

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2018**

**Prepared by**

**Business Office**

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

**Page**

**INTRODUCTORY SECTION**

Letter of Transmittal	1-4
Organizational Chart	5-9
Roster of Officials	10
Consultants and Advisors	10

**FINANCIAL SECTION**

Independent Auditor's Report	12-14
------------------------------	-------

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

Management's Discussion and Analysis	15-26
--------------------------------------	-------

**Financial Statements**

**A. District-Wide Financial Statements**

A-1 Statement of Net Position	27
A-2 Statement of Activities	28

**B. Fund Financial Statements**

*Governmental Funds*

B-1 Balance Sheet	29
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	30
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31

*Proprietary Funds*

B-4 Statement of Net Position	32
B-5 Statement of Revenues, Expenses, and Changes in Net Position	33
B-6 Statement of Cash Flows	34

*Fiduciary Funds*

B-7 Statement of Fiduciary Net Position	35
B-8 Statement of Changes in Fiduciary Net Position	36

<b>Notes to the Financial Statements</b>	<b>37-78</b>
------------------------------------------	--------------

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

		<u>Page</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION - PART II</b>		
<b>C. Budgetary Comparison Schedules</b>		
C-1	Budgetary Comparison Schedule – General Fund	79-85
C-2	Budgetary Comparison Schedule – Special Revenue Fund	86
C-3	Notes to the Required Supplementary Information – Budgetary Comparison Schedule	87
<b>REQUIRED SUPPLEMENTARY INFORMATION - PART III</b>		
<b>L. Schedules Related to Accounting and Reporting for Pensions and OPEB (GASB 68 and 75)</b>		
L-1	Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employees’ Retirement System	88
L-2	Required Supplementary Information – Schedule of District Contributions – Public Employees’ Retirement System	89
L-3	Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Teachers’ Pension and Annuity Fund	90
L-4	Notes to the Required Supplementary Information – Net Pension Liability	91
L-5	Required Supplementary Information – Schedule of Changes in District’s Proportionate Share of Total OPEB Liability	92
L-6	Notes to Required Supplementary Information – OPEB Liability	93
<b>OTHER SUPPLEMENTARY INFORMATION</b>		
<b>D. School Level Schedules – Not Applicable</b>		
<b>E. Special Revenue Fund</b>		
E-1	Combining Statement of Revenues, Expenditures and Changes in Fund Balance Special Revenue Fund – Budgetary Basis	94
E-2	Preschool Education Aid Schedule of Expenditures – Budgetary Basis – Not Applicable	
<b>F. Capital Projects Fund</b>		
F-1	Summary Schedule of Project Expenditures	95
F-2	Summary Schedule of Project Expenditures and Changes in Fund Balance – Budgetary Basis	96
F-2a- 2q	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis	97-109

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

**Page**

**OTHER SUPPLEMENTARY INFORMATION (Continued)**

**G. Proprietary Funds**

*Enterprise Fund*

G-1	Combining Statement of Net Position – Not Applicable	110
G-2	Combining Statements of Revenues, Expenses and Changes in Net Position – Not Applicable	110
G-3	Combining Statements of Cash Flows – Not Applicable	110

*Internal Service Fund – Not Applicable*

**H. Fiduciary Funds**

H-1	Combining Statement of Fiduciary Net Position	111
H-2	Statement of Changes in Fiduciary Net Position - Not Applicable	111
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	112
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	112

**I. Long-Term Debt**

I-1	Schedule of Serial Bonds Payable	113
I-2	Schedule of Obligations under Lease-Purchase Agreements	114
I-3	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	115

**J. STATISTICAL SECTION (Unaudited)**

**Financial Trends**

J-1	Net Position by Component	116
J-2	Changes in Net Position	117-118
J-3	Fund Balances – Governmental Funds	119
J-4	Changes in Fund Balances – Governmental Funds	120
J-5	General Fund Other Local Revenue by Source	121

**Revenue Capacity**

J-6	Assessed Value and Actual Value of Taxable Property	122
J-7	Computation of Direct and Overlapping Outstanding Bonded Debt	123
J-8	Principal Property Taxpayers	124
J-9	Property Tax Levies and Collections	125

**Debt Capacity**

J-10	Ratios of Outstanding Debt by Type	127
J-12	Property Tax Rates - Direct and Overlapping Governments	128
J-13	Legal Debt Margin Information	129

**Demographic and Economic Information**

J-14	Demographic Statistics	130
J-15	Principal Employers	131

**Operating Information**

J-16	Full Time Equivalent District Employees by Function/Program	132
J-17	Operating Statistics	133
J-18	School Building Information	134
J-19	Schedule of Required Maintenance for School Facilities	135
J-20	Schedule of Insurance	136

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

**Page**

**K.**

**SINGLE AUDIT SECTION**

K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards – Independent Auditor’s Report	137-138
K-2	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	139-141
K-3	Schedule of Expenditures of Federal Awards	142
K-4	Schedule of Expenditures of State Financial Assistance	143
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	144
K-6	Schedule of Findings and Questioned Costs – Part 1 – Summary of Auditor’s Results	145-146
K-7	Schedule of Findings and Questioned Costs – Part 2 – Schedule of Financial Statement Findings	147
K-7	Schedule of Findings and Questioned Costs – Part 3 – Schedule of Federal and State Award Findings and Questioned Costs	148
K-8	Summary Schedule of Prior Year Audit Findings	149

## **INTRODUCTORY SECTION**



# WATCHUNG HILLS REGIONAL HIGH SCHOOL

Elizabeth C. Jewett  
Superintendent

Timothy M. Stys, CPA  
Business Administrator

George P. Alexis  
Principal

January 28, 2019

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, 2018, 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 2017/2018 fiscal year with an enrollment of 2,014 which is 50 students less than 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>
2017/2018	2,014	(2.42%)
2016/2017	2,064	(3.42%)
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%)

**2. ECONOMIC CONDITION AND OUTLOOK:**

The Watchung Hills Regional High School area is anticipating a reduction in enrollment. Student population leveled off just below 2,200 in 2014/2015 but expects to decline steadily in the next three years. 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, 2018.

**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,

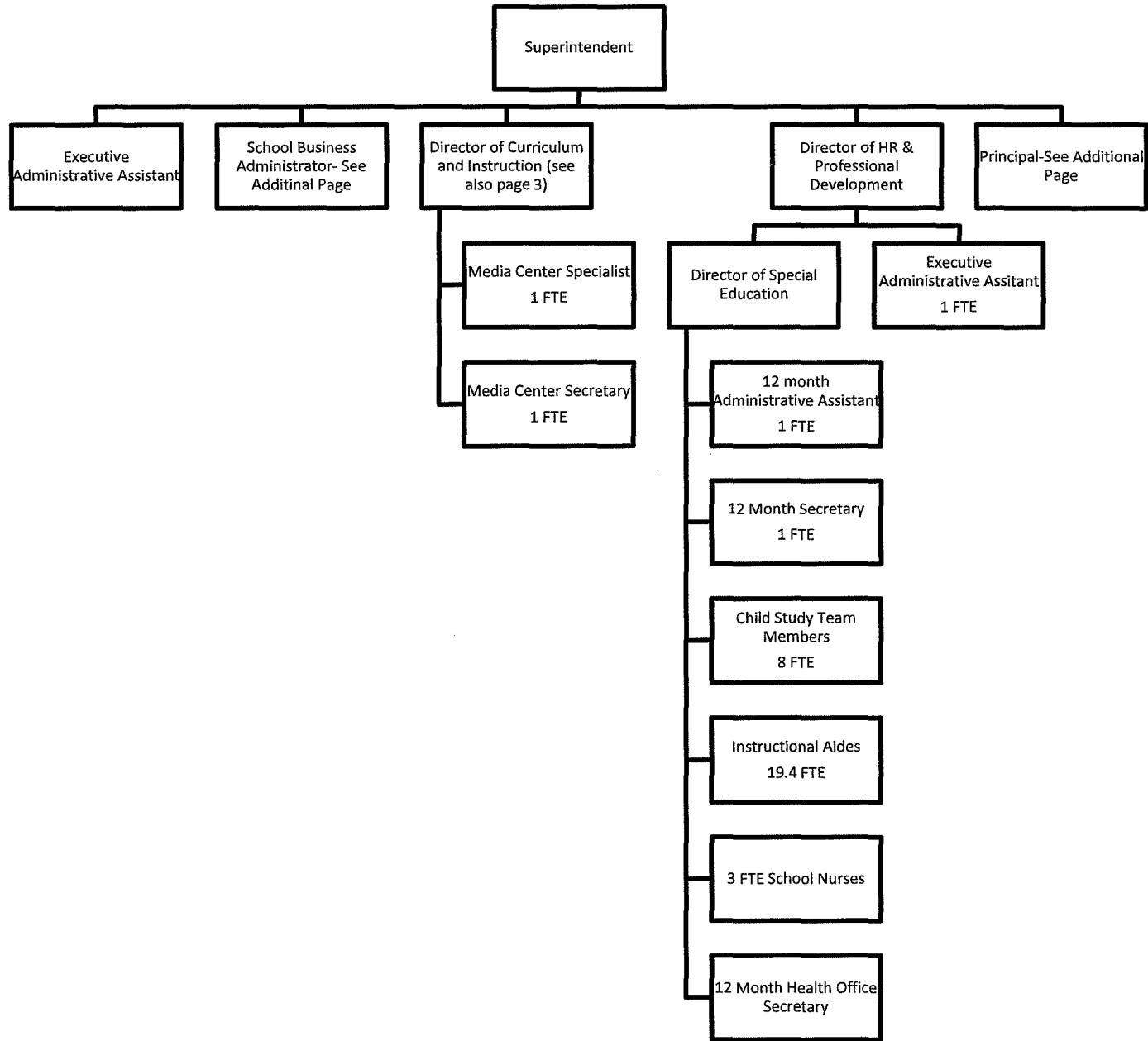


Elizabeth C. Jewett  
Superintendent of Schools

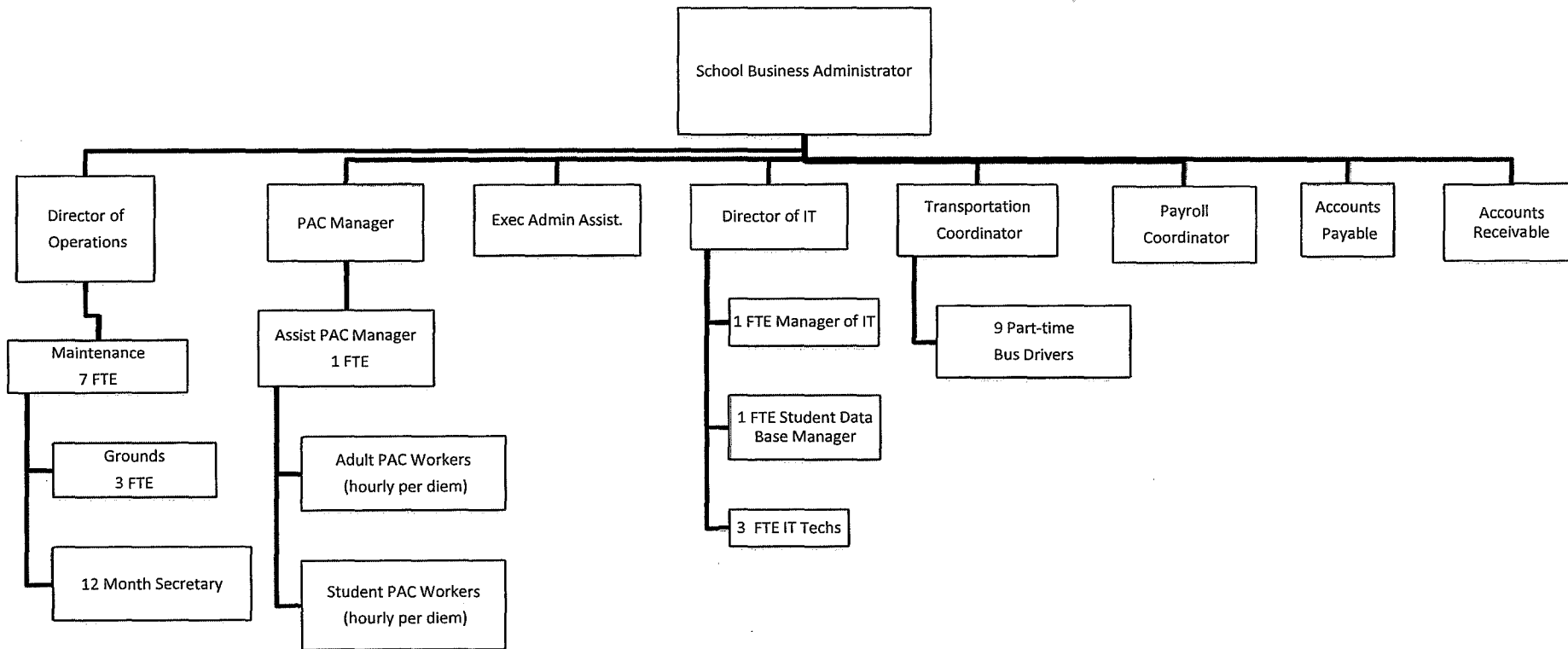


Timothy M. Stys  
School Business Administrator/  
Board Secretary

District Organizational Chart Watchung Hills Regional High School 2017-2018

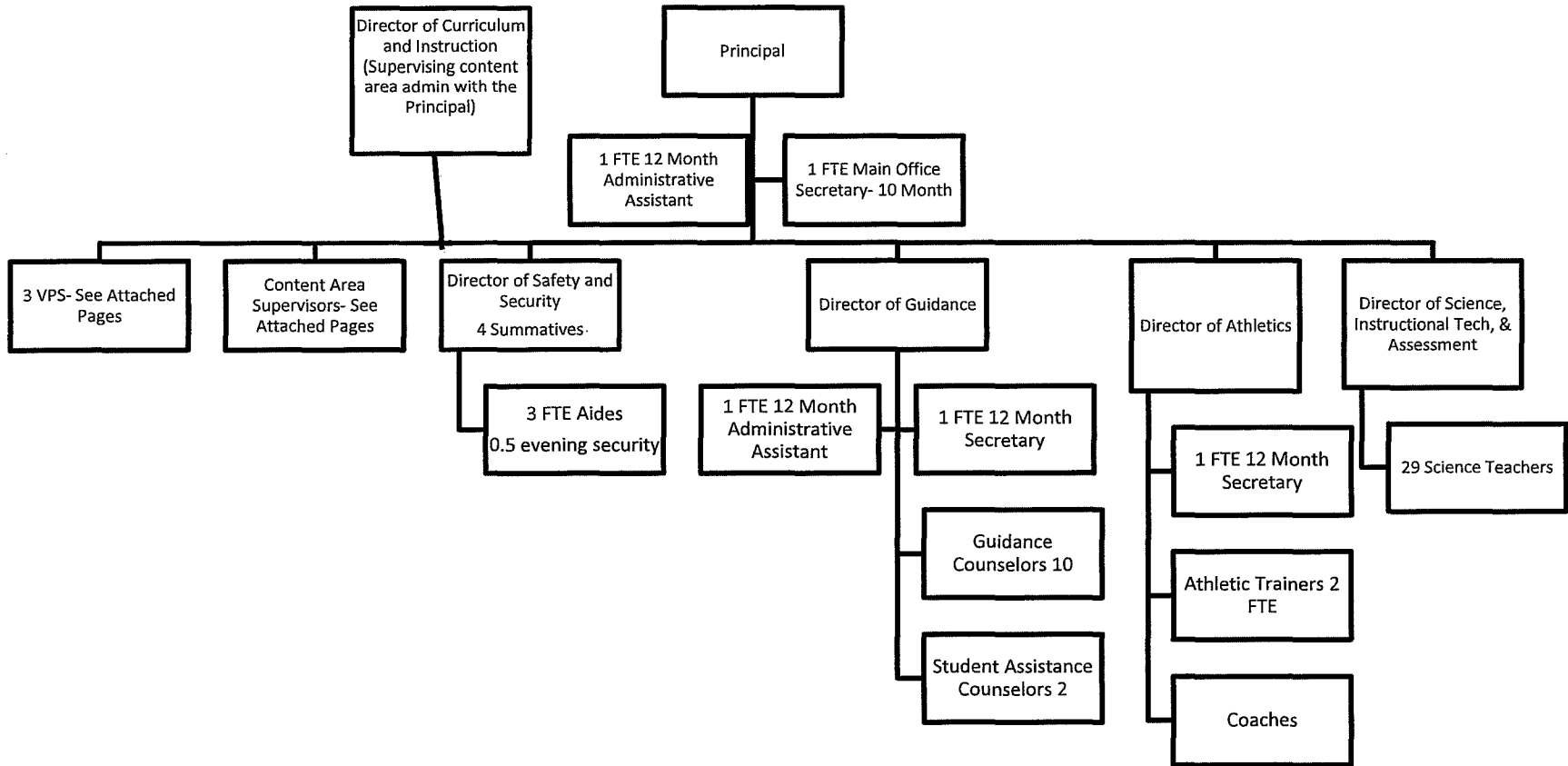


District Organizational Chart Watchung Hills Regional High School 2017-2018



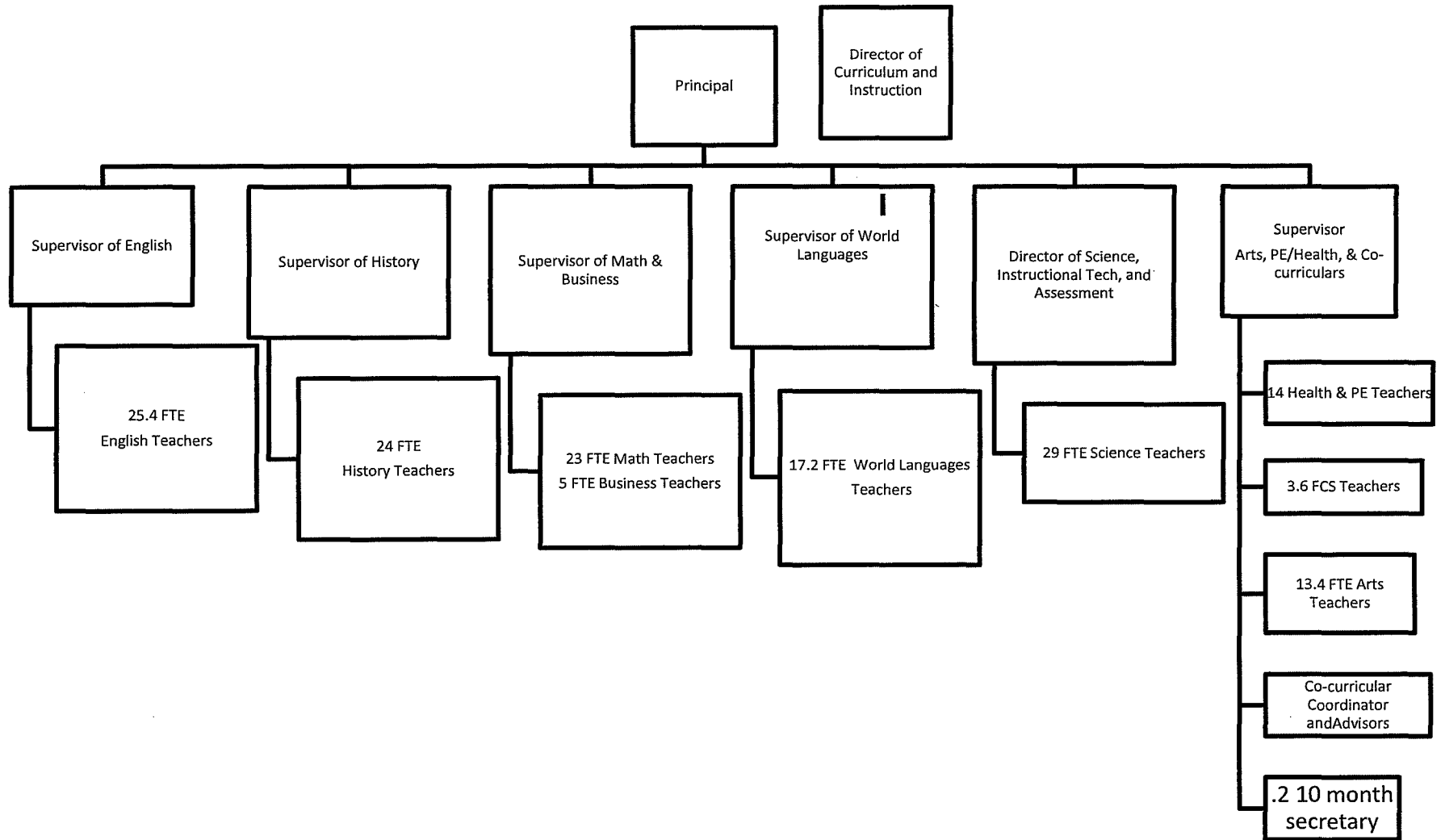
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District Organizational Chart Watchung Hills Regional High School 2017-2018



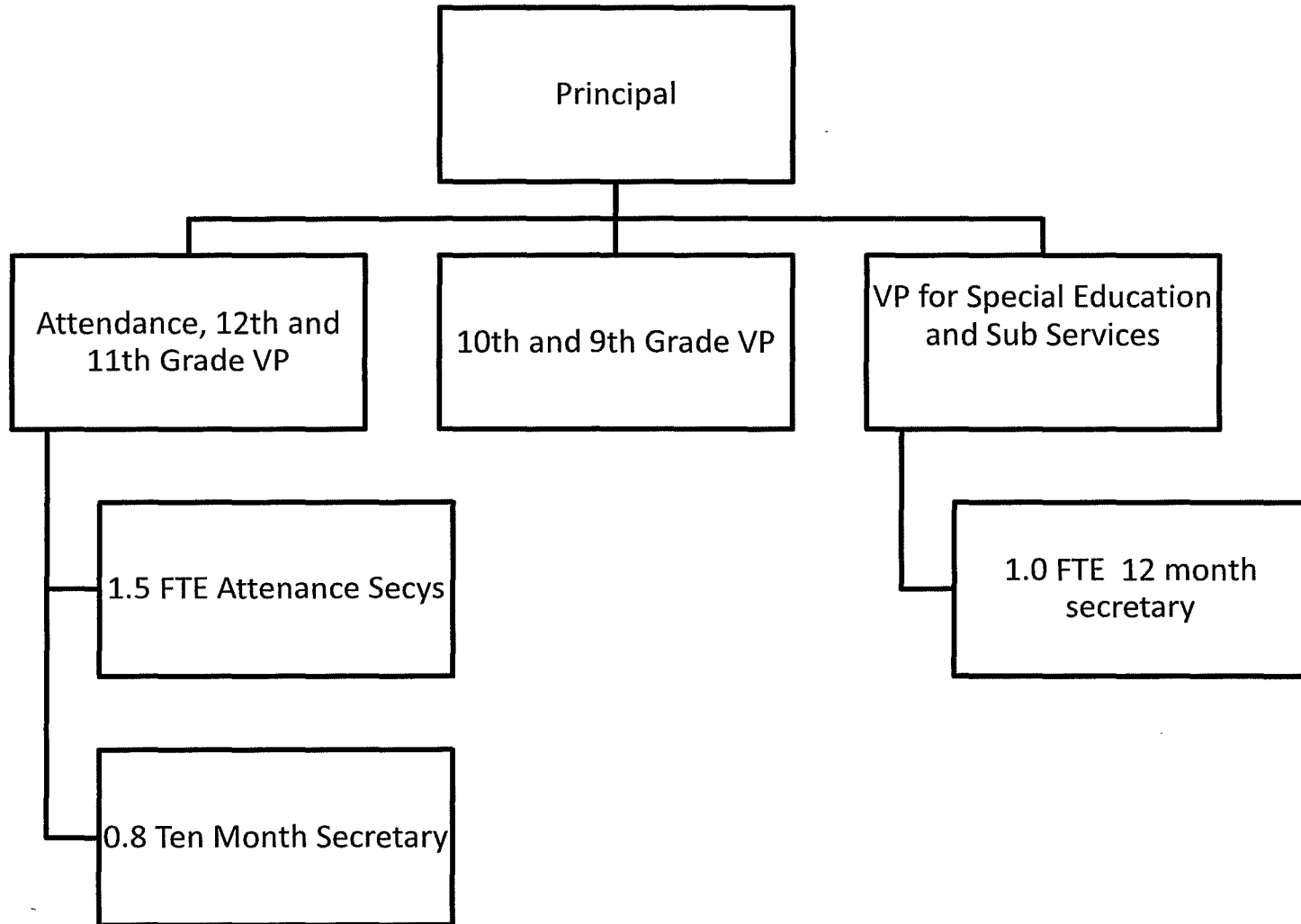
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District Organizational Chart Watchung Hills Regional High School 2017-2018



8

District Organizational Chart Watchung Hills Regional High School 2017-2018



6



WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2018

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Peter Fallon – President Warren Township	2020
Christopher Collins – Vice President Long Hill Township	2018
Rita Barone Long Hill Township	2019
Lilsa DeMizio Long Hill Township	2020
John Patrick Fahy Warren Township	2019
Freddie Hayeck Watchung Township	2020
Barry Hunsinger Watchung Borough	2018
Robert Morrison Warren Township	2019
Gregory Przybylski Warren Township	2018

Appointed

Bruce Martins Green Brook Township	1 year term
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Other Officials

Elizabeth Jewett, Superintendent  
Timothy M. Stys, CPA, School Business Administrator/Board Secretary  
Beth Scheiderman, Director of Human Resources & Professional Development  
William J. Scholts - 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

**Board Auditor**

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**

Peapack-Gladstone Bank  
Bedminster, NJ 07921

**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. LEIDIG, CPA, PSA  
ROBERT LERCH, 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, 2018 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

### *Adoption of New Accounting Pronouncement*

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2018 the Watchung Hills Regional High School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

## *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, pension information and other postemployment benefits 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*

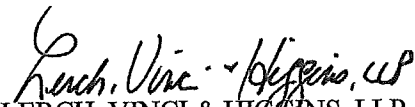
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Watchung Hills Regional High School District's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule 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.

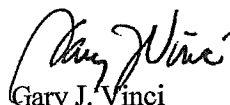
The combining fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial 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 January 28, 2019 on our consideration of the Watchung Hills Regional High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Watchung Hills Regional High School District's 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  
January 28, 2019

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

## **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, 2018. 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 2017-2018 fiscal year include the following:

- The net position of the Watchung Hills Regional High School District at the close of the fiscal year was \$12,152,064.
- Overall revenues were \$56,352,668. General revenues accounted for \$34,772,150 or 62% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$21,580,518 or 38% of total revenues.
- The school district had \$54,877,063 in expenses for governmental activities; only \$20,470,200 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$34,772,150 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 \$5,633,686. The General Fund's fund balance at June 30, 2018 was \$5,326,579 a decrease of \$778,252 when compared with the beginning balance of \$6,104,831 at July 1, 2017.
- The General Fund unassigned budgetary basis fund balance at June 30, 2018 was \$1,123,700 which represents a decrease of \$37,594 compared to the ending unassigned budgetary basis fund balance at June 30, 2017 of \$1,161,294.
- The school district maintains a Capital Reserve balance of \$2,964,200, a Tuition Reserve balance of \$200,000 and a Maintenance Reserve balance of \$249,735 at June 30, 2018.

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

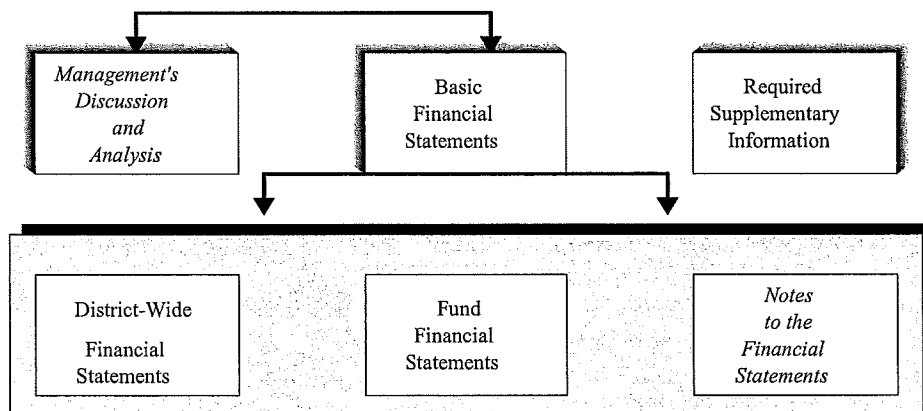
## Management's Discussion and Analysis

### 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 and deferred inflows 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 \$12,152,064 as of June 30, 2018. 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, 2018 and 2017**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>						
Current and Other Assets	\$ 5,919,972	\$ 7,060,931	\$ 303,499	\$ 285,443	\$ 6,223,471	\$ 7,346,374
Capital Assets	<u>49,612,129</u>	<u>50,601,145</u>	<u>358,810</u>	<u>195,709</u>	<u>49,970,939</u>	<u>50,796,854</u>
<b>Total Assets</b>	<u>55,532,101</u>	<u>57,662,076</u>	<u>662,309</u>	<u>481,152</u>	<u>56,194,410</u>	<u>58,143,228</u>
<b>Deferred Outflows of Resources</b>						
Deferred Charge on Refunding of Debt	559,245	688,245	-	-	559,245	688,245
Deferred Amounts on Net Pension Liability	<u>3,023,028</u>	<u>4,352,122</u>	<u>-</u>	<u>-</u>	<u>3,023,028</u>	<u>4,352,122</u>
<b>Total Deferred Outflows of Resources</b>	<u>3,582,273</u>	<u>5,040,367</u>	<u>-</u>	<u>-</u>	<u>3,582,273</u>	<u>5,040,367</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>59,114,374</u>	<u>62,702,443</u>	<u>662,309</u>	<u>481,152</u>	<u>59,776,683</u>	<u>63,183,595</u>
<b>Liabilities</b>						
Long-Term Liabilities	44,544,172	50,972,127			44,544,172	50,972,127
Other Liabilities	<u>789,699</u>	<u>1,063,775</u>	<u>41,595</u>	<u>27,847</u>	<u>831,294</u>	<u>1,091,622</u>
<b>Total Liabilities</b>	<u>45,333,871</u>	<u>52,035,902</u>	<u>41,595</u>	<u>27,847</u>	<u>45,375,466</u>	<u>52,063,749</u>
<b>Deferred Inflows of Resources</b>						
Deferred Amounts on Net Pension Liability	<u>2,249,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,249,153</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<u>2,249,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,249,153</u>	<u>-</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>47,583,024</u>	<u>52,035,902</u>	<u>41,595</u>	<u>27,847</u>	<u>47,624,619</u>	<u>52,063,749</u>
<b>Net Position:</b>						
Net Investment in Capital Assets	17,221,912	15,563,886	358,810	195,709	17,580,722	15,759,595
Restricted	3,452,419	3,510,769			3,452,419	3,510,769
Unrestricted	<u>(9,142,981)</u>	<u>(8,408,114)</u>	<u>261,904</u>	<u>257,596</u>	<u>(8,881,077)</u>	<u>(8,150,518)</u>
<b>Total Net Position</b>	<u>\$ 11,531,350</u>	<u>\$ 10,666,541</u>	<u>\$ 620,714</u>	<u>\$ 453,305</u>	<u>\$ 12,152,064</u>	<u>\$ 11,119,846</u>

# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

Changes in Net Position  
for the Fiscal Years Ended June 30, 2018 and 2017

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 7,236,479	\$ 6,796,993	\$ 1,110,318	\$ 1,038,559	\$ 8,346,797	\$ 7,835,552
Operating Grants and Contributions	13,233,721	14,237,659			13,233,721	14,237,659
General Revenues						
Property Taxes	33,705,203	32,533,994			33,705,203	32,533,994
State Aid	736,277	410,486			736,277	410,486
Other	330,670	482,872	-	-	330,670	482,872
<b>Total Revenues</b>	<b>55,242,350</b>	<b>54,462,004</b>	<b>1,110,318</b>	<b>1,038,559</b>	<b>56,352,668</b>	<b>55,500,563</b>
<b>Expenses</b>						
Instruction						
Regular	22,285,682	23,869,760			22,285,682	23,869,760
Special Education	7,358,644	7,210,563			7,358,644	7,210,563
Other Instruction	29,315	36,870			29,315	36,870
School Sponsored Activities and Athletics	2,133,492	2,168,611			2,133,492	2,168,611
Support Services						
Student and Instruction Related Services	7,702,787	7,479,738			7,702,787	7,479,738
General Administration	1,259,590	1,331,125			1,259,590	1,331,125
School Administration Services	2,804,421	2,811,870			2,804,421	2,811,870
Plant Operation and Maintenance	6,032,423	5,337,514			6,032,423	5,337,514
Pupil Transportation	2,561,898	2,353,253			2,561,898	2,353,253
Business and Other Support Services	1,495,784	1,652,018			1,495,784	1,652,018
Interest on Long-Term Debt	1,213,027	1,287,144			1,213,027	1,287,144
Food Services	-	-	1,019,159	968,188	1,019,159	968,188
<b>Total Expenses</b>	<b>54,877,063</b>	<b>55,538,466</b>	<b>1,019,159</b>	<b>968,188</b>	<b>55,896,222</b>	<b>56,506,654</b>
<b>Change in Net Position</b>	<b>365,287</b>	<b>(1,076,462)</b>	<b>91,159</b>	<b>70,371</b>	<b>456,446</b>	<b>(1,006,091)</b>
<b>Net Position, Beginning of Year</b>	<b>10,666,541</b>	<b>11,342,026</b>	<b>453,305</b>	<b>382,934</b>	<b>11,119,846</b>	<b>11,724,960</b>
<b>Prior Period Adjustment</b>	<b>499,522</b>	<b>400,977</b>	<b>76,250</b>	<b>-</b>	<b>575,772</b>	<b>400,977</b>
<b>Net Position, End of Year</b>	<b>\$ 11,531,350</b>	<b>\$ 10,666,541</b>	<b>\$ 620,714</b>	<b>\$ 453,305</b>	<b>\$ 12,152,064</b>	<b>\$ 11,119,846</b>

# 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 \$55,242,350 for the fiscal year ended June 30, 2018. Property taxes of \$33,705,203 represented 61% percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and local aid was \$13,969,998. 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 District received \$7,236,479 in tuition in 2017/18.

The total cost of all governmental activities programs and services was \$54,877,063. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$31,807,133 (59%) of total expenditures. Student support services, exclusive of administration, total \$7,702,787 or (14%) of total expenditures.

Total governmental activities revenues exceeded expenses increasing net position \$365,287 from the previous year.

**Net Cost of Governmental Activities.** The District's total cost of services was \$54,877,063. After applying program revenues, derived from charges for services of \$7,236,479 and operating grants and contributions of \$13,233,721; the net cost of services of the District is \$34,406,863.

### Total and Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2018 and 2017

	<u>Total Cost of</u> <u>Services</u>		<u>Net Cost</u> <u>of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Governmental Activities				
Instruction				
Regular	\$ 22,285,682	\$ 23,869,760	\$ 9,304,759	\$ 10,043,678
Special Education	7,358,644	7,210,563	3,743,245	3,696,760
Other Instruction	29,315	36,870	19,675	23,636
School Sponsored Activities and Athletics	2,133,492	2,168,611	1,550,970	1,535,899
Support Services				
Student and Instruction Related Services	7,702,787	7,479,738	5,811,653	5,520,322
General Administration	1,259,590	1,331,125	1,126,999	1,207,190
School Administration Services	2,804,421	2,811,870	2,339,782	2,414,053
Plant Operation and Maintenance	6,032,423	5,337,514	5,796,873	5,254,503
Pupil Transportation	2,561,898	2,353,253	2,240,092	2,086,785
Central and Other Support Services	1,495,784	1,652,018	1,259,788	1,433,844
Interest on Debt and Other Charges	1,213,027	1,287,144	1,213,027	1,287,144
	<u>1,213,027</u>	<u>1,287,144</u>	<u>1,213,027</u>	<u>1,287,144</u>
<b>Total Governmental Activities</b>	<b><u>\$ 54,877,063</u></b>	<b><u>\$ 55,538,466</u></b>	<b><u>\$ 34,406,863</u></b>	<b><u>\$ 34,503,814</u></b>



# WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

## Management's Discussion and Analysis

**Business-Type Activities** – The District's total business-type activities revenues were \$1,110,318 for the fiscal year ended June 30, 2018. Charges for services accounted for 100% of total revenues.

The total cost of all business-type activities programs and services was \$1,019,159. 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 \$91,159 from the previous year's balance.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal 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 \$5,633,686. At June 30, 2017, the fund balance was \$6,546,762. This decrease was due to the utilization of capital reserve monies for the District's construction projects and debt service payments.

Revenues for the District's governmental funds were \$49,264,960 while total expenses were \$50,768,036.

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

The following schedule presents a summary of General Fund Revenues.

	<b>Fiscal Year Ended <u>June 30, 2018</u></b>	<b>Fiscal Year Ended <u>June 30, 2017</u></b>	<b>Amount of Increase <u>(Decrease)</u></b>	<b>Percent Increase <u>(Decrease)</u></b>
Local Sources:				
Property Taxes	\$ 30,506,702	\$ 29,333,368	\$ 1,173,334	4.00%
Tuition	7,236,479	6,796,993	439,486	6.47%
Miscellaneous	325,240	473,625	(148,385)	-31.33%
State Sources	<u>6,749,986</u>	<u>5,899,187</u>	<u>850,799</u>	14.42%
 Total General Fund Revenues	 <u>\$ 44,818,407</u>	 <u>\$ 42,503,173</u>	 <u>\$ 2,315,234</u>	 5.45%

Total General Fund Revenues increased by \$2,315,234 or 5% over the previous year.

Property taxes increased 4% over the previous year. Tuition revenue increased by \$439,486. State aid revenues increased \$850,799, 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.

	Fiscal Year Ended <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Instruction	\$ 25,422,915	\$ 24,677,352	\$ 745,563	3.02%
Support Services	17,223,770	16,732,551	491,219	2.94%
Debt Service	563,483	438,281	125,202	28.57%
Capital Outlay	<u>1,065,220</u>	<u>697,967</u>	<u>367,253</u>	52.62%
Total Expenditures	<u>\$ 44,275,388</u>	<u>\$ 42,546,151</u>	<u>\$ 1,729,237</u>	4.06%

In 2017-2018 General Fund expenditures and other financing uses exceeded revenues by \$778,252. As a result, total fund balance decreased to \$5,326,579 at June 30, 2018. After deducting statutory transfers and reserves, the unassigned fund balance decreased from \$727,130 at June 30, 2017 to \$579,704 at June 30, 2018.

**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 \$559,893, for the fiscal year ended June 30, 2018. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 74% of the total revenue for the year.

Total Special Revenue Fund revenues decreased by \$10,646 from the previous year.

Expenditures of the Special Revenue Fund were \$559,893. Instructional expenditures were \$487,805 or 87% of total expended for the fiscal year ended June 30, 2018.

**Capital Projects** - The capital projects expenditures and other financing uses exceeded revenues and other financing sources by \$136,314 decreasing fund balance to \$280,514 at June 30, 2018. 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. 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, 2018 amounts to \$49,970,939 (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 2017-18 amounted to \$3,029,187 for governmental activities and \$37,317 for business-type activities.

#### Capital Assets at June 30, 2018 and 2017

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 105,616	\$ 105,616			\$ 105,616	\$ 105,616
Improvements Other Than Buildings	7,004,185	7,352,397			7,004,185	7,352,397
Buildings	70,091,241	67,765,468			70,091,241	67,765,468
Machinery and Equipment	5,375,274	5,249,043	\$ 677,110	\$ 401,134	6,052,384	5,650,177
Construction in Progress	<u>23,975</u>	<u>206,357</u>	<u>-</u>	<u>-</u>	<u>23,975</u>	<u>206,357</u>
	82,600,291	80,678,881	677,110	401,134	83,277,401	81,080,015
Less Accumulated Depreciation	<u>(32,988,162)</u>	<u>(30,077,736)</u>	<u>(318,300)</u>	<u>(205,425)</u>	<u>(33,306,462)</u>	<u>(30,283,161)</u>
<b>Total Capital Assets (Net)</b>	<b><u>\$ 49,612,129</u></b>	<b><u>\$ 50,601,145</u></b>	<b><u>\$ 358,810</u></b>	<b><u>\$ 195,709</u></b>	<b><u>\$ 49,970,939</u></b>	<b><u>\$ 50,796,854</u></b>

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

# **WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**

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

### **LONG TERM LIABILITIES**

At year end, the District's long-term liabilities consisted of compensated absences payable of \$587,087 bonds payable of \$31,313,000 obligations under lease-purchase agreements of \$1,069,388 and net pension liability of \$10,785,035.

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 \$1,123,700 of unassigned general fund surplus. Additionally, the district has approximately \$3 million in Capital Reserve to cover future capital expenditures and maintains a maintenance reserve of approximately \$250,000. 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 2018/2019 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 2018/2019, 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 2018/2019 is \$41,893,253. 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, 2018**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 5,313,278	\$ 304,395	\$ 5,617,673
Cash Held in Escrow	72,162		72,162
Receivables, net	531,489		531,489
Inventory		2,147	2,147
Internal Balances	3,043	(3,043)	-
Capital Assets			
Not Being Depreciated	129,591		129,591
Being Depreciated, Net	<u>49,482,538</u>	<u>358,810</u>	<u>49,841,348</u>
Total Assets	<u>55,532,101</u>	<u>662,309</u>	<u>56,194,410</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Refunding of Debt	559,245		559,245
Deferred Amounts on Net Pension Liability	<u>3,023,028</u>	<u>-</u>	<u>3,023,028</u>
Total Deferred Outflows of Resources	<u>3,582,273</u>	<u>-</u>	<u>3,582,273</u>
Total Assets and Deferred Outflows of Resources	<u>59,114,374</u>	<u>662,309</u>	<u>59,776,683</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Liabilities	242,213	12,030	254,243
Intergovernmental Payable	16,231		16,231
Accrued Interest Payable	503,413		503,413
Unearned Revenue	27,842	29,565	57,407
Noncurrent Liabilities			
Due Within One Year	2,956,368		2,956,368
Due Beyond One Year	<u>41,587,804</u>	<u>-</u>	<u>41,587,804</u>
Total Liabilities	<u>45,333,871</u>	<u>41,595</u>	<u>45,375,466</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amounts on Net Pension Liability	<u>2,249,153</u>	<u>-</u>	<u>2,249,153</u>
Total Deferred Inflows of Resources	<u>2,249,153</u>	<u>-</u>	<u>2,249,153</u>
Total Liabilities and Deferred Inflows of Resources	<u>47,583,024</u>	<u>41,595</u>	<u>47,624,619</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	17,221,912	358,810	17,580,722
Restricted for:			
Capital Projects	3,176,091		3,176,091
Debt Service	26,593		26,593
Other Purposes	249,735		249,735
Unrestricted	<u>(9,142,981)</u>	<u>261,904</u>	<u>(8,881,077)</u>
Total Net Position	<u>\$ 11,531,350</u>	<u>\$ 620,714</u>	<u>\$ 12,152,064</u>

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 22,285,682	\$ 6,299,926	\$ 6,680,997	\$ (9,304,759)		\$ (9,304,759)
Special Education	7,358,644	936,553	2,678,846	(3,743,245)		(3,743,245)
Other Instruction	29,315		9,640	(19,675)		(19,675)
School Sponsored Activities and Athletics	2,133,492		582,522	(1,550,970)		(1,550,970)
Support Services:						
Student and Instruction Related Services	7,702,787		1,891,134	(5,811,653)		(5,811,653)
General Administration Services	1,259,590		132,591	(1,126,999)		(1,126,999)
School Administration Services	2,804,421		464,639	(2,339,782)		(2,339,782)
Plant Operations and Maintenance	6,032,423		235,550	(5,796,873)		(5,796,873)
Pupil Transportation	2,561,898		321,806	(2,240,092)		(2,240,092)
Central and Other Support Services	1,495,784		235,996	(1,259,788)		(1,259,788)
Interest on Long-Term Debt and Other Charges	1,213,027	-	-	(1,213,027)	-	(1,213,027)
<b>Total Governmental Activities</b>	<b>54,877,063</b>	<b>7,236,479</b>	<b>13,233,721</b>	<b>(34,406,863)</b>	<b>-</b>	<b>(34,406,863)</b>
Business-Type Activities:						
Food Service	1,019,159	1,110,318	-	-	\$ 91,159	91,159
<b>Total Business-Type Activities</b>	<b>1,019,159</b>	<b>1,110,318</b>	<b>-</b>	<b>-</b>	<b>91,159</b>	<b>91,159</b>
<b>Total Primary Government</b>	<b>\$ 55,896,222</b>	<b>\$ 8,346,797</b>	<b>\$ 13,233,721</b>	<b>(34,406,863)</b>	<b>91,159</b>	<b>(34,315,704)</b>
General Revenues:						
Property Taxes:						
Levied for General Purposes				30,506,702		30,506,702
Levied for Debt Service				3,198,501		3,198,501
State Aid - Unrestricted				53,548		53,548
State Aid - Restricted for Debt Service				682,729		682,729
Investment Earnings				65,308		65,308
Miscellaneous Income				265,362	-	265,362
<b>Total General Revenues</b>				<b>34,772,150</b>	<b>-</b>	<b>34,772,150</b>
Change in Net Position				365,287	91,159	456,446
Net Position, Beginning of Year				10,666,541	453,305	11,119,846
Prior Period Adjustment (Capital Assets)				499,522	76,250	575,772
<b>Net Position, End of Year</b>				<b>\$ 11,531,350</b>	<b>\$ 620,714</b>	<b>\$ 12,152,064</b>

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

**FUND FINANCIAL STATEMENTS**



**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**AS OF JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 5,042,456		\$ 244,372	\$ 26,450	\$ 5,313,278
Cash Held in Escrow			72,162		72,162
Receivables, Net					
Intergovernmental	393,790	\$ 136,519			530,309
Other		1,180			1,180
Due from Other Funds	135,444	-	-	143	135,587
 Total Assets	 <u>\$ 5,571,690</u>	 <u>\$ 137,699</u>	 <u>\$ 316,534</u>	 <u>\$ 26,593</u>	 <u>\$ 6,052,516</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 229,968	\$ 12,245			\$ 242,213
Due to Other Funds	143	96,381	\$ 36,020		132,544
Payable to State Government		16,231			16,231
Unearned Revenue	15,000	12,842	-	-	27,842
 Total Liabilities	 <u>245,111</u>	 <u>137,699</u>	 <u>36,020</u>	 <u>-</u>	 <u>418,830</u>
<b>Fund Balances</b>					
<b>Restricted Fund Balance</b>					
Capital Reserve	2,359,266				2,359,266
Capital Reserve - Designated for Subsequent Year's Budget	604,934				604,934
Maintenance Reserve	249,735				249,735
Tuition Reserve	100,000				100,000
Tuition Reserve - Designated for Subsequent Year's Budget	100,000				100,000
Excess Surplus	503,518				503,518
Excess Surplus - Designated for Subsequent Year's Budget	522,982				522,982
Capital Projects Fund			280,514		280,514
Debt Service Fund				\$ 26,593	26,593
<b>Committed Fund Balance</b>					
Encumbrances	38,487				38,487
<b>Assigned Fund Balance</b>					
Encumbrances	44,119				44,119
Designated for Subsequent Year's Budget	223,834				223,834
<b>Unassigned Fund Balance</b>					
General Fund	579,704	-	-	-	579,704
 Total Fund Balances	 <u>5,326,579</u>	 <u>-</u>	 <u>280,514</u>	 <u>26,593</u>	 <u>5,633,686</u>
 Total Liabilities and Fund Balances	 <u>\$ 5,571,690</u>	 <u>\$ 137,699</u>	 <u>\$ 316,534</u>	 <u>\$ 26,593</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 \$82,600,291 and the accumulated depreciation is \$32,988,162. 49,612,129

The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is: (503,413)

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) (43,211,052)

Net Position of governmental activities (Exhibit A-1) \$ 11,531,350

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, 2018**

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>					
Local Sources					
Property Tax Levy	\$ 30,506,702			\$ 3,198,501	\$ 33,705,203
Interest Earnings	59,954		\$ 5,354		65,308
Tuition	7,236,479				7,236,479
Miscellaneous	265,286	\$ 19,308	-	76	284,670
Total - Local Sources	38,068,421	19,308	5,354	3,198,577	41,291,660
State Sources	6,749,986	126,571		682,729	7,559,286
Federal Sources	-	414,014	-	-	414,014
Total Revenues	44,818,407	559,893	5,354	3,881,306	49,264,960
<b>EXPENDITURES</b>					
Current					
Regular Instruction	17,502,770	119,661			17,622,431
Special Education Instruction	6,060,641	368,144			6,428,785
Other Instruction	24,378				24,378
School Sponsored Activities and Athletics	1,835,126				1,835,126
Support Services					
Student and Instruction Related Services	6,100,805	72,088			6,172,893
General Administrative Services	902,007				902,007
School Administrative Services	2,278,652				2,278,652
Plant Operations and Maintenance	4,142,689		405,626		4,548,315
Pupil Transportation	2,514,155				2,514,155
Central and Other Support Services	1,285,462				1,285,462
Debt Service					
Principal	419,689			3,311,000	3,730,689
Interest and Other Charges	143,794			1,194,525	1,338,319
Capital Outlay	1,065,220	-	1,021,604	-	2,086,824
Total Expenditures	44,275,388	559,893	1,427,230	4,505,525	50,768,036
Excess (Deficiency) of Revenues Over (Under) Expenditures	543,019	-	(1,421,876)	(624,219)	(1,503,076)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In			700,000	625,709	1,325,709
Transfers Out	(1,321,271)		(4,438)		(1,325,709)
Capital Lease Proceeds	-	-	590,000	-	590,000
Total Other Financing Sources and (Uses)	(1,321,271)	-	1,285,562	625,709	590,000
Net Change in Fund Balances	(778,252)	-	(136,314)	1,490	(913,076)
Fund Balance, Beginning of Year	6,104,831	-	416,828	25,103	6,546,762
Fund Balance, End of Year	\$ 5,326,579	\$ -	\$ 280,514	\$ 26,593	\$ 5,633,686

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, 2018**

**Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)** \$ (913,076)

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	\$ (3,029,187)	
Capital Outlays	<u>2,086,824</u>	(942,363)

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

Loss on Disposal of Capital Assets		(546,175)
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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.

Capital Lease Proceeds		(590,000)
------------------------	--	-----------

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

Payment of Principal		
Serial Bonds	3,311,000	
Lease Purchase Agreements	<u>419,689</u>	3,730,689

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	208,099	
Amortization of Deferred Charge on Refunding	<u>(129,000)</u>	79,099

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.

46,193

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.

2,301

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>(501,381)</u>
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<b>Change in Net Position of Governmental Activities (Exhibit A-2)</b>		<u>\$ 365,287</u>
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**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2018**

**ASSETS**

Current Assets	
Cash	\$ 304,395
Inventory	<u>2,147</u>
Total Current Assets	<u>306,542</u>
Capital Assets	
Furniture, Machinery, and Equipment	677,110
Less: Accumulated Depreciation	<u>(318,300)</u>
Total Noncurrent Assets	<u>358,810</u>
Total Assets	<u>665,352</u>

**LIABILITIES**

Current Liabilities	
Accounts Payable	12,030
Due To Other Funds	3,043
Unearned Revenue	<u>29,565</u>
Total Current Liabilities	<u>44,638</u>

**NET POSITION**

Net Investment in Capital Assets	358,810
Unrestricted	<u>261,904</u>
Total Net Position	<u>\$ 620,714</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 REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**OPERATING REVENUES**

Charges for Services	
Daily Sales- Non-Reimbursable Programs	\$ <u>1,110,318</u>
 Total Operating Revenues	 <u>1,110,318</u>

**OPERATING EXPENSES**

Cost of Sales - Non-Reimbursable Programs	441,049
Salaries and Benefits	324,821
Management Fee	54,718
Miscellaneous	161,254
Depreciation	<u>37,317</u>
 Total Operating Expenses	 <u>1,019,159</u>
 Operating Income	 91,159
 Net Position, Beginning of Year	 453,305
 Prior Period Adjustment (Capital Assets)	 <u>76,250</u>
 Net Position, End of Year	 <u><u>\$ 620,714</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, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Customers	\$ 1,117,735
Cash Payments to Employees for Salaries and Benefits	(324,821)
Cash Payments to Suppliers for Goods and Services	<u>(651,568)</u>

Net Cash Provided by Operating Activities 141,346

**CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Purchase of Fixed Assets	<u>(124,168)</u>
--------------------------	------------------

Net Cash (Used for) by Capital and Related Financing Activities (124,168)

Net Change in Cash 17,178

Cash, Beginning of Year 287,217

Cash, End of Year \$ 304,395

**RECONCILIATION OF NET CASH PROVIDED (USED)  
BY OPERATING ACTIVITIES**

Operating Income	<u>\$ 91,159</u>
Adjustments to Reconcile Operating Income to Net Cash Provided for Operating Activities	
Depreciation	37,317
Change in Assets and Liabilities	
(Increase)/Decrease in Inventory	(148)
Increase/(Decrease) in Unearned Revenue	7,417
Increase/(Decrease) in Accounts Payable	6,331
Increase/(Decrease) in Due to/from Other Funds	<u>(730)</u>

Total Adjustments 50,187

Net Cash Provided by Operating Activities \$ 141,346

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2018**

	<b>Unemployment Compensation <u>Trust Fund</u></b>	<b>Scholarship <u>Fund</u></b>	<b><u>Agency Fund</u></b>
<b>ASSETS</b>			
Cash	\$ 299,091	\$ 67,683	\$ 277,372
Due from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>299,091</u>	<u>67,683</u>	<u>\$ 277,372</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings			\$ 36,509
Intergovernmental Accounts Payable	4,761	.	
Due to Student Groups	<u>-</u>	<u>-</u>	<u>240,863</u>
Total Liabilities	<u>4,761</u>	<u>-</u>	<u>\$ 277,372</u>
<b>NET ASSETS</b>			
Held In Trust For Unemployment Compensation Claims and Other Purposes	<u>\$ 294,330</u>	<u>\$ 67,683</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, 2018**

	<b>Unemployment Compensation <u>Trust Fund</u></b>	<b>Scholarship <u>Fund</u></b>
<b>ADDITIONS</b>		
Contributions		
Employees	\$ 29,640	
Donations		\$ 42,713
Interest	-	487
	<hr/>	<hr/>
Total Additions	29,640	43,200
	<hr/>	<hr/>
<b>DEDUCTIONS</b>		
Scholarships		17,000
Unemployment Compensation Claims	35,117	-
	<hr/>	<hr/>
Total Deductions	35,117	17,000
	<hr/>	<hr/>
Change in Net Position	(5,477)	26,200
Net Position, Beginning of Year	299,807	41,483
	<hr/>	<hr/>
Net Position, End of Year	\$ 294,330	\$ 67,683
	<hr/> <hr/>	<hr/> <hr/>

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



**NOTES TO THE FINANCIAL STATEMENTS**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 of schools 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 2018, the District adopted the following GASB statements:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the fiscal year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the fiscal year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2018**

**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 fund which is organized to be self-supporting through user charges:

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

Additionally, the government reports the following fund types:

The *fiduciary trust funds* are used to account for resources legally held in trust for state unemployment insurance claims and for private donations for scholarship awards. All resources of the funds, 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.

The *fiduciary agency funds* account for assets held by the District as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations and clubs for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

When both restricted and unrestricted resources are available for use, it is the 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

**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 and/or certificates of participation, principal and interest.

**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 acquisition 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 future periods 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 amount 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, 2018**

**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 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 under the accrual basis of accounting that qualifies for reporting in this category. It 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, personal 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 including the unamortized bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

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



WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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*

District-Wide Statements

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

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

Governmental Fund Statements

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

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

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

*Capital Reserve - Designated for Subsequent Year's Budget* – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2018/2019 District budget certified for taxes.

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

*Tuition Reserve* – This restriction was created in accordance with NJAC 6A:23A-17.1(F)8 to represent foreseeable future tuition adjustments for the 2017/2018 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 2016/2017 contract year that is appropriated in the 2018/2019 original budget certified for taxes.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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)**

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2018 audited excess surplus that is required to be appropriated in the 2019/2020 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, 2017 audited excess surplus that was appropriated in the 2018/2019 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 2018/2019 District budget certified for taxes.

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

In the general operating fund and other governmental funds (capital projects and debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amount are used only after the other resources have been used.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

***11. Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Board of Education itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the Board that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, and additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**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 1<sup>st</sup> in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

**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 2016-2017 and 2017-2018 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.

**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	\$ 31,313,000
Original Issuance Premium	789,662
Deferred Charge on Refunding of Debt	(559,245)
Capital Leases Payable	1,069,388
Compensated Absences	587,087
Net Pension Liability	10,785,035
Deferred Amounts on Net Pension Liability	
Deferred Outflow	(3,023,028)
Deferred Inflow	<u>2,249,153</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ 43,211,052</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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. Districts that have their school board members elected in November do not have to submit their budgets that meet levy cap requirements for voter approval. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot.

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 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$1,272,993. The increase was funded by additional state aid, prior year extraordinary and nonpublic transportation aids, grant awards, the reappropriation of prior year general fund encumbrances, and a withdrawal of \$251,350 from the capital reserve.

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, 2018**

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

**B. Capital Reserve (Continued)**

The activity of the capital reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017		\$ 3,285,931
Increased by		
Interest Earnings	\$ 890	
Deposits Approved by Board Resolution	<u>1,400,000</u>	
		<u>1,400,890</u>
		4,686,821
Decreased by		
Withdrawal Approved by Board Resolution	251,350	
Budgeted Withdrawals		
Capital Outlay	150,000	
Capital Projects	700,000	
Debt Service	<u>621,271</u>	
		<u>1,722,621</u>
Balance, June 30, 2018		<u>\$ 2,964,200</u>
Restricted Fund Balance		
Capital Reserve		\$ 2,359,266
Capital Reserve Designated for Subsequent Year's Budget		<u>604,934</u>
		<u>\$ 2,964,200</u>

The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan. \$604,934 of the capital reserve balance at June 30, 2018 was designated and appropriated for use in the 2018/2019 original budget certified for taxes.

**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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**C. Maintenance Reserve (Continued)**

The activity of the maintenance reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017	\$ 199,735
Increased by	
Deposits Approved by Board Resolution	50,000
Balance, June 30, 2018	\$ 249,735

**D. Transfers to Capital Outlay**

During the 2017/2018 school year, the district transferred \$95,000 to the non-equipment capital outlay accounts. The transfer was approved by the Executive County Superintendent in order to cover additional costs plus an allowance for unforeseen conditions. The District has also appropriated \$363,650 of additional state aid monies and \$251,350 from its capital reserve in 2017/18 to cover the cost of this project.

**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, 2018 is \$1,026,500. Of this amount, \$522,982 was designated and appropriated in the 2018/2019 original budget certified for taxes and the remaining amount of \$503,518 will be appropriated in the 2019/2020 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), National Credit Union Share Insurance Fund (NCUSIF), 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 and NCUSIF.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**A. Cash Deposits and Investments (Continued)**

**Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2018, the book value of the Board's deposits were \$6,333,981 and bank and brokerage firm balances of the Board's deposits amounted to \$7,660,533. The Board's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

**Depository Account**

Insured	\$ <u>7,660,533</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, 2018 the Board's bank balances were not exposed to custodial credit risk.

**Investments**

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law," (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2018, the Board had no outstanding investments.

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



**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**B. Receivables**

Receivables as of June 30, 2018 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		\$ 136,120	\$ 136,120
State	\$ 137,889	399	138,288
Other	255,901		255,901
Accounts	-	1,180	1,180
Gross Receivables	393,790	137,699	531,489
Less: Allowance for Uncollectibles	-	-	-
Net Total Receivables	<u>\$ 393,790</u>	<u>\$ 137,699</u>	<u>\$ 531,489</u>

**C. Unearned Revenue**

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

<u>General Fund</u>	
Funds Received for Use in Subsequent Years	\$ 15,000
Special Revenue Fund	
Unencumbered Grant Draw Downs	<u>12,842</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 27,842</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance, <u>July 1, 2017</u>	Prior Period <u>Adjustments</u>	<u>Increases</u>	<u>Deletions</u>	Transfers/ <u>Adjustments</u>	Balance, <u>June 30, 2018</u>
<b>Governmental Activities:</b>						
Capital Assets, Not Being Depreciated:						
Land	\$ 105,616					\$ 105,616
Construction in Progress	206,357	-	\$ 856,333	-	\$ (1,038,715)	23,975
Total Capital Assets, Not Being Depreciated	<u>311,973</u>	<u>-</u>	<u>856,333</u>	<u>-</u>	<u>(1,038,715)</u>	<u>129,591</u>
Capital Assets, Being Depreciated:						
Improvements Other Than Buildings	7,352,397	\$ (18,991)	66,715	\$ (664,936)	269,000	7,004,185
Buildings	67,765,468	614,458	941,600		769,715	70,091,241
Machinery and Equipment	5,249,043	(95,945)	222,176	\$ -	-	5,375,274
Total Capital Assets Being Depreciated	<u>80,366,908</u>	<u>499,522</u>	<u>1,230,491</u>	<u>(664,936)</u>	<u>1,038,715</u>	<u>82,470,700</u>
Less Accumulated Depreciation for:						
Improvements Other Than Buildings	(2,163,389)		(328,766)	118,761		(2,373,394)
Buildings	(25,272,772)		(2,299,918)			(27,572,690)
Machinery and Equipment	(2,641,575)	-	(400,503)	-	-	(3,042,078)
Total Accumulated Depreciation	<u>(30,077,736)</u>	<u>-</u>	<u>(3,029,187)</u>	<u>118,761</u>	<u>-</u>	<u>(32,988,162)</u>
Total Capital Assets, Being Depreciated, Net	<u>50,289,172</u>	<u>499,522</u>	<u>(1,798,696)</u>	<u>(546,175)</u>	<u>1,038,715</u>	<u>49,482,538</u>
Governmental Activities Capital Assets, Net	<u>\$ 50,601,145</u>	<u>\$ 499,522</u>	<u>\$ (942,363)</u>	<u>\$ (546,175)</u>	<u>\$ -</u>	<u>\$ 49,612,129</u>
	Balance, <u>July 1, 2017</u>	Prior Period <u>Adjustments</u>	<u>Increases</u>		Balance, <u>June 30, 2018</u>	
<b>Business-Type Activities:</b>						
Capital Assets, Being Depreciated:						
Machinery and Equipment	\$ 401,134	151,808	124,168		\$ 677,110	
Total Capital Assets Being Depreciated	<u>401,134</u>	<u>151,808</u>	<u>124,168</u>		<u>677,110</u>	
Less Accumulated Depreciation for:						
Machinery and Equipment	(205,425)	(75,558)	\$ (37,317)		(318,300)	
Total Accumulated Depreciation	<u>(205,425)</u>	<u>(75,558)</u>	<u>(37,317)</u>		<u>(318,300)</u>	
Total Capital Assets, Being Depreciated, Net	<u>195,709</u>	<u>76,250</u>	<u>86,851</u>		<u>358,810</u>	
Business-Type Activities Capital Assets, Net	<u>\$ 195,709</u>	<u>\$ 76,250</u>	<u>\$ 86,851</u>		<u>\$ 358,810</u>	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**D. Capital Assets (Continued)**

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

**Governmental Activities:**

Instruction

Regular	\$ 1,302,551
Special	<u>181,751</u>

Total Instruction 1,484,302

Support Services

Student and Instruction Related Services	514,962
General Administration	272,627
School Administration	121,167
Operations and Maintenance of Plant	<u>636,129</u>

Total Support Services 1,544,885

Total Depreciation Expense - Governmental Activities \$ 3,029,187

**Business-Type Activities:**

Machinery and Equipment	<u>\$ 37,317</u>
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Total Depreciation Expense-Business-Type Activities \$ 37,317

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

The composition of interfund balances as of June 30, 2018, is as follows:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 96,381
General Fund	Capital Projects Fund	36,020
Debt Service Fund	General Fund	143
General Fund	Food Service Enterprise Fund	<u>3,043</u>
		<u>\$ 135,587</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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**E. Interfund Receivables, Payables, and Transfers (Continued)**

**Interfund Transfers**

	<u>Transfer In</u>		
	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Transfer Out:			
General Fund	\$ 700,000	\$ 621,271	\$ 1,321,271
Capital Projects Fund	<u>          -</u>	<u>          4,438</u>	<u>          4,438</u>
	<u>\$ 700,000</u>	<u>\$ 625,709</u>	<u>\$ 1,325,709</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.

**F. Leases**

**Capital Leases**

The District has entered into lease purchase agreements totaling \$2,109,000 for the acquisition and installation of various equipment.

The unexpended proceeds from capital leases in the amount of \$72,162 at June 30, 2018 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>
2019	\$ 426,868	\$ 16,263	\$ 443,131
2020	267,313	10,009	277,322
2021	253,053	5,476	258,529
2022	<u>122,154</u>	<u>1,682</u>	<u>123,836</u>
	<u>\$ 1,069,388</u>	<u>\$ 33,430</u>	<u>\$ 1,102,818</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**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, 2018 are comprised of the following issues:

\$17,190,000, 2011 Refunding Bonds, due in annual installments of \$1,535,000 to \$1,980,000 through January 15, 2024, interest at 4.0% to 5.0%	\$10,480,000
\$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
\$12,553,000, 2013 Refunding Bonds, due in annual installments of \$760,000 to \$1,023,000 through January 15, 2029, interest at 2.50% to 3.50%	9,763,000
\$1,970,000, 2016 Refunding Bonds, due in annual installments of \$180,000 to \$210,000 through January 15, 2027, interest at 1.750%	<u>1,765,000</u>
Total	<u>\$31,313,000</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>	
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	2,805,000	817,155	3,622,155
2023	2,935,000	699,780	3,634,780
2024-2028	16,805,000	1,768,188	18,573,188
2029	<u>1,023,000</u>	<u>35,805</u>	<u>1,058,805</u>
	<u>\$ 31,313,000</u>	<u>\$ 6,345,868</u>	<u>\$ 37,658,868</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2018 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 241,440,371
Less: Net Debt Issued	<u>31,313,000</u>
Remaining Borrowing Power	<u>\$ 210,127,371</u>

**H. Other Long-Term Liabilities**

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 34,624,000		\$ 3,311,000	\$ 31,313,000	\$ 2,475,000
Add: Original Issue Premium	<u>997,761</u>	<u>-</u>	<u>208,099</u>	<u>789,662</u>	<u>-</u>
Total Bonds Payable	35,621,761	-	3,519,099	32,102,662	2,475,000
Obligations Under Lease Purchase	899,077	590,000	419,689	1,069,388	426,868
Compensated Absences	589,388	\$ 30,563	32,864	587,087	54,500
Net Pension Liability	<u>13,861,901</u>	<u>501,381</u>	<u>3,578,247</u>	<u>10,785,035</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 50,972,127</u>	<u>\$ 1,121,944</u>	<u>\$ 7,549,899</u>	<u>\$ 44,544,172</u>	<u>\$ 2,956,368</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.

**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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

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 contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the funds, to report claims on a timely basis, cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. 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 insurance fund are on file with the School's Business Administrator.

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

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

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018		\$ 29,640	\$ 35,117	\$ 294,330
2016-2017		30,388	49,673	299,807
2015-2016		39,020	14,609	319,092

**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, 2018, 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 OTHER INFORMATION (Continued)**

**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, 2018, the District has not estimated its arbitrage earnings due to the IRS, if any.

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

**Plan Descriptions and Benefits Provided**

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. PERS is a cost sharing multiple employer defined benefit pension plan.

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

The following represents the membership tiers for PERS:

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

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



**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**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. TPAF is a cost sharing multiple employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions.

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

The following represent the membership tiers for TPAF:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement for his/her respective tier. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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, 2018**

**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 (“Division”), issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Plan Amendments**

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

**Measurement Focus and Basis of Accounting**

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investments are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The 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](http://www.state.nj.us/treasury/doinvest).

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Funding Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 33 percent with an unfunded actuarial accrued liability of 90.90 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 25.41 percent and \$67.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 48.10 percent and \$23.3 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.

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, 2016 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 ~~7.65~~ 7.00 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 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 7.34% for PERS, 7.34% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2018.

**Annual Pension Costs (APC)**

For the fiscal year ended June 30, 2018 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multiple 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Annual Pension Costs (APC) (Continued)**

During the fiscal years ended June 30, 2018, 2017 and 2016 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, was required to contribute for TPAF, respectively 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>
2018	\$ 429,204	\$ 2,454,263	\$ 12,941
2017	415,797	1,787,211	3,647
2016	383,095	1,301,356	6,610

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$8,191 and \$2,744, respectively for PERS and the State contributed \$3,047 and \$3,514, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

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 Statement No. 85, *Omnibus 2017* (GASB No. 85). 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 \$1,180,322 during the fiscal year ended June 30, 2018 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. 85.

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

**Public Employees Retirement System (PERS)**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits ("Division") administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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)**

To facilitate the separate actual valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2017.

At June 30, 2018, the District reported in the statement of net position (accrual basis) a liability of \$10,785,035 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the District's proportionate share was .04633 percent, which was a decrease of .00047 percent from its proportionate share measured as of June 30, 2016 of .04680 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$930,585 for PERS. The pension contribution made by the District during the current 2017/2018 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2018 with a measurement date of the prior fiscal year end of June 30, 2017. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2018 for contributions made subsequent to the current fiscal year end. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 253,950	
Changes of Assumptions	2,172,813	\$ 2,164,841
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	73,439	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>522,826</u>	<u>84,306</u>
Total	<u>\$ 3,023,028</u>	<u>\$ 2,249,147</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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)**

At June 30, 2018, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ 409,528
2020	529,690
2021	350,793
2022	(279,148)
2023	(236,982)
Thereafter	<u>-</u>
	<u>\$ 773,881</u>

***Actuarial Assumptions***

The District's total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	5.00%
2017	June 30, 2016	3.98%

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

\* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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 5.00%, 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 (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	<b>1% Decrease <u>(4.00%)</u></b>	<b>Current Discount Rate <u>(5.00%)</u></b>	<b>1% Increase <u>(6.00%)</u></b>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 13,379,568</u>	<u>\$ 10,785,035</u>	<u>\$ 8,623,468</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2017. 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](http://www.state.nj.us/treasury/pensions).



**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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)**

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity 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, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$7,421,425 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. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the District is \$107,130,017. 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, 2017. At June 30, 2017, the state's share of the net pension liability attributable to the District was .15889 percent, which was a decrease of .00365 percent from its proportionate share measured as of June 30, 2016 of .16254 percent.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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)**

**Actuarial Assumptions**

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 as follows:

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Discount Rate</b>
2018	June 30, 2017	4.25%
2017	June 30, 2016	3.22%

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, 2036
Municipal Bond Rate *	From July 1, 2036 and Thereafter

\* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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 4.25%, 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 (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	<b>1% Decrease (3.25%)</b>	<b>Current Discount Rate (4.25%)</b>	<b>1% Increase (5.25%)</b>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 127,273,821</u>	<u>\$ 107,130,017</u>	<u>\$ 90,535,464</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2017. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2017 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, 2018**

**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](http://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 plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

**Plan Description and Benefits Provided**

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

**State Health Benefit Program Fund – Local Education Retired** (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Plan Membership**

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2016:

Active Plan Members	\$223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u>-</u>
Total	<u>\$366,078</u>

**Measurement Focus and Basis of Accounting**

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$69.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.5 billion for state active and retired members and \$43.8 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Funded Status and Funding Progress (Continued)**

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, 2016, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**Post-Retirement Medical Benefits Contributions**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2017, there were 112,966 , retirees receiving post-retirement medical benefits and the State contributed \$1.39 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 (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

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, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2018, 2017 and 2016 were \$1,585,156, \$1,489,154 and \$1,549,556, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State’s contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District’s proportionate share percentage determined under Statement No. 75 is zero percent and the State’s proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$4,183,587. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State’s proportionate share of the OPEB liability attributable to the District is \$64,786,814. The nonemployer allocation percentages are based on the ratio of the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state’s share of the OPEB liability attributable to the District was .12078 percent, which was a decrease of .00001 percent from its proportionate share measured as of June 30, 2016 of .12079 percent.

**Actuarial Assumptions**

The OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	RP-2014 Headcount-Weighted Healthy Employee, Healthy Annuitant and Disabled Male/Female Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year Using Scale MP-2017
Long-Term Rate of Return	1.00%

\*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.



**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

**Actuarial Assumptions (Continued)**

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

**Long-Term Expected Rate of Return**

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

**Discount Rate**

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	3.58%
2017	June 30, 2016	2.85%

The discount rate represents the municipal bond return rate as chosen by the Division. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

**Changes in the Total OPEB Liability**

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	Total OPEB Liability <u>(State Share 100%)</u>
Balance, June 30, 2016 Measurement Date	\$ <u>69,856,981</u>
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 3,027,972
Interest on the Total OPEB Liability	2,052,814
Changes of Assumptions	(8,559,275)
Gross Benefit Payments	(1,652,528)
Contributions from the Member	<u>60,850</u>
<b>Net Changes</b>	<b>\$ <u>(5,070,167)</u></b>
Balance, June 30, 2017 Measurement Date	\$ <u>64,786,814</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2017 was not provided by the pension system.

**Sensitivity of OPEB Liability**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.58%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease <u>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ <u>76,906,622</u>	\$ <u>64,786,814</u>	\$ <u>55,173,267</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

**Sensitivity of OPEB Liability (Continued)**

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability (School Retirees)	\$ <u>53,280,892</u>	\$ <u>64,786,814</u>	\$ <u>80,066,544</u>

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 were not provided by the pension system.

**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, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 30,506,702		\$ 30,506,702	\$ 30,506,702	
Tuition	7,171,854		7,171,854	7,236,479	\$ 64,625
Interest	5,000		5,000	59,064	54,064
Interest on Capital Reserve	100		100	890	790
Rents and Royalties	120,000		120,000	137,423	17,423
Miscellaneous	50,000		50,000	127,863	77,863
State Sources					
Special Education Aid	637,517		637,517	750,169	112,652
Security Aid	83,096		83,096	83,096	
Transportation Aid	218,205		218,205	218,205	
PARCC Readiness	18,030		18,030	18,030	
Per Pupil Growth Aid	18,030		18,030	18,030	
Professional Learning Community Aid	17,520		17,520	17,520	
Non-Public Transportation				80,130	80,130
Extraordinary Aid	200,000		200,000	448,518	248,518
Lead Testing for Schools Aid				3,332	3,332
On-Behalf TPAF (Non-Budget)					
Pension Contribution				2,396,115	2,396,115
NCGI Premium				58,148	58,148
Long Term Disability Insurance				3,047	3,047
Post Retirement - Medical				1,585,156	1,585,156
Social Security	-	-	-	1,180,322	1,180,322
Total Revenues	<u>39,046,054</u>	<u>-</u>	<u>39,046,054</u>	<u>44,928,239</u>	<u>5,882,185</u>
<b>EXPENDITURES</b>					
<b>CURRENT</b>					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 9-12	11,450,557	\$ (307,300)	11,143,257	10,862,118	281,139
Home Instruction					
Salaries of Teachers	35,550	-	35,550	2,480	33,070
Purchased Prof.-Ed. Services	22,000	-	22,000	18,850	3,150
Regular Programs - Undistributed Instruction					
Purchased Prof.-Ed. Services	12,500	5,550	18,050	12,927	5,123
Other Purchased Services	696,206	13,899	710,105	670,889	39,216
General Supplies	409,300	6,189	415,489	331,893	83,596
Textbooks	127,770	(16,051)	111,719	57,823	53,896
Other Objects	9,000	-	9,000	3,619	5,381
Total Regular Programs	<u>12,762,883</u>	<u>(297,713)</u>	<u>12,465,170</u>	<u>11,960,599</u>	<u>504,571</u>
Learning and/or Language Disabilities					
Salaries of Teachers	343,049	3,700	346,749	346,727	22
Other Salaries for Instruction	354,260	16,800	371,060	366,306	4,754
Purchased Prof.-Ed. Services	14,500	-	14,500	-	14,500
Other Purchased Services	2,500	(450)	2,050	-	2,050
General Supplies	10,250	(1,400)	8,850	8,128	722
Textbooks	700	-	700	-	700
Other Objects	1,000	(500)	500	-	500
Total Learning and/or Language Disabilities	<u>726,259</u>	<u>18,150</u>	<u>744,409</u>	<u>721,161</u>	<u>23,248</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>EXPENDITURES</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Modified Budget</b>	<b>Actual</b>	<b>Variance Final Budget to Actual</b>
<b>CURRENT (Continued)</b>					
Resource Room					
Salaries of Teachers	\$ 1,566,328		\$ 1,566,328	\$ 1,542,008	\$ 24,320
Other Salaries for Instruction	378,745	\$ (20,000)	358,745	314,861	43,884
Other Purchased Services	500	-	500		500
General Supplies	33,925	(3,600)	30,325	24,179	6,146
Textbooks	2,000	(1,000)	1,000	47	953
<b>Total Resource Room</b>	<b>1,981,498</b>	<b>(24,600)</b>	<b>1,956,898</b>	<b>1,881,095</b>	<b>75,803</b>
<b>Total Special Education</b>	<b>2,707,757</b>	<b>(6,450)</b>	<b>2,701,307</b>	<b>2,602,256</b>	<b>99,051</b>
Bilingual Education					
Salaries of Teachers	19,322	-	19,322	15,962	3,360
Other Purchased Services	500	-	500		500
Other Objects	600	-	600	-	600
<b>Total Bilingual Education</b>	<b>20,422</b>	<b>-</b>	<b>20,422</b>	<b>15,962</b>	<b>4,460</b>
School Sponsored Co-Curricular Activities					
Salaries	242,330	-	242,330	228,221	14,109
Purchased Services	1,200	240	1,440	234	1,206
Supplies and Materials	39,950	(6,435)	33,515	25,212	8,303
Other Objects		350	350	350	-
Transfers to Cover Deficit	19,200	(350)	18,850	9,250	9,600
<b>Total School Sponsored Co-Curricular Activities</b>	<b>302,680</b>	<b>(6,195)</b>	<b>296,485</b>	<b>263,267</b>	<b>33,218</b>
School Sponsored Athletics - Instruction					
Salaries	756,837	7,300	764,137	736,349	27,788
Purchased Services	209,488	9,200	218,688	195,847	22,841
Supplies and Materials	208,900	(7,735)	201,165	136,645	64,520
Other Objects	9,000	7,700	16,700	7,089	9,611
<b>Total School Sponsored Athletics-Instruction</b>	<b>1,184,225</b>	<b>16,465</b>	<b>1,200,690</b>	<b>1,075,930</b>	<b>124,760</b>
<b>Total - Instruction</b>	<b>16,977,967</b>	<b>(293,893)</b>	<b>16,684,074</b>	<b>15,918,014</b>	<b>766,060</b>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State - Regular	29,900	(19,890)	10,010	9,932	78
Tuition to Other LEAs Within State - Spec.	292,348	(26,510)	265,838	230,571	35,267
Tuition to Co. Voc. School Dist. - Reg.	28,250	(750)	27,500	23,895	3,605
Tuition to Co. Voc. School Dist. - Special	10,200	(2,100)	8,100	5,036	3,064
Tuition to Priv Sch. For Disabled w/in State	1,852,162	41,310	1,893,472	1,837,084	56,388
Tuition to Priv Sch. For Disabled Out of State	-	80,000	80,000	80,000	-
Tuition - Other	25,000	(10,150)	14,850	10,311	4,539
<b>Total Undistributed Expenditures - Instruction</b>	<b>2,237,860</b>	<b>61,910</b>	<b>2,299,770</b>	<b>2,196,829</b>	<b>102,941</b>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Attendance and Social Work Services					
Salaries	\$ 65,276	-	\$ 65,276	\$ 64,436	\$ 840
Purchased Professional and Technical Services	11,000	(1,000)	10,000	450	9,550
Total Attendance and Social Work Svcs.	<u>76,276</u>	<u>(1,000)</u>	<u>75,276</u>	<u>64,886</u>	<u>10,390</u>
Health Services					
Salaries of Teachers	244,770	1,200	245,970	245,959	11
Purchased Professional and Technical Services	32,400	107,000	139,400	130,493	8,907
Other Purchased Services	1,000	(200)	800	9	791
Supplies and Materials	10,700	-	10,700	4,624	6,076
Total Health Services	<u>288,870</u>	<u>108,000</u>	<u>396,870</u>	<u>381,085</u>	<u>15,785</u>
Other Support Services - Speech, OT, PT and Related Services					
Purchased Professional-Educational Services	180,000	36,100	216,100	176,599	39,501
Total Other Support Services-Speech, OT, PT and Related Services	<u>180,000</u>	<u>36,100</u>	<u>216,100</u>	<u>176,599</u>	<u>39,501</u>
Other Support Services - Extra. Services					
Salaries	92,462	(500)	91,962	80,691	11,271
Purchased Professional - Educational Services	447,896	48,400	496,296	474,138	22,158
Total Other Support Services - Extra. Services	<u>540,358</u>	<u>47,900</u>	<u>588,258</u>	<u>554,829</u>	<u>33,429</u>
Other Support Services - Guidance					
Salaries of Other Professional Staff	930,396	(9,600)	920,796	891,796	29,000
Salaries of Secretarial and Clerical Assistants	115,795	700	116,495	116,447	48
Other Salaries	159,390	-	159,390	159,390	-
Other Purchased Services	1,500	(1,000)	500	-	500
Supplies and Materials	30,100	(3,565)	26,535	13,668	12,867
Other Objects	8,500	1,000	9,500	9,230	270
Total Other Support Services - Guidance	<u>1,245,681</u>	<u>(12,465)</u>	<u>1,233,216</u>	<u>1,190,531</u>	<u>42,685</u>
Other Support Services - Child Study Team					
Salaries of Other Professional Staff	742,513	-	742,513	738,627	3,886
Salaries of Secretarial and Clerical Assistants	112,930	1,600	114,530	114,520	10
Purchased Professional - Educational Services	3,000	4,600	7,600	4,900	2,700
Other Purchased Services	25,723	(1,000)	24,723	17,717	7,006
Supplies and Materials	4,750	-	4,750	4,197	553
Other Objects	2,000	(500)	1,500	395	1,105
Total Other Support Services - Child Study Team	<u>890,916</u>	<u>4,700</u>	<u>895,616</u>	<u>880,356</u>	<u>15,260</u>
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisors of Instruction	570,674	-	570,674	570,674	-
Salaries of Other Professional Staff	13,500	-	13,500	9,800	3,700
Salaries of Secretarial and Clerical Assistants	46,624	-	46,624	46,624	-
Supplies and Materials	1,500	-	1,500	-	1,500
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	<u>632,298</u>	<u>-</u>	<u>632,298</u>	<u>627,098</u>	<u>5,200</u>



**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>EXPENDITURES</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Modified Budget</b>	<b>Actual</b>	<b>Variance Final Budget to Actual</b>
<b>CURRENT (Continued)</b>					
Educational Media Services/School Library					
Salaries	\$ 269,553		\$ 269,553	\$ 266,411	\$ 3,142
Other Purchased Services	57,343		57,343	53,587	3,756
Supplies and Materials	24,750	-	24,750	15,187	9,563
<b>Total Educational Media Services/School Library</b>	<b>351,646</b>	<b>-</b>	<b>351,646</b>	<b>335,185</b>	<b>16,461</b>
Instructional Staff Training Services					
Salaries of Other Professional Staff	52,475	\$ 5	52,480	52,476	4
Salaries of Secretarial and Clerical Assist.	25,046	-	25,046	25,045	1
Other Salaries	10,000	(5)	9,995	1,155	8,840
Purchased Professional/Educational Svcs.	35,000	-	35,000	32,380	2,620
Other Purchased Services	22,000	(370)	21,630	20,578	1,052
Supplies and Materials	15,000	-	15,000	7,232	7,768
Other Objects	5,000	-	5,000	1,085	3,915
<b>Total Instructional Staff Training Svcs.</b>	<b>164,521</b>	<b>(370)</b>	<b>164,151</b>	<b>139,951</b>	<b>24,200</b>
Support Services General Administration					
Salaries	298,586	-	298,586	295,731	2,855
Legal Services	85,000	-	85,000	80,365	4,635
Audit Fees	31,500	28,500	60,000	28,638	31,362
Other Purchased Professional Services	20,197	9,500	29,697	14,134	15,563
Purchased Technical Services	26,500	46,500	73,000	67,676	5,324
Miscellaneous Purchased Services	216,733	2,677	219,410	218,521	889
Communications/Telephone	50,263	-	50,263	18,525	31,738
BOE Other Purchased Services	2,000	900	2,900	2,892	8
General Supplies	4,600	600	5,200	5,161	39
BOE In House Training/Meeting Supplies	5,280	-	5,280	234	5,046
Judgements Against the School District	-	-	-	-	-
Miscellaneous Expenditures	12,700	(601)	12,099	6,898	5,201
BOE Membership Dues and Fees	31,420	-	31,420	15,608	15,812
<b>Total Support Services General Administration</b>	<b>784,779</b>	<b>88,076</b>	<b>872,855</b>	<b>754,383</b>	<b>118,472</b>
Support Services School Administration					
Salaries of Principals/Asst. Principals/Program Directors	586,789	-	586,789	586,788	1
Salaries of Other Professional Staff	736,385	10,900	747,285	747,258	27
Salaries of Secretarial and Clerical Assistants	183,270	(2,000)	181,270	180,066	1,204
Other Purchased Services	1,975	465	2,440	2,376	64
Supplies and Materials	29,250	(1,900)	27,350	23,271	4,079
Other Objects	29,000	-	29,000	21,716	7,284
<b>Total Support Services School Administration</b>	<b>1,566,669</b>	<b>7,465</b>	<b>1,574,134</b>	<b>1,561,475</b>	<b>12,659</b>
Central Services					
Salaries	604,910	-	604,910	604,860	50
Purchased Technical Services	1,700	3,500	5,200	2,732	2,468
Misc. Purchased Services	16,600	(1,450)	15,150	8,920	6,230
Supplies and Materials	8,400	1,100	9,500	8,454	1,046
Miscellaneous Expenditures	5,800	1,950	7,750	7,633	117
<b>Total Central Services</b>	<b>637,410</b>	<b>5,100</b>	<b>642,510</b>	<b>632,599</b>	<b>9,911</b>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>EXPENDITURES</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Modified Budget</b>	<b>Actual</b>	<b>Variance Final Budget to Actual</b>
<b>CURRENT (Continued)</b>					
Administration Information Technology					
Salaries	\$ 188,418		\$ 188,418	\$ 185,720	\$ 2,698
Purchased Technical Services	51,210	\$ (2,000)	49,210	30,904	18,306
Other Purchased Services	54,950	9,900	64,850	62,964	1,886
Other Objects	500	-	500	-	500
Total Administration Information Technology	<u>295,078</u>	<u>7,900</u>	<u>302,978</u>	<u>279,588</u>	<u>23,390</u>
Undist. Expend. - Required Maint. For School Facilities					
Salaries	904,931	(10,000)	894,931	715,468	179,463
Cleaning, Repair, and Maintenance	476,555	186,835	663,390	526,868	136,522
General Supplies	114,985	19,200	134,185	113,426	20,759
Other Objects	5,400	-	5,400	674	4,726
Total Undist. Expend - Required Maint. For School Facilities	<u>1,501,871</u>	<u>196,035</u>	<u>1,697,906</u>	<u>1,356,436</u>	<u>341,470</u>
Undist. Expend. - Custodial Services					
Purchased Professional-Technical Services		2,500	2,500	2,458	42
Cleaning, Repair, and Maintenance Services	732,608	3,100	735,708	728,079	7,629
Other Purchased Property Services	92,406	-	92,406	67,148	25,258
Insurance	6,652	-	6,652	6,652	-
Miscellaneous Purchased Services	87,584	-	87,584	83,892	3,692
General Supplies	9,000	(3,100)	5,900	5,080	820
Energy(Natural Gas)	195,260	-	195,260	166,918	28,342
Energy(Electricity)	521,500	-	521,500	481,428	40,072
Total Undist. Expend. - Custodial Services	<u>1,645,010</u>	<u>2,500</u>	<u>1,647,510</u>	<u>1,541,655</u>	<u>105,855</u>
Care and Upkeep of Grounds					
Salaries	286,560	(23,000)	263,560	240,047	23,513
Purchased Prof. and Technical Services	20,500	190	20,690	3,335	17,355
Cleaning, Repair, and Maintenance Serv.	102,000	(46,475)	55,525	45,932	9,593
General Supplies	55,920	6,466	62,386	55,958	6,428
Total Care and Upkeep	<u>464,980</u>	<u>(62,819)</u>	<u>402,161</u>	<u>345,272</u>	<u>56,889</u>
Security					
Salaries	295,692	3,300	298,992	298,982	10
Purchased Prof. and Technical Services	129,500	1,200	130,700	121,266	9,434
Cleaning, Repair, and Maintenance Serv.	5,300	2,100	7,400	772	6,628
General Supplies	18,000	(3,179)	14,821	3,328	11,493
Other Objects	200	-	200	-	200
Total Security	<u>448,692</u>	<u>3,421</u>	<u>452,113</u>	<u>424,348</u>	<u>27,765</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT (Continued)</b>					
Student Transportation Services					
Sal. For Pupil Trans (Bet Home and Sch)-Reg.	\$ 61,079	-	\$ 61,079	\$ 61,079	-
Sal. For Pupil Trans (Other Than Bet Home and Sch)	160,604	\$ (5,300)	155,304	137,373	\$ 17,931
Other Purchased Prof. and Technical Svce.	6,778	-	6,778	6,710	68
Management Fee - ESC Transportation Program	19,227	15,400	34,627	33,858	769
Cleaning, Repair, and Maintenance Services	36,500	-	36,500	36,177	323
Rental Payments - School Buses	-	2,015	2,015	2,014	1
Contr. Serv. (Bet Home and Sch)-Vendors	803,682	7,551	811,233	746,715	64,518
Contr. Serv. (Other Than Bet Home and Sch)					
- Vendors	14,640	6,600	21,240	15,078	6,162
Contr. Serv. (Bet Home and Sch)-Joint Agreements	73,130	5,400	78,530	77,903	627
Contr. Serv. (Spec. Ed.)-Joint Agreements	740,434	289,000	1,029,434	1,024,771	4,663
Contr. Serv. - Aid in Lieu Payments	227,374	30,000	257,374	243,667	13,707
Miscellaneous Purchased Services - Transportation	33,990	-	33,990	33,990	-
General Supplies	15,500	-	15,500	3,999	11,501
Other Objects	5,250	(15)	5,235	3,552	1,683
<b>Total Student Transportation Services</b>	<b>2,198,188</b>	<b>350,651</b>	<b>2,548,839</b>	<b>2,426,886</b>	<b>121,953</b>
Unallocated Benefits - Employee Benefits					
Social Security Contributions	401,145	24,000	425,145	401,896	23,249
Other Retirement Contributions-PERS	411,183	26,215	437,398	437,395	3
Other Retirement Contributions- Regular	3,875	9,200	13,075	12,941	134
Unemployment Compensation	800	-	800	659	141
Workmen's Compensation	236,268	(6,500)	229,768	229,765	3
Health Benefits	5,456,217	(407,585)	5,048,632	4,856,033	192,599
Tuition Reimbursement	134,000	(10,640)	123,360	100,867	22,493
Other Employee Benefits	8,000	-	8,000	3,203	4,797
Unused Sick Payments to Terminated/Retired Staff	57,100	-	57,100	32,864	24,236
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>6,708,588</b>	<b>(365,310)</b>	<b>6,343,278</b>	<b>6,075,623</b>	<b>267,655</b>
On-Behalf - TPAF (Non-Budget)					
Pension Contribution				2,396,115	(2,396,115)
NCGI Premium				58,148	(58,148)
Long Term Disability Insurance				3,047	(3,047)
Post Retirement-Medical				1,585,156	(1,585,156)
Social Security Contributions	-	-	-	1,180,322	(1,180,322)
<b>Total On-Behalf</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,222,788</b>	<b>(5,222,788)</b>
<b>Total Undistributed Expenditures</b>	<b>22,859,691</b>	<b>477,794</b>	<b>23,337,485</b>	<b>27,168,402</b>	<b>(3,830,917)</b>
<b>Total Current Expenditures</b>	<b>39,837,658</b>	<b>183,901</b>	<b>40,021,559</b>	<b>43,086,416</b>	<b>(3,064,857)</b>
<b>CAPITAL OUTLAY</b>					
Equipment					
Instruction					
Grades 9-12		7,599	7,599	7,599	-
Learning and/or Language Disabilities		-	-	-	-
School Sponsored and Other Instructional		14,148	14,148	8,967	5,181
Vocational					
School-Sponsored and Other Instructional Programs		16,000	16,000	16,000	-
Undistributed					
Central Services		19,300	19,300	19,280	20
Admin. Info. Tech.		20,414	20,414	13,602	6,812
Required Maintenance		30,275	30,275	23,975	6,300
Care and Upkeep of Grounds	-	8,200	8,200	8,157	43
<b>Total Equipment</b>	<b>-</b>	<b>115,936</b>	<b>115,936</b>	<b>97,580</b>	<b>18,356</b>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CAPITAL OUTLAY (Continued)</b>					
Facilities Acquisition and Construction Svces.					
Architectural and/or Engineering Services	\$ 11,100	\$ 37,650	\$ 48,750	\$ 48,746	\$ 4
Construction Services	138,900	783,390	922,290	920,894	1,396
Assessment of Debt Service on SDA Funding	121,752	-	121,752	121,752	-
Total Facilities Acquisition and Construction Svces.	<u>271,752</u>	<u>821,040</u>	<u>1,092,792</u>	<u>1,091,392</u>	<u>1,400</u>
Interest Deposit to Capital Reserve	100	-	100	-	100
Total Capital Outlay	<u>271,852</u>	<u>936,976</u>	<u>1,208,828</u>	<u>1,188,972</u>	<u>19,856</u>
Total Expenditures	<u>40,109,510</u>	<u>1,120,877</u>	<u>41,230,387</u>	<u>44,275,388</u>	<u>(3,045,001)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,063,456)</u>	<u>(1,120,877)</u>	<u>(2,184,333)</u>	<u>652,851</u>	<u>2,837,184</u>
Capital Reserve Transfers In					-
Transfers Out	(1,321,271)	-	(1,321,271)	(1,321,271)	-
Total Other Financing Sources (Uses)	<u>(1,321,271)</u>	<u>-</u>	<u>(1,321,271)</u>	<u>(1,321,271)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(2,384,727)</u>	<u>(1,120,877)</u>	<u>(3,505,604)</u>	<u>(668,420)</u>	<u>2,837,184</u>
Fund Balances, Beginning of Year	<u>6,538,995</u>	<u>-</u>	<u>6,538,995</u>	<u>6,538,995</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 4,154,268</u>	<u>\$ (1,120,877)</u>	<u>\$ 3,033,391</u>	<u>\$ 5,870,575</u>	<u>\$ 2,837,184</u>
<b>Recapitulation:</b>					
<b>Restricted Fund Balance:</b>					
Capital Reserve				\$ 2,359,266	
Capital Reserve - Designated for Subsequent Year's Budget				604,934	
Maintenance Reserve				249,735	
Tuition Reserve				100,000	
Tuition Reserve - Designated for Subsequent Year's Budget				100,000	
Excess Surplus				503,518	
Excess Surplus - Designated in Subsequent Year's Budget				522,982	
<b>Committed Fund Balance:</b>					
Encumbrances				38,487	
<b>Assigned Fund Balance:</b>					
Encumbrances				44,119	
Designated for Subsequent Year's Budget				223,834	
<b>Unassigned Fund Balance:</b>					
Unreserved				<u>1,123,700</u>	
				5,870,575	
Less: State Aid Payments Not Recognized on GAAP				<u>(543,996)</u>	
Fund Balance, GAAP Basis (Exhibit B-2)				<u>\$ 5,326,579</u>	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State	\$ 108,672	\$ 34,130	\$ 142,802	\$ 126,571	\$ (16,231)
Federal	387,155	106,703	493,858	414,014	(79,844)
Other	20,867	11,283	32,150	19,308	(12,842)
Total Revenues	<u>516,694</u>	<u>152,116</u>	<u>668,810</u>	<u>559,893</u>	<u>(108,917)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	55,867	(17,911)	37,956	23,901	14,055
Purchased Professional and Educ Services	25,562	27,475	53,037	40,714	12,323
Other Purchased Services	317,122	70,586	387,708	377,046	10,662
General Supplies	9,646	12,349	21,995	18,853	3,142
Textbooks	21,384	(2,814)	18,570	17,642	928
Other Objects	-	2,593	2,593	2,593	-
Total Instruction	<u>429,581</u>	<u>92,278</u>	<u>521,859</u>	<u>480,749</u>	<u>41,110</u>
Support Services					
Salaries	10,709	11,732	22,441	7,233	15,208
Personal Services - Employee Benefits	6,324	5,601	11,925	7,556	4,369
Purchased Professional and Educ Services	70,080	42,505	112,585	64,355	48,230
Total Support Services	<u>87,113</u>	<u>59,838</u>	<u>146,951</u>	<u>79,144</u>	<u>67,807</u>
Total Expenditures	<u>516,694</u>	<u>152,116</u>	<u>668,810</u>	<u>559,893</u>	<u>108,917</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, 2018**

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

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

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

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b>Sources/Inflows of Resources</b>		
Actual Revenues (budgetary basis) (Exhibits C-1 and C-2)	\$ 44,928,239	\$ 559,893
<b>Difference - Budget to GAAP</b>		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances		
Current Year Encumbrances		
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements - Current Year	(543,996)	
State Aid payments recognized for GAAP statements, not recognized for budgetary basis - Prior Year	<u>434,164</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 44,818,407</u>	<u>\$ 559,893</u>
<b>Uses/Outflows of Resources</b>		
Actual Expenditures (budgetary basis) (Exhibit C-1 and C-2)	\$ 44,275,388	\$ 559,893
<b>Differences - Budget to GAAP</b>		
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		
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>\$ 44,275,388</u>	<u>\$ 559,893</u>

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**PENSION AND OTHER POST-EMPLOYMENT BENEFITS INFORMATION**

**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 Five Fiscal Years \***

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.04633%		0.04680%		0.04456%		0.04308%		0.04168%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,785,035	\$	13,861,901	\$	10,002,788	\$	8,065,407	\$	7,965,083
District's Covered-Employee Payroll	\$ 3,324,992	\$	3,053,173	\$	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	324.36%		454.02%		322.18%		271.14%		267.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%		40.14%		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 Five Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 429,204	\$ 415,797	\$ 383,095	\$ 355,130	\$ 314,019
Contributions in Relation to the Contractually Required Contributions	<u>429,204</u>	<u>415,797</u>	<u>383,095</u>	<u>355,130</u>	<u>314,019</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	\$ 3,324,992	\$ 3,053,173	\$ 3,104,751	\$ 2,974,617	\$ 2,977,975
Contributions as a Percentage of Covered-Employee Payroll	12.91%	13.62%	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 Five Fiscal Years \***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0	\$0
State's Proportionate Share of Net Pension Liability (Asset) Associated with the District	<u>\$ 107,130,017</u>	<u>\$ 127,864,123</u>	<u>\$ 102,351,486</u>	<u>\$ 83,009,491</u>	<u>\$ 80,663,187</u>
Total	<u>\$ 107,130,017</u>	<u>\$ 127,864,123</u>	<u>\$ 102,351,486</u>	<u>\$ 83,009,491</u>	<u>\$ 80,663,187</u>
District's Covered-Employee Payroll	\$ 16,808,037	\$ 16,344,743	\$ 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%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	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, 2018**

**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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF  
TOTAL OPEB LIABILITY**

**Postemployment Health Benefit Plan**

**Last One Fiscal Year\***

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service Cost	\$ 3,027,972
Interest on Total OPEB Liability	2,052,814
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	(8,559,275)
Gross Benefit Payments	(1,652,528)
Contribution from the Member	60,850
<b>Net Change in Total OPEB Liability</b>	(5,070,167)
<b>Total OPEB Liability - Beginning</b>	<b>69,856,981</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 64,786,814</b>
District's Proportionate Share of OPEB Liability	\$ -
State's Proportionate Share of OPEB Liability	64,786,814
Total OPEB Liability - Ending	\$ 64,786,814
District's Covered-Employee Payroll	\$ 20,133,029
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

\*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. 75. 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 CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY  
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Changes in Benefit Terms:**

None.

**Changes of Assumptions**

Assumptions used in calculating the OPEB liability 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, 2018**

	Title II Part A	I.D.E.A. Part B Basic	Title I	Non-Public							Local	Grand Totals
				Textbooks	Nursing	Exam and Class	Supplemental Instruction	Technology	Security	Home Instruction		
<b>REVENUES</b>												
Intergovernmental												
State				\$ 17,642	\$ 32,258	\$ 39,839	\$ 476	\$ 12,540	\$ 23,417	\$ 399		\$ 126,571
Federal	\$ 7,733	\$ 376,824	\$ 29,457									414,014
Local	-	-	-	-	-	-	-	-	-	-	\$ 19,308	19,308
<b>Total Revenues</b>	<b>\$ 7,733</b>	<b>\$ 376,824</b>	<b>\$ 29,457</b>	<b>\$ 17,642</b>	<b>\$ 32,258</b>	<b>\$ 39,839</b>	<b>\$ 476</b>	<b>\$ 12,540</b>	<b>\$ 23,417</b>	<b>\$ 399</b>	<b>\$ 19,308</b>	<b>\$ 559,893</b>
<b>EXPENDITURES</b>												
Instruction												
Salaries of Teachers			\$ 22,401								\$ 1,500	\$ 23,901
Purchased Professional and Educ Services						\$ 39,839	\$ 476			\$ 399		40,714
Other Purchased Services		\$ 368,144									8,902	377,046
General Supplies								\$ 12,540			6,313	18,853
Textbooks				\$ 17,642								17,642
Other Objects	-	-	-	-	-	-	-	-	-	-	2,593	2,593
<b>Total Instruction</b>	<b>-</b>	<b>368,144</b>	<b>22,401</b>	<b>17,642</b>	<b>-</b>	<b>39,839</b>	<b>476</b>	<b>12,540</b>	<b>-</b>	<b>399</b>	<b>19,308</b>	<b>480,749</b>
Support Services												
Salaries	\$ 7,233											7,233
Personal Services - Employee Benefits	500		7,056									7,556
Purchased Professional and Educ Services		8,680			\$ 32,258				23,417			64,355
<b>Total Support Services</b>	<b>7,733</b>	<b>8,680</b>	<b>7,056</b>	<b>-</b>	<b>32,258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,417</b>	<b>-</b>	<b>-</b>	<b>79,144</b>
<b>Total Expenditures</b>	<b>\$ 7,733</b>	<b>\$ 376,824</b>	<b>\$ 29,457</b>	<b>\$ 17,642</b>	<b>\$ 32,258</b>	<b>\$ 39,839</b>	<b>\$ 476</b>	<b>\$ 12,540</b>	<b>\$ 23,417</b>	<b>\$ 399</b>	<b>\$ 19,308</b>	<b>\$ 559,893</b>

**CAPITAL PROJECTS FUND**



WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Project Title/Description</u>	<u>Appropriations</u>	<u>Adjustments</u>	<u>Supplemental Authorization</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2018</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Referendum Project - Infrastructure Repairs and Renovation of the High School	\$ 12,553,000		\$ 700,000	\$ 12,208,751	\$ 832,358	\$ 211,891
Turf Field	941,000			895,112		45,888
Technology, Vehicles and Security Upgrades	645,000	528 *	-	618,837	26,691	-
Acquisition of Equipment	<u>590,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>568,181</u>	<u>21,819</u>
	<u>\$ 14,729,000</u>	<u>\$ 528</u>	<u>\$ 700,000</u>	<u>\$ 13,722,700</u>	<u>\$ 1,427,230</u>	<u>\$ 279,598</u>

Project Balances	\$ 279,598
Add: Interest on Escrow	916
Fund Balance - GAAP Basis	<u>\$ 280,514</u>
Recapitulation of Fund Balance Restricted for Capital Projects	
Encumbrances Available for Capital Projects	\$ 21,819
	<u>258,695</u>
Total Fund Balance - Restricted for Capital Projects	<u>\$ 280,514</u>

\* Increased for interest earned on Lease Purchase Account

**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, 2018**

**Revenues and Other Financing Sources**

Lease Purchase Proceeds	\$ 590,000
Transfer from General Fund - Capital Reserve	700,000
Interest on Deposits	4,438
Interest on Escrow	<u>916</u>
 Total Revenues	 <u>1,295,354</u>

**Expenditures and Other Financing Uses**

Purchased Professional and Technical Services	13,650
Construction Services	549,708
Acquisition of Capital Equipment	458,246
Acquisition of Non-Capital Equipment	405,626
Transfer to Debt Service Fund	<u>4,438</u>
 Total Expenditures and Other Financing Uses	 <u>1,431,668</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	(136,314)
 Fund Balance, July 1, 2017	 <u>416,828</u>
 Fund Balance, June 30, 2018	 <u>\$ 280,514</u>

**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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 764,027	\$ -	\$ 764,027	\$ 764,027
Total Revenues	<u>764,027</u>	<u>-</u>	<u>764,027</u>	<u>764,027</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	79,309		79,309	79,309
Construction Services	484,718		484,718	484,718
Equipment	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Total Expenditures	<u>764,027</u>	<u>-</u>	<u>764,027</u>	<u>764,027</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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	\$ 157,452
Revised Authorized Cost	\$ 764,027

## Percentage Increase Over Original

Authorized Cost	25.96%
Percentage Completion	100%
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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 550,606		\$ 550,606	\$ 550,606
Transfer from Capital Reserve	-	\$ 700,000	700,000	700,000
	<u>550,606</u>	<u>700,000</u>	<u>1,250,606</u>	<u>1,250,606</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	80,988	13,650	94,638	115,000
Construction Services	125,369	549,708	675,077	866,606
Equipment	-	269,000	269,000	269,000
	<u>206,357</u>	<u>832,358</u>	<u>1,038,715</u>	<u>1,250,606</u>
Excess of Revenues Over Expenditures	<u>\$ 344,249</u>	<u>\$ (132,358)</u>	<u>\$ 211,891</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	\$ 669,788
Revised Authorized Cost	\$ 1,250,606

Percentage Decrease Over Original  
Authorized Cost

115.32%

Percentage Completion

83%

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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 2,599,563	\$ -	\$ 2,599,563	\$ 2,599,563
Total Revenues	<u>2,599,563</u>	<u>-</u>	<u>2,599,563</u>	<u>2,599,563</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	216,563		216,563	216,563
Construction Services	<u>2,383,000</u>	<u>-</u>	<u>2,383,000</u>	<u>2,383,000</u>
Total Expenditures	<u>2,599,563</u>	<u>-</u>	<u>2,599,563</u>	<u>2,599,563</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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	\$ 480,963
Revised Authorized Cost	\$ 2,599,563

Percentage Increase Over Original Authorized Cost	22.70%
Percentage Completion	100%
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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 2,326,687	\$ -	\$ 2,326,687	\$ 2,326,687
 Total Revenues	 <u>2,326,687</u>	 <u>-</u>	 <u>2,326,687</u>	 <u>2,326,687</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	206,502		206,502	206,502
Construction Services	<u>2,120,185</u>	<u>-</u>	<u>2,120,185</u>	<u>2,120,185</u>
 Total Expenditures	 <u>2,326,687</u>	 <u>-</u>	 <u>2,326,687</u>	 <u>2,326,687</u>
 Excess of Revenues Over Expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</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	\$ (866,469)
Revised Authorized Cost	\$ 2,326,687

Percentage Decrease Over Original Authorized Cost	-27.14%
Percentage Completion	100%
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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 1,830,700	\$ -	\$ 1,830,700	\$ 1,830,700
Total Revenues	<u>1,830,700</u>	<u>-</u>	<u>1,830,700</u>	<u>1,830,700</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	183,200		183,200	183,200
Construction Services	<u>1,647,500</u>	<u>-</u>	<u>1,647,500</u>	<u>1,647,500</u>
Total Expenditures	<u>1,830,700</u>	<u>-</u>	<u>1,830,700</u>	<u>1,830,700</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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	\$ (1,207,944)
Revised Authorized Cost	\$ 1,830,700

Percentage Increase Over Original Authorized Cost	-39.75%
Percentage Completion	100%
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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 932,214	\$ -	\$ 932,214	\$ 932,214
 Total Revenues	 932,214	 -	 932,214	 932,214
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	79,040		79,040	79,040
Construction Services	853,174	-	853,174	853,174
 Total Expenditures	 932,214	 -	 932,214	 932,214
 Excess of Revenues Over Expenditures	 \$ -	 \$ -	 \$ -	 \$ -

<b>Additional Project Information:</b>	
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	\$ 163,036
Revised Authorized Cost	\$ 932,214
Percentage Increase Over Original Authorized Cost	21.20%
Percentage Completion	100%
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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 473,564	\$ -	\$ 473,564	\$ 473,564
 Total Revenues	 <u>473,564</u>	 <u>-</u>	 <u>473,564</u>	 <u>473,564</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	61,126		61,126	61,126
Construction Services	412,438	-	412,438	412,438
 Total Expenditures	 <u>473,564</u>	 <u>-</u>	 <u>473,564</u>	 <u>473,564</u>
 Excess of Revenues Over Expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</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	\$ (58,836)
Revised Authorized Cost	\$ 473,564

Percentage Decrease Over Original Authorized Cost	-11.05%
Percentage Completion	100%
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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 1,557,491	\$ -	\$ 1,557,491	\$ 1,557,491
Total Revenues	<u>1,557,491</u>	<u>-</u>	<u>1,557,491</u>	<u>1,557,491</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	107,954		107,954	107,954
Construction Services	<u>1,449,537</u>	<u>-</u>	<u>1,449,537</u>	<u>1,449,537</u>
Total Expenditures	<u>1,557,491</u>	<u>-</u>	<u>1,557,491</u>	<u>1,557,491</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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	\$ 799,522
Revised Authorized Cost	\$ 1,557,491

Percentage Decrease Over Original Authorized Cost	105.48%
Percentage Completion	100%
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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 1,074,049	\$ -	\$ 1,074,049	\$ 1,074,049
Total Revenues	<u>1,074,049</u>	<u>-</u>	<u>1,074,049</u>	<u>1,074,049</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	64,708		64,708	64,708
Construction Services	<u>1,009,341</u>	<u>-</u>	<u>1,009,341</u>	<u>1,009,341</u>
Total Expenditures	<u>1,074,049</u>	<u>-</u>	<u>1,074,049</u>	<u>1,074,049</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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	\$ 424,361
Revised Authorized Cost	\$ 1,074,049

Percentage Decrease Over Original Authorized Cost	65.32%
Percentage Completion	100%
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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 444,099	\$ -	\$ 444,099	\$ 444,099
 Total Revenues	 <u>444,099</u>	 <u>-</u>	 <u>444,099</u>	 <u>444,099</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	44,436		44,436	44,436
Construction Services	<u>399,663</u>	<u>-</u>	<u>399,663</u>	<u>399,663</u>
 Total Expenditures	 <u>444,099</u>	 <u>-</u>	 <u>444,099</u>	 <u>444,099</u>
 Excess of Revenues Over Expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</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	\$ 138,099
Revised Authorized Cost	\$ 444,099

Percentage Decrease Over Original Authorized Cost	45.13%
Percentage Completion	100%
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  
TURF FIELD  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 941,000	-	\$ 941,000	\$ 941,000
Total Revenues	<u>941,000</u>	<u>-</u>	<u>941,000</u>	<u>941,000</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	76,735		76,735	77,575
Construction Services	<u>818,377</u>	<u>-</u>	<u>818,377</u>	<u>863,425</u>
Total Expenditures	<u>895,112</u>	<u>-</u>	<u>895,112</u>	<u>941,000</u>
Excess of Revenues Over Expenditures	<u>\$ 45,888</u>	<u>\$ -</u>	<u>\$ 45,888</u>	<u>\$ -</u>

## 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	95%
Original Target Completion Date	June 30, 2017
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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Lease Purchase Proceeds	\$ 645,000	\$ 528 *	\$ 645,528	\$ 645,000
Total Revenues	<u>645,000</u>	<u>528</u>	<u>645,528</u>	<u>645,000</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	\$ 500		500	500
Capital Equipment	423,306		423,306	449,469
Non-Capital Equipment	<u>195,031</u>	\$ 26,691	<u>221,722</u>	<u>195,031</u>
Total Expenditures	<u>618,837</u>	<u>26,691</u>	<u>645,528</u>	<u>645,000</u>
Excess of Revenues Over Expenditures	<u>\$ 26,163</u>	<u>\$ (26,163)</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	\$ 645,000
Original Authorized Cost	\$ 645,000
Revised Authorized Cost	\$ 645,528

## Percentage Increase Over Original

Authorized Cost	0%
Percentage Completion	95%
Original Target Completion Date	June 30, 2017
Revised Target Completion Date	N/A

\* Increased for interest earned on Lease Purchase Account

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
ACQUISITION OF EQUIPMENT  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Lease Purchase Proceeds	\$ -	\$ 590,000	\$ 590,000	\$ 590,000
 Total Revenues	 -	 590,000	 590,000	 590,000
<b>Expenditures and Other Financing Uses</b>				
Capital Equipment		\$ 189,246	189,246	211,065
Non-Capital Equipment	-	378,935	378,935	378,935
 Total Expenditures	 -	 568,181	 568,181	 590,000
 Excess of Revenues Over Expenditures	 \$ -	 \$ 21,819	 \$ 21,819	 \$ -

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	\$ 590,000
Original Authorized Cost	\$ 590,000
Revised Authorized Cost	\$ 590,000
 Percentage Increase Over Original Authorized Cost	 0%
Percentage Completion	95%
Original Target Completion Date	June 30, 2018
Revised Target Completion Date	N/A

**ENTERPRISE FUNDS**



**EXHIBIT G-1**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2018**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**EXHIBIT G-2**

**COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

**COMBINING STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

	<u>Agency</u>		<u>Total</u>
	<u>Student Activity</u>	<u>Payroll</u>	
<b>ASSETS</b>			
Cash	\$ 240,863	\$ 36,509	\$ 277,372
Total Assets	<u>\$ 240,863</u>	<u>\$ 36,509</u>	<u>\$ 277,372</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings Due to Student Groups	\$ 240,863	\$ 36,509 -	\$ 36,509 240,863
Total Liabilities	<u>\$ 240,863</u>	<u>\$ 36,509</u>	<u>\$ 277,372</u>

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2018</u>
<b>ASSETS</b>				
Cash	\$ 245,825	\$ 713,394	\$ 718,356	\$ 240,863
Total	<u>\$ 245,825</u>	<u>\$ 713,394</u>	<u>\$ 718,356</u>	<u>\$ 240,863</u>
<b>LIABILITIES</b>				
Due to Student Groups	\$ 245,825	\$ 713,394	\$ 718,356	\$ 240,863
Total	<u>\$ 245,825</u>	<u>\$ 713,394</u>	<u>\$ 718,356</u>	<u>\$ 240,863</u>

**PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Balance, July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2018</u>
Payroll Deductions and Withholdings	\$ 15,671	\$ 11,738,425	\$ 11,738,405	\$ 15,691
Summer Savings		182,310	182,310	
Flexible Spending Account	36,184	118,575	133,941	20,818
Accrued Salaries and Wages	-	12,794,700	12,794,700	-
Totals	<u>\$ 51,855</u>	<u>\$ 24,834,010</u>	<u>\$ 24,849,356</u>	<u>\$ 36,509</u>

**LONG-TERM DEBT**

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF SERIAL BONDS PAYABLE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance, July 1, 2017	Increased	Decreased	Balance, June 30, 2018
			Date	Amount					
Serial Bonds - Construction and Refunding Bonds	7/29/2011	\$ 17,190,000	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	\$ 11,935,000	\$ 1,455,000	\$ 10,480,000	
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	1/15/2019	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	10,503,000	740,000	9,763,000	
			Refunding Bonds	3/15/2016	1,970,000	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				1,940,000	175,000	1,765,000	
School Bonds, Series 2016	5/11/2016	941,000			941,000	-	941,000	-	
					\$ 34,624,000	\$ -	\$ 3,311,000	\$ 31,313,000	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Year</u>	<u>Description</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2018</u>
2014	Acquisition and Installation of Equipment	785,000	\$ 324,575		\$ 160,472	\$ 164,103
2015	Acquisition of Automated External Defibrillators	89,000	54,459		17,793	36,666
2016	Technology, Vehicles and Security Upgrades	645,000	520,043	-	126,946	393,097
2017	Acquisition of Equipment	590,000	-	\$ 590,000	114,478	475,522
			<u>\$ 899,077</u>	<u>\$ 590,000</u>	<u>\$ 419,689</u>	<u>\$ 1,069,388</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, 2018**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources					
Property Tax Levy	\$ 3,198,501		\$ 3,198,501	\$ 3,198,501	
Miscellaneous	1,500		1,500	76	\$ (1,424)
State Sources					
Debt Service Aid	<u>682,729</u>	<u>-</u>	<u>682,729</u>	<u>682,729</u>	<u>-</u>
Total Revenues	<u>3,882,730</u>	<u>-</u>	<u>3,882,730</u>	<u>3,881,306</u>	<u>(1,424)</u>
<b>EXPENDITURES</b>					
Debt Service					
Principal	3,311,000		3,311,000	3,311,000	
Interest	<u>1,194,575</u>	<u>-</u>	<u>1,194,575</u>	<u>1,194,525</u>	<u>50</u>
Total Expenditures	<u>4,505,575</u>	<u>-</u>	<u>4,505,575</u>	<u>4,505,525</u>	<u>50</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(622,845)</u>	<u>-</u>	<u>(622,845)</u>	<u>(624,219)</u>	<u>(1,374)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	<u>621,271</u>	<u>-</u>	<u>621,271</u>	<u>625,709</u>	<u>4,438</u>
Total Other Financing Sources	<u>621,271</u>	<u>-</u>	<u>621,271</u>	<u>625,709</u>	<u>4,438</u>
Excess (Deficiency) of Revenue Over/(Under) Expenditures and Other Financing Sources (Uses)	(1,574)	-	(1,574)	1,490	3,064
Fund Balance, Beginning of Year	<u>25,103</u>	<u>-</u>	<u>25,103</u>	<u>25,103</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 23,529</u>	<u>\$ -</u>	<u>\$ 23,529</u>	<u>\$ 26,593</u>	<u>\$ 3,064</u>
Analysis of Restricted Fund Balance					
Designated for Subsequent Year's Budget				\$ 23,529	
Available for Debt Service				<u>3,064</u>	
				<u>\$ 26,593</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 12,093,302	\$ 13,736,776	\$ 14,020,686	\$ 13,903,304	\$ 14,957,986	\$ 17,776,328	\$ 15,417,519	\$ 15,113,001	\$ 15,563,886	\$ 17,221,912
Restricted	2,023,524	1,560,906	2,208,924	2,697,846	1,419,503	12,869,779	8,079,606	3,640,492	3,510,769	3,452,419
Unrestricted	667,172	863,602	573,420	868,293	1,673,897	(9,293,546)	(12,451,537)	(7,411,467)	(8,408,114)	(9,142,981)
<b>Total Governmental Activities Net Position</b>	<b>\$ 14,783,998</b>	<b>\$ 16,161,284</b>	<b>\$ 16,803,030</b>	<b>\$ 17,469,443</b>	<b>\$ 18,051,386</b>	<b>\$ 21,352,561</b>	<b>\$ 11,045,588</b>	<b>\$ 11,342,026</b>	<b>\$ 10,666,541</b>	<b>\$ 11,531,350</b>
<b>Business-Type Activities</b>										
Invested in Capital Assets	\$ 28,494	\$ 17,554	\$ 23,926	\$ 27,399	\$ 38,715	\$ 186,282	\$ 135,946	\$ 218,111	\$ 195,709	\$ 358,810
Unrestricted	145,865	172,301	175,893	224,814	260,377	97,725	102,009	164,823	257,596	261,904
<b>Total Business-Type Activities Net Position</b>	<b>\$ 174,359</b>	<b>\$ 189,855</b>	<b>\$ 199,819</b>	<b>\$ 252,213</b>	<b>\$ 299,092</b>	<b>\$ 284,007</b>	<b>\$ 237,955</b>	<b>\$ 382,934</b>	<b>\$ 453,305</b>	<b>\$ 620,714</b>
<b>District-Wide</b>										
Net Investment in Capital Assets	\$ 12,121,796	\$ 13,754,330	\$ 14,044,612	\$ 13,930,703	\$ 14,996,701	\$ 17,962,610	\$ 15,553,465	\$ 15,331,112	\$ 15,759,595	\$ 17,580,722
Restricted	2,023,524	1,560,906	2,208,924	2,697,846	1,419,503	12,869,779	8,079,606	3,640,492	3,510,769	3,452,419
Unrestricted	813,037	1,035,903	749,313	1,093,107	1,934,274	(9,195,821)	(12,349,528)	(7,246,644)	(8,150,518)	(8,881,077)
<b>Total District Net Position</b>	<b>\$ 14,958,357</b>	<b>\$ 16,351,139</b>	<b>\$ 17,002,849</b>	<b>\$ 17,721,656</b>	<b>\$ 18,350,478</b>	<b>\$ 21,636,568</b>	<b>\$ 11,283,543</b>	<b>\$ 11,724,960</b>	<b>\$ 11,119,846</b>	<b>\$ 12,152,064</b>

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental Activities</b>										
<b>Instruction</b>										
Regular	\$ 16,779,671	\$ 16,863,313	\$ 16,054,820	\$ 16,474,021	\$ 16,860,889	\$ 17,155,737	\$ 20,673,392	\$ 21,568,696	\$ 23,869,760	\$ 22,285,682
Special Education	4,107,498	4,002,031	4,388,482	4,522,158	4,748,750	5,205,996	6,033,087	6,266,347	7,210,563	7,358,644
Other Instruction	90,859	91,929	97,873	100,443	100,310	98,584	110,693	37,654	36,870	29,315
School Sponsored Activities And Athletics	1,459,115	1,444,286	1,437,639	1,486,681	1,544,989	1,544,272	1,896,729	1,999,127	2,168,611	2,133,492
<b>Support Services:</b>										
Student and Instruction Related Services	4,187,540	4,416,723	4,234,325	4,402,844	4,542,094	4,557,732	5,600,031	6,213,819	7,479,738	7,702,787
General Administration	1,685,560	1,396,908	1,798,149	1,916,028	2,186,687	1,027,050	1,041,375	1,218,434	1,331,125	1,259,590
School Administrative Services	1,582,977	1,636,833	1,160,256	1,263,078	1,355,199	2,133,095	2,526,879	2,485,745	2,811,870	2,804,421
Plant Operations And Maintenance	3,908,952	4,220,312	4,583,328	4,553,743	3,432,478	4,523,995	4,890,303	5,109,549	5,337,514	6,032,423
Pupil Transportation	1,871,480	1,863,379	1,753,052	1,784,440	1,877,914	2,051,698	2,101,720	2,183,469	2,353,253	2,561,898
Central Services	843,973	861,134	888,268	912,078	1,107,563	1,270,500	1,419,464	1,455,553	1,652,018	1,495,784
Interest On Long-Term Debt and Other Charges	1,512,699	1,514,431	1,443,734	1,286,190	1,088,192	1,303,581	1,426,449	1,385,401	1,287,144	1,213,027
<b>Total Governmental Activities Expenses</b>	<b>38,030,324</b>	<b>38,311,279</b>	<b>37,839,926</b>	<b>38,701,704</b>	<b>38,845,065</b>	<b>40,872,240</b>	<b>47,720,122</b>	<b>49,923,794</b>	<b>55,538,466</b>	<b>54,877,063</b>
<b>Business-Type Activities:</b>										
Food Service	669,625	665,568	707,858	733,677	742,748	858,673	930,831	915,669	968,188	1,019,159
Adult School	122,541	117,647	118,666	109,299	107,625	215	-	-	-	-
<b>Total Business-Type Activities Expense</b>	<b>792,166</b>	<b>783,215</b>	<b>826,524</b>	<b>842,976</b>	<b>850,373</b>	<b>858,888</b>	<b>930,831</b>	<b>915,669</b>	<b>968,188</b>	<b>1,019,159</b>
<b>Total District Expenses</b>	<b>\$ 38,822,490</b>	<b>\$ 39,094,494</b>	<b>\$ 38,666,450</b>	<b>\$ 39,544,680</b>	<b>\$ 39,695,438</b>	<b>\$ 41,731,128</b>	<b>\$ 48,650,953</b>	<b>\$ 50,839,463</b>	<b>\$ 56,506,654</b>	<b>\$ 55,896,222</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges For Services:</b>										
Regular	\$ 5,438,391	\$ 5,687,544	\$ 6,166,111	\$ 5,802,712	\$ 5,921,000	\$ 6,885,276	\$ 6,288,730	\$ 6,024,900	\$ 5,997,979	\$ 6,299,926
Special Education	678,048	640,670	551,812	557,487	442,447	591,352	597,456	935,371	799,014	936,553
Pupil Transportation	-	-	-	-	-	-	-	-	-	-
Operating Grants And Contributions	4,055,305	4,314,721	3,154,862	3,892,569	4,942,848	4,669,449	9,055,430	11,043,261	14,237,659	13,233,721
Capital Grants And Contributions	22,089	640,398	2,069	-	-	-	-	-	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>10,193,833</b>	<b>11,283,333</b>	<b>9,874,854</b>	<b>10,252,768</b>	<b>11,306,295</b>	<b>12,146,077</b>	<b>15,941,616</b>	<b>18,003,532</b>	<b>21,034,652</b>	<b>20,470,200</b>
<b>Business-Type Activities:</b>										
<b>Charges For Services</b>										
Food Service	635,888	696,636	742,662	813,342	820,347	849,246	942,330	961,566	1,038,559	1,110,318
Adult School	118,958	101,237	93,342	81,793	66,826	764	-	-	-	-
<b>Total Business Type Activities Program Revenues</b>	<b>754,846</b>	<b>797,873</b>	<b>836,004</b>	<b>895,135</b>	<b>887,173</b>	<b>850,010</b>	<b>942,330</b>	<b>961,566</b>	<b>1,038,559</b>	<b>1,110,318</b>
<b>Total District Program Revenues</b>	<b>\$ 10,948,679</b>	<b>\$ 12,081,206</b>	<b>\$ 10,710,858</b>	<b>\$ 11,147,903</b>	<b>\$ 12,193,468</b>	<b>\$ 12,996,087</b>	<b>\$ 16,883,946</b>	<b>\$ 18,965,098</b>	<b>\$ 22,073,211</b>	<b>\$ 21,580,518</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (27,836,491)	\$ (27,027,946)	\$ (27,965,072)	\$ (28,448,936)	\$ (27,538,770)	\$ (28,726,163)	\$ (31,778,506)	\$ (31,920,262)	\$ (34,503,814)	\$ (34,406,863)
Business-Type Activities	(37,320)	14,658	9,480	52,159	36,800	(8,878)	11,499	45,897	70,371	91,159
<b>Total District-Wide Net Expense</b>	<b>\$ (27,873,811)</b>	<b>\$ (27,013,288)</b>	<b>\$ (27,955,592)</b>	<b>\$ (28,396,777)</b>	<b>\$ (27,501,970)</b>	<b>\$ (28,735,041)</b>	<b>\$ (31,767,007)</b>	<b>\$ (31,874,365)</b>	<b>\$ (34,433,443)</b>	<b>\$ (34,315,704)</b>

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Property Taxes Levied For General Purposes, Net	\$ 25,098,362	\$ 25,791,448	\$ 26,047,191	\$ 26,568,135	\$ 27,099,498	\$ 27,641,488	\$ 28,194,318	\$ 28,758,204	\$ 29,333,368	\$ 30,506,702
Taxes Levied For Debt Service	1,889,674	2,273,657	2,313,662	2,325,313	2,245,729	2,452,108	3,176,201	3,169,145	3,200,626	3,198,501
Federal and State Aid - Unrestricted	38,830	213,827					32,974	36,062	52,066	53,548
State Aid - Restricted							355,049	355,823	358,420	682,729
Investment Earnings	39,803	41,361	19,272	8,519	9,124	26,759	33,892	26,454	28,951	65,308
Miscellaneous Income	80,550	120,733	226,693	213,382	181,733	235,741	152,395	198,462	453,921	265,362
Donation of Capital Assets						2,000				
Adjustments/Gain/Loss - Capital Assets	(71,000)	(35,794)						81,452		
Transfers	(34,000)	-	-	-	(10,000)	6,220	-	-	-	-
<b>Total Governmental Activities</b>	<u>27,042,219</u>	<u>28,405,232</u>	<u>28,606,818</u>	<u>29,115,349</u>	<u>29,526,084</u>	<u>30,364,316</u>	<u>31,944,829</u>	<u>32,625,602</u>	<u>33,427,352</u>	<u>34,772,150</u>
<b>Business-Type Activities:</b>										
Investment Earnings	1,502	838	484	235	79	13				
Transfers	34,000	-	-	-	10,000	(6,220)	-	-	-	-
<b>Total Business-Type Activities</b>	<u>35,502</u>	<u>838</u>	<u>484</u>	<u>235</u>	<u>10,079</u>	<u>(6,207)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total District-Wide</b>	<u>\$ 27,077,721</u>	<u>\$ 28,406,070</u>	<u>\$ 28,607,302</u>	<u>\$ 29,115,584</u>	<u>\$ 29,536,163</u>	<u>\$ 30,358,109</u>	<u>\$ 31,944,829</u>	<u>\$ 32,625,602</u>	<u>\$ 33,427,352</u>	<u>\$ 34,772,150</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ (794,272)	\$ 1,377,286	\$ 641,746	\$ 666,413	\$ 1,987,314	\$ 1,638,153	\$ 166,323	\$ 705,340	\$ (1,076,462)	\$ 365,287
Business-Type Activities	(1,818)	15,496	9,964	52,394	46,879	(15,085)	11,499	45,897	70,371	91,159
<b>Total District</b>	<u>\$ (796,090)</u>	<u>\$ 1,392,782</u>	<u>\$ 651,710</u>	<u>\$ 718,807</u>	<u>\$ 2,034,193</u>	<u>\$ 1,623,068</u>	<u>\$ 177,822</u>	<u>\$ 751,237</u>	<u>\$ (1,006,091)</u>	<u>\$ 456,446</u>

110

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 2,895,302	\$ 3,447,582								
Unreserved	506,808	543,207	-							
Restricted			\$ 2,695,772	\$ 2,017,604	\$ 1,568,689	\$ 3,382,584	\$ 3,764,249	\$ 4,548,235	\$ 4,822,104	\$ 4,440,435
Committed			260,946	159,831	635,734	114,470	509,250	523,856	330,075	38,487
Assigned			164,360	1,242,475	589,715	363,775	317,133	338,963	225,522	267,953
Unassigned	-	-	649,058	595,658	681,166	691,556	683,367	693,427	727,130	579,704
Total General Fund	\$ 3,402,110	\$ 3,990,789	\$ 3,770,136	\$ 4,015,568	\$ 3,475,304	\$ 4,552,385	\$ 5,273,999	\$ 6,104,481	\$ 6,104,831	\$ 5,326,579
All Other Governmental Funds										
Reserved	\$ 345,864	\$ 2,914								
Unreserved	640,127	1,816,492	-							
Restricted	-	-	\$ 1,220,017	\$ 1,076,939	\$ 629,400	\$ 11,035,719	\$ 6,295,252	\$ 4,027,082	\$ 441,931	\$ 307,107
Total All Other Governmental Funds	\$ 985,991	\$ 1,819,406	\$ 1,220,017	\$ 1,076,939	\$ 629,400	\$ 11,035,719	\$ 6,295,252	\$ 4,027,082	\$ 441,931	\$ 307,107

119

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Tax Levy	\$ 26,988,036	\$ 28,065,105	\$ 28,360,853	\$ 28,893,448	\$ 29,345,227	\$ 30,093,596	\$ 31,370,519	\$ 31,927,349	\$ 32,533,994	\$ 33,705,203
Tuition Charges	6,116,439	6,328,214	6,717,923	6,360,199	6,363,447	7,476,628	6,886,186	6,960,271	6,796,993	7,236,479
Interest Earnings	39,803	41,361	19,272	8,519	9,124	26,759	33,892	26,454	28,951	65,308
Miscellaneous	106,354	146,710	236,172	243,867	201,325	244,597	172,175	208,446	464,660	284,670
State Sources	3,746,796	4,555,596	2,671,230	3,452,107	4,539,302	4,293,453	5,344,959	5,966,424	6,362,438	7,559,286
Federal Sources	343,625	587,373	476,222	409,977	383,954	367,140	487,518	510,614	454,969	414,014
<b>Total Revenues</b>	<b>37,341,053</b>	<b>39,724,359</b>	<b>38,481,672</b>	<b>39,368,117</b>	<b>40,842,379</b>	<b>42,502,173</b>	<b>44,295,249</b>	<b>45,599,558</b>	<b>46,642,005</b>	<b>49,264,960</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	15,966,802	16,141,895	15,237,655	15,620,706	16,206,477	16,460,207	17,406,096	17,253,862	17,575,515	17,622,431
Special Education Instruction	3,984,307	3,895,322	4,267,223	4,405,190	4,659,112	5,114,463	5,516,456	5,541,153	6,017,363	6,428,785
Other Instruction	90,509	92,472	98,170	100,717	100,916	99,082	100,598	31,475	28,258	24,378
School Sponsored Activities and Athletics	1,454,692	1,450,853	1,441,164	1,489,913	1,552,459	1,550,221	1,701,790	1,736,185	1,756,889	1,835,126
<b>Support Services:</b>										
Student and Inst. Related Services	3,865,495	4,111,289	3,895,812	4,060,064	4,133,872	4,272,687	4,687,989	4,996,430	5,610,341	6,172,893
General Administration	1,524,980	1,233,032	988,669	1,077,580	1,201,371	867,236	794,658	915,674	959,581	902,007
School Administrative Services	1,503,356	1,566,549	1,719,004	1,837,674	2,129,664	2,071,376	2,267,234	2,132,244	2,195,479	2,278,652
Plant Operations And Maintenance	3,529,782	3,826,535	4,162,219	4,121,842	4,045,956	4,156,533	4,366,650	4,425,394	4,358,544	4,548,315
Pupil Transportation	1,869,307	1,866,474	1,753,877	1,785,174	1,879,581	2,053,129	2,096,943	2,165,948	2,302,915	2,514,155
Central Services	841,069	865,522	890,675	914,337	1,113,931	1,276,253	1,343,413	1,321,402	1,370,588	1,285,462
Capital Outlay	1,286,701	1,523,256	2,020,551	1,101,801	1,912,107	3,534,025	4,178,623	4,328,682	4,052,355	2,086,824
<b>Debt Service:</b>										
Debt Issuance Costs				229,984		8,663				
Advance Refunding Escrow				1,486,283						
Principal	1,380,241	1,196,893	1,368,266	1,390,479	1,520,128	1,643,983	2,318,590	2,335,549	2,589,320	3,730,689
Interest and Other Charges	1,596,383	1,532,173	1,458,429	1,360,286	1,364,608	1,255,135	1,624,062	1,558,963	1,409,658	1,338,319
<b>Total Expenditures</b>	<b>38,893,624</b>	<b>39,302,265</b>	<b>39,301,714</b>	<b>40,982,030</b>	<b>41,820,182</b>	<b>44,362,993</b>	<b>48,403,102</b>	<b>48,742,961</b>	<b>50,226,806</b>	<b>50,768,036</b>
<b>Excess (Deficiency) of Revenues</b>										
Over (Under) Expenditures	(1,552,571)	422,094	(820,042)	(1,613,913)	(977,803)	(1,860,820)	(4,107,853)	(3,143,403)	(3,584,801)	(1,503,076)
<b>Other Financing Sources (Uses)</b>										
Proceeds From Lease Purchase	270,000	1,000,000				785,000	89,000	645,000		590,000
Proceeds From Serial Bonds						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)								81,452		
Gain on Capital Assets								11,607		
Transfers In	3,914	12,662	1,139,741	400,616	1,220,643	347,627	22,139		61,967	1,325,709
Transfers Out	(37,914)	(12,662)	(1,139,741)	(400,616)	(1,230,643)	(341,407)	(22,139)	(11,607)	(61,967)	(1,325,709)
<b>Total Other Financing Sources (Uses)</b>	<b>236,000</b>	<b>1,000,000</b>	<b>-</b>	<b>1,716,267</b>	<b>(10,000)</b>	<b>13,344,220</b>	<b>89,000</b>	<b>1,705,715</b>	<b>-</b>	<b>590,000</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,316,571)</b>	<b>\$ 1,422,094</b>	<b>\$ (820,042)</b>	<b>\$ 102,354</b>	<b>\$ (987,803)</b>	<b>\$ 11,483,400</b>	<b>\$ (4,018,853)</b>	<b>\$ (1,437,688)</b>	<b>\$ (3,584,801)</b>	<b>\$ (913,076)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	7.92%	7.22%	7.58%	6.90%	7.23%	7.10%	8.92%	8.77%	8.66%	10.41%

\* Noncapital expenditures are total expenditures less capital outlay.

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

<b>Fiscal Year Ended June 30</b>		<b><u>Tuition</u></b>		<b><u>Interest on Investments</u></b>		<b><u>Rental</u></b>		<b><u>Misc.</u></b>		<b><u>Total</u></b>
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
2017		6,796,993		22,404		126,474		324,747		7,270,618
2018		7,236,479		59,954		137,423		127,863		7,561,719

Source: District Records

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

Table with columns: 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. Includes sections for Long Hill Township, Warren Township, and Borough of Watchung.

Source: County Abstract of Ratables

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, 2017  
(Unaudited)**

Net Direct Debt of School District as of December 31, 2017	\$ 33,683,000
Net Overlapping Debt of School District	
Long Hill Township	\$ 27,889,103
Warren Township	31,374,519
Borough of Watchung	<u>26,523,482</u>
	<u>85,787,104</u>
Total Direct and Overlapping Bond Debt as of December 31, 2017	<u>\$ 119,470,104</u>

Sources: County and Municipal Annual Debt Statements, December 31, 2017

- (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	2018		2009	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
<b><u>Long Hill Township</u></b>				
Valley and Plainfield Associate	\$ 26,704,600	1.63%	\$ 21,204,400	1.65%
Stirling Center Associates	13,793,200	0.84%	9,907,400	0.77%
Bell Atlantic/Verizon	824,500	0.05%	4,268,514	0.33%
Stirling Manor (340-360)	2,938,500	0.18%	4,000,000	0.31%
Stirling Manor (324-336)	2,938,500	0.18%		
Transcontinental Gas Pipeline	4,040,500	0.25%	3,764,500	0.29%
Tifa Ltd.	4,147,300	0.25%	3,030,500	0.24%
RHK/A.K. Stamping	1,317,700	0.08%	2,312,300	0.18%
Dagwood Prop. (Ind. Soccer, LLC)	1,200,000	0.07%	2,246,900	0.17%
Partenon C/O Walgreens	3,380,500	0.21%		
M&M Realty Management	3,339,600	0.20%		
Millington Savings Bank	2,941,800	0.18%	2,215,500	0.17%
Jilrydan, Inc (Realty, LLC)	2,660,700	0.16%	2,197,400	0.17%
	<u>\$ 70,227,400</u>	<u>4.28%</u>	<u>\$ 55,147,414</u>	<u>4.28%</u>
<b><u>Warren Township</u></b>				
King George Property Co.			\$ 128,483,300	2.98%
Warren CC Acquisitions, LLC	\$ 106,936,700	2.30%		
Mt. Bethel Corp	67,999,900	1.46%	89,880,700	2.09%
Somerset Assoc. c/o Chubb	37,000,000	0.80%	87,960,000	2.04%
Liberty Assoc			43,780,000	1.02%
Normandy Real Estate Partners	70,095,500	1.51%		
Normandy Warren Holdings, LLC			18,079,200	0.42%
GC Net Lease (Warren) Investors	26,796,800	0.58%		
Vicendese Family LTD			23,606,700	0.55%
Warren 2001 C/O Thomson Reuters	16,147,000	0.35%		
30 Independence C/O Mack Realty			37,391,000	0.87%
S/K Warren Associates, LLC	13,400,000	0.29%		
K Hovnanian at Warren			28,805,300	0.67%
Warren 2001, LLC			19,473,000	0.45%
10 Independence SPE			18,079,200	0.42%
Brightview Warren LLC	18,500,000	0.40%		
HCRI NY-NJ Properties, LLC	19,800,000	0.43%		
Mitsui Sumitomo Ins of America	12,267,000	0.26%		
	<u>\$ 388,942,900</u>	<u>8.38%</u>	<u>\$ 495,538,400</u>	<u>11.50%</u>
<b><u>Watchung Borough</u></b>				
Watchung Square Associates	\$ 68,493,000	3.81%	\$ 91,346,000	5.32%
WM Crystal Ridge, LLC			60,600,000	3.53%
PP Watchung Investors	61,600,000	3.43%		
Levin Properties, LP	56,894,500	3.16%	59,178,800	3.45%
Watchung VF LLC			27,345,400	1.59%
Watchung UE, LLC	23,980,100	1.33%		
Sears Roebuck & Co	16,390,000	0.91%	20,400,000	1.19%
Walmart	16,622,000	0.92%		
HD Development of Maryland, Inc.	14,032,500	0.78%	18,668,000	1.09%
Target Corp	15,529,000	0.86%	18,480,000	1.08%
680 Mountain Boulevard, LLC	12,240,000	0.68%		
Weldon Materials Inc	10,294,900	0.57%	10,437,700	0.61%
Mini U Storage New Jersey RE LLC	10,673,000	0.59%	9,612,000	0.56%
Twin Brooks Country Club, LP	4,128,000	0.23%	8,100,000	0.47%
Extra Space Storage Properties	7,028,000	0.39%		0.00%
	<u>\$ 317,905,000</u>	<u>17.68%</u>	<u>\$ 324,167,900</u>	<u>18.87%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
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
2017	32,533,994	32,533,994	100.00%	N/A
2018	33,705,203	33,705,203	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			
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	29,984	1,102
2012	30,005,000	807,647			476	30,813,123	30,311	1,017
2013	28,915,000	377,519			-	29,292,519	30,569	958
2014	40,093,000	893,536			-	40,986,536	30,693	1,335
2015	38,033,000	723,946			-	38,756,946	30,738	1,261
2016	36,914,000	1,198,397			-	38,112,397	30,682	1,242
2017	34,624,000	899,077			-	35,523,077	30,766	1,155
2018	31,313,000	1,069,388			-	32,382,388	30,725	1,054

Source: District records

\* Total Population of Long Hill, Warren and Watchung

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
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%	1,061
2012	30,005,000		30,005,000	0.44%	990
2013	28,915,000		28,915,000	0.41%	946
2014	40,093,000		40,093,000	0.56%	1,306
2015	38,033,000		38,033,000	0.52%	1,237
2016	36,914,000		36,914,000	0.47%	1,203
2017	34,624,000		34,624,000	0.43%	1,125
2018	31,313,000		31,313,000	0.39%	1,019

Source: District records

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

<u>Calendar Year</u>	<u>Total</u>	<u>Regional School District</u>	<u>Local School District</u>	<u>Municipality</u>	<u>County</u>
<b><u>Long Hill Township</u></b>					
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
2017	2.36	0.467	0.974	0.637	0.278
2018	2.38	0.472	0.986	0.640	0.278
<b><u>Warren Township</u></b>					
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
2017	1.99	0.417	0.859	0.311	0.401
2018	1.99	0.421	0.859	0.313	0.394
<b><u>Borough of Watchung</u></b>					
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
2017	1.98	0.360	0.613	0.606	0.400
2018	1.99	0.372	0.612	0.610	0.397

Source: Tax Collector

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

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 260,554,334	\$ 255,541,716	\$ 247,132,546	\$ 153,417,263	\$ 230,189,071	\$ 226,793,730	\$ 228,560,650	\$ 234,248,897	\$ 239,247,971	\$ 241,440,371
Total Net Debt Applicable to Limit	33,581,476	32,731,476	31,816,476	30,005,476	28,915,476	40,093,000	38,033,000	36,914,000	34,624,000	31,313,000
Legal Debt Margin	<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>	<u>\$ 204,623,971</u>	<u>\$ 210,127,371</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.89%	12.81%	12.87%	19.56%	12.56%	17.68%	16.64%	15.76%	14.47%	12.97%

Legal Debt Margin Calculation, December 31, 2017

2015	8,035,645,771
2016	8,035,278,456
2017	8,073,112,913
	<u>\$ 24,144,037,140</u>
Average Equalized Valuation of Taxable Property	\$ 8,048,012,380
3% of Equalized Valuation Basis	241,440,371
Less Net Debt	<u>31,313,000</u>
Remaining Borrowing Power	<u>\$ 210,127,371</u>

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

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income (2)</u>	<u>Population (1)</u>
<b><u>Long Hill Township</u></b>			
2008	3.7%	74,210	8,550
2009	6.3%	71,361	8,579
2010	6.4%	74,460	8,720
2011	6.2%	77,207	8,761
2012	6.4%	80,027	8,776
2013	6.8%	80,868	8,794
2014	4.4%	83,687	8,785
2015	3.9%	87,896	8,773
2016	3.6%	89,065	8,750
2017	3.6%	N/A	8,711
<b><u>Warren Township</u></b>			
2008	2.4%	73,658	15,689
2009	4.3%	69,579	15,871
2010	4.3%	69,610	15,369
2011	4.2%	71,919	15,666
2012	4.4%	75,678	15,869
2013	5.3%	78,762	15,953
2014	4.5%	82,666	15,999
2015	3.9%	87,930	15,966
2016	3.6%	90,268	16,057
2017	3.3%	N/A	16,029
<b><u>Borough of Watchung</u></b>			
2008	3.6%	73,658	6,730
2009	6.4%	69,579	6,773
2010	6.4%	69,610	5,851
2011	6.3%	71,919	5,884
2012	6.6%	75,678	5,924
2013	4.2%	78,762	5,946
2014	4.5%	82,666	5,954
2015	4.2%	87,930	5,943
2016	4.0%	90,268	5,959
2017	3.4%	N/A	5,985

## 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>2018</u>		<u>2009</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 TEN FISCAL YEARS**  
**(Unaudited)**

<u>Function/Program</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>2017</u>	<u>2018</u>
Instruction										
Regular	153	153	142	143	148	148	148	147	146	138
Special Education	35	35	35	35	37	41	42	42	43	43
Other Special Education	9	9	9	9	9	9	10	10	10	10
Adult/Continuing Education Programs	1	1	1	1	1	-	-	-	-	
Support Services:										
Student and Instruction Related Services	19	19	19	19	19	19	19	19	19	19
General Administration	5	9	9	9	9	10	10	10	10	10
School Administrative Services	12	12	12	12	14	14	14	13	12	12
Other Administrative Services	9	9	8	6	6	6	6	6	6	6
Central Services	8	6	6	6	6	6	6	6	6	6
Administrative Information Technology	4	5	5	5	5	5	5	6	6	6
Plant Operations And Maintenance	15	15	15	15	15	15	15	15	15	14
Pupil Transportation	10	15	1	1	1	1	1	1	1	1
Total	<u>280</u>	<u>288</u>	<u>262</u>	<u>261</u>	<u>270</u>	<u>274</u>	<u>276</u>	<u>275</u>	<u>274</u>	<u>265</u>

Source: District Personnel Records

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

<u>Fiscal Year</u>	<u>Enrollment<sup>a</sup></u>	<u>Operating Expenditures<sup>b</sup></u>	<u>Cost Per Pupil<sup>c</sup></u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil Teacher Ratio High School</u>	<u>Average Daily Enrollment (ADE)</u>	<u>Average Daily Attendance (ADA)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
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%
2017	2,064	42,175,473	20,434	7.77%	189	1:11	2,064	1,977.0	-3.42%	95.78%
2018	2,014	43,612,204	21,655	5.97%	181	1:11	2,014	1,918.0	-2.42%	95.23%

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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<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	2,033	2,069	2,057	2,069	2,136	2,175	2,197	2,137	2,064	2,014
<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, 2018  
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>	<u>Amount</u>
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
2017	1,438,033
2018	1,356,436

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
SCHEDULE OF INSURANCE  
JUNE 30, 2018**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - SAIF		
Property, Inland Marine	\$ 500,000,000	\$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  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, 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, 2018 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 January 28, 2019.

***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 certain matters that are 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 January 28, 2019.

***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  
January 28, 2019



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, 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, 2018. 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, U.S. Uniform Guidance and 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, 2018.

### ***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 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, 2018 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated January 28, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 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  
January 28, 2019

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period	Award Amount	Balance, July 1, 2017	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Balance at June 30, 2018			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	S010A160030	7/1/16-6/30/17	\$ 48,617	\$ (11,575)		\$ 11,575						*
N.C.L.B. Title I	84.010A	S010A170030	7/1/17-6/30/18	47,623			14,800	\$ 29,457		\$ (32,823)	\$ 18,166		* \$ (14,657)
N.C.L.B. Title II - A	84.367A	S367B160027	7/1/16-6/30/17	10,319	(10,213)		10,213						* -
N.C.L.B. Title II - A	84.367A	S367B170029	7/1/17-6/30/18	22,597			6	7,733		(22,591)	14,864		* (7,727)
N.C.L.B. Title IV	84.424	S424A170031	7/1/17-6/30/18	10,000						(10,000)	10,000		* -
I.D.E.A. Part B, Basic	84.027A	H027A160100	7/1/16-6/30/17	394,261	(49,392)		49,392						* -
I.D.E.A. Part B, Basic	84.027A	H027A170100	7/1/17-6/30/18	377,793			263,088	376,824		(114,705)	969		* (113,736)
I.D.E.A. Part B, Basic	84.027A	N/A	9/1/11-8/31/12	348,909	10,407	-	-	-	\$ 10,407	-	-		* -
Total U.S. Department of Education					(60,773)	-	349,074	414,014	10,407	(180,119)	43,999	-	(136,120)
Total Federal Financial Awards					\$ (60,773)	\$ -	\$ 349,074	\$ 414,014	\$ 10,407	\$ (180,119)	\$ 43,999	\$ -	\$ (136,120)

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, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Received	Balance, July 1, 2017					Balance, June 30, 2018					MEMO	
				Unearned Revenue (Accts. Receivable)	Due to Grantor	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
General Fund															
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	\$ 637,517	\$ (54,711)	-	-	\$ 54,711	-	-	-	-	-	*	-	-
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	750,169	-	-	-	685,353	\$ 750,169	-	\$ (64,816)	-	-	*	\$ 750,169	-
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	83,096	(7,131)	-	-	7,131	-	-	-	-	-	*	-	-
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	83,096	-	-	-	75,917	83,096	-	(7,179)	-	-	*	83,096	-
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	18,030	(1,547)	-	-	1,547	-	-	-	-	-	*	-	-
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	18,030	-	-	-	16,472	18,030	-	(1,558)	-	-	*	18,030	-
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	18,030	(1,547)	-	-	1,547	-	-	-	-	-	*	-	-
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	18,030	-	-	-	16,472	18,030	-	(1,558)	-	-	*	18,030	-
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	-	(1,504)	-	-	1,504	-	-	-	-	-	*	-	-
Professional Learning Community Aid	18-495-034-5120-098	7/1/17-6/30/18	17,520	-	-	-	16,906	17,520	-	(1,514)	\$ -	-	*	17,520	-
Total State Aid Public				(66,440)	-	-	876,660	886,845	-	(76,625)	-	-	-	-	886,845
T.P.A.F. Pension	18-495-034-5094-002	7/1/17-6/30/18	2,396,115	-	-	-	2,396,115	2,396,115	-	-	-	-	*	2,396,115	-
T.P.A.F. Pension - NCGI	18-495-034-5094-004	7/1/17-6/30/18	58,148	-	-	-	58,148	58,148	-	-	-	-	*	58,148	-
T.P.A.F. Pension - LTDI	18-495-034-5094-004	7/1/17-6/30/18	3,047	-	-	-	3,047	3,047	-	-	-	-	*	3,047	-
Post Retirement-Pension Contributions	18-495-034-5094-001	7/1/17-6/30/18	1,585,156	-	-	-	1,585,156	1,585,156	-	-	-	-	*	1,585,156	-
Total TPAF On Behalf Pension Contributions				-	-	-	4,042,466	4,042,466	-	-	-	-	-	-	4,042,466
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	218,205	(18,726)	-	-	18,726	-	-	-	-	-	*	-	-
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	218,205	-	-	-	199,252	218,205	-	(18,853)	-	-	*	218,205	-
Extraordinary Aid	17-100-034-5120-473	7/1/16-6/30/17	348,998	(348,998)	-	-	348,998	-	-	-	-	-	*	-	-
Extraordinary Aid	18-495-034-5120-044	7/1/17-6/30/18	448,518	-	-	-	448,518	448,518	-	(448,518)	-	-	*	448,518	-
Non Public Transportation Reimb.	N/A	7/1/16-6/30/17	50,651	(50,651)	-	-	50,651	-	-	-	-	-	*	-	-
Non Public Transportation Reimb.	N/A	7/1/17-6/30/18	80,130	-	-	-	80,130	80,130	-	(80,130)	\$ -	-	*	80,130	-
Lead Testing For Schools Aid	18-495-034-5120-104	7/1/17-6/30/18	3,332	-	-	-	3,332	3,332	-	-	-	-	*	3,332	-
Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	1,184,001	(57,583)	-	-	57,583	-	-	-	-	-	*	-	-
Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	1,180,322	-	-	-	1,122,563	1,180,322	-	(57,759)	-	-	*	1,180,322	-
Total General Fund				(542,398)	-	-	6,720,331	6,859,818	-	(681,885)	-	-	-	(137,889)	6,859,818
Special Revenue Fund															
Nonpublic Aid															
Textbook Aid	17-100-034-5120-064	7/1/16-6/30/17	21,384	\$ -	3,306	-	-	\$ 3,306	-	-	\$ 928	-	*	-	-
Textbook Aid	18-100-034-5120-064	7/1/17-6/30/18	18,570	-	-	-	18,570	17,642	-	-	\$ -	-	*	17,642	-
Technology Aid	17-100-034-5120-373	7/1/16-6/30/17	9,646	-	22	-	-	22	-	-	-	-	*	-	-
Technology Aid	18-100-034-5120-373	7/1/17-6/30/18	12,543	-	-	-	12,543	12,540	-	-	3	-	*	12,540	-
Nursing Services	17-100-034-5120-070	7/1/16-6/30/17	33,480	-	225	-	-	225	-	-	-	-	*	-	-
Nursing Services	18-100-034-5120-070	7/1/17-6/30/18	33,077	-	-	-	33,077	32,258	-	-	-	-	*	32,258	-
Security	17-100-034-5120-509	7/1/16-6/30/17	18,600	-	36	-	-	36	-	-	-	-	*	-	-
Security	18-100-034-5120-509	7/1/17-6/30/18	25,575	-	-	-	25,575	23,417	-	-	2,158	-	*	23,417	-
Chapter 192/193															
Examination and Classification (Ch 193)	18-100-034-5120-066	7/1/17-6/30/18	43,122	-	-	-	43,122	39,839	-	-	3,283	-	*	39,839	-
Supplemental Instruction (Ch 193)	17-100-034-5120-066	7/1/16-6/30/17	6,827	-	1,648	-	-	1,648	-	-	-	-	*	-	-
Supplemental Instruction (Ch 193)	18-100-034-5120-066	7/1/17-6/30/18	9,516	-	-	-	9,516	476	-	-	9,040	-	*	476	-
Home Instruction (Ch 192)	17-100-034-5120-067	7/1/16-6/30/17	312	(312)	-	-	312	-	-	-	-	-	*	-	-
Home Instruction (Ch 192)	18-100-034-5120-067	7/1/17-6/30/18	399	-	-	-	399	-	-	(399)	-	-	*	(399)	-
Total Special Revenue Fund				(312)	5,237	-	142,715	126,571	5,237	(399)	-	16,231	(399)	126,571	-
Debt Service Fund															
Debt Service Aid	18-495-034-5120-075	7/1/17-6/30/18	682,729	-	-	-	682,729	682,729	-	-	-	-	-	682,729	-
Total Debt Service Aid				-	-	-	682,729	682,729	-	-	-	-	-	682,729	-
Total State Financial Assistance Subject to Single Audit Determination				\$ (542,710)	\$ 5,237	\$ -	\$ 7,545,775	\$ 7,669,118	\$ 5,237	\$ (682,284)	\$ -	\$ 16,231	\$ (138,288)	\$ 7,669,118	-
Less On-Behalf TPAF Pension															
T.P.A.F. Pension	18-495-034-5094-002	7/1/17-6/30/18	2,396,115	-	-	-	2,396,115	2,396,115	-	-	-	-	-	-	-
T.P.A.F. Pension - NCGI	18-495-034-5094-004	7/1/17-6/30/18	58,148	-	-	-	58,148	58,148	-	-	-	-	-	-	-
T.P.A.F. Pension - LTDI	18-495-034-5094-004	7/1/17-6/30/18	3,047	-	-	-	3,047	3,047	-	-	-	-	-	-	-
Post Retirement-Pension Contributions	18-495-034-5094-001	7/1/17-6/30/18	1,585,156	-	-	-	1,585,156	1,585,156	-	-	-	-	-	-	-
Total State Financial Assistance Subject to Major Program Determination							4,042,466	4,042,466							
Total State Financial Assistance Subject to Major Program Determination							\$ 3,503,309	\$ 3,626,652							

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, 2018**

**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 Board's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 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 a decrease of \$109,832 for the general 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		\$ 6,749,986	\$ 6,749,986
Special Revenue Fund	\$ 414,014	126,571	540,585
Debt Service Fund	-	682,729	682,729
	<hr/>	<hr/>	<hr/>
Total Financial Assistance	<u>\$ 414,014</u>	<u>\$ 7,559,286</u>	<u>\$ 7,973,300</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, 2018**

**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 \$1,180,322 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, 2018. The amount reported as TPAF Pension System Contributions in the amount of \$2,454,263. TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,585,156 and TPAF Long-Term Disability Insurance in the amount of \$3,047 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

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

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

**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, 2018**

*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>18-495-034-5120-044</u>	<u>Extraordinary Aid</u>
<u>18-495-034-5094-003</u>	<u>TPAF FICA Reimbursement</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </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, 2018**

*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, 2018

*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, 2018**

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.