,955</u>	<u>\$ 11,724,960</u>	<u>\$ 11,283,543</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Changes in Net Position for the Fiscal Years Ended June 30, 2016 and 2015

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$ 6,960,271	\$ 6,886,186	\$ 961,566	\$ 942,330	\$ 7,921,837	\$ 7,828,516
Operating Grants and Contributions	11,043,261	9,055,430			11,043,261	9,055,430
General Revenues						
Property Taxes	31,927,349	31,370,519			31,927,349	31,370,519
State Aid	391,885	388,023			391,885	388,023
Other	224,916	186,287	-	-	224,916	186,287
Total Revenues	<u>50,547,682</u>	<u>47,886,445</u>	<u>961,566</u>	<u>942,330</u>	<u>51,509,248</u>	<u>48,828,775</u>
Expenses						
Instruction						
Regular	21,568,696	20,673,392			21,568,696	20,673,392
Special Education	6,266,347	6,033,087			6,266,347	6,033,087
Other Instruction	37,654	110,693			37,654	110,693
School Sponsored Activities and Athletics	1,999,127	1,896,729			1,999,127	1,896,729
Support Services						
Student and Instruction Related Services	6,213,819	5,600,031			6,213,819	5,600,031
General Administration	1,218,434	1,041,375			1,218,434	1,041,375
School Administration Services	2,485,745	2,526,879			2,485,745	2,526,879
Plant Operation and Maintenance	5,109,549	4,890,303			5,109,549	4,890,303
Pupil Transportation	2,183,469	2,101,720			2,183,469	2,101,720
Business and Other Support Services	1,455,553	1,419,464			1,455,553	1,419,464
Interest on Long-Term Debt	1,385,401	1,426,449			1,385,401	1,426,449
Food Services	-	-	915,669	930,831	915,669	930,831
Total Expenses	<u>49,923,794</u>	<u>47,720,122</u>	<u>915,669</u>	<u>930,831</u>	<u>50,839,463</u>	<u>48,650,953</u>
Gain on Capital Assets	<u>81,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,452</u>	<u>-</u>
Change in Net Position	705,340	166,323	45,897	11,499	751,237	177,822
Net Position, Beginning of Year	11,045,588	13,387,478	237,955	284,007	11,283,543	13,671,485
Prior Period Adjustment	(408,902)	(2,508,213)	99,082	(57,551)	(309,820)	(2,565,764)
Net Position, End of Year	<u>\$ 11,342,026</u>	<u>\$ 11,045,588</u>	<u>\$ 382,934</u>	<u>\$ 237,955</u>	<u>\$ 11,724,960</u>	<u>\$ 11,283,543</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

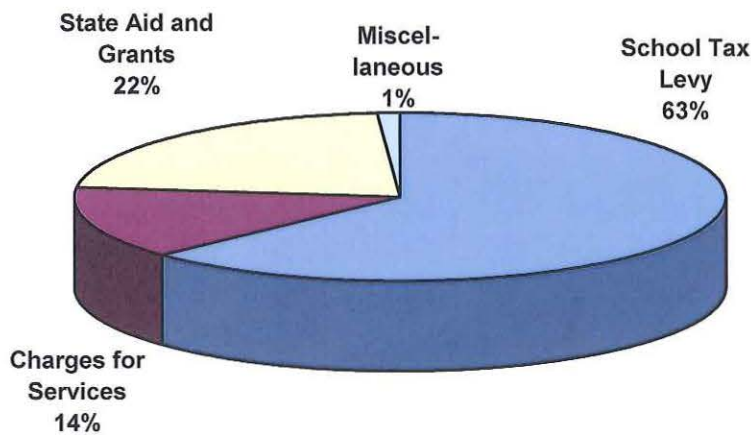
Management's Discussion and Analysis

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$50,547,682 for the fiscal year ended June 30, 2016. Property taxes of \$31,927,349 represented 63% percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and local aid was \$11,435,146. The other major source of revenues is charges for services which includes tuition from other LEAs predominately from the Green Brook Board of Education.

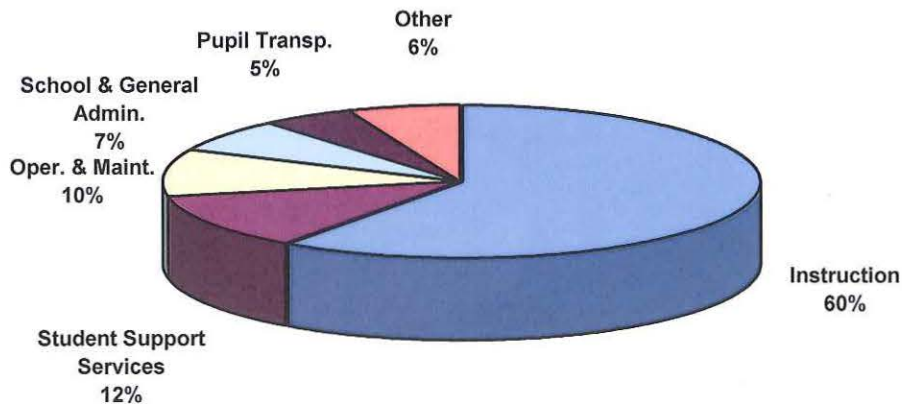
The total cost of all governmental activities programs and services was \$49,923,794. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$29,871,824 (60%) of total expenditures. Student support services, exclusive of administration, total \$6,213,819 or (12%) of total expenditures.

Total governmental activities revenues exceeded expenses and other special items, increasing net position \$705,340 from the previous year.

Revenues by Source- Governmental Activities
For Fiscal Year Ended June 30, 2016



Expenditures by Type- Governmental Activities
For Fiscal Year Ended June 30, 2016



WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Net Cost of Governmental Activities. The District's total cost of services was \$49,923,794. After applying program revenues, derived from charges for services of \$6,960,271 and operating grants and contributions of \$11,043,261; the net cost of services of the District is \$31,920,262.

Total and Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2016 and 2015

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Governmental Activities				
Instruction				
Regular	\$ 21,568,696	\$ 20,673,392	\$ 9,694,875	\$ 9,757,909
Special Education	6,266,347	6,033,087	2,916,775	3,261,822
Other Instruction	37,654	110,693	26,447	92,182
School Sponsored Activities and Athletics	1,999,127	1,896,729	1,522,222	1,515,254
Support Services				
Student and Instruction Related Services	6,213,819	5,600,031	4,822,377	4,538,224
General Administration	1,218,434	1,041,375	1,124,800	968,867
School Administration Services	2,485,745	2,526,879	2,183,481	2,248,778
Plant Operation and Maintenance	5,109,549	4,890,303	4,999,639	4,808,002
Pupil Transportation	2,183,469	2,101,720	1,948,885	1,863,267
Business and Other Support Services	1,455,553	1,419,464	1,295,360	1,297,752
Interest on Debt and Other Charges	1,385,401	1,426,449	1,385,401	1,426,449
Total Governmental Activities	<u>\$ 49,923,794</u>	<u>\$ 47,720,122</u>	<u>\$ 31,920,262</u>	<u>\$ 31,778,506</u>

Business-Type Activities – The District's total business-type activities revenues were \$961,566 for the fiscal year ended June 30, 2016. Charges for services accounted for 100% of total revenues.

The total cost of all business-type activities programs and services was \$915,669. The District's expenses are related to Food Service programs provided to all students, teachers and administrators within the District.

Total business-type activities revenues exceeded expenses, increasing net position by \$45,897 from the previous year's balance.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$10,131,563. At June 30, 2015, the fund balance was \$11,569,251. This decrease was due to the utilization of capital project monies for the District's construction projects.

Revenues for the District's governmental funds were \$45,599,558 while total expenses were \$48,742,961.

During the 2015-2016 fiscal year, the District also refunded its 2007 school bonds, issued new school bonds and entered into a new five year lease purchase.

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

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended <u>June 30, 2016</u>	Fiscal Year Ended <u>June 30, 2015</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Local Sources:				
Property Taxes	\$ 28,758,204	\$ 28,194,318	\$ 563,886	2.00%
Tuition	6,960,271	6,886,186	74,085	1.08%
Miscellaneous	213,319	164,121	49,198	29.98%
State Sources	5,477,978	4,856,990	620,988	12.79%
Federal Sources	<u>27,483</u>	<u>-</u>	<u>27,483</u>	
Total General Fund Revenues	<u>\$ 41,437,255</u>	<u>\$ 40,101,615</u>	<u>\$ 1,335,640</u>	3.33%

Total General Fund Revenues increased by \$1,335,640 or 3.33% over the previous year.

Property taxes increased at the State CAP level, or 2% over the previous year. Tuition revenue increased by \$74,085. State aid revenues increased \$620,988, primarily due to an increase in the TPAF pension contribution.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

The following schedule presents a summary of General Fund expenditures.

	<u>Fiscal Year Ended June 30, 2016</u>	<u>Fiscal Year Ended June 30, 2015</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Instruction	\$ 24,015,333	\$ 23,559,814	\$ 455,519	1.93%
Support Services	15,878,696	15,387,202	491,494	3.19%
Debt Service	236,813	392,200	(155,387)	-39.62%
Capital Outlay	<u>557,418</u>	<u>40,785</u>	<u>516,633</u>	1266.72%
Total Expenditures	<u>\$ 40,688,260</u>	<u>\$ 39,380,001</u>	<u>\$ 1,308,259</u>	3.32%

In 2015-2016 General Fund revenues and other financing sources exceeded expenditures by \$830,482. As a result, total fund balance increased to \$6,104,481 at June 30, 2016. After deducting statutory transfers and reserves, the unassigned fund balance increased slightly from \$683,367 at June 30, 2015 to \$693,427 at June 30, 2016.

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

Revenues of the Special Revenue Fund were \$625,738, for the fiscal year ended June 30, 2016. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 77% of the total revenue for the year.

Total Special Revenue Fund revenues decreased by \$14,480 from the previous year.

Expenditures of the Special Revenue Fund were \$625,738. Instructional expenditures were \$547,342 or 87% of total expended for the fiscal year ended June 30, 2016.

Capital Projects - The capital projects expenditures and other financing uses exceeded revenues and other financing sources by \$2,251,212 decreasing fund balance to \$4,015,367 at June 30, 2016. The decrease is primarily due to the ongoing construction projects within the District.

Proprietary Funds

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

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2016 amounts to \$49,327,369 (net of accumulated depreciation). The capital assets consist of land, site improvements, buildings, building improvements, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2015-16 amounted to \$2,695,098 for governmental activities and \$22,225 for business-type activities.

Capital Assets at June 30, 2016 and 2015

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 105,616	\$ 105,616			\$ 105,616	\$ 105,616
Improvements Other Than Buildings	4,776,725	3,217,745			4,776,725	3,217,745
Buildings	66,568,814	63,000,142			66,568,814	63,000,142
Machinery and Equipment	4,634,692	4,305,522	\$ 401,134	\$ 308,203	5,035,826	4,613,725
Construction in Progress	404,609	1,570,972	-	-	404,609	1,570,972
	76,490,456	72,199,997	401,134	308,203	76,891,590	72,508,200
Less Accumulated Depreciation	<u>(27,381,198)</u>	<u>(24,315,421)</u>	<u>(183,023)</u>	<u>(172,257)</u>	<u>(27,564,221)</u>	<u>(24,487,678)</u>
Total Capital Assets (Net)	<u>\$ 49,109,258</u>	<u>\$ 47,884,576</u>	<u>\$ 218,111</u>	<u>\$ 135,946</u>	<u>\$ 49,327,369</u>	<u>\$ 48,020,522</u>

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

LONG TERM LIABILITIES

At year end, the District's long-term liabilities consisted of compensated absences payable of \$374,131, bonds payable of \$36,914,000 and obligations under lease-purchase agreements of \$1,198,397 and net pension liability of \$10,002,788.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Currently, the District's budgetary funds are in solid financial condition. The District currently has \$1,169,222 of unassigned general fund surplus. Additionally, the district has approximately \$2.6 million in Capital Reserve to cover future capital expenditures and maintains a maintenance reserve of approximately \$340,000. The practice of maintaining sufficient reserve balances has contributed to the Watchung Hills Regional High School being able to obtain and sustain a AAA credit rating.

Many factors were considered by the District's administration during the process of developing the fiscal year 2016/2017 budget. The primary factors were the District's projected student population, the condition of the facility, the condition of the New Jersey economy, and the economic difficulties that face our region. Going forward beyond 2016/2017, the District will be faced with the potential of level or reduced State aid and a strict 2% budget CAP.

The District's operating budget for 2016/2017 is \$38,419,078. The Watchung Hills Regional High School Board of Education looks forward to working within the State mandated budget CAP restrictions while maintaining a high level of academic standard; providing a high quality of education for area students at a reasonable cost to taxpayers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 8,877,324	\$ 188,899	\$ 9,066,223
Receivables, net	1,089,647		1,089,647
Inventory		1,849	1,849
Internal Balances			
Restricted Assets			
Cash Held in Escrow	644,521		644,521
Capital Assets			
Not Being Depreciated	510,225		510,225
Being Depreciated, Net	48,599,033	218,111	48,817,144
Total Assets	59,720,750	408,859	60,129,609
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding of Debt	829,467		829,467
Deferred Amounts on Net Pension Liability	1,732,983	-	1,732,983
Total Deferred Outflows of Resources	2,562,450	-	2,562,450
Total Assets and Deferred Outflows of Resources	62,283,200	408,859	62,692,059
LIABILITIES			
Accounts Payable and Other Liabilities	444,997	7,375	452,372
Intergovernmental Payable	9,160		9,160
Accrued Interest Payable	578,160		578,160
Unearned Revenue	25,772	18,550	44,322
Noncurrent Liabilities			
Due Within One Year	2,644,321		2,644,321
Due Beyond One Year	47,077,938	-	47,077,938
Total Liabilities	50,780,348	25,925	50,806,273
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	160,826	-	160,826
Total Deferred Outflows of Resources	160,826	-	160,826
Total Liabilities and Deferred Inflows of Resources	50,941,174	25,925	50,967,099
NET POSITION			
Net Investment in Capital Assets	15,113,001	218,111	15,331,112
Restricted for:			
Capital Projects	3,286,435		3,286,435
Debt Service	11,715		11,715
Other Purposes	342,342		342,342
Unrestricted	(7,411,467)	164,823	(7,246,644)
Total Net Position	\$ 11,342,026	\$ 382,934	\$ 11,724,960

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 21,568,696	\$ 6,024,900	\$ 5,848,921	\$ (9,694,875)		\$ (9,694,875)
Special Education	6,266,347	935,371	2,414,201	(2,916,775)		(2,916,775)
Other Instruction	37,654		11,207	(26,447)		(26,447)
School Sponsored Activities and Athletics	1,999,127		476,905	(1,522,222)		(1,522,222)
Support Services:						
Student and Instruction Related Services	6,213,819		1,391,442	(4,822,377)		(4,822,377)
General Administration Services	1,218,434		93,634	(1,124,800)		(1,124,800)
School Administration Services	2,485,745		302,264	(2,183,481)		(2,183,481)
Plant Operations and Maintenance	5,109,549		109,910	(4,999,639)		(4,999,639)
Pupil Transportation	2,183,469		234,584	(1,948,885)		(1,948,885)
Central and Other Support Services	1,455,553		160,193	(1,295,360)		(1,295,360)
Interest on Long-Term Debt and Other Charges	1,385,401	-	-	(1,385,401)	-	(1,385,401)
Total Governmental Activities	49,923,794	6,960,271	11,043,261	(31,920,262)	-	(31,920,262)
Business-Type Activities:						
Food Service	915,669	961,566	-	-	\$ 45,897	45,897
Total Business-Type Activities	915,669	961,566	-	-	45,897	45,897
Total Primary Government	\$ 50,839,463	\$ 7,921,837	\$ 11,043,261	(31,920,262)	45,897	(31,874,365)
General Revenues:						
Property Taxes:						
Levied for General Purposes				28,758,204		28,758,204
Levied for Debt Service				3,169,145		3,169,145
State Aid - Unrestricted				36,062		36,062
State Aid - Restricted for Debt Service				355,823		355,823
Investment Earnings				26,454		26,454
Miscellaneous Income				198,462		198,462
Other						
Gain on Capital Assets				81,452	-	81,452
Total General Revenues				32,625,602	-	32,625,602
Change in Net Position				705,340	45,897	751,237
Net Position, Beginning of Year				11,045,588	237,955	11,283,543
Prior Period Adjustment (Capital Assets)				(408,902)	99,082	(309,820)
Net Position, End of Year				\$ 11,342,026	\$ 382,934	\$ 11,724,960

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

FUND FINANCIAL STATEMENTS

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 5,283,466		\$ 3,582,286	\$ 11,572	\$ 8,877,324
Receivables, Net					
Intergovernmental	932,813	\$ 156,334			1,089,147
Other	500				500
Due from Other Funds	107,486		343	143	107,972
Cash Held in Escrow	-	-	644,521	-	644,521
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 6,324,265</u>	<u>\$ 156,334</u>	<u>\$ 4,227,150</u>	<u>\$ 11,715</u>	<u>\$ 10,719,464</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 219,298	\$ 10,563	\$ 211,783		\$ 441,644
Other Liabilities		3,353			3,353
Due to Other Funds	486	107,486			107,972
Payable to Federal Government		6,569			6,569
Payable to State Government		2,591			2,591
Unearned Revenue	-	25,772	-	-	25,772
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>219,784</u>	<u>156,334</u>	<u>211,783</u>	<u>-</u>	<u>587,901</u>
Fund Balances					
Restricted Fund Balance					
Capital Reserve	2,577,307				2,577,307
Capital Reserve - Designated for Subsequent Year's Budget	15,000				15,000
Maintenance Reserve	342,342				342,342
Tuition Reserve	150,000				150,000
Tuition Reserve - Designated for Subsequent Year's Budget	400,000				400,000
Excess Surplus	563,456				563,456
Excess Surplus - Designated for Subsequent Year's Budget	500,130				500,130
Capital Projects Fund			4,015,367		4,015,367
Debt Service Fund				\$ 11,715	11,715
Committed Fund Balance					
Encumbrances	523,856				523,856
Assigned Fund Balance					
Encumbrances	163,963				163,963
Designated for Subsequent Year's Budget	175,000				175,000
Unassigned Fund Balance					
General Fund	693,427	-	-	-	693,427
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>6,104,481</u>	<u>-</u>	<u>4,015,367</u>	<u>11,715</u>	<u>10,131,563</u>
Total Liabilities and Fund Balances	<u>\$ 6,324,265</u>	<u>\$ 156,334</u>	<u>\$ 4,227,150</u>	<u>\$ 11,715</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 \$76,490,456 and the accumulated depreciation is \$27,381,198. 49,109,258

The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is: (578,160)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 2) (47,320,635)

Net Position of governmental activities (Exhibit A-1) \$ 11,342,026

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 28,758,204			\$ 3,169,145	\$ 31,927,349
Interest Earnings	14,857		\$ 11,597		26,454
Tuition	6,960,271				6,960,271
Miscellaneous	198,462	\$ 9,984	-	-	208,446
Total - Local Sources	35,931,794	9,984	11,597	3,169,145	39,122,520
State Sources	5,477,978	132,623		355,823	5,966,424
Federal Sources	27,483	483,131	-	-	510,614
Total Revenues	41,437,255	625,738	11,597	3,524,968	45,599,558
EXPENDITURES					
Current					
Regular Instruction	17,128,946	124,916			17,253,862
Special Education Instruction	5,118,727	422,426			5,541,153
Other Instruction	31,475				31,475
School Sponsored Activities and Athletics	1,736,185				1,736,185
Support Services					
Student and Instruction Related Services	4,918,034	78,396			4,996,430
General Administrative Services	915,674				915,674
School Administrative Services	2,132,244				2,132,244
Plant Operations and Maintenance	4,425,394				4,425,394
Pupil Transportation	2,165,948				2,165,948
Central and Other Support Services	1,321,402				1,321,402
Debt Service					
Principal	105,111		65,438	2,165,000	2,335,549
Interest and Other Charges	131,702		500	1,426,761	1,558,963
Capital Outlay	557,418	-	3,771,264	-	4,328,682
Total Expenditures	40,688,260	625,738	3,837,202	3,591,761	48,742,961
Excess (Deficiency) of Revenues Over (Under) Expenditures	748,995	-	(3,825,605)	(66,793)	(3,143,403)
OTHER FINANCING SOURCES (USES)					
Transfers In	35			11,572	11,607
Transfers Out			(11,607)	-	(11,607)
Gain on Capital Assets - Insurance Recovery	81,452				81,452
Proceeds from Refunding Bonds				1,970,000	1,970,000
Payments to Escrow Agent				(1,931,737)	(1,931,737)
Bond Proceeds			941,000		941,000
Lease Purchase Proceeds	-	-	645,000	-	645,000
Total Other Financing Sources and (Uses)	81,487	-	1,574,393	49,835	1,705,715
Net Change in Fund Balances	830,482	-	(2,251,212)	(16,958)	(1,437,688)
Fund Balance, Beginning of Year	5,273,999	-	6,266,579	28,673	11,569,251
Fund Balance, End of Year	\$ 6,104,481	\$ -	\$ 4,015,367	\$ 11,715	\$ 10,131,563

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ (1,437,688)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation Expense	\$ (2,695,098)	
Capital Outlays	<u>4,328,682</u>	1,633,584

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

Refunding Bond Proceeds	(1,970,000)	
Payments to Escrow Agent	1,931,737	
School Bond Proceeds	(941,000)	
Lease Purchase Agreement	<u>(645,000)</u>	(1,624,263)

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

Payment of Principal		
Serial Bonds	2,165,000	
Lease Purchase Agreements	<u>170,549</u>	2,335,549

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

Amortization of Bond Premium	261,095	
Amortization of Deferred Charge on Refunding	<u>(145,768)</u>	115,327

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.

58,235

In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.

(10,823)

In the statement of activities, pension expenses are measured by the liability accrued during the year. In the governmental funds, however, expenditures are reported in the amount of financial resources used (paid).

Increase in Pension Expense - Public Employees' Retirement System		<u>(364,581)</u>
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Change in net position of governmental activities (Exhibit A-2) \$ 705,340

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

ASSETS

Current Assets

Cash	\$ 188,899
Inventory	<u>1,849</u>

Total Current Assets	<u>190,748</u>
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Capital Assets

Furniture, Machinery, and Equipment	401,134
Less: Accumulated Depreciation	<u>(183,023)</u>

Total Noncurrent Assets	<u>218,111</u>
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Total Assets	<u>408,859</u>
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LIABILITIES

Current Liabilities

Accounts Payable	7,375
Unearned Revenue	<u>18,550</u>

Total Current Liabilities	<u>25,925</u>
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NET POSITION

Net Investment in Capital Assets	218,111
Unrestricted	<u>164,823</u>

Total Net Position	<u>\$ 382,934</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

OPERATING REVENUES

Charges for Services	
Daily Sales- Non-Reimbursable Programs	\$ <u>961,566</u>
 Total Operating Revenues	 <u>961,566</u>

OPERATING EXPENSES

Cost of Sales - Non-Reimbursable Programs	383,545
Salaries and Benefits	297,187
Management Fee	45,185
Miscellaneous	167,527
Depreciation Expense	<u>22,225</u>
 Total Operating Expenses	 <u>915,669</u>

Operating Income	<u>45,897</u>
 Net Position, July 1, 2015	 237,955
 Prior Period Adjustment	 <u>99,082</u>
 Net Position, as Adjusted, July 1, 2015	 <u>337,037</u>
 Net Position, End of Year	 <u><u>\$ 382,934</u></u>

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 960,317
Cash Payments to Employees for Salaries and Benefits	(297,187)
Cash Payments to Suppliers for Goods and Services	<u>(614,045)</u>
Net Cash Provided by Operating Activities	<u>49,085</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Fixed Assets	<u>(5,308)</u>
Net Cash (Used for) by Capital and Related Financing Activities	<u>(5,308)</u>

Net Change in Cash	43,777
Cash, Beginning of Year	<u>145,122</u>
Cash, End of Year	<u>\$ 188,899</u>

RECONCILIATION OF NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income	<u>\$ 45,897</u>
Adjustments to Reconcile Operating Income to Net Cash Provided for Operating Activities	
Depreciation	22,225
Change in Assets and Liabilities	
(Increase)/Decrease in Inventory	762
Increase/(Decrease) in Unearned Revenue	(1,249)
Increase/(Decrease) in Accounts Payable	(7,267)
Increase/(Decrease) in Due to/from Other Funds	<u>(11,283)</u>

Total Adjustments	<u>3,188</u>
Net Cash Provided by Operating Activities	<u>\$ 49,085</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2016**

	Unemployment Compensation <u>Trust Fund</u>	Scholarship <u>Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash	\$ 313,306	\$ 42,280	\$ 315,830
Due from Other Funds	<u>8,880</u>	<u>-</u>	<u>-</u>
Total Assets	<u>322,186</u>	<u>42,280</u>	<u>\$ 315,830</u>
LIABILITIES			
Payroll Deductions and Withholdings			\$ 52,106
Intergovernmental Accounts Payable	3,094		
Due to Other Funds			8,880
Due to Student Groups	<u>-</u>	<u>-</u>	<u>254,844</u>
Total Liabilities	<u>3,094</u>	<u>-</u>	<u>\$ 315,830</u>
NET ASSETS			
Held In Trust For Unemployment Compensation Claims and Other Purposes	<u>\$ 319,092</u>	<u>\$ 42,280</u>	

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Unemployment Compensation <u>Trust Fund</u>	Scholarship <u>Fund</u>
ADDITIONS		
Contributions		
Employees	\$ 39,020	
Interest	-	\$ 117
	<u>39,020</u>	<u>117</u>
Total Additions		
	<u>39,020</u>	<u>117</u>
DEDUCTIONS		
Scholarships		1,000
Unemployment Compensation Claims	14,609	-
	<u>14,609</u>	<u>1,000</u>
Total Deductions		
	<u>14,609</u>	<u>1,000</u>
Change in Net Position	24,411	(883)
Net Position, Beginning of Year	<u>294,681</u>	<u>43,163</u>
Net Position, End of Year	<u>\$ 319,092</u>	<u>\$ 42,280</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

During fiscal year 2016, the District adopted the following GASB statements:

- GASB No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement applies to donated capital assets, donated works of art, donated historical treasures, and also to similar assets and capital assets received in a service concession arrangement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 77, *Tax Abatement Disclosures*, will be effective beginning with the fiscal year ending June 30, 2017. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No.68, and No.73*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

C. Basis of Presentation - Financial Statements

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

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

Additionally, the government reports the following fund types:

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

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property taxes, tuition, transportation fees, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

3. Inventories

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

Food Service Fund inventories are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

4. Restricted Assets

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Land Improvements	15-20
Buildings and Building Improvements	20-40
Machinery and Equipment	5-20
Vehicles	8

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. *Deferred Outflows/Inflows of Resources (Continued)*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one type of item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

7. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds do not permit the accrual of unused vacation and sick leave. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

8. *Pensions*

In the district-wide financial statements, 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 retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

9. *Long-Term Obligations*

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. *Long-Term Obligations (Continued)*

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

10. *Net Position/Fund Balance*

District-Wide Statements

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

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

Governmental Fund Statements

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

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

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3.)

Capital Reserve - Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2016/2017 District budget certified for taxes.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

Restricted Fund Balance (Continued)

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

Tuition Reserve – This restriction was created in accordance with NJAC 6A:23A-17.1(F)8 to represent foreseeable future tuition adjustments for the 2015/2016 contract year and is required to be liquidated in the second year following the contract year with any remaining balance related to that contract year to be reserved and budgeted for property tax relief.

Tuition Reserve – Designated for Subsequent Year's Budget – This restriction was created in accordance with NJAC 6A:23A-17.1(F)8 to represent foreseeable future tuition adjustments for the 2014/2015 contract year that is appropriated in the 2016/2017 original budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that is required to be appropriated in the 2017/2018 original budget certified for taxes.

Excess Surplus – Designated for Subsequent Year's Budget - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2015 audited excess surplus that was appropriated in the 2016/2017 original budget certified for taxes.

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

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

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

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

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

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

Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2016/2017 District budget certified for taxes.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Fund Statements (Continued)

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

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Property Taxes*

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

3. *Tuition Revenues and Expenditures*

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

Tuition Expenditures - Tuition charges for the fiscal years 2014-2015 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Bonds Payable	\$ 36,914,000
Original Issuance Premium	1,232,943
Deferred Charge on Refunding of Debt	(829,467)
Capital Leases Payable	1,198,397
Compensated Absences	374,131
Net Pension Liability	10,002,788
Deferred Amounts on Net Pension Liability	
Deferred Inflow	160,826
Deferred Outflow	<u>(1,732,983)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 47,320,635</u>

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 6, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2015/2016. Also, during 2015/2016 the Board increased the original budget by \$1,144,131. The increase was funded by grant awards, the reappropriation of prior year general fund encumbrances, and the appropriation of prior year extraordinary aid and non public transportation aid monies.

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

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

B. Capital Reserve

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

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, July 1, 2015		\$ 1,592,012
Increased by		
Interest Earnings	295	
Deposits Approved by Board Resolution, June 2016	<u>1,000,000</u>	
		<u>1,000,295</u>
Balance, June 30, 2016		\$ <u>2,592,307</u>
Restricted Fund Balance		
Capital Reserve		\$ 2,577,307
Capital Reserve Designated for Subsequent Year's Budget		<u>15,000</u>
		\$ <u>2,592,307</u>

C. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The activity of the maintenance reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, July 1, 2015		\$ 192,342
Increased by		
Deposits Approved by Board Resolution, June 2016	<u>150,000</u>	
Balance, June 30, 2016		\$ <u>342,342</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Transfers to Capital Outlay

During the 2015/2016 school year, the district transferred \$255,815 to the non-equipment capital outlay accounts. The transfer was approved by the County Superintendent.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2016 is \$1,063,586. Of this amount, \$500,130 was designated and appropriated in the 2016/2017 original budget certified for taxes and the remaining amount of \$563,456 will be appropriated in the 2017/2018 original budget certified for taxes.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2016, the book value of the Board's deposits were \$10,382,160 and bank and brokerage firm balances of the Board's deposits amounted to \$11,445,520. The Board's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

Depository Account

Insured	\$ <u>11,445,520</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2016 the Board's had no deposits exposed to custodial credit risk.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments

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

As of June 30, 2016, the Board had no outstanding investments.

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

B. Receivables

Receivables as of June 30, 2016 for the district's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Receivables:			
Intergovernmental			
Federal		\$ 104,295	\$ 104,295
State	\$ 101,526	52,039	153,565
Other	831,287		831,287
Accounts	500	-	500
Gross Receivables	933,313	156,334	1,089,647
Less: Allowance for Uncollectibles	-	-	-
Net Total Receivables	<u>\$ 933,313</u>	<u>\$ 156,334</u>	<u>\$ 1,089,647</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

C. Unearned Revenue

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

Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ <u>25,772</u>
 Total Unearned Revenue for Governmental Funds	 \$ <u>25,772</u>

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance, July 1, 2015	Prior Period Adjustments	Increases	Deletions	Transfers/ Adjustments	Balance, June 30, 2016
Governmental Activities:						
Capital Assets, Not Being Depreciated:						
Land	\$ 105,616					\$ 105,616
Construction in Progress	<u>1,570,972</u>	-	\$ 3,681,277	-	\$ (4,847,640)	<u>404,609</u>
Total Capital Assets, Not Being Depreciated	<u>1,676,588</u>	-	<u>3,681,277</u>	-	<u>(4,847,640)</u>	<u>510,225</u>
Capital Assets, Being Depreciated:						
Improvements Other Than Buildings	3,217,745	\$ 7,201	1,185		1,550,594	4,776,725
Buildings	63,000,142	(133,555)	405,181		3,297,046	66,568,814
Machinery and Equipment	<u>4,305,522</u>	<u>160,866</u>	<u>241,039</u>	\$ 72,735	-	<u>4,634,692</u>
Total Capital Assets Being Depreciated	<u>70,523,409</u>	<u>34,512</u>	<u>647,405</u>	<u>72,735</u>	<u>4,847,640</u>	<u>75,980,231</u>
Less Accumulated Depreciation for:						
Improvements Other Than Buildings	(1,511,906)	(41,103)	(217,564)			(1,770,573)
Buildings	(20,766,887)	(92,194)	(2,193,231)			(23,052,312)
Machinery and Equipment	<u>(2,036,628)</u>	<u>(310,117)</u>	<u>(284,303)</u>	(72,735)	-	<u>(2,558,313)</u>
Total Accumulated Depreciation	<u>(24,315,421)</u>	<u>(443,414)</u>	<u>(2,695,098)</u>	<u>(72,735)</u>	<u>-</u>	<u>(27,381,198)</u>
Total Capital Assets, Being Depreciated, Net	<u>46,207,988</u>	<u>(408,902)</u>	<u>(2,047,693)</u>	<u>-</u>	<u>4,847,640</u>	<u>48,599,033</u>
Governmental Activities Capital Assets, Net	<u>\$ 47,884,576</u>	<u>\$ (408,902)</u>	<u>\$ 1,633,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,109,258</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, <u>July 1, 2015</u>	Prior Period <u>Adjustments</u>	<u>Increases</u>	Balance, <u>June 30, 2016</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 308,203	\$ 87,623	\$ 5,308	\$ 401,134
Total Capital Assets Being Depreciated	<u>308,203</u>	<u>87,623</u>	<u>5,308</u>	<u>401,134</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>(172,257)</u>	11,459	<u>(22,225)</u>	<u>(183,023)</u>
Total Accumulated Depreciation	<u>(172,257)</u>	<u>11,459</u>	<u>(22,225)</u>	<u>(183,023)</u>
Total Capital Assets, Being Depreciated, Net	<u>135,946</u>	<u>99,082</u>	<u>(16,917)</u>	<u>218,111</u>
Business-Type Activities Capital Assets, Net	<u>\$ 135,946</u>	<u>\$ 99,082</u>	<u>\$ (16,917)</u>	<u>\$ 218,111</u>

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

Governmental Activities:	
Instruction	
Regular	\$ 1,158,891
Special	<u>161,706</u>
Total Instruction	<u>1,320,597</u>
Support Services	
Student and Instruction Related Services	458,167
General Administration	242,559
School Administration	107,804
Operations and Maintenance of Plant	<u>565,971</u>
Total Support Services	<u>1,374,501</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,695,098</u>
Business-Type Activities:	
Machinery and Equipment	<u>\$ 22,225</u>
Total Depreciation Expense-Business-Type Activities	<u>\$ 22,225</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2016:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
North Kitchen - Interior Alterations	\$ 214,954	\$ 414,374
South Kitchen - Interior Alterations	46,048	
Repaving of Rear (North) Parking Lot	103,767	982,010
Emergency Access Driveway and Egress Walkways	60,213	378,950
Turf Field	68,429	808,544
	<u> </u>	<u> </u>
Total	\$ 493,411	\$ 2,583,878

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 107,486
Unemployment Compensation Fund	Agency Fund	<u>8,880</u>
		<u>\$ 116,366</u>

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

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

Interfund Transfers

	Transfer In:		
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Transfer Out:			
Capital Projects Fund	<u>\$ 35</u>	<u>\$ 11,572</u>	<u>\$ 11,607</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Capital Leases

The District has entered into lease purchase agreements totaling \$1,519,000 for the acquisition and installation of various capital equipment.

The unexpended proceeds from capital leases in the amount of \$644,521 at June 30, 2016 are held with the Fiscal Agent.

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

Fiscal Year Ended				
<u>June 30</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2017	\$ 299,321	\$	17,208	\$ 316,529
2018	305,211		12,685	317,896
2019	311,221		8,074	319,295
2020	149,537		3,950	153,487
2021	<u>133,107</u>		<u>1,586</u>	<u>134,693</u>
	<u>\$ 1,198,397</u>	<u>\$</u>	<u>43,503</u>	<u>\$ 1,241,900</u>

G. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2016 are comprised of the following issues:

\$3,000,000, 2007 Bonds, due in annual installment of \$150,000 through January 15, 2027, interest at 4.10%	\$150,000
\$17,190,000, 2011 Refunding Bonds, due in annual installments of \$1,390,000 to \$1,980,000 through January 15, 2024 interest at 3.0% to 5.0%	13,325,000
\$9,365,000, 2012 Refunding Bonds, due in annual installments of \$2,210,000 to \$2,445,000 through January 15, 2028 interest at 3.0% to 5.0%	9,305,000

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

General Obligation Bonds (Continued)

\$12,553,000, 2013 Refunding Bonds, due in annual installments of \$720,000 to \$1,023,000 through January 15, 2029, interest at 2.50% to 3.50%	\$11,223,000
\$1,970,000, 2016 Refunding Bonds, due in annual installments of \$30,000 to \$210,000 through January 15, 2027 interest at 1.750%	1,970,000
\$941,000, 2016 School Bonds, due in one installment of \$941,000 on July 15, 2017 interest at .98%	<u>941,000</u>
Total	<u>\$36,914,000</u>

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

Governmental Activities:

<u>Fiscal Year</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 2,290,000	\$ 1,270,697	\$ 3,560,697
2018	3,311,000	1,194,528	4,505,528
2019	2,475,000	1,098,355	3,573,355
2020	2,570,000	1,014,805	3,584,805
2021	2,700,000	911,780	3,611,780
2022-2026	15,565,000	2,891,175	18,456,175
2027-2031	<u>8,003,000</u>	<u>429,753</u>	<u>8,432,753</u>
	<u>\$ 36,914,000</u>	<u>\$ 8,811,093</u>	<u>\$ 45,725,093</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2016 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 234,248,897
Less: Net Debt Issued	<u>36,914,000</u>
Remaining Borrowing Power	<u>\$ 197,334,897</u>

Advance Refunding of Debt

On March 15, 2016, the District issued \$1,970,000 in Refunding School Bonds, Series 2016 having an interest rate of 1.75%. These bonds were issued in order to advance refund certain principal maturities and certain interest payments of the 2007 School Bonds of the District. The total bond principal defeased was \$1,865,000 and the total interest payments defeased were \$522,750. The net proceeds of \$1,931,737 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the advance refunding met the requirements of an in-substance debt defeasance and the refunded bond liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$66,737. This amount has been reported as a Deferred Outflow of Resources on the financial statements and amortized over the remaining life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the current and next 11 years by \$196,171 and resulted in an economic gain of \$182,955.

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2016</u>	Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 38,033,000	\$ 2,911,000	\$ 4,030,000	\$ 36,914,000	\$ 2,290,000
Add: Original Issue Premium	<u>1,494,038</u>	<u>-</u>	<u>261,095</u>	<u>1,232,943</u>	<u>-</u>
Total Bonds Payable	39,527,038	2,911,000	4,291,095	38,146,943	2,290,000
Obligations Under Lease Purchase	723,946	645,000	170,549	1,198,397	299,321
Compensated Absences	363,308	51,211	40,388	374,131	55,000
Net Pension Liability	<u>8,065,407</u>	<u>2,685,057</u>	<u>747,676</u>	<u>10,002,788</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 48,679,699</u>	<u>\$ 6,292,268</u>	<u>\$ 5,249,708</u>	<u>\$ 49,722,259</u>	<u>\$ 2,644,321</u>

For the governmental activities, the liabilities for compensated absences, obligations under lease purchase, and net pension liability are generally liquidated by the general fund.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION

A. Risk Management

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016		\$ 39,020	\$ 14,609	\$ 319,092
2014-2015		20,523	26,900	294,681
2013-2014	\$ 50,000	41,380	73,734	301,058

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

B. Contingent Liabilities

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

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2016, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

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

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

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

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

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

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

Basis of Accounting

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

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 35 percent with an unfunded actuarial accrued liability of \$86 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 28.71 percent and \$63.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 47.9 percent and \$22.4 billion, respectively.

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

In the July 1, 2014 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 2.60-9.48 percent based on age for the PERS and varying percentages based on experience for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.92% for PERS, 6.92% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2016 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2016, 2015 and 2014 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended June 30,	<u>PERS</u>	On-Behalf <u>TPAF</u>	<u>DCRP</u>
2016	\$ 383,095	\$ 1,301,356	\$ 6,610
2015	355,130	875,494	4,805
2014	314,019	657,036	4,039

For fiscal years 2015/2016 and 2014/2015, the state contributed \$1,301,356 and \$875,494, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$657,036 for normal cost pension and NCGI premium.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,191,403 during the fiscal year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

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

Public Employees Retirement System (PERS)

At June 30, 2016, the District reported in the statement of net position (accrual basis) a liability of \$10,002,788 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share 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 governmental entities, actuarially determined. At June 30, 2016, the District's proportionate share was .04456 percent, which was an increase of .00148 percent from its proportionate share measured as of June 30, 2015 of .04308 percent.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$747,676 for PERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 238,631	
Changes of Assumptions	1,074,220	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 160,826
Changes in Proportion and Differences Between Board Contributions and Proportionate Share of Contributions	<u>420,132</u>	<u>-</u>
Total	<u>\$ 1,732,983</u>	<u>\$ 160,826</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>		
2017	\$	302,145
2018		302,145
2019		302,145
2020		422,308
2021		<u>243,414</u>
	<u>\$</u>	<u>1,572,157</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15-4.40%
Thereafter	Based on Age 3.15-5.40%
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2008 -
Study Upon Which Actuarial	June 30, 2011
Assumptions were Based	

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was 4.90%

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 4.90%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 12,432,242</u>	<u>\$ 10,002,788</u>	<u>\$ 7,965,952</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2015. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$4,948,124 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2016 the State's proportionate share of the net pension liability attributable to the District is \$102,351,486. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2015. At June 30, 2015, the state's share of the net pension liability attributable to the District was .16194 percent, which was a decrease of .00233 percent from its proportionate share measured as of June 30, 2014 of .15961 percent.

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. 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%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study Upon Which Actuarial Assumptions were Based	July 1, 2009 - June 30, 2012

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was 4.13%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2027
Municipal Bond Rate *	From July 1, 2027 and Thereafter

* The municipal bond return rate used is 3.80%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.13%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	1% Decrease <u>(3.13%)</u>	Current Discount Rate <u>(4.13%)</u>	1% Increase <u>(5.13%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 121,640,915</u>	<u>\$ 102,351,486</u>	<u>\$ 85,732,488</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2015. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2015 was not provided by the pension system.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2015.

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

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

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

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

Significant Legislation

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the State had a \$65.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$24.4 billion for state active and retired members and \$40.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the July 1, 2014, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2015, there were 107,314, retirees receiving post-retirement medical benefits and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2016, 2015 and 2014 were \$1,549,556, \$1,389,847 and \$1,077,292, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Prior Period Adjustments

During the 15/16 school year, the District contracted with an independent company to conduct an appraisal of the District's capital assets. The capital asset report valued all capital assets at cost or estimated historical cost through back trending and other acceptable methods. The District recorded a prior period adjustment to its July 1, 2015 capital assets values, including accumulated depreciation amounts, to reflect the amounts reported in the capital asset appraisal report.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 28,758,204		\$ 28,758,204	\$ 28,758,204	
Tuition	6,653,315		6,653,315	6,960,271	\$ 306,956
Interest				14,562	14,562
Interest on Capital Reserve	100		100	295	195
Rents and Royalties	79,295		79,295	119,781	40,486
Miscellaneous	43,000		43,000	78,681	35,681
State Sources					
Special Education Aid	660,639		660,639	660,639	
Security Aid	82,419		82,419	82,419	
Transportation Aid	191,101		191,101	191,101	
PARCC Readiness	18,030		18,030	18,030	
Per Pupil Growth Aid	18,030		18,030	18,030	
Non-Public Transportation				43,457	43,457
Extraordinary Aid				394,475	394,475
On-Behalf TPAF (Non-Budget)					
Pension Contribution				1,239,607	1,239,607
NCGI Premium				61,749	61,749
Post Retirement - Medical				1,549,556	1,549,556
Social Security				1,191,403	1,191,403
Federal Sources					
FEMA	-	-	-	27,483	27,483
Total Revenues	<u>36,504,133</u>	<u>-</u>	<u>36,504,133</u>	<u>41,409,743</u>	<u>4,905,610</u>
EXPENDITURES					
CURRENT					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 9-12	11,284,424	\$ (172,015)	11,112,409	11,005,255	107,154
Home Instruction					
Salaries of Teachers	35,550	30,785	66,335	66,330	5
Purchased Prof.-Ed. Services	22,000	5,965	27,965	27,940	25
Regular Programs - Undistributed Instruction					
Purchased Prof.-Ed. Services	12,500	-	12,500	8,458	4,042
Other Purchased Services	477,853	(28,427)	449,426	405,688	43,738
General Supplies	525,660	(50,586)	475,074	418,435	56,639
Textbooks	121,458	9,272	130,730	108,587	22,143
Other Objects	17,200	(1,600)	15,600	10,802	4,798
Total Regular Programs	<u>12,496,645</u>	<u>(206,606)</u>	<u>12,290,039</u>	<u>12,051,495</u>	<u>238,544</u>
Learning and/or Language Disabilities					
Salaries of Teachers	286,157	4,000	290,157	287,771	2,386
Other Salaries for Instruction	448,107	(87,000)	361,107	295,563	65,544
Purchased Prof.-Ed. Services	2,500	-	2,500	2,500	2,500
Other Purchased Services	2,800	(250)	2,550	600	1,950
General Supplies	6,500	2,000	8,500	8,182	318
Textbooks	700	700	1,400	1,392	8
Other Objects	1,000	(700)	300	-	300
Total Learning and/or Language Disabilities	<u>747,764</u>	<u>(81,250)</u>	<u>666,514</u>	<u>593,508</u>	<u>73,006</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Multiple Disabilities					
Salaries of Teachers	\$ 91,939	\$ (11,000)	\$ 80,939	\$ 79,120	\$ 1,819
Other Salaries for Instruction	45,495	-	45,495	44,699	796
Other Purchased Services	200	-	200		200
General Supplies	1,000	(900)	100	74	26
Total Multiple Disabilities	<u>138,634</u>	<u>(11,900)</u>	<u>126,734</u>	<u>123,893</u>	<u>2,841</u>
Resource Room					
Salaries of Teachers	1,416,606	(24,000)	1,392,606	1,391,687	919
Other Salaries for Instruction	285,952	64,000	349,952	349,687	265
Other Purchased Services	500	-	500		500
General Supplies	12,000	-	12,000	11,440	560
Textbooks	2,000	(700)	1,300	274	1,026
Total Resource Room	<u>1,717,058</u>	<u>39,300</u>	<u>1,756,358</u>	<u>1,753,088</u>	<u>3,270</u>
Total Special Education	<u>2,603,456</u>	<u>(53,850)</u>	<u>2,549,606</u>	<u>2,470,489</u>	<u>79,117</u>
Basic Skills/Remedial Instruction					
Other Salaries for Instruction	27,479	(27,479)	-	-	-
Total Basic Skills/Remedial Instruction	<u>27,479</u>	<u>(27,479)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bilingual Education					
Salaries of Teachers	48,388	(25,000)	23,388	21,676	1,712
Other Purchased Services	500	-	500		500
Other Objects	600	-	600	-	600
Total Bilingual Education	<u>49,488</u>	<u>(25,000)</u>	<u>24,488</u>	<u>21,676</u>	<u>2,812</u>
School Sponsored Co-Curricular Activities					
Salaries	239,178	-	239,178	215,128	24,050
Purchased Services	1,200	3,115	4,315		4,315
Supplies and Materials	39,680	14,290	53,970	48,960	5,010
Transfers to Cover Deficit	19,200	-	19,200	19,200	-
Total School Sponsored Co-Curricular Activities	<u>299,258</u>	<u>17,405</u>	<u>316,663</u>	<u>283,288</u>	<u>33,375</u>
School Sponsored Athletics - Instruction					
Salaries	776,456	-	776,456	707,319	69,137
Purchased Services	195,342	12,775	208,117	186,192	21,925
Supplies and Materials	172,300	31,485	203,785	140,779	63,006
Other Objects	9,000	-	9,000	4,440	4,560
Total School Sponsored Athletics-Instruction	<u>1,153,098</u>	<u>44,260</u>	<u>1,197,358</u>	<u>1,038,730</u>	<u>158,628</u>
Total - Instruction	<u>16,629,424</u>	<u>(251,270)</u>	<u>16,378,154</u>	<u>15,865,678</u>	<u>512,476</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State - Spec.	283,525	63,000	346,525	332,308	14,217
Tuition to Co. Voc. School Dist. - Reg.	12,954	28,971	41,925	32,503	9,422
Tuition to Priv Sch. For Disabled w/in State	1,420,835	(118,230)	1,302,605	1,212,051	90,554
Tuition - Other	24,240	5,619	29,859	22,638	7,221
Total Undistributed Expenditures - Instruction	<u>1,741,554</u>	<u>(20,640)</u>	<u>1,720,914</u>	<u>1,599,500</u>	<u>121,414</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Attendance and Social Work Services					
Salaries of Teachers	\$ 58,048	-	\$ 58,048	\$ 57,276	\$ 772
Purchased Professional and Technical Services	11,000	\$ (2,700)	8,300	2,725	5,575
Total Attendance and Social Work Svcs.	69,048	(2,700)	66,348	60,001	6,347
Health Services					
Salaries of Teachers	312,556	(60,000)	252,556	237,780	14,776
Purchased Professional and Technical Services	24,200	16,120	40,320	36,245	4,075
Other Purchased Services	1,000	(300)	700	700	700
Supplies and Materials	10,200	800	11,000	10,632	368
Total Health Services	347,956	(43,380)	304,576	284,657	19,919
Other Support Services - Speech, OT, PT and Related Services					
Salaries	20,569	(20,569)	-	-	-
Purchased Professional-Educational Services	182,056	10,200	192,256	158,233	34,023
Supplies and Materials	-	1,100	1,100	692	408
Total Other Support Services-Speech, OT, PT and Related Services	202,625	(9,269)	193,356	158,925	34,431
Other Support Services - Extra. Services					
Purchased Professional - Educational Services	295,465	1,420	296,885	285,052	11,833
Total Other Support Services - Extra. Services	295,465	1,420	296,885	285,052	11,833
Other Support Services - Guidance					
Salaries of Other Professional Staff	897,795	750	898,545	898,540	5
Salaries of Secretarial and Clerical Assistants	108,500	1,205	109,705	109,705	-
Other Salaries	143,878	3,262	147,140	147,140	-
Other Purchased Services	1,020	(250)	770	384	386
Supplies and Materials	23,250	(3,035)	20,215	17,838	2,377
Other Objects	7,200	1,300	8,500	7,973	527
Total Other Support Services - Guidance	1,181,643	3,232	1,184,875	1,181,580	3,295
Other Support Services - Child Study Team					
Salaries of Other Professional Staff	701,122	11,200	712,322	677,168	35,154
Salaries of Secretarial and Clerical Assistants	117,396	-	117,396	113,293	4,103
Purchased Professional - Educational Services	-	16,135	16,135	16,115	20
Other Purchased Services	6,700	20,250	26,950	25,166	1,784
Supplies and Materials	5,000	829	5,829	4,984	845
Other Objects	2,000	(1,198)	802	350	452
Total Other Support Services - Child Study Team	832,218	47,216	879,434	837,076	42,358
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisors of Instruction	506,623	(20,000)	486,623	473,935	12,688
Salaries of Other Professional Staff	10,000	3,300	13,300	13,300	-
Salaries of Secretarial and Clerical Assistants	-	9,000	9,000	8,983	17
Supplies and Materials	-	1,500	1,500	1,344	156
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	516,623	(6,200)	510,423	497,562	12,861

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Educational Media Services/School Library					
Salaries	\$ 192,240	\$ 5,000	\$ 197,240	\$ 160,189	\$ 37,051
Other Purchased Services	50,198	7,145	57,343	56,630	713
Supplies and Materials	24,750	(5,435)	19,315	8,791	10,524
	<u>267,188</u>	<u>6,710</u>	<u>273,898</u>	<u>225,610</u>	<u>48,288</u>
Total Educational Media Services/School Library					
Instructional Staff Training Services					
Salaries of Other Professional Staff	21,855	-	21,855	21,553	302
Salaries of Secretarial and Clerical Assist.	10,196	10	10,206	10,197	9
Other Salaries	10,000	-	10,000	1,890	8,110
Purchased Professional/Educational Svcs.	37,500	(13,310)	24,190	16,602	7,588
Other Purchased Services	21,000	(1,000)	20,000	19,444	556
Supplies and Materials	15,000	-	15,000	4,937	10,063
Other Objects	5,000	-	5,000	2,555	2,445
	<u>120,551</u>	<u>(14,300)</u>	<u>106,251</u>	<u>77,178</u>	<u>29,073</u>
Total Instructional Staff Training Svcs.					
Support Services General Administration					
Salaries	275,379	4,310	279,689	276,222	3,467
Legal Services	85,000	700	85,700	85,210	490
Audit Fees	31,500	33,250	64,750	32,250	32,500
Other Purchased Professional Services	42,500	(12,550)	29,950	29,761	189
Purchased Technical Services	15,000	38,760	53,760	47,295	6,465
Miscellaneous Purchased Services	222,086	(1,600)	220,486	215,370	5,116
Communications/Telephone	45,526	(1,900)	43,626	34,848	8,778
BOE Other Purchased Services	2,000	-	2,000	1,897	103
General Supplies	4,600	4,005	8,605	8,463	142
BOE In House Training/Meeting Supplies	5,280	(1,750)	3,530	1,565	1,965
Judgements Against the School District	-	40,800	40,800	15,444	25,356
Miscellaneous Expenditures	10,400	23,500	33,900	30,406	3,494
BOE Membership Dues and Fees	21,633	(5,500)	16,133	15,607	526
	<u>760,904</u>	<u>122,025</u>	<u>882,929</u>	<u>794,338</u>	<u>88,591</u>
Total Support Services General Administration					
Support Services School Administration					
Salaries of Principals/Asst. Principals/Program Directors	640,737	(3,000)	637,737	584,650	53,087
Salaries of Other Professional Staff	687,038	-	687,038	672,352	14,686
Salaries of Secretarial and Clerical Assistants	203,108	4,500	207,608	204,338	3,270
Other Purchased Services	1,500	-	1,500	88	1,412
Supplies and Materials	31,000	-	31,000	16,988	14,012
Other Objects	31,900	-	31,900	25,760	6,140
	<u>1,595,283</u>	<u>1,500</u>	<u>1,596,783</u>	<u>1,504,176</u>	<u>92,607</u>
Total Support Services School Administration					
Central Services					
Salaries	632,114	(4,160)	627,954	618,023	9,931
Purchased Technical Services	1,700	4,800	6,500	6,500	-
Misc. Purchased Services	14,400	510	14,910	13,523	1,387
Supplies and Materials	8,200	200	8,400	8,176	224
Interest on Lease Purchase Agreements	-	-	-	-	-
Other Objects	4,500	-	4,500	3,163	1,337
	<u>660,914</u>	<u>1,350</u>	<u>662,264</u>	<u>649,385</u>	<u>12,879</u>
Total Central Services					

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Administration Information Technology					
Salaries	\$ 199,117	\$ 7,750	\$ 206,867	\$ 200,125	\$ 6,742
Purchased Technical Services	77,700	(13,275)	64,425	63,915	510
Other Purchased Services	46,949	9,750	56,699	56,274	425
Other Objects	500	(200)	300	16	284
Total Administration Information Technology	<u>324,266</u>	<u>4,025</u>	<u>328,291</u>	<u>320,330</u>	<u>7,961</u>
Undist. Expend. - Required Maint. For School Facilities					
Salaries	858,063	14,700	872,763	796,507	76,256
Cleaning, Repair, and Maintenance	536,300	336,311	872,611	655,532	217,079
General Supplies	139,600	5,476	145,076	112,604	32,472
Other Objects	5,400	-	5,400	2,871	2,529
Total Undist. Expend - Required Maint. For School Facilities	<u>1,539,363</u>	<u>356,487</u>	<u>1,895,850</u>	<u>1,567,514</u>	<u>328,336</u>
Undist. Expend. - Custodial Services					
Cleaning, Repair, and Maintenance Services	645,773	72,120	717,893	710,475	7,418
Other Purchased Property Services	87,712	3,680	91,392	86,888	4,504
Insurance	6,458	-	6,458	6,092	366
Miscellaneous Purchased Services	47,365	(11,500)	35,865	32,753	3,112
General Supplies	7,500	2,600	10,100	10,020	80
Energy(Natural Gas)	254,045	(8,000)	246,045	191,340	54,705
Energy(Electricity)	476,001	(12,600)	463,401	463,153	248
Total Undist. Expend. - Custodial Services	<u>1,524,854</u>	<u>46,300</u>	<u>1,571,154</u>	<u>1,500,721</u>	<u>70,433</u>
Care and Upkeep of Grounds					
Salaries	260,707	5,500	266,207	237,962	28,245
Purchased Prof. and Technical Services	14,550	16,053	30,603	16,537	14,066
Cleaning, Repair, and Maintenance Serv.	94,500	48,686	143,186	125,694	17,492
General Supplies	59,000	-	59,000	54,819	4,181
Total Care and Upkeep	<u>428,757</u>	<u>70,239</u>	<u>498,996</u>	<u>435,012</u>	<u>63,984</u>
Security					
Salaries	273,581	4,000	277,581	276,343	1,238
Purchased Prof. and Technical Services	139,100	3,000	142,100	130,487	11,613
Cleaning, Repair, and Maintenance Serv.	-	3,000	3,000	-	3,000
General Supplies	15,000	-	15,000	1,701	13,299
Other Objects	200	-	200	-	200
Total Security	<u>427,881</u>	<u>10,000</u>	<u>437,881</u>	<u>408,531</u>	<u>29,350</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Adjustments	Modified Budget	Actual	Variance Final Budget to Actual
EXPENDITURES					
CURRENT (Continued)					
Student Transportation Services					
Sal. For Pupil Trans (Bet Home and Sch)-Reg.	\$ 58,033	-	\$ 58,033	\$ 57,301	\$ 732
Sal. For Pupil Trans (Other Than Bet Home and Sch)	166,212	-	166,212	137,026	29,186
Other Purchased Prof. and Technical Svce.	6,120	-	6,120	6,120	-
Management Fee - ESC Transportation Program	21,300	\$ 500	21,800	19,295	2,505
Cleaning, Repair, and Maintenance Services	30,600	-	30,600	30,225	375
Contr. Serv. (Bet Home and Sch)-Vendors	823,624	11,900	835,524	810,905	24,619
Contr. Serv. (Other Than Bet Home and Sch)					
- Vendors	14,132	-	14,132	10,371	3,761
Contr. Serv. (Bet Home and Sch)-Joint Agreements	60,846	(15,500)	45,346	42,783	2,563
Contr. Serv. (Spec. Ed.)-Joint Agreements	654,800	88,900	743,700	725,916	17,784
Contr. Serv. - Aid in Lieu Payments	227,216	70,700	297,916	202,346	95,570
Miscellaneous Purchased Services - Transportation	32,459	-	32,459	32,400	59
General Supplies	21,660	-	21,660	6,879	14,781
Other Objects	5,250	-	5,250	3,745	1,505
	<u>2,122,252</u>	<u>156,500</u>	<u>2,278,752</u>	<u>2,085,312</u>	<u>193,440</u>
Unallocated Benefits - Employee Benefits					
Social Security Contributions	401,173	4,500	405,673	404,737	936
Other Retirement Contributions-PERS	408,400	(24,000)	384,400	383,095	1,305
Other Retirement Contributions- Regular	7,200	-	7,200	6,610	590
Unemployment Compensation		610	610	609	1
Workmen's Compensation	209,414	-	209,414	206,392	3,022
Health Benefits	4,727,775	(255,879)	4,471,896	4,460,394	11,502
Tuition Reimbursement	153,315	-	153,315	122,106	31,209
Other Employee Benefits	8,000	-	8,000	7,312	688
Unused Sick Payments to Terminated/Retired Staff	80,000	-	80,000	36,679	43,321
	<u>5,995,277</u>	<u>(274,769)</u>	<u>5,720,508</u>	<u>5,627,934</u>	<u>92,574</u>
On-Behalf - TPAF (Non-Budget)					
Pension Contribution				1,239,607	(1,239,607)
NCGI Premium				61,749	(61,749)
Post Retirement-Medical				1,549,556	(1,549,556)
Social Security Contributions	-	-	-	1,191,403	(1,191,403)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,042,315</u>	<u>(4,042,315)</u>
	<u>20,954,622</u>	<u>455,746</u>	<u>21,410,368</u>	<u>24,142,709</u>	<u>(2,732,341)</u>
	<u>37,584,046</u>	<u>204,476</u>	<u>37,788,522</u>	<u>40,008,387</u>	<u>(2,219,865)</u>
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	100	-	100		100
Equipment					
Instruction					
Grades 9-12		204,726	204,726	59,603	145,123
Undistributed					
Instruction	60,000	(60,000)			
Admin. Info. Tech.	18,000	(2,700)	15,300	-	15,300
Operations and Maintenance		77,406	77,406		77,406
Care and Upkeep of Grounds		10,000	10,000	9,700	300
School Buses - Regular		1,000	1,000	1,000	-
School Buses - Regular (Non Budgeted)	-	-	-	81,452	(81,452)
	<u>78,100</u>	<u>230,432</u>	<u>308,532</u>	<u>151,755</u>	<u>156,777</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CAPITAL OUTLAY (Continued)					
Facilities Acquisition and Construction Svces.					
Construction Services		\$ 660,996	\$ 660,996	\$ 406,366	\$ 254,630
Assessment of Debt Service on SDA Funding	\$ 121,752	-	121,752	121,752	-
Total Facilities Acquisition and Construction Svces.	<u>121,752</u>	<u>660,996</u>	<u>782,748</u>	<u>528,118</u>	<u>254,630</u>
Total Capital Outlay	<u>199,852</u>	<u>891,428</u>	<u>1,091,280</u>	<u>679,873</u>	<u>411,407</u>
Total Expenditures	<u>37,783,898</u>	<u>1,095,904</u>	<u>38,879,802</u>	<u>40,688,260</u>	<u>(1,808,458)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,279,765)</u>	<u>(1,095,904)</u>	<u>(2,375,669)</u>	<u>721,483</u>	<u>3,097,152</u>
Other Financing Sources					
Proceeds from Insurance Recovery				81,452	81,452
Transfers In	-	-	-	35	35
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,487</u>	<u>81,487</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,279,765)</u>	<u>(1,095,904)</u>	<u>(2,375,669)</u>	<u>802,970</u>	<u>3,178,639</u>
Fund Balances, Beginning of Year	<u>5,778,935</u>	<u>-</u>	<u>5,778,935</u>	<u>5,778,935</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 4,499,170</u>	<u>\$ (1,095,904)</u>	<u>\$ 3,403,266</u>	<u>\$ 6,581,905</u>	<u>\$ 3,178,639</u>
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				\$ 2,577,307	
Capital Reserve - Designated for Subsequent Year's Budget				15,000	
Maintenance Reserve				342,342	
Tuition Reserve				150,000	
Tuition Reserve - Designated for Subsequent Year's Budget				400,000	
Excess Surplus				563,456	
Excess Surplus - Designated in Subsequent Year's Budget				500,130	
Committed Fund Balance:					
Encumbrances				523,856	
Assigned Fund Balance:					
Encumbrances				163,963	
Designated for Subsequent Year's Budget				175,000	
Unassigned Fund Balance:					
Unreserved				<u>1,170,851</u>	
				6,581,905	
Less: State Aid Payments Not Recognized on GAAP				<u>(477,424)</u>	
Fund Balance, GAAP Basis (Exhibit B-2)				<u>\$ 6,104,481</u>	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 106,942	\$ 34,385	\$ 141,327	\$ 130,823	\$ (10,504)
Federal	498,798	21,950	520,748	483,131	(37,617)
Other	29,900	(8,108)	21,792	9,208	(12,584)
Total Revenues	<u>635,640</u>	<u>48,227</u>	<u>683,867</u>	<u>623,162</u>	<u>(60,705)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	73,289	(34,262)	39,027	38,717	310
Purchased Professional and Educ Services	38,149	(621)	37,528	35,924	1,604
Other Purchased Services	379,834	52,595	432,429	424,729	7,700
General Supplies	11,808	8,120	19,928	14,570	5,358
Textbooks	21,985	(801)	21,184	21,184	-
Other Objects	-	1,500	1,500	1,500	-
Total Instruction	<u>525,065</u>	<u>26,531</u>	<u>551,596</u>	<u>536,624</u>	<u>14,972</u>
Support Services					
Salaries	12,605	27,293	39,898	30,118	9,780
Personal Services - Employee Benefits		13,110	13,110	13,110	-
Purchased Professional and Educ Services	97,970	(18,811)	79,159	43,310	35,849
Supplies and Materials	-	104	104	-	104
Total Support Services	<u>110,575</u>	<u>21,696</u>	<u>132,271</u>	<u>86,538</u>	<u>45,733</u>
Total Expenditures	<u>635,640</u>	<u>48,227</u>	<u>683,867</u>	<u>623,162</u>	<u>60,705</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Revenues (budgetary basis) (Exhibits C-1 and C-2)	\$ 41,409,743	\$ 623,162
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances		2,576
Current Year Encumbrances		
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements - Current Year	(477,424)	
State Aid payments recognized for GAAP statements, not recognized for budgetary basis - Prior Year	<u>504,936</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 41,437,255</u>	<u>\$ 625,738</u>
Uses/Outflows of Resources		
Actual Expenditures (budgetary basis) (Exhibit C-1 and C-2)	\$ 40,688,260	\$ 623,162
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes		
Prior Year Encumbrances		2,576
Current Year Encumbrances	<u>-</u>	<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 40,688,260</u>	<u>\$ 625,738</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Three Fiscal Years ***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.04456%	0.04308%	0.04168%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,002,788	\$ 8,065,407	\$ 7,965,083
District's Covered-Employee Payroll	\$ 3,104,751	\$ 2,974,617	\$ 2,977,975
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	322.18%	271.14%	267.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Two Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 383,095	\$ 355,130	\$ 314,019
Contributions in Relation to the Contractually Required Contributions	<u>383,095</u>	<u>355,130</u>	<u>314,019</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	\$ 3,104,751	\$ 2,974,617	\$ 2,977,975
Contributions as a Percentage of Covered-Employee Payroll	12.34%	11.94%	10.54%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

TEACHERS' PENSION AND ANNUITY FUND
Last Three Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0
State's Proportionate Share of Net Pension Liability (Asset) Associated with the District	<u>\$ 102,351,486</u>	<u>\$ 83,009,491</u>	<u>\$ 80,663,187</u>
Total	<u>\$ 102,351,486</u>	<u>\$ 83,009,491</u>	<u>\$ 80,663,187</u>
District's Covered-Employee Payroll	\$ 16,417,962	\$ 16,160,027	\$ 15,820,277
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%	33.76%

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 5.

SPECIAL REVENUE FUND

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Title II Part A	I.D.E.A. Part B Basic	Title I	Non-Public							New Jersey Achievement Coaches	Local	Grand Totals
				Textbooks	Nursing	Exam and Class	Supplemental Instruction	Technology	Security	Home Instruction			
REVENUES													
Intergovernmental													
State				\$ 21,184	\$ 33,072	\$ 27,268	\$ 6,683	\$ 9,171	\$ 9,081	\$ 1,973	\$ 22,391		\$ 130,823
Federal	\$ 11,368	\$ 423,583	\$ 48,180										483,131
Local	-	-	-	-	-	-	-	-	-	-	-	\$ 9,208	9,208
Total Revenues	\$ 11,368	\$ 423,583	\$ 48,180	\$ 21,184	\$ 33,072	\$ 27,268	\$ 6,683	\$ 9,171	\$ 9,081	\$ 1,973	\$ 22,391	\$ 9,208	\$ 623,162
EXPENDITURES													
Instruction													
Salaries of Teachers			\$ 38,238								\$ 473	\$ 6	\$ 38,717
Purchased Professional and Educ Services						\$ 27,268	\$ 6,683			\$ 1,973			35,924
Other Purchased Services		\$ 422,426											424,729
General Supplies								\$ 9,171					14,570
Textbooks				\$ 21,184									21,184
Other Objects	-	-	-	-	-	-	-	-	-	-	-	1,500	1,500
Total Instruction	-	422,426	38,238	21,184	-	27,268	6,683	9,171	-	1,973	473	9,208	536,624
Support Services													
Salaries	\$ 10,398												30,118
Personal Services - Employee Benefits	970		9,942								19,720		13,110
Purchased Professional and Educ Services		1,157			\$ 33,072				\$ 9,081		2,198		43,310
Supplies and Materials	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Support Services	11,368	1,157	9,942	-	33,072	-	-	-	9,081	-	21,918	-	86,538
Total Expenditures	\$ 11,368	\$ 423,583	\$ 48,180	\$ 21,184	\$ 33,072	\$ 27,268	\$ 6,683	\$ 9,171	\$ 9,081	\$ 1,973	\$ 22,391	\$ 9,208	\$ 623,162

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THIS SCHEDULE IS NOT APPLICABLE

CAPITAL PROJECTS FUND

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Project Title/Description</u>	<u>Appropriations</u>	<u>Adjustments</u>	<u>Supplemental Authorization</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2016</u>
				<u>Prior Years</u>	<u>Current Year</u>	
HVAC Project	\$ 162,169	\$ (64,868)		\$ 63,884		\$ 33,417
Roof Project	258,469		\$ 620,000	874,507		3,962
LGI Interior Project	600,000			587,751		12,249
Referendum Project - Infrastructure Repairs and Renovation of the High School	12,553,000			6,401,517	\$ 3,702,835	2,448,648
Acquisition and Installation of Equipment - Lease Purchase Agreement	785,000	-	-	719,562	65,438	-
Acquisition of AED's - Lease Purchase Agreement	89,000			89,000		
Turf Field	941,000				68,429	872,571
Technology, Vehicles and Security Upgrades	<u>645,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>644,500</u>
	<u>\$ 16,033,638</u>	<u>\$ (64,868)</u>	<u>\$ 620,000</u>	<u>\$ 8,736,221</u>	<u>\$ 3,837,202</u>	<u>\$ 4,015,347</u>
				Project Balances		\$ 4,015,347
				Add: Interest on Escrow		<u>20</u>
				Fund Balance - GAAP Basis		<u>\$ 4,015,367</u>
				Recapitulation of Fund Balance Restricted for Capital Projects		
				Encumbrances	\$	2,667,410
				Available for Capital Projects		<u>1,347,957</u>
				Total Fund Balance - Restricted for Capital Projects	\$	<u>4,015,367</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Revenues and Other Financing Sources

Lease Purchase Proceeds	\$ 645,000
Bond Proceeds	941,000
Interest on Deposits	11,572
Interest on Escrow	<u>25</u>
 Total Revenues	 <u>1,597,597</u>

Expenditures and Other Financing Uses

Purchased Professional and Technical Services	386,385
Construction Services	3,295,392
Acquisition of Equipment	89,987
Payment of Lease Purchase Principal	65,438
Transfer to General Fund	35
Transfer to Debt Service Fund	<u>11,572</u>

Total Expenditures and Other Financing Uses	<u>3,848,809</u>
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Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,251,212)
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Fund Balance, July 1, 2015	<u>6,266,579</u>
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Fund Balance, June 30, 2016	<u>\$ 4,015,367</u>
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**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HVAC PROJECT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Additional Project Information:

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOF PROJECT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Additional Project Information:

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

Percentage Increase Over Original

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SOUTH AUDITORIUM - LARGE GROUP INSTRUCTION INTERIOR PROJECT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Additional Project Information:

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

Percentage Increase Over Original

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
NORTH KITCHEN - INTERIOR ALTERATIONS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 645,470	\$ 5,239	\$ 650,709	\$ 650,709
 Total Revenues	 <u>645,470</u>	 <u>5,239</u>	 <u>650,709</u>	 <u>650,709</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	9,283	62,058	71,341	75,809
Construction Services		53,626	53,626	484,913
Equipment	<u>-</u>	<u>89,987</u>	<u>89,987</u>	<u>89,987</u>
 Total Expenditures	 <u>9,283</u>	 <u>205,671</u>	 <u>214,954</u>	 <u>650,709</u>
 Excess of Revenues Over Expenditures	 <u>\$ 636,187</u>	 <u>\$ (200,432)</u>	 <u>\$ 435,755</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	5550-050-13-4000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 606,575
Increase (Decrease) in Authorized Cost	\$ 44,134
Revised Authorized Cost	\$ 650,709

Percentage Increase Over Original Authorized Cost	7.28%
Percentage Completion	33%
Original Target Completion Date	August 31, 2016
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SOUTH KITCHEN - INTERIOR ALTERATIONS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 491,259	\$ 98,680	\$ 589,939	\$ 589,939
Total Revenues	<u>491,259</u>	<u>98,680</u>	<u>589,939</u>	<u>589,939</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	15,533	30,515	46,048	53,759
Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>536,180</u>
Total Expenditures	<u>15,533</u>	<u>30,515</u>	<u>46,048</u>	<u>589,939</u>
Excess of Revenues Over Expenditures	<u>\$ 475,726</u>	<u>\$ 68,165</u>	<u>\$ 543,891</u>	<u>\$ -</u>

Additional Project Information:

Project Number	5550-050-13-5000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 580,818
Increase (Decrease) in Authorized Cost	\$ 9,121
Revised Authorized Cost	\$ 589,939

Percentage Decrease Over Original

Authorized Cost	1.57%
Percentage Completion	8%
Original Target Completion Date	August 31, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SOUTH BUILDING - STEAM HEAT PIPE REPLACEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 2,635,992	\$ (30,774)	\$ 2,605,218	\$ 2,605,218
 Total Revenues	<u>2,635,992</u>	<u>(30,774)</u>	<u>2,605,218</u>	<u>2,605,218</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	185,160	20,263	205,423	215,218
Construction Services	<u>2,373,000</u>	<u>10,000</u>	<u>2,383,000</u>	<u>2,390,000</u>
 Total Expenditures	<u>2,558,160</u>	<u>30,263</u>	<u>2,588,423</u>	<u>2,605,218</u>
 Excess of Revenues Over Expenditures	<u>\$ 77,832</u>	<u>\$ (61,037)</u>	<u>\$ 16,795</u>	<u>\$ -</u>

Additional Project Information:

Project Number	5550-050-13-6000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 2,118,600
Increase (Decrease) in Authorized Cost	\$ 486,618
Revised Authorized Cost	\$ 2,605,218

Percentage Increase Over Original

Authorized Cost	22.97%
Percentage Completion	99%
Original Target Completion Date	October 15, 2014
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SOUTH BUILDING ROOF REPLACEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 2,747,578	\$ (402,088)	\$ 2,345,490	\$ 2,345,490
 Total Revenues	<u>2,747,578</u>	<u>(402,088)</u>	<u>2,345,490</u>	<u>2,345,490</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	178,710	18,243	196,953	215,490
Construction Services	<u>2,100,025</u>	<u>20,160</u>	<u>2,120,185</u>	<u>2,130,000</u>
 Total Expenditures	<u>2,278,735</u>	<u>38,403</u>	<u>2,317,138</u>	<u>2,345,490</u>
 Excess of Revenues Over Expenditures	<u>\$ 468,843</u>	<u>\$ (440,491)</u>	<u>\$ 28,352</u>	<u>\$ -</u>

Additional Project Information:

Project Number	5550-050-13-9000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 3,193,156
Increase (Decrease) in Authorized Cost	\$ (847,666)
Revised Authorized Cost	\$ 2,345,490

Percentage Decrease Over Original

Authorized Cost	-26.55%
Percentage Completion	99%
Original Target Completion Date	October 15, 2014
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
NORTH BUILDING ROOF REPLACEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 3,075,189	\$ (1,232,734)	\$ 1,842,455	\$ 1,842,455
 Total Revenues	<u>3,075,189</u>	<u>(1,232,734)</u>	<u>1,842,455</u>	<u>1,842,455</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	132,706	43,067	175,773	192,455
Construction Services	<u>622,202</u>	<u>1,025,298</u>	<u>1,647,500</u>	<u>1,650,000</u>
 Total Expenditures	<u>754,908</u>	<u>1,068,365</u>	<u>1,823,273</u>	<u>1,842,455</u>
 Excess of Revenues Over Expenditures	<u>\$ 2,320,281</u>	<u>\$ (2,301,099)</u>	<u>\$ 19,182</u>	<u>\$ -</u>

Additional Project Information:

Project Number	5550-050-13-8000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 3,038,644
Increase (Decrease) in Authorized Cost	\$ (1,196,189)
Revised Authorized Cost	\$ 1,842,455

Percentage Increase Over Original Authorized Cost	-39.37%
Percentage Completion	99%
Original Target Completion Date	August 31, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SOUTH BUILDING - CURTAINWALL SYSTEM
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 797,184	\$ 144,589	\$ 941,773	\$ 941,773
 Total Revenues	<u>797,184</u>	<u>144,589</u>	<u>941,773</u>	<u>941,773</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	56,046	19,280	75,326	79,684
Construction Services	422,216	430,958	853,174	862,089
 Total Expenditures	<u>478,262</u>	<u>450,238</u>	<u>928,500</u>	<u>941,773</u>
 Excess of Revenues Over Expenditures	<u>\$ 318,922</u>	<u>\$ (305,649)</u>	<u>\$ 13,273</u>	<u>\$ -</u>

Additional Project Information:	
Project Number	5550-050-13-10000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 769,178
Increase (Decrease) in Authorized Cost	\$ 172,595
Revised Authorized Cost	\$ 941,773
Percentage Increase Over Original Authorized Cost	22.44%
Percentage Completion	99%
Original Target Completion Date	August 31, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
REPLACEMENT AND REPAIRS OF EXHAUST FANS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 523,661	\$ (24,053)	\$ 499,608	\$ 499,608
 Total Revenues	<u>523,661</u>	<u>(24,053)</u>	<u>499,608</u>	<u>499,608</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	52,399	6,605	59,004	65,608
Construction Services	<u>135,684</u>	<u>276,754</u>	<u>412,438</u>	<u>434,000</u>
 Total Expenditures	<u>188,083</u>	<u>283,359</u>	<u>471,442</u>	<u>499,608</u>
 Excess of Revenues Over Expenditures	<u>\$ 335,578</u>	<u>\$ (307,412)</u>	<u>\$ 28,166</u>	<u>\$ -</u>

Additional Project Information:

Project Number	5550-050-13-7000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 532,400
Increase (Decrease) in Authorized Cost	\$ (32,792)
Revised Authorized Cost	\$ 499,608

Percentage Decrease Over Original

Authorized Cost	-6.16%
Percentage Completion	94%
Original Target Completion Date	August 31, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
REPAVING OF FRONT (SOUTH) PARKING LOT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 725,009	\$ 855,535	\$ 1,580,544	\$ 1,580,544
Total Revenues	<u>725,009</u>	<u>855,535</u>	<u>1,580,544</u>	<u>1,580,544</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	69,012	32,045	101,057	101,509
Construction Services	<u>36,432</u>	<u>1,413,105</u>	<u>1,449,537</u>	<u>1,479,035</u>
Total Expenditures	<u>105,444</u>	<u>1,445,150</u>	<u>1,550,594</u>	<u>1,580,544</u>
Excess of Revenues Over Expenditures	<u>\$ 619,565</u>	<u>\$ (589,615)</u>	<u>\$ 29,950</u>	<u>\$ -</u>

Additional Project Information:

Project Number	5550-050-13-12000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 757,969
Increase (Decrease) in Authorized Cost	\$ 822,575
Revised Authorized Cost	\$ 1,580,544

Percentage Decrease Over Original Authorized Cost	108.52%
Percentage Completion	98%
Original Target Completion Date	August 31, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
REAR (NORTH) PARKING LOT REPAVING
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 619,022	\$ 451,539	\$ 1,070,561	\$ 1,070,561
 Total Revenues	 <u>619,022</u>	 <u>451,539</u>	 <u>1,070,561</u>	 <u>1,070,561</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	8,901	47,614	56,515	70,561
Construction Services	-	47,252	47,252	1,000,000
 Total Expenditures	 <u>8,901</u>	 <u>94,866</u>	 <u>103,767</u>	 <u>1,070,561</u>
 Excess of Revenues Over Expenditures	 <u>\$ 610,121</u>	 <u>\$ 356,673</u>	 <u>\$ 966,794</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	5550-050-13-13000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 649,688
Increase (Decrease) in Authorized Cost	\$ 420,873
Revised Authorized Cost	\$ 1,070,561

Percentage Decrease Over Original

Authorized Cost	64.78%
Percentage Completion	10%
Original Target Completion Date	August 31, 2016
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
EMERGENCY ACCESS DRIVEWAY AND EGRESS WALKWAYS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 292,636	\$ 134,067	\$ 426,703	\$ 426,703
Total Revenues	<u>292,636</u>	<u>134,067</u>	<u>426,703</u>	<u>426,703</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	4,208	37,766	41,974	42,703
Construction Services	<u>-</u>	<u>18,239</u>	<u>18,239</u>	<u>384,000</u>
Total Expenditures	<u>4,208</u>	<u>56,005</u>	<u>60,213</u>	<u>426,703</u>
Excess of Revenues Over Expenditures	<u>\$ 288,428</u>	<u>\$ 78,062</u>	<u>\$ 366,490</u>	<u>\$ -</u>

Additional Project Information:

Project Number	5550-050-13-11000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 306,000
Increase (Decrease) in Authorized Cost	\$ 120,703
Revised Authorized Cost	\$ 426,703

Percentage Decrease Over Original Authorized Cost	39.45%
Percentage Completion	14%
Original Target Completion Date	August 31, 2016
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ACQUISITION AND INSTALLATION OF EQUIPMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Lease Purchase Proceeds	\$ 785,000	-	\$ 785,000	\$ 785,000
 Total Revenues	 785,000	 -	 785,000	 785,000
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	8,663		8,663	12,050
Equipment	710,899		710,899	772,950
Payment of Debt Service	-	\$ 65,438	65,438	-
 Total Expenditures	 719,562	 65,438	 785,000	 785,000
 Excess of Revenues Over Expenditures	 \$ 65,438	 \$ (65,438)	 \$ -	 \$ -

Additional Project Information:

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

Percentage Increase Over Original Authorized Cost	
Percentage Completion	100%
Original Target Completion Date	June 30, 2016
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ACQUISITION AND INSTALLATION OF AUTOMATED EXTERNAL DEFIBRILLATORS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Lease Purchase Proceeds	\$ 89,000	\$ -	\$ 89,000	\$ 89,000
Total Revenues	<u>89,000</u>	<u>-</u>	<u>89,000</u>	<u>89,000</u>
Expenditures and Other Financing Uses				
Equipment	<u>89,000</u>	<u>-</u>	<u>89,000</u>	<u>89,000</u>
Total Expenditures	<u>89,000</u>	<u>-</u>	<u>89,000</u>	<u>89,000</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Lease Purchase Proceeds	\$ 89,000
Original Authorized Cost	\$ 89,000
Revised Authorized Cost	\$ 89,000

Percentage Increase Over Original

Authorized Cost	
Percentage Completion	100%
Original Target Completion Date	June 30, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
TURF FIELD
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ -	\$ 941,000	\$ 941,000	\$ 941,000
Total Revenues	-	941,000	941,000	941,000
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services		68,429	68,429	77,575
Construction Services	-	-	-	863,425
Total Expenditures	-	68,429	68,429	941,000
Excess of Revenues Over Expenditures	\$ -	\$ 872,571	\$ 872,571	\$ -

Additional Project Information:

Project Number	
Grant Date	
Bond Authorization Date	
Bonds Authorized	\$ 941,000
Bonds Issued	\$ 941,000
Original Authorized Cost	\$ 941,000
Increase (Decrease) in Authorized Cost	\$ -
Revised Authorized Cost	\$ 941,000

Percentage Decrease Over Original Authorized Cost	0.00%
Percentage Completion	7%
Original Target Completion Date	
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
TECHNOLOGY, VEHICLES AND SECURITY UPGRADES
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Lease Purchase Proceeds	\$ -	\$ 645,000	\$ 645,000	\$ 645,000
Total Revenues	-	645,000	645,000	645,000
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services		500	500	500
Equipment	-	-	-	644,500
Total Expenditures	-	500	500	645,000
Excess of Revenues Over Expenditures	\$ -	\$ 644,500	\$ 644,500	\$ -

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Lease Purchase Proceeds	\$ 645,000
Original Authorized Cost	\$ 645,000
Revised Authorized Cost	\$ 645,000

Percentage Increase Over Original
Authorized Cost

Percentage Completion	0%
Original Target Completion Date	June 30, 2017
Revised Target Completion Date	N/A

ENTERPRISE FUNDS

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2016**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2016**

	<u>Agency</u>		<u>Total</u>
	<u>Student Activity</u>	<u>Payroll</u>	
ASSETS			
Cash	\$ 254,844	\$ 60,986	\$ 315,830
Total Assets	<u>\$ 254,844</u>	<u>\$ 60,986</u>	<u>\$ 315,830</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 52,106	\$ 52,106
Due to Other Funds		8,880	8,880
Due to Student Groups	\$ 254,844	-	254,844
Total Liabilities	<u>\$ 254,844</u>	<u>\$ 60,986</u>	<u>\$ 315,830</u>

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30, 2016</u>
ASSETS				
Cash	\$ 269,987	\$ 615,875	\$ 631,018	\$ 254,844
Total	<u>\$ 269,987</u>	<u>\$ 615,875</u>	<u>\$ 631,018</u>	<u>\$ 254,844</u>
LIABILITIES				
Due to Student Groups	\$ 269,987	\$ 615,875	\$ 631,018	\$ 254,844
Total	<u>\$ 269,987</u>	<u>\$ 615,875</u>	<u>\$ 631,018</u>	<u>\$ 254,844</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Balance,</u> <u>July 1,</u> <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30,</u> <u>2016</u>
Payroll Deductions and Withholdings	\$ 211,004	\$ 11,644,210	\$ 11,833,776	\$ 21,438
Summer Savings		106,231	106,231	
Flexible Spending Account	31,998	95,965	97,295	30,668
Accrued Salaries and Wages		12,906,912	12,906,912	
Due to Other Funds	-	8,880	-	8,880
Totals	<u>\$ 243,002</u>	<u>\$ 24,762,198</u>	<u>\$ 24,944,214</u>	<u>\$ 60,986</u>

LONG-TERM DEBT

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 SCHEDULE OF SERIAL BONDS PAYABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance, July 1, 2015	Increased	Decreased	Balance, June 30, 2016
			Date	Amount					
Serial Bonds - Construction and Equipment Additions to High School	5/31/2007	\$ 3,000,000	1/15/2017	\$ 150,000	4.10 %	\$ 2,155,000		\$ 2,005,000	\$ 150,000
Refunding Bonds	7/29/2011	17,190,000	1/15/2017	1,390,000	4.00 %				
			1/15/2018	1,455,000	4.00				
			1/15/2019	1,535,000	4.00				
			1/15/2020	1,605,000	5.00				
			1/15/2021	1,700,000	5.00				
			1/15/2022	1,780,000	5.00				
			1/15/2023	1,880,000	5.00				
			1/15/2024	1,980,000	5.00	14,655,000		1,330,000	13,325,000
Refunding Bonds	2/2/2012	9,365,000	1/15/2025	2,210,000	3.00 %				
			1/15/2026	2,285,000	5.00				
			1/15/2027	2,365,000	5.00				
			1/15/2028	2,445,000	5.00	9,305,000	-	-	9,305,000
School Bonds, Series 2013	11/13/2013	12,553,000	1/15/2017	720,000	2.50 %				
			1/15/2018	740,000	2.50				
			1/15/2019	760,000	2.50				
			1/15/2020	785,000	2.50				
			1/15/2021	810,000	3.00				
			1/15/2022	835,000	3.00				
			1/15/2023	860,000	3.00				
			1/15/2024	885,000	3.00				
			1/15/2025	910,000	3.00				
			1/15/2026	935,000	3.00				
			1/15/2027	965,000	3.25				
			1/15/2028	995,000	3.50				
			1/15/2029	1,023,000	3.50	11,918,000		695,000	11,223,000
Refunding Bonds	3/15/2016	1,970,000	1/15/2017	30,000	1.750 %				
			1/15/2018	175,000	1.750				
			1/15/2019-20	180,000	1.750				
			1/15/2021-22	190,000	1.750				
			1/15/2023	195,000	1.750				
			1/15/2024-25	205,000	1.750				
			1/15/2026-27	210,000	1.750				
								\$ 1,970,000	
School Bonds, Series 2016	5/11/2016	941,000	7/15/2017	941,000	0.98 %	-	941,000	-	941,000
						<u>\$ 38,033,000</u>	<u>\$ 2,911,000</u>	<u>\$ 4,030,000</u>	<u>\$ 36,914,000</u>
						Budget Appropriation	\$ 2,165,000		
						Bonds Refunded	<u>1,865,000</u>		
							<u>\$ 4,030,000</u>		

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Year</u>	<u>Description</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2016</u>
2014	Acquisition and Installation of Equipment	785,000	\$ 634,946		\$ 153,450	\$ 481,496
2015	Acquisition of Automated External Defibrillators	89,000	89,000		17,099	71,901
2016	Technology, Vehicles and Security Upgrades	645,000	-	\$ 645,000	-	645,000
			<u>\$ 723,946</u>	<u>\$ 645,000</u>	<u>\$ 170,549</u>	<u>\$ 1,198,397</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 3,169,145		\$ 3,169,145	\$ 3,169,145	
State Sources					
Debt Service Aid	355,823	-	355,823	355,823	-
Total Revenues	<u>3,524,968</u>	<u>-</u>	<u>3,524,968</u>	<u>3,524,968</u>	<u>-</u>
EXPENDITURES					
Debt Service					
Principal	2,165,000		2,165,000	2,165,000	
Interest	1,388,505		1,388,505	1,388,498	\$ 7
Cost of Issuance	-	-	-	38,263	(38,263)
Total Expenditures	<u>3,553,505</u>	<u>-</u>	<u>3,553,505</u>	<u>3,591,761</u>	<u>(38,256)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(28,537)</u>	<u>-</u>	<u>(28,537)</u>	<u>(66,793)</u>	<u>(38,256)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Refunding Bonds				1,970,000	1,970,000
Payment to Escrow Agent				(1,931,737)	(1,931,737)
Transfers In	10,005	-	10,005	11,572	1,567
Total Other Financing Sources	<u>10,005</u>	<u>-</u>	<u>10,005</u>	<u>49,835</u>	<u>39,830</u>
Excess (Deficiency) of Revenue Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>(18,532)</u>	<u>-</u>	<u>(18,532)</u>	<u>(16,958)</u>	<u>1,574</u>
Fund Balance, Beginning of Year	<u>28,673</u>	<u>-</u>	<u>28,673</u>	<u>28,673</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 10,141</u>	<u>\$ -</u>	<u>\$ 10,141</u>	<u>\$ 11,715</u>	<u>\$ 1,574</u>
Analysis of Restricted Fund Balance					
Designated for Subsequent Year's Budget				\$ 10,141	
Available for Debt Service				<u>1,574</u>	
				<u>\$ 11,715</u>	

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. J-16 to J-20

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

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

	Fiscal Year Ended June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 14,919,029	\$ 14,002,767	\$ 12,093,302	\$ 13,736,776	\$ 14,020,686	\$ 13,903,304	\$ 14,957,986	\$ 17,776,328	\$ 15,417,519	\$ 15,113,001
Restricted	359,760	1,978,287	2,023,524	1,560,906	2,208,924	2,697,846	1,419,503	12,869,779	8,079,606	3,640,492
Unrestricted	24,051	(402,784)	667,172	863,602	573,420	868,293	1,673,897	(9,293,546)	(12,451,537)	(7,411,467)
Total Governmental Activities Net Position	\$ 15,302,840	\$ 15,578,270	\$ 14,783,998	\$ 16,161,284	\$ 16,803,030	\$ 17,469,443	\$ 18,051,386	\$ 21,352,561	\$ 11,045,588	\$ 11,342,026
Business-Type Activities										
Invested in Capital Assets	\$ 18,405	\$ 33,013	\$ 28,494	\$ 17,554	\$ 23,926	\$ 27,399	\$ 38,715	\$ 186,282	\$ 135,946	\$ 218,111
Unrestricted	226,021	136,743	145,865	172,301	175,893	224,814	260,377	97,725	102,009	164,823
Total Business-Type Activities Net Position	\$ 244,426	\$ 169,756	\$ 174,359	\$ 189,855	\$ 199,819	\$ 252,213	\$ 299,092	\$ 284,007	\$ 237,955	\$ 382,934
District-Wide										
Net Investment in Capital Assets	\$ 14,937,434	\$ 14,035,780	\$ 12,121,796	\$ 13,754,330	\$ 14,044,612	\$ 13,930,703	\$ 14,996,701	\$ 17,962,610	\$ 15,553,465	\$ 15,331,112
Restricted	359,760	1,978,287	2,023,524	1,560,906	2,208,924	2,697,846	1,419,503	12,869,779	8,079,606	3,640,492
Unrestricted	250,072	(266,041)	813,037	1,035,903	749,313	1,093,107	1,934,274	(9,195,821)	(12,349,528)	(7,246,644)
Total District Net Position	\$ 15,547,266	\$ 15,748,026	\$ 14,958,357	\$ 16,351,139	\$ 17,002,849	\$ 17,721,656	\$ 18,350,478	\$ 21,636,568	\$ 11,283,543	\$ 11,724,960

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 15,407,328	\$ 16,180,570	\$ 16,779,671	\$ 16,863,313	\$ 16,054,820	\$ 16,474,021	\$ 16,860,889	\$ 17,155,737	\$ 20,673,392	\$ 21,568,696
Special Education	3,737,879	3,826,905	4,107,498	4,002,031	4,388,482	4,522,158	4,748,750	5,205,996	6,033,087	6,266,347
Other Instruction	82,111	87,252	90,859	91,929	97,873	100,443	100,310	98,584	110,693	37,654
School Sponsored Activities And Athletics	1,070,433	1,324,244	1,459,115	1,444,286	1,437,639	1,486,681	1,544,989	1,544,272	1,896,729	1,999,127
Support Services:										
Student and Instruction Related Services	4,004,600	4,036,851	4,187,540	4,416,723	4,234,325	4,402,844	4,542,094	4,557,732	5,600,031	6,213,819
General Administration	1,536,672	1,546,573	1,685,560	1,396,908	1,798,149	1,916,028	2,186,687	1,027,050	1,041,375	1,218,434
School Administrative Services	1,325,477	1,284,020	1,582,977	1,636,833	1,160,256	1,263,078	1,355,199	2,133,095	2,526,879	2,485,745
Plant Operations And Maintenance	2,810,943	3,459,276	3,908,952	4,220,312	4,583,328	4,553,743	3,432,478	4,523,995	4,890,303	5,109,549
Pupil Transportation	2,439,968	1,868,986	1,871,480	1,863,379	1,753,052	1,784,440	1,877,914	2,051,698	2,101,720	2,183,469
Central Services	649,847	861,994	843,973	861,134	888,268	912,078	1,107,563	1,270,500	1,419,464	1,455,553
Interest On Long-Term Debt and Other Charges	1,766,526	1,599,087	1,512,699	1,514,431	1,443,734	1,286,190	1,088,192	1,303,581	1,426,449	1,385,401
Total Governmental Activities Expenses	34,831,784	36,075,758	38,030,324	38,311,279	37,839,926	38,701,704	38,845,065	40,872,240	47,720,122	49,923,794
Business-Type Activities:										
Food Service	565,133	707,924	669,625	665,568	707,858	733,677	742,748	858,673	930,831	915,669
Adult School	121,682	122,266	122,541	117,647	118,666	109,299	107,625	215	-	-
Total Business-Type Activities Expense	686,815	830,190	792,166	783,215	826,524	842,976	850,373	858,888	930,831	915,669
Total District Expenses	\$ 35,518,599	\$ 36,905,948	\$ 38,822,490	\$ 39,094,494	\$ 38,666,450	\$ 39,544,680	\$ 39,695,438	\$ 41,731,128	\$ 48,650,953	\$ 50,839,463
Program Revenues										
Governmental Activities:										
Charges For Services:										
Regular	\$ 5,213,275	\$ 5,286,727	\$ 5,438,391	\$ 5,687,544	\$ 6,166,111	\$ 5,802,712	\$ 5,921,000	\$ 6,885,276	\$ 6,288,730	\$ 6,024,900
Special Education		510,531	678,048	640,670	551,812	557,487	442,447	591,352	597,456	935,371
Pupil Transportation	422,645	270								
Operating Grants And Contributions	4,439,498	4,552,740	4,055,305	4,314,721	3,154,862	3,892,569	4,942,848	4,669,449	9,055,430	11,043,261
Capital Grants And Contributions	583,772	(58,883)	22,089	640,398	2,069	-	-	-	-	-
Total Governmental Activities Program Revenues	10,659,190	10,291,385	10,193,833	11,283,333	9,874,854	10,252,768	11,306,295	12,146,077	15,941,616	18,003,532
Business-Type Activities:										
Charges For Services:										
Food Service	556,602	610,678	635,888	696,636	742,662	813,342	820,347	849,246	942,330	961,566
Adult School	124,185	129,266	118,958	101,237	93,342	81,793	66,826	764	-	-
Total Business Type Activities Program Revenues	680,787	739,944	754,846	797,873	836,004	895,135	887,173	850,010	942,330	961,566
Total District Program Revenues	\$ 11,339,977	\$ 11,031,329	\$ 10,948,679	\$ 12,081,206	\$ 10,710,858	\$ 11,147,903	\$ 12,193,468	\$ 12,996,087	\$ 16,883,946	\$ 18,965,098
Net (Expense)/Revenue										
Governmental Activities	\$ (24,172,594)	\$ (25,784,373)	\$ (27,836,491)	\$ (27,027,946)	\$ (27,965,072)	\$ (28,448,936)	\$ (27,538,770)	\$ (28,726,163)	\$ (31,778,506)	\$ (31,920,262)
Business-Type Activities	(6,028)	(90,246)	(37,320)	14,658	9,480	52,159	36,800	(8,878)	11,499	45,897
Total District-Wide Net Expense	\$ (24,178,622)	\$ (25,874,619)	\$ (27,873,811)	\$ (27,013,288)	\$ (27,955,592)	\$ (28,396,777)	\$ (27,501,970)	\$ (28,735,041)	\$ (31,767,007)	\$ (31,874,365)

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 22,976,388	\$ 24,133,047	\$ 25,098,362	\$ 25,791,448	\$ 26,047,191	\$ 26,568,135	\$ 27,099,498	\$ 27,641,488	\$ 28,194,318	\$ 28,758,204
Taxes Levied For Debt Service	1,703,398	1,769,925	1,889,674	2,273,657	2,313,662	2,325,313	2,245,729	2,452,108	3,176,201	3,169,145
Federal and State Aid - Unrestricted	331,258	371,478	38,830	213,827					32,974	36,062
State Aid - Restricted									355,049	355,823
Investment Earnings	452,937	226,098	39,803	41,361	19,272	8,519	9,124	26,759	33,892	26,454
Miscellaneous Income	82,652	273,542	80,550	120,733	226,693	213,382	181,733	235,741	152,395	198,462
Donation of Capital Assets								2,000		
Adjustments/Gain/Loss - Capital Assets		(701,287)	(71,000)	(35,794)			-			81,452
Transfers	(120,000)	(13,000)	(34,000)	-	-	-	(10,000)	6,220	-	-
Total Governmental Activities	25,426,633	26,059,803	27,042,219	28,405,232	28,606,818	29,115,349	29,526,084	30,364,316	31,944,829	32,625,602
Business-Type Activities:										
Investment Earnings	1,948	2,576	1,502	838	484	235	79	13		
Transfers	120,000	13,000	34,000	-	-	-	10,000	(6,220)	-	-
Total Business-Type Activities	121,948	15,576	35,502	838	484	235	10,079	(6,207)	-	-
Total District-Wide	\$ 25,548,581	\$ 26,075,379	\$ 27,077,721	\$ 28,406,070	\$ 28,607,302	\$ 29,115,584	\$ 29,536,163	\$ 30,358,109	\$ 31,944,829	\$ 32,625,602
Change in Net Position										
Governmental Activities	\$ 1,254,039	\$ 275,430	\$ (794,272)	\$ 1,377,286	\$ 641,746	\$ 666,413	\$ 1,987,314	\$ 1,638,153	\$ 166,323	\$ 705,340
Business-Type Activities	115,920	(74,670)	(1,818)	15,496	9,964	52,394	46,879	(15,085)	11,499	45,897
Total District	\$ 1,369,959	\$ 200,760	\$ (796,090)	\$ 1,392,782	\$ 651,710	\$ 718,807	\$ 2,034,193	\$ 1,623,068	\$ 177,822	\$ 751,237

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 1,241,333	\$ 2,259,747	\$ 2,895,302	\$ 3,447,582						
Unreserved	546,006	705,101	506,808	543,207	-					
Restricted					\$ 2,695,772	\$ 2,017,604	\$ 1,568,689	\$ 3,382,584	\$ 3,764,249	\$ 4,548,235
Committed					260,946	159,831	635,734	114,470	509,250	523,856
Assigned					164,360	1,242,475	589,715	363,775	317,133	338,963
Unassigned	-	-	-	-	649,058	595,658	681,166	691,556	683,367	693,427
Total General Fund	<u>\$ 1,787,339</u>	<u>\$ 2,964,848</u>	<u>\$ 3,402,110</u>	<u>\$ 3,990,789</u>	<u>\$ 3,770,136</u>	<u>\$ 4,015,568</u>	<u>\$ 3,475,304</u>	<u>\$ 4,552,385</u>	<u>\$ 5,273,999</u>	<u>\$ 6,104,481</u>
All Other Governmental Funds										
Reserved	\$ 1,772,543	\$ 1,485,895	\$ 345,864	\$ 2,914						
Unreserved	567,140	1,253,929	640,127	1,816,492	-	-	-	-	-	-
Restricted	-	-	-	-	\$ 1,220,017	\$ 1,076,939	\$ 629,400	\$ 11,035,719	\$ 6,295,252	\$ 4,027,082
Assigned	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 2,339,683</u>	<u>\$ 2,739,824</u>	<u>\$ 985,991</u>	<u>\$ 1,819,406</u>	<u>\$ 1,220,017</u>	<u>\$ 1,076,939</u>	<u>\$ 629,400</u>	<u>\$ 11,035,719</u>	<u>\$ 6,295,252</u>	<u>\$ 4,027,082</u>

Beginning with Fiscal Year 2010/2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Type Definitions." The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)

(modified accrual basis of accounting)

	Fiscal Year Ended June 30.									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax Levy	\$ 24,679,786	\$ 25,902,972	\$ 26,988,036	\$ 28,065,105	\$ 28,360,853	\$ 28,893,448	\$ 29,345,227	\$ 30,093,596	\$ 31,370,519	\$ 31,927,349
Tuition Charges	5,213,275	5,797,258	6,116,439	6,328,214	6,717,923	6,360,199	6,363,447	7,476,628	6,886,186	6,960,271
Interest Earnings	452,937	226,098	39,803	41,361	19,272	8,519	9,124	26,759	33,892	26,454
Transportation	422,645	270								
Miscellaneous	84,609	283,964	106,354	146,710	236,172	243,867	201,325	244,597	172,175	208,446
State Sources	5,123,702	4,546,145	3,746,796	4,555,596	2,671,230	3,452,107	4,539,302	4,293,453	5,344,959	5,966,424
Federal Sources	228,869	308,768	343,625	587,373	476,222	409,977	383,954	367,140	487,518	510,614
Total Revenues	36,205,823	37,065,475	37,341,053	39,724,359	38,481,672	39,368,117	40,842,379	42,502,173	44,295,249	45,599,558
Expenditures										
Instruction										
Regular Instruction	14,557,698	15,511,997	15,966,802	16,141,895	15,237,655	15,620,706	16,206,477	16,460,207	17,406,096	17,253,862
Special Education Instruction	3,614,350	3,726,490	3,984,307	3,895,322	4,267,223	4,405,190	4,659,112	5,114,463	5,516,456	5,541,153
Other Instruction	82,191	87,628	90,509	92,472	98,170	100,717	100,916	99,082	100,598	31,475
School Sponsored Activities and Athletics	1,071,156	1,328,397	1,454,692	1,450,853	1,441,164	1,489,913	1,552,459	1,550,221	1,701,790	1,736,185
Support Services:										
Student and Inst. Related Services	3,939,793	3,755,808	3,865,495	4,111,289	3,895,812	4,060,064	4,133,872	4,272,687	4,687,989	4,996,430
General Administration	1,372,066	1,136,224	1,524,980	1,233,032	988,669	1,077,580	1,201,371	867,236	794,658	915,674
School Administrative Services	1,502,839	1,481,426	1,503,356	1,566,549	1,719,004	1,837,674	2,129,664	2,071,376	2,267,234	2,132,244
Plant Operations And Maintenance	2,793,767	3,102,862	3,529,782	3,826,535	4,162,219	4,121,842	4,045,956	4,156,533	4,366,650	4,425,394
Pupil Transportation	2,224,873	1,871,598	1,869,307	1,866,474	1,753,877	1,785,174	1,879,581	2,053,129	2,096,943	2,165,948
Central Services	650,277	865,241	841,069	865,522	890,675	914,337	1,113,931	1,276,253	1,343,413	1,321,402
Capital Outlay	3,217,538	534,489	1,286,701	1,523,256	2,020,551	1,101,801	1,912,107	3,534,025	4,178,623	4,328,682
Debt Service:										
Debt Issuance Costs						229,984		8,663		
Advance Refunding Escrow						1,486,283				
Principal	1,125,281	1,227,073	1,380,241	1,196,893	1,368,266	1,390,479	1,520,128	1,643,983	2,318,590	2,335,549
Interest and Other Charges	1,801,148	1,648,007	1,596,383	1,532,173	1,458,429	1,360,286	1,364,608	1,255,135	1,624,062	1,558,963
Total Expenditures	37,952,977	36,277,240	38,893,624	39,302,265	39,301,714	40,982,030	41,820,182	44,362,993	48,403,102	48,742,961
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(1,747,154)	788,235	(1,552,571)	422,094	(820,042)	(1,613,913)	(977,803)	(1,860,820)	(4,107,853)	(3,143,403)
Other Financing Sources (Uses)										
Proceeds From Lease Purchase		802,415	270,000	1,000,000				785,000	89,000	645,000
Proceeds From Serial Bonds	3,000,000							12,553,000		941,000
Refunding Bond Proceeds						26,555,000				1,970,000
Premium on Refunding Bonds						2,552,267				
Payments to Refunded Bonds Escrow						(27,391,000)				(1,931,737)
Capital Leases (Non-Budgeted)	248,788									
Gain on Capital Assets										81,452
Transfers In	249,564	94,510	3,914	12,662	1,139,741	400,616	1,220,643	347,627	22,139	11,607
Transfers Out	(369,564)	(107,510)	(37,914)	(12,662)	(1,139,741)	(400,616)	(1,230,643)	(341,407)	(22,139)	(11,607)
Total Other Financing Sources (Uses)	3,128,788	789,415	236,000	1,000,000	-	1,716,267	(10,000)	13,344,220	89,000	1,705,715
Net Change in Fund Balances	\$ 1,381,634	\$ 1,577,650	\$ (1,316,571)	\$ 1,422,094	\$ (820,042)	\$ 102,354	\$ (987,803)	\$ 11,483,400	\$ (4,018,853)	\$ (1,437,688)
Debt Service as a Percentage of										
Noncapital Expenditures	8.42%	8.04%	7.92%	7.22%	7.58%	6.90%	7.23%	7.10%	8.92%	8.77%

* Noncapital expenditures are total expenditures less capital outlay.

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

Fiscal Year Ended June 30	<u>Tuition</u>	<u>Transportation</u>	<u>Interest on Investments</u>	<u>Rental</u>	<u>Misc.</u>	<u>Total</u>
2007	\$ 5,213,275	\$ 422,645	\$ 203,185	\$ 38,259	\$ 44,393	\$ 5,921,757
2008	5,797,258	270	131,400	73,671	199,871	6,202,470
2009	6,116,439		35,889	80,550		6,232,878
2010	6,328,214		28,699	87,718	33,015	6,477,646
2011	6,717,923		18,912	91,730	134,963	6,963,528
2012	6,360,199		7,903	102,385	107,734	6,578,221
2013	6,363,447		8,481	88,701	86,826	6,547,455
2014	7,476,628		8,224	95,491	140,250	7,720,593
2015	6,886,186		11,726	115,791	36,604	7,050,307
2016	6,960,271		14,857	119,781	78,681	7,173,590

Source: District Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
Long Hill Township												
2007	\$ 20,688,800	\$ 1,123,401,600	\$ 2,519,600	\$ 40,000	\$ 104,085,000	\$ 16,541,200	\$ 6,691,600	\$ 1,273,967,800	\$ 4,043,446	\$ 1,278,011,246	\$ 1,813,051,896	\$ 0.432
2008	19,116,300	1,129,463,700	3,070,000	40,700	103,967,400	16,541,200	6,691,600	1,278,890,900	3,971,011	1,282,861,911	1,887,171,997	0.456
2009	19,258,300	1,133,936,400	3,070,000	40,700	103,887,300	16,541,200	6,691,600	1,283,425,500	4,268,514	1,287,694,014	1,894,469,220	0.492
2010	20,585,900	1,137,120,400	2,795,500	40,700	103,892,800	16,541,200	6,668,200	1,287,644,700	4,454,525	1,292,099,025	1,839,145,332	0.522
2011	19,059,600	1,139,562,700	2,245,100	39,700	104,055,800	16,541,200	6,268,200	1,287,772,300	4,509,141	1,292,281,441	1,792,478,629	0.562
2012	17,735,400	1,127,011,200	3,103,600	45,700	103,707,100	16,541,200	6,268,200	1,274,412,400	4,714,115	1,279,126,515	1,695,714,200	0.587
2013	16,751,400	1,115,697,400	4,115,700	45,700	102,227,500	16,445,900	6,268,200	1,261,551,800	3,796,526	1,265,348,326	1,623,851,325	0.594
2014	16,714,900	1,111,286,000	3,734,200	47,400	102,470,400	16,304,600	6,268,200	1,256,825,700	3,141,460	1,259,967,160	1,597,186,047	0.593
2015	12,534,800	1,109,792,400	4,113,800	48,300	105,033,300	16,175,000	6,268,200	1,253,965,800	3,141,460	1,257,107,261	1,772,280,568	0.576
2016	13,971,900	1,433,093,900	4,611,700	67,800	132,529,400	18,072,600	8,606,400	1,610,953,700	4,068,200	1,615,021,900	1,782,295,522	0.454
Warren Township												
2007	115,876,200	3,550,591,500	36,342,900	234,623	711,025,200	45,402,300	-	4,459,472,723	5,757,334	4,465,230,057	4,890,434,789	0.319
2008	116,300,200	3,549,805,200	29,847,300	230,910	736,177,000	46,560,400	-	4,478,921,010	6,220,170	4,485,141,180	4,969,952,684	0.336
2009	112,692,900	3,386,006,000	27,079,900	224,720	729,782,400	46,236,000	-	4,302,021,920	6,786,628	4,308,808,548	4,972,630,638	0.365
2010	101,108,900	3,048,149,900	24,754,800	226,100	650,772,200	37,653,900	-	3,862,665,800	7,378,865	3,870,044,665	4,567,425,015	0.411
2011	96,740,500	3,145,601,700	25,551,000	-	638,821,400	36,119,200	-	3,942,833,800	6,013,698	3,948,847,498	4,171,743,932	0.395
2012	82,894,100	3,222,571,800	26,443,200	198,300	634,340,600	35,303,600	-	4,001,751,600	5,764,382	4,007,517,982	4,151,349,860	0.388
2013	72,272,000	3,344,937,520	27,157,100	-	627,211,600	35,451,500	-	4,107,029,720	5,478,908	4,112,508,628	4,194,970,394	0.391
2014	61,316,700	3,471,066,700	27,930,700	189,800	633,883,600	39,665,800	-	4,234,053,300	5,568,016	4,239,621,316	4,288,083,148	0.404
2015	56,274,000	3,632,718,700	30,677,300	197,700	597,292,500	39,694,000	-	4,356,854,200	5,685,495	4,362,539,695	4,585,997,627	0.414
2016	60,040,000	3,776,295,660	30,311,300	190,700	593,589,400	40,268,100	-	4,500,695,160	5,615,916	4,506,311,076	4,562,392,262	0.412
Borough of Watchung												
2007	43,352,700	1,415,883,400	-	-	323,091,400	7,348,400	55,160,000	1,844,835,900	1,489,275	1,846,325,175	2,047,141,917	0.304
2008	41,366,100	1,373,917,500	-	-	333,359,400	7,295,500	60,600,000	1,816,538,500	1,562,784	1,818,101,284	1,954,456,771	0.303
2009	41,251,800	1,277,353,900	-	-	329,769,100	7,174,900	60,600,000	1,716,149,700	1,562,784	1,717,712,484	1,912,929,426	0.318
2010	35,609,900	1,184,481,400	-	-	295,509,400	6,367,200	56,964,000	1,578,931,000	1,762,687	1,580,694,587	1,824,791,793	0.351
2011	35,484,200	1,204,394,400	-	-	290,376,800	6,367,300	49,255,800	1,585,878,500	1,468,637	1,587,347,137	1,684,856,609	0.363
2012	35,511,800	1,221,449,700	-	-	282,766,200	6,273,400	49,255,800	1,595,256,900	1,577,286	1,596,834,186	1,674,592,266	0.377
2013	31,860,700	1,214,066,800	377,200	5,280	294,459,700	6,237,300	47,400,000	1,594,406,980	1,484,459	1,595,891,439	1,641,460,927	0.384
2014	31,400,800	1,246,894,300	355,000	5,280	296,015,200	6,237,500	47,400,000	1,628,308,080	1,151,575	1,629,459,655	1,634,355,194	0.376
2015	32,019,400	1,280,593,700	334,100	5,280	297,786,500	6,359,500	47,850,000	1,664,948,480	1,138,954	1,666,087,434	1,687,333,485	0.379
2016	31,504,200	1,334,125,900	342,600	5,280	303,605,500	6,414,300	47,850,000	1,723,847,780	1,140,757	1,724,988,537	1,721,887,944	0.366

Source: County Abstract of Rates

^a Tax rates are per \$100

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING BONDED DEBT
FOR YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Net Direct Debt of School District as of December 31, 2015	\$ 38,756,946
Net Overlapping Debt of School District	
Long Hill Township	\$ 22,339,964
Warren Township	30,036,741
Borough of Watchung	<u>27,511,886</u>
	<u>79,888,591</u>
Total Direct and Overlapping Bond Debt as of December 31, 2015	<u>\$ 118,645,537</u>

Sources: County and Municipal Annual Debt Statements, December 31, 2015

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

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

Taxpayer	2016		2007	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
<u>Long Hill Township</u>				
Valley and Plainfield Associate	\$ 26,704,600	1.65%	\$ 21,204,400	1.66%
Stirling Center Associates	12,941,300	0.80%	9,896,500	0.77%
Bell Atlantic/Verizon	4,068,200	0.25%	5,801,258	0.45%
Stirling Manor (340-360)	2,733,100	0.17%	4,716,400	0.37%
Stirling Manor (324-336)	2,733,100	0.17%		
Transcontinental Gas Pipeline	4,039,200	0.25%	3,690,300	0.29%
Tifa Ltd.	3,875,100	0.24%	2,999,300	0.23%
RHK/A.K. Stamping			3,791,900	0.30%
Dagwood Prop. (Ind. Soccer, LLC)			2,246,900	0.18%
Partenon C/O Walgreens	3,353,900	0.21%		
M&M Realty Management	3,089,100	0.19%		
Millington Savings Bank	2,721,200	0.17%	2,215,500	0.17%
Jilrydan, Inc (Realty, LLC)			2,197,400	0.17%
	\$ 66,258,800	4.10%	\$ 58,759,858	4.60%
<u>Warren Township</u>				
King George Property Co.			\$ 124,749,600	2.79%
Warren Corp Center (SJP)	\$ 95,053,900	2.11%		
Mt. Bethel Corp	64,983,000	1.44%	86,860,500	1.95%
Somerset Assoc. c/o Chubb	72,720,000	1.61%	86,164,500	1.93%
Liberty Assoc			45,622,900	1.02%
Normandy Warren Holdings, LLC	57,724,000	1.28%	18,079,200	0.40%
GC Net Lease (Warren) Investors	26,381,000	0.59%		
Vicendese Family LTD			22,976,800	0.51%
Warren 2001 C/O Thomson Reuters	16,147,000	0.36%		
30 Independence C/O Mack Realty			37,390,900	0.84%
S/K Warren Associates, LLC	13,200,000	0.29%		
K Hovnanian at Warren			33,595,300	0.75%
Warren 2001, LLC			18,510,700	0.41%
10 Independence SPE			18,079,200	0.40%
WBCMT 2004-C15 10 Independ.	13,188,400	0.29%		
HCR1 NY-NJ Properties, LLC	12,800,000	0.28%		
Mitsui Sumitomo Ins of America	12,109,000	0.27%		
	\$ 384,306,300	8.53%	\$ 492,029,600	11.02%
<u>Watchung Borough</u>				
Watchung Square Associates	\$ 66,799,000	3.87%	\$ 94,228,200	5.10%
Blue Star Shopping Center			57,327,700	3.10%
WM Crystal Ridge, LLC			55,160,000	2.99%
Levin Properties, LP	54,561,000	3.16%		
Avalon II NJ Value II, LLP	47,850,000	2.77%		
Watchung VF LLC			25,750,000	1.39%
Watchung UE, LLC	23,456,300	1.36%		
Sears Roebuck & Co	17,390,000	1.01%	19,641,000	1.06%
Walmart	16,145,000	0.94%		
HD Development of Maryland, Inc.	13,633,000	0.79%		
Target Corp	15,280,000	0.89%	18,177,400	0.98%
680 Mountain Boulevard, LLC	12,737,200	0.74%		
Weldon Materials Inc	9,983,700	0.58%	11,444,400	0.62%
Pitney Partners			6,000,000	0.32%
Twin Brooks Country Club, LP			7,000,000	0.38%
Home Depot, USA Inc.			19,255,300	1.04%
	\$ 277,835,200	16.11%	\$ 313,984,000	17.01%

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 24,679,786	\$ 24,679,786	100.00%	N/A
2008	25,902,972	25,902,972	100.00%	N/A
2009	26,988,036	26,988,036	100.00%	N/A
2010	28,065,105	28,065,105	100.00%	N/A
2011	28,360,853	28,360,853	100.00%	N/A
2012	28,893,448	28,893,448	100.00%	N/A
2013	29,345,227	29,345,227	100.00%	N/A
2014	30,093,596	30,093,596	100.00%	N/A
2015	31,370,519	31,370,519	100.00%	N/A
2016	31,927,349	31,927,349	100.00%	N/A

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

Fiscal Year Ended June 30,	Governmental Activities					Total District	Population *	Per Capita
	General Obligation Bonds	Lease Purchase Agreements	Capital Leases	Bond Anticipation Notes (BANs)	Debt Authorized But Not Issued			
2007	\$ 34,751,000	\$1,388,184		\$ 7,000,000	\$ 476	\$ 43,139,660	30,717	\$ 1,404
2008	34,336,000	1,378,526		3,000,000	476	38,715,002	30,819	1,256
2009	33,581,000	1,023,285			476	34,604,761	30,969	1,117
2010	32,731,000	1,676,392			476	34,407,868	31,223	1,102
2011	31,816,000	1,223,126			476	33,039,602	29,870	1,106
2012	30,005,000	807,647			476	30,813,123	30,257	1,018
2013	28,915,000	377,519			-	29,292,519	30,506	960
2014	40,093,000	893,536			-	40,986,536	30,646	1,337
2015	38,033,000	723,946			-	38,756,946	30,703	1,262
2016	36,914,000	1,198,397			-	38,112,397	30,650	1,243

Source: District records

* Total Population of Long Hill, Warren and Watchung

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

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
2007	\$ 34,751,000		\$ 34,751,000	0.46%	\$ 1,131
2008	34,336,000		34,336,000	0.45%	1,114
2009	33,581,000		33,581,000	0.46%	1,084
2010	32,731,000		32,731,000	0.49%	1,048
2011	31,816,000		31,816,000	0.47%	1,065
2012	30,005,000		30,005,000	0.44%	992
2013	28,915,000		28,915,000	0.41%	948
2014	40,093,000		40,093,000	0.56%	1,308
2015	38,033,000		38,033,000	0.52%	1,239
2016	36,914,000		36,914,000	0.47%	1,204

Source: District records

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

<u>Calendar Year</u>	<u>Total</u>	<u>Regional School District</u>	<u>Local School District</u>	<u>Municipality</u>	<u>County</u>
<u>Long Hill Township</u>					
2007	\$2.50	\$0.432	\$1.034	\$0.760	\$0.274
2008	2.56	0.456	1.063	0.765	0.280
2009	2.66	0.492	1.114	0.720	0.336
2010	2.73	0.522	1.145	0.731	0.327
2011	2.82	0.562	1.180	0.744	0.329
2012	2.86	0.587	1.179	0.766	0.327
2013	2.96	0.594	1.250	0.788	0.324
2014	2.87	0.593	1.161	0.788	0.326
2015	2.93	0.576	1.217	0.806	0.333
2016	2.35	0.454	0.966	0.646	0.282
<u>Warren Township</u>					
2007	1.65	0.319	0.743	0.213	0.375
2008	1.70	0.336	0.768	0.224	0.375
2009	1.82	0.365	0.826	0.246	0.385
2010	2.05	0.411	0.945	0.295	0.394
2011	2.01	0.395	0.940	0.294	0.378
2012	1.99	0.388	0.934	0.289	0.382
2013	2.02	0.391	0.923	0.314	0.389
2014	2.04	0.404	0.914	0.319	0.400
2015	2.05	0.414	0.902	0.328	0.404
2016	2.01	0.412	0.875	0.318	0.404
<u>Borough of Watchung</u>					
2007	1.61	0.304	0.542	0.387	0.377
2008	1.68	0.303	0.590	0.421	0.366
2009	1.76	0.318	0.646	0.427	0.371
2010	1.92	0.351	0.723	0.462	0.385
2011	1.96	0.363	0.728	0.491	0.379
2012	2.01	0.377	0.732	0.519	0.386
2013	2.07	0.384	0.748	0.546	0.391
2014	2.09	0.376	0.748	0.572	0.398
2015	2.12	0.379	0.749	0.588	0.402
2016	2.09	0.366	0.732	0.594	0.399

Source: Tax Collector

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

	December 31,									
	<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>
Debt Limit	\$ 210,607,122	\$ 251,591,766	\$ 260,554,334	\$ 255,541,716	\$ 247,132,546	\$ 153,417,263	\$ 230,189,071	\$ 226,793,730	\$ 228,560,650	\$ 234,248,897
Total Net Debt Applicable to Limit	<u>34,751,476</u>	<u>34,336,476</u>	<u>33,581,476</u>	<u>32,731,476</u>	<u>31,816,476</u>	<u>30,005,476</u>	<u>28,915,476</u>	<u>40,093,000</u>	<u>38,033,000</u>	<u>36,914,000</u>
Legal Debt Margin	<u>\$ 175,855,646</u>	<u>\$ 217,255,290</u>	<u>\$ 226,972,858</u>	<u>\$ 222,810,240</u>	<u>\$ 215,316,070</u>	<u>\$ 123,411,787</u>	<u>\$ 201,273,595</u>	<u>\$ 186,700,730</u>	<u>\$ 190,527,650</u>	<u>\$ 197,334,897</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	16.50%	13.65%	12.89%	12.81%	12.87%	19.56%	12.56%	17.68%	16.64%	15.76%

Legal Debt Margin Calculation, December 31, 2015

2013	7,535,371,070
2014	7,853,872,907
2015	8,035,645,771
	<u>\$ 23,424,889,748</u>
Average Equalized Valuation of Taxable Property	\$ 7,808,296,583
3% of Equalized Valuation Basis	234,248,897
Less Net Debt	<u>36,914,000</u>
Remaining Borrowing Power	<u>\$ 197,334,897</u>

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

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income (2)</u>	<u>Population (1)</u>
<u>Long Hill Township</u>			
2006	3.1%	\$ 68,495	8,593
2007	2.8%	72,211	8,545
2008	3.7%	74,636	8,550
2009	6.3%	70,516	8,579
2010	6.4%	72,780	8,707
2011	6.2%	76,194	8,750
2012	6.4%	78,693	8,762
2013	6.8%	79,094	8,788
2014	4.4%	82,810	8,786
2015	3.9%	N/A	8,779
<u>Warren Township</u>			
2006	2.0%	67,625	15,471
2007	1.8%	72,113	15,568
2008	2.4%	74,860	15,689
2009	4.3%	70,311	15,871
2010	4.3%	71,473	15,347
2011	4.2%	74,238	15,653
2012	4.4%	78,163	15,851
2013	5.3%	80,167	15,940
2014	4.5%	83,731	15,990
2015	3.9%	N/A	15,955
<u>Borough of Watchung</u>			
2006	3.0%	67,625	6,653
2007	2.7%	72,113	6,706
2008	3.6%	74,860	6,730
2009	6.4%	70,311	6,773
2010	6.4%	71,473	5,817
2011	6.3%	74,238	5,854
2012	6.6%	78,163	5,893
2013	4.2%	80,167	5,918
2014	4.5%	83,731	5,927
2015	4.2%	N/A	5,916

Sources:

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

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

<u>Employer</u>	<u>2016</u>		<u>2007</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

Long Hill Township

INFORMATION NOT AVAILABLE

Warren Township

INFORMATION NOT AVAILABLE

Borough of Watchung

INFORMATION NOT AVAILABLE

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

<u>Function/Program</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>	<u>2016</u>
Instruction									
Regular	152	153	153	142	143	148	148	148	147
Special Education	32	35	35	35	35	37	41	42	42
Other Special Education	9	9	9	9	9	9	9	10	10
Adult/Continuing Education Programs	1	1	1	1	1	1	-	-	-
Support Services:									
Student and Instruction Related Services	19	19	19	19	19	19	19	19	19
General Administration	5	5	9	9	9	9	10	10	10
School Administrative Services	12	12	12	12	12	14	14	14	13
Other Administrative Services	9	9	9	8	6	6	6	6	6
Central Services	7	8	6	6	6	6	6	6	6
Administrative Information Technology	4	4	5	5	5	5	5	5	6
Plant Operations And Maintenance	14	15	15	15	15	15	15	15	15
Pupil Transportation	9	10	15	1	1	1	1	1	1
Total	<u>273</u>	<u>280</u>	<u>288</u>	<u>262</u>	<u>261</u>	<u>270</u>	<u>274</u>	<u>276</u>	<u>275</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil Teacher Ratio High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2007	2,007	\$ 31,809,010	\$ 15,849	5.81%	179	1:11	2,007	1,880.0	4.75%	93.67%
2008	2,061	32,470,271	15,755	-0.60%	184	1:11	2,061	1,954.0	2.69%	94.81%
2009	2,033	35,382,685	17,404	10.47%	189	1:11	2,033	1,967.4	-1.36%	96.77%
2010	2,069	35,049,943	16,941	-2.66%	188	1:11	2,069	2,003.4	1.77%	96.83%
2011	2,057	34,454,468	16,750	-1.13%	177	1:12	2,057	1,983.6	-0.58%	96.43%
2012	2,064	35,413,197	17,158	2.43%	180	1:12	2,064	1,990.0	0.34%	96.41%
2013	2,136	37,023,339	17,333	1.02%	185	1:12	2,136	2,044.1	3.49%	95.70%
2014	2,175	37,921,187	17,435	0.59%	189	1:12	2,175	2,089.0	1.83%	96.05%
2015	2,197	40,281,827	18,335	5.16%	190	1:12	2,197	2,103.0	1.01%	95.72%
2016	2,137	40,519,767	18,961	3.41%	189	1:11	2,137	2,057.0	-2.73%	96.26%

Sources: District records

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>										
<u>High School</u>										
Square Feet	391,915	391,915	391,915	391,915	391,915	391,915	391,915	391,915	391,915	391,915
Capacity (students)	2,506	2,506	2,506	2,506	2,506	2,506	2,506	2,506	2,506	2,506
Enrollment	2,007	2,061	2,033	2,069	2,057	2,069	2,136	2,175	2,197	2,137
<u>Garage</u>										
Square Feet	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
<u>Field House</u>										
Square Feet	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000

Number of Schools at June 30, 2016
Senior High School = 1

Source: District Records

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

<u>Year</u>	
2007	\$ 1,033,888
2008	869,201
2009	954,060
2010	1,113,820
2011	1,320,963
2012	1,311,846
2013	1,379,308
2014	1,475,556
2015	1,594,056
2016	1,567,514

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF INSURANCE
JUNE 30, 2016**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - SAIF		
Property, Inland Marine	\$ 250,000,000	\$2,500
Boiler & Machinery	100,000,000	2,500
Flood	10,000,000	2,500
Environmental Impairment Liability	1,000,000	10,000
Critical Incident Management	25,000	
Automobile	5,000,000	
Collision		1,000
Comprehensive		1,000
Employee Benefits Liability	5,000,000	1,000
School Leader's Professional Liability	5,000,000	5,000
Employee Dishonesty	500,000	2,500
Money & Securities	2,500,000	1,000
Sexual Abuse and Molestation	10,000,000	5,000
Worker's Compensation	5,000,000	
Commercial Umbrella Excess - (G/L, Auto, W/C)	5,000,000	
Commercial Umbrella Excess - CAP	50,000,000	
Public Employees' Faithful Performance Blanket		
Position Bond - Selective Insurance Co.		
Business Administrator	100,000	
Treasurer of School Monies	300,000	

Source: School Insurance Records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watchung Hills Regional High School District as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Watchung Hills Regional High School District's basic financial statements and have issued our report thereon dated October 24, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

However, we noted a certain matter that is not required to be reported under Government Auditing Standards that we reported to management of the Watchung Hills Regional High School District in a separate report entitled, “Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance” dated October 24, 2016.

Purpose of this Report

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


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 24, 2016



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR’S REPORT

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

Report on Compliance for Each Major State Program

We have audited the Watchung Hills Regional High School District’s compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Watchung Hills Regional High School District’s major state programs for the fiscal year ended June 30, 2016. The Watchung Hills Regional High School District’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state programs.

Auditor’s Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Watchung Hills Regional High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

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

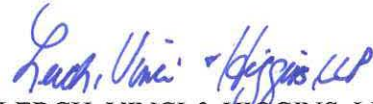
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watchung Hills Regional High School District, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated October 24, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



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



Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 24, 2016

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAFN Number	Grant Period	Award Amount	Balance, July 1, 2015	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year Balances	Balance at June 30, 2016			Memo GAAP Receivable	
											(Accounts Receivable)	Unearned Revenue	Due to Grantor		
U.S. Department of Education															
Passed-Through State Department of Education															
Special Revenue Fund															
N.C.L.B. Title I	84.010A		7/1/14-6/30/15	\$ 43,389	\$ (43,389)		\$ 43,389								
N.C.L.B. Title I	84.010A	S010A150030	7/1/15-6/30/16	48,180			30,962	\$ 48,180			\$ (17,218)			\$ (17,218)	
N.C.L.B. Title II - A	84.367A		7/1/14-6/30/15	12,605	(11,246)	\$ (1,359)	11,246		\$ 1,359						
N.C.L.B. Title II - A	84.367A	S367A150029	7/1/15-6/30/16	12,289		1,359		11,368	(1,359)		(15,648)	\$ 2,280		(11,368)	
I.D.E.A. Part B, Basic	84.027A		7/1/14-6/30/15	397,099	(141,864)	(38,139)	141,864		38,139						
I.D.E.A. Part B, Basic	84.027A	H027A150100	7/1/15-6/30/16	420,781		38,139	347,874	423,583	(38,139)		(111,046)	35,337		(75,709)	
I.D.E.A. Part B, Basic	84.027A		9/1/11-8/31/12	348,909	10,407							10,407			
I.D.E.A. Part B, Basic	84.027A		9/1/10-8/31/11	319,459	5,424								\$ 5,424		
I.D.E.A. Part B, Basic, Carryover	84.027A		9/1/07-8/31/08	37,376	1,145	-	-	-	-	-	-	-	1,145	-	
Total U.S. Department of Education					(179,523)	-	575,335	483,131	-	-	(141,912)	48,024	6,569	(104,295)	
U.S. Department of Homeland Security															
FEMA	97.039	N/A	7/1/15-6/30/16	27,483	-	-	27,483	27,483	-	-	-	-	-	-	
Total Federal Financial Awards					\$ (179,523)	\$ -	\$ 602,818	\$ 510,614	\$ -	\$ -	\$ (141,912)	\$ 48,024	\$ 6,569	\$ (104,295)	

This schedule was not subject to single audit in accordance with U.S. Uniform Guidance

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grants/Program Title	Grant or State Project Number	Grant Period	Award Received	Unearned Revenue (Assets Receivable)	Due to Grantor	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balance	Adjustment	(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	MEMO
General Fund															
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	\$ 660,639	(\$ 56,545)	-	\$ 56,545	\$ 660,639	-	-	-	\$ (56,545)	-	-	-	\$ 660,639
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	660,639	(7,054)	-	604,138	660,639	-	-	-	(7,046)	-	-	-	82,419
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	82,419	(1,543)	-	75,373	82,419	-	-	-	(1,542)	-	-	-	18,030
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	18,030	(1,543)	-	16,488	18,030	-	-	-	(1,542)	-	-	-	18,030
Per Pupil Growth Aid	15-495-034-5120-097	7/1/15-6/30/16	18,030	-	-	18,030	-	-	-	-	-	-	-	-	18,030
PARCC Readiness	15-495-034-5120-098	7/1/14-6/30/15	18,030	(66,685)	-	779,118	779,118	-	-	-	(66,611)	-	-	-	779,118
PARCC Readiness	16-495-034-5120-098	7/1/15-6/30/16	18,030	-	-	18,030	-	-	-	-	-	-	-	-	18,030
Total State Aid Public			61,749			61,749	61,749								61,749
T.P.A.F. Pension - NCGI	16-495-034-5094-007	7/1/15-6/30/16	1,239,607	-	-	1,239,607	1,239,607	-	-	-	-	-	-	-	1,239,607
T.P.A.F. Pension	16-495-034-5094-006	7/1/15-6/30/16	1,549,556	-	-	1,549,556	1,549,556	-	-	-	-	-	-	-	1,549,556
Post Retirement-Pension Contributions	16-495-034-5094-001	7/1/15-6/30/16	1,549,556	-	-	1,549,556	1,549,556	-	-	-	-	-	-	-	1,549,556
Total TPAF On Behalf Pension Contributions			1,911,010	(16,364)		1,911,010	1,911,010				(16,338)				1,911,010
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	421,887	(47,633)	-	394,475	394,475	-	-	-	(43,457)	-	-	-	394,475
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	421,887	(57,446)	-	394,475	421,887	-	-	-	(58,069)	-	-	-	421,887
Extraordinary Aid	15-100-034-5120-473	7/1/14-6/30/15	394,475	-	-	394,475	-	-	-	-	-	-	-	-	394,475
Extraordinary Aid	16-100-034-5120-473	7/1/15-6/30/16	394,475	-	-	394,475	-	-	-	-	-	-	-	-	394,475
Non Public Transportation Reimb.	N/A	7/1/14-6/30/15	43,457	-	-	43,457	-	-	-	-	-	-	-	-	43,457
Non Public Transportation Reimb.	N/A	7/1/15-6/30/16	43,457	-	-	43,457	-	-	-	-	-	-	-	-	43,457
Social Security Contributions	15-495-034-5094-003	7/1/14-6/30/15	1,175,517	-	-	1,175,517	-	-	-	-	-	-	-	-	1,175,517
Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	1,191,403	-	-	1,191,403	-	-	-	-	-	-	-	-	1,191,403
Total General Fund			5,481,531	(610,015)		5,481,531	5,481,531				(578,950)				5,450,466
Special Revenue Fund															
Nonpublic Aid	15-100-034-5120-064	7/1/14-6/30/15	21,985	\$ 3,473	\$ 3,473	21,184	21,184	3,473	-	-	-	-	-	-	21,184
Textbook Aid	16-100-034-5120-064	7/1/15-6/30/16	21,184	-	-	21,184	-	-	-	-	-	-	-	-	21,184
Technology Aid	15-100-034-5120-373	7/1/14-6/30/15	11,808	163	163	9,646	9,171	163	-	-	-	-	-	-	9,171
Technology Aid	16-100-034-5120-373	7/1/15-6/30/16	9,646	-	-	9,646	-	-	-	-	-	-	-	-	9,646
Nursing Services	15-100-034-5120-070	7/1/14-6/30/15	33,390	1,228	1,228	33,390	33,072	1,228	-	-	-	-	-	-	33,072
Nursing Services	16-100-034-5120-070	7/1/15-6/30/16	9,275	-	-	9,275	-	-	-	-	-	-	-	-	9,275
Chapter 192 193			34,215		2,888	27,609	27,268	2,888	-	-	-	-	-	-	27,268
Examination and Classification (Ch 193)	15-100-034-5120-066	7/1/14-6/30/15	27,609	157	157	7,946	6,683	157	-	-	-	-	-	-	6,683
Examination and Classification (Ch 193)	16-100-034-5120-066	7/1/15-6/30/16	7,141	-	-	7,946	-	-	-	-	-	-	-	-	7,946
Supplemental Instruction (Ch 193)	15-100-034-5120-066	7/1/14-6/30/15	4,805	(4,805)	-	4,805	-	-	-	-	-	-	-	-	4,805
Supplemental Instruction (Ch 193)	16-100-034-5120-067	7/1/15-6/30/16	1,973	-	-	1,973	-	-	-	-	-	-	-	-	1,973
Home Instruction	15E00151	2/1/15-8/15/15	57,978	(27,625)	-	-	22,391	-	-	-	(50,066)	-	-	(1,973)	22,391
New Jersey Achievement Coaches Content Grant															
Total Special Revenue Fund			7,909	(32,480)	7,909	113,855	130,823	7,909	-	-	(52,039)	-	2,591	-	130,823
Total State Financial Assistances Subject to Single Audit Determination			7,909	(642,495)	7,909	5,595,386	5,581,289	7,909	-	-	(630,989)	-	2,591	-	5,581,289
Less On-Behalf TPAF Pension	16-495-034-5094-007	7/1/15-6/30/16	61,749	-	-	61,749	61,749	-	-	-	-	-	-	-	61,749
T.P.A.F. Pension - NCGI	16-495-034-5094-006	7/1/15-6/30/16	1,239,607	-	-	1,239,607	1,239,607	-	-	-	-	-	-	-	1,239,607
T.P.A.F. Pension	16-495-034-5094-001	7/1/15-6/30/16	1,549,556	-	-	1,549,556	1,549,556	-	-	-	-	-	-	-	1,549,556
Post Retirement-Pension Contributions															
Total State Financial Assistances Subject to Major Program Determination			7,909	(642,495)	7,909	2,744,414	2,730,377	7,909	-	-	(630,989)	-	2,591	-	2,730,377
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
			2,744,414	(630,989)	2,744,414	2,744,414	2,730,377	2,744,414	(630,989)	(630,989)	(153,565)	(52,039)	2,591	(153,565)	2,581,289

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the District's financial statements. The information in these schedules is presented in accordance with the requirements of 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$27,512 for the general fund and an increase of \$2,576 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the District's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 27,483	\$ 5,477,978	\$ 5,505,461
Special Revenue Fund	483,131	132,623	615,754
Debt Service Fund	-	355,823	355,823
	<hr/>	<hr/>	<hr/>
Total Financial Assistance	<u>\$ 510,614</u>	<u>\$ 5,966,424</u>	<u>\$ 6,477,038</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$1,191,403 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2016. The amount reported as TPAF Pension System Contributions in the amount of \$1,301,356 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,549,556 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2016.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? _____ yes X no

2) Significant deficiency(ies) identified? _____ yes X none reported

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

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Internal Control over compliance:

1) Material weakness(es) identified? _____ yes X no

2) Significant deficiency(ies) identified that were not considered to be material weaknesses? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular Letter 15-08 _____ yes X no

Identification of major programs:

<u>State Grant/Project Number</u>	<u>Name of State Program</u>
<u>495-034-5120-089</u>	<u>Special Education Aid</u>
<u>495-034-5120-084</u>	<u>Security Aid</u>
<u>495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>495-034-5120-098</u>	<u>PARCC Readiness</u>
<u>495-034-5120-014</u>	<u>Transportation Aid</u>
_____	_____

Federal Awards Section

Not Applicable

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 2 – Schedule of Financial Statement Findings

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

There are none

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major state programs, as required by U.S. Uniform Guidance and New Jersey OMB Circular Letter 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable

CURRENT YEAR STATE AWARDS

There are none.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB Circular Letter 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.