

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020

Prepared by

Business Office

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INTRODUCTORY SECTION



WATCHUNG HILLS REGIONAL HIGH SCHOOL

ELIZABETH C. JEWETT, PHD
SUPERINTENDENT

TIMOTHY M. STYS, CPA
BUSINESS ADMINISTRATOR

WILLIAM J. LIBRERA
PRINCIPAL

December 22, 2020

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, 2020, 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 2019/2020 fiscal year with an enrollment of 1,935 which is 30 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>
2019/2020	1,935	(1.53%)
2018/2019	1,965	(2.43%)
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%)

2. ECONOMIC CONDITION AND OUTLOOK:

The Watchung Hills Regional High School area is experiencing a reduction in enrollment. Student population has steadily declined since 2014/2015. 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, 2020.

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 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.

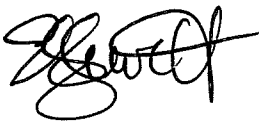
8. OTHER INFORMATION:

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,

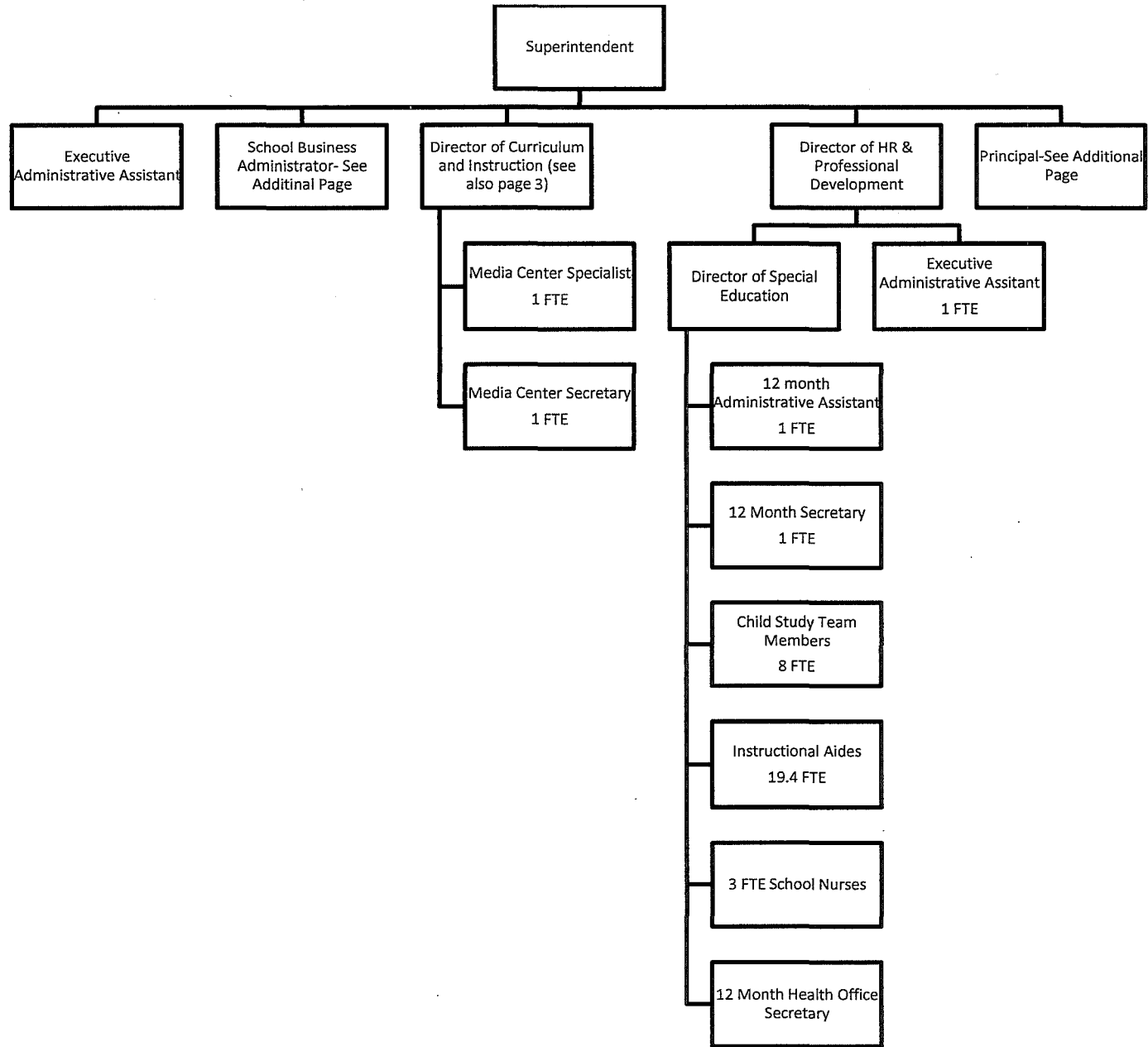


Elizabeth C. Jewett
Superintendent of Schools

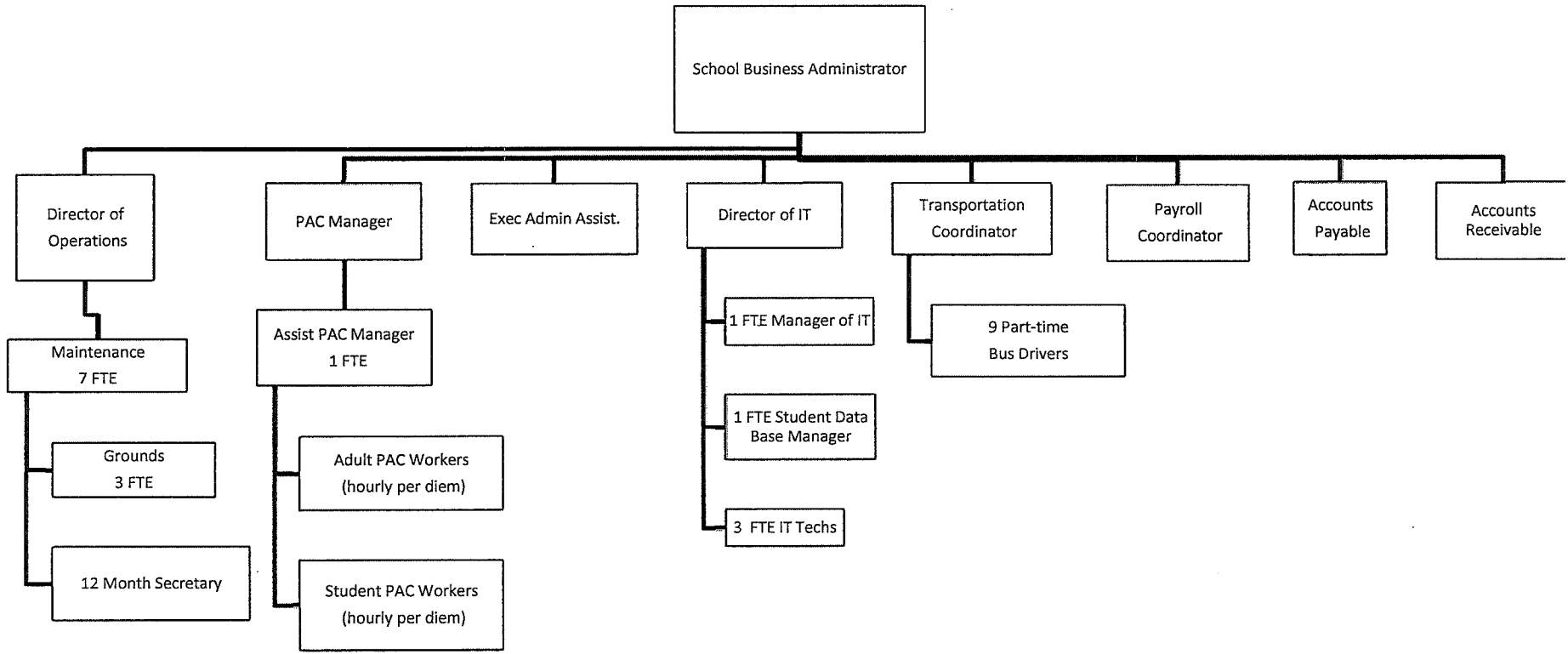


Timothy M. Stys
School Business Administrator/
Board Secretary

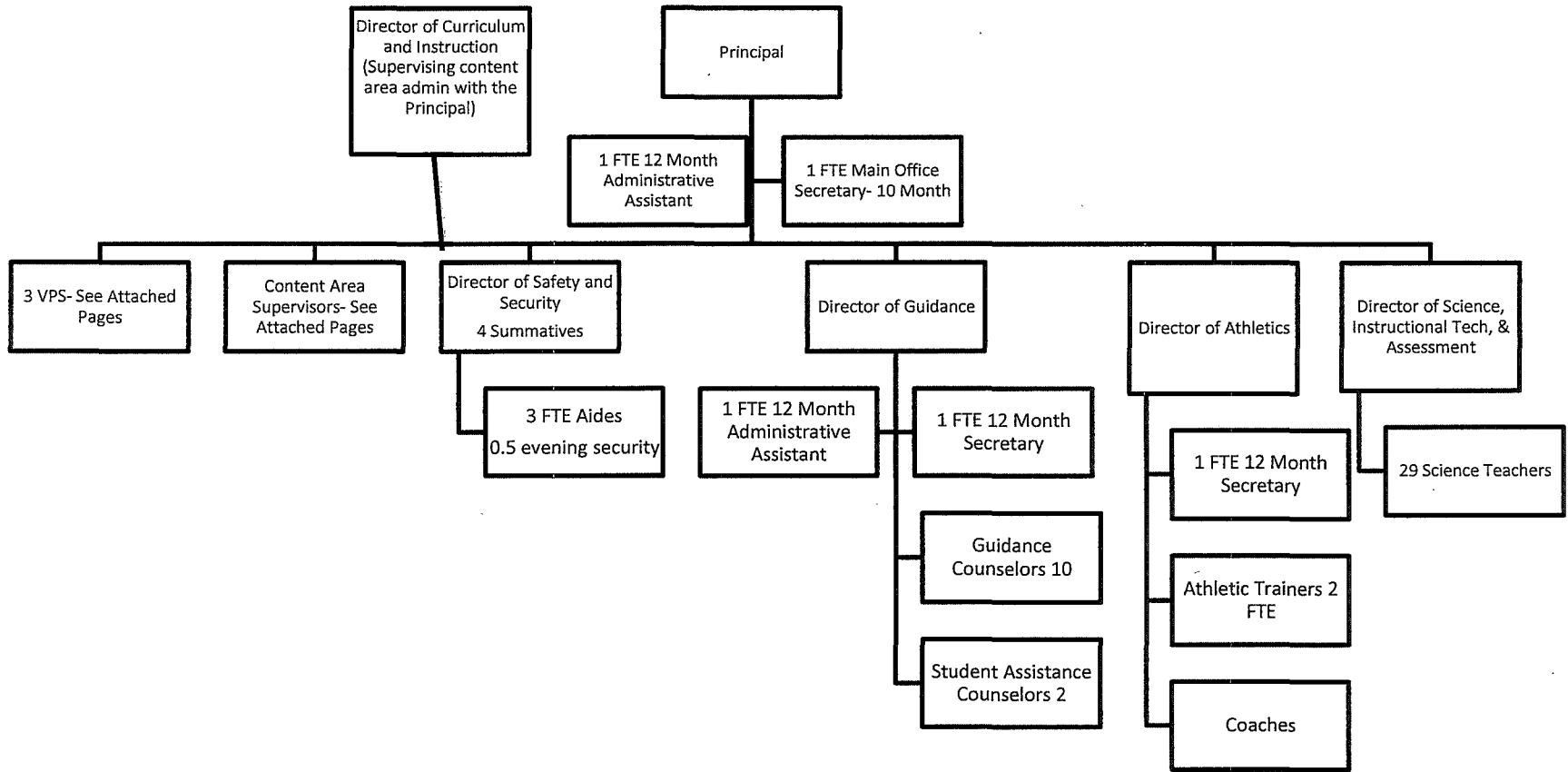
District Organizational Chart Watchung Hills Regional High School



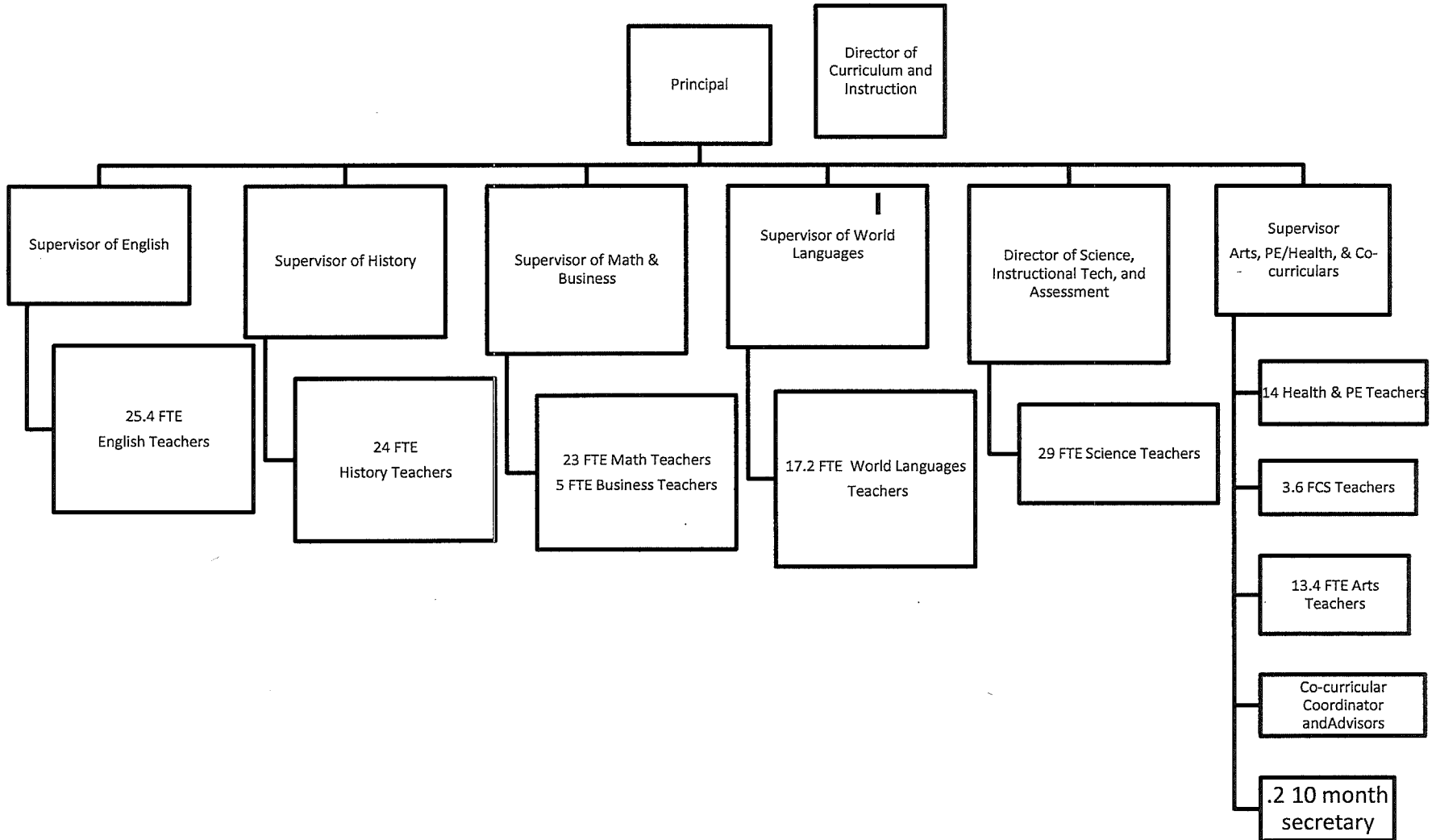
District Organizational Chart Watchung Hills Regional High School 2018-2019



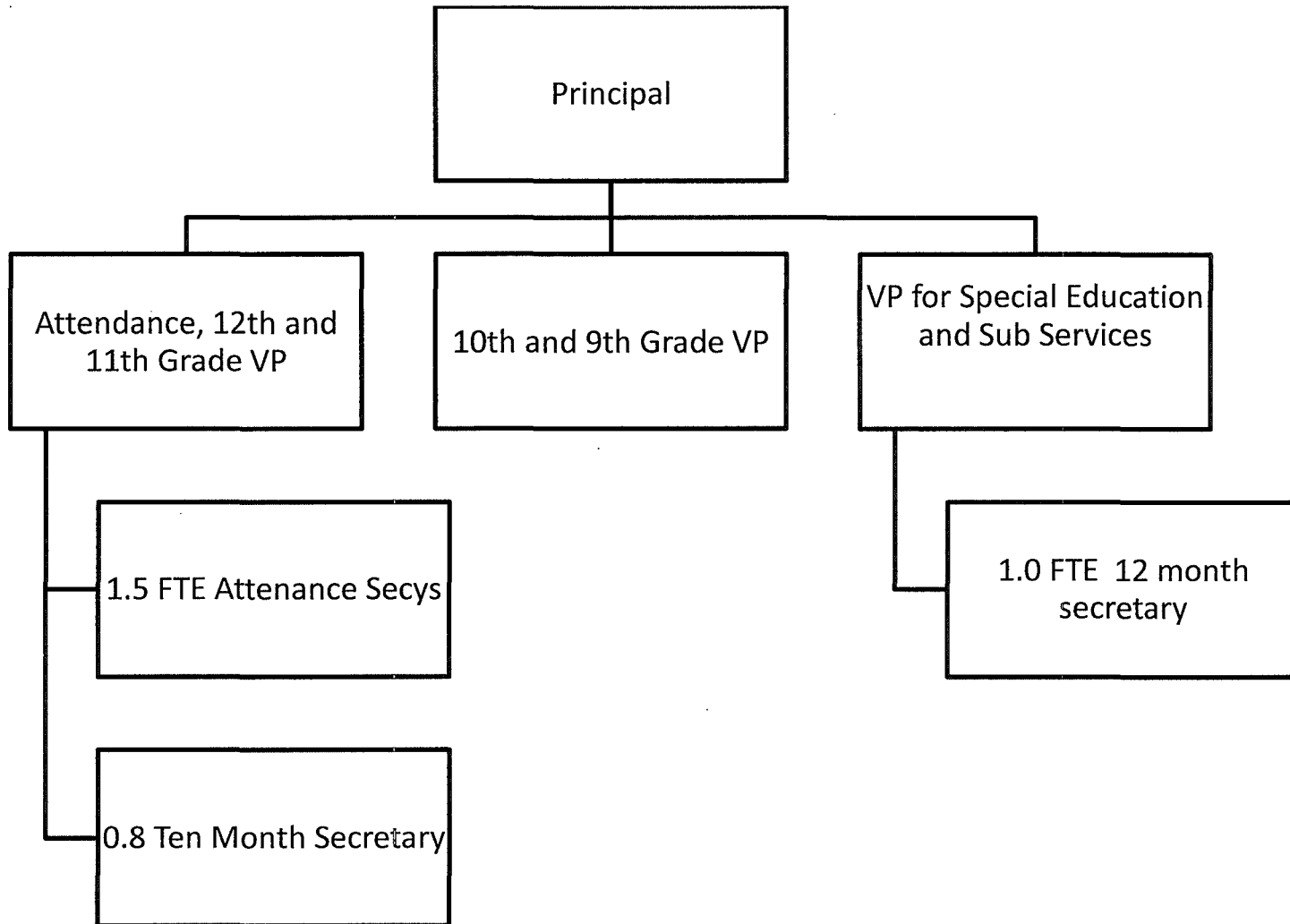
District Organizational Chart Watchung Hills Regional High School 2018-2019



District Organizational Chart Watchung Hills Regional High School 2018-2019



District Organizational Chart Watchung Hills Regional High School 2018-2019



WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2020

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Rita Barone – President Long Hill Township	2022
Gregory Przybylski – Vice President Warren Township	2021
Naresh Chand Warren Township	2022
Peter Fallon Warren Township	2020
Freddie Hayeck Watchung Borough	2020
Barry Hunsinger Watchung Borough	2021
Robert Morrison Warren Township	2022
Susan Ober Long Hill Township	2021
Jordana Raban Long Hill Township	2020
<u>Appointed</u>	
Janine Potter Green Brook Township	1 year term
<u>Other Officials</u>	
Elizabeth C. 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

Spiezle Architecture Group, Inc.
1395 Yardville Hamilton Square Road
Hamilton, New Jersey 08691

Board Auditor

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

Board/Construction Attorney

Schenck, Price, Smith & King
220 Park Avenue
Florham Park, New Jersey 07932

Official Depository

Peapack-Gladstone Bank
Bedminster, New Jersey 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
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Watchung Hills Regional High School District
108 Stirling Road
Warren, New Jersey 07059

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, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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

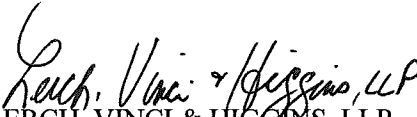
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Watchung Hills Regional High School District's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule 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 December 22, 2020 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 solely 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
December 22, 2020

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, 2020. 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 2019-2020 fiscal year include the following:

- The net position of the Watchung Hills Regional High School District at the close of the fiscal year was \$18,769,814.
- Overall revenues were \$55,817,539. General revenues accounted for \$35,575,493 or 64% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$20,242,046 or 36% of total revenues.
- The school district had \$51,253,943 in expenses for governmental activities; only \$19,432,337 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$35,575,493 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 \$12,500,110. The General Fund's fund balance at June 30, 2020 was \$8,983,142 an increase of \$1,572,748 when compared with the beginning balance of \$7,410,394 at July 1, 2019.
- The General Fund unassigned budgetary basis fund balance at June 30, 2020 was \$1,219,155 which represents a decrease of \$25,799 compared to the ending unassigned budgetary basis fund balance at June 30, 2019 of \$1,244,954.
- The school district maintains a Capital Reserve balance of \$5,462,757, a Tuition Reserve balance of \$300,000 and a Maintenance Reserve balance of \$1,049,735 at June 30, 2020.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

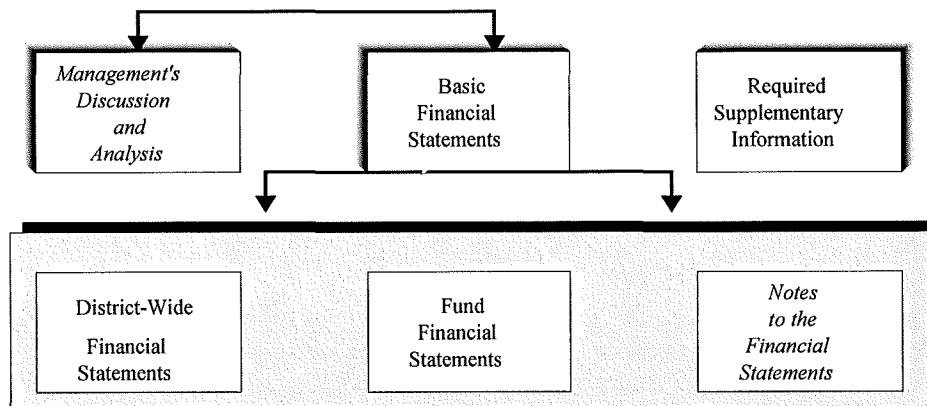
Management's Discussion and Analysis

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 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 \$18,769,814 as of June 30, 2020. 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, 2020 and 2019

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets						
Current and Other Assets	\$ 13,344,476	\$ 8,146,354	\$ 463,188	\$ 402,644	\$ 13,807,664	\$ 8,548,998
Capital Assets	<u>47,475,241</u>	<u>47,544,419</u>	<u>445,990</u>	<u>438,028</u>	<u>47,921,231</u>	<u>47,982,447</u>
Total Assets	<u>60,819,717</u>	<u>55,690,773</u>	<u>909,178</u>	<u>840,672</u>	<u>61,728,895</u>	<u>56,531,445</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding of Debt	340,503	441,782	-	-	340,503	441,782
Deferred Amounts on Net Pension Liability	<u>1,475,816</u>	<u>2,525,399</u>	<u>-</u>	<u>-</u>	<u>1,475,816</u>	<u>2,525,399</u>
Total Deferred Outflows of Resources	<u>1,816,319</u>	<u>2,967,181</u>	<u>-</u>	<u>-</u>	<u>1,816,319</u>	<u>2,967,181</u>
Total Assets and Deferred Outflows of Resources	<u>62,636,036</u>	<u>58,657,954</u>	<u>909,178</u>	<u>840,672</u>	<u>63,545,214</u>	<u>59,498,626</u>
Liabilities						
Long-Term Liabilities	39,815,606	40,228,665	66,763	-	39,882,369	40,228,665
Other Liabilities	<u>1,296,014</u>	<u>936,360</u>	<u>-</u>	<u>32,250</u>	<u>1,296,014</u>	<u>968,610</u>
Total Liabilities	<u>41,111,620</u>	<u>41,165,025</u>	<u>66,763</u>	<u>32,250</u>	<u>41,178,383</u>	<u>41,197,275</u>
Deferred Inflows of Resources						
Deferred Amounts on Net Pension Liability	<u>3,597,017</u>	<u>3,262,443</u>	<u>-</u>	<u>-</u>	<u>3,597,017</u>	<u>3,262,443</u>
Total Deferred Inflows of Resources	<u>3,597,017</u>	<u>3,262,443</u>	<u>-</u>	<u>-</u>	<u>3,597,017</u>	<u>3,262,443</u>
Total Liabilities and Deferred Inflows of Resources	<u>44,708,637</u>	<u>44,427,468</u>	<u>66,763</u>	<u>32,250</u>	<u>44,775,400</u>	<u>44,459,718</u>
Net Position:						
Net Investment in Capital Assets	16,916,374	17,967,682	445,990	438,028	17,362,364	18,405,710
Restricted	6,756,111	4,229,816	-	-	6,756,111	4,229,816
Unrestricted	<u>(5,745,086)</u>	<u>(7,967,012)</u>	<u>396,425</u>	<u>370,394</u>	<u>(5,348,661)</u>	<u>(7,596,618)</u>
Total Net Position	<u>\$ 17,927,399</u>	<u>\$ 14,230,486</u>	<u>\$ 842,415</u>	<u>\$ 808,422</u>	<u>\$ 18,769,814</u>	<u>\$ 15,038,908</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Changes in Net Position
for the Fiscal Years Ended June 30, 2020 and 2019

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program Revenues						
Charges for Services	\$ 8,308,872	\$ 7,822,287	\$ 809,709	\$ 1,138,796	\$ 9,118,581	\$ 8,961,083
Operating Grants and Contributions	11,123,465	12,487,601			11,123,465	12,487,601
General Revenues						
Property Taxes	34,887,960	34,306,058			34,887,960	34,306,058
State Aid	361,647	364,237			361,647	364,237
Other	325,886	410,996	-	-	325,886	410,996
Total Revenues	<u>55,007,830</u>	<u>55,391,179</u>	<u>809,709</u>	<u>1,138,796</u>	<u>55,817,539</u>	<u>56,529,975</u>
Expenses						
Instruction						
Regular	21,467,797	21,895,621			21,467,797	21,895,621
Special Education	6,882,692	6,602,733			6,882,692	6,602,733
Other Instruction	66,181	44,870			66,181	44,870
School Sponsored Activities and Athletics	2,094,102	2,147,622			2,094,102	2,147,622
Support Services						
Student and Instruction Related Services	7,581,741	7,914,936			7,581,741	7,914,936
General Administration	1,244,024	1,247,919			1,244,024	1,247,919
School Administration Services	2,349,670	2,640,087			2,349,670	2,640,087
Plant Operation and Maintenance	4,957,295	5,154,653			4,957,295	5,154,653
Pupil Transportation	2,157,114	2,578,763			2,157,114	2,578,763
Business and Other Support Services	1,376,303	1,439,750			1,376,303	1,439,750
Interest on Long-Term Debt	1,077,024	1,128,245			1,077,024	1,128,245
Food Services	-	-	828,998	1,071,920	828,998	1,071,920
Total Expenses	<u>51,253,943</u>	<u>52,795,199</u>	<u>828,998</u>	<u>1,071,920</u>	<u>52,082,941</u>	<u>53,867,119</u>
Change in Net Position	3,753,887	2,595,980	(19,289)	66,876	3,734,598	2,662,856
Net Position, Beginning of Year	14,230,486	11,531,350	808,422	620,714	15,038,908	12,152,064
Prior Period Adjustment	(56,974)	103,156	53,282	120,832	(3,692)	223,988
Net Position, End of Year	<u>\$ 17,927,399</u>	<u>\$ 14,230,486</u>	<u>\$ 842,415</u>	<u>\$ 808,422</u>	<u>\$ 18,769,814</u>	<u>\$ 15,038,908</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$55,007,830 for the fiscal year ended June 30, 2020. Property taxes of \$34,887,960 represented 63% percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and local aid was \$11,485,112. 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 \$8,308,872 in tuition in 2019/20.

The total cost of all governmental activities programs and services was \$51,253,943. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$30,510,772 (60%) of total expenditures. Student support services, exclusive of administration, total \$7,581,741 or (15%) of total expenditures.

Total governmental activities revenues exceeded expenses and the prior period capital assets adjustment increasing net position \$3,696,913 from the previous year.

Net Cost of Governmental Activities. The District's total cost of services was \$51,253,943. After applying program revenues, derived from charges for services of \$8,308,872 and operating grants and contributions of \$11,123,465 the net cost of services of the District is \$31,821,606.

Total and Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2020 and 2019

	<u>Total Cost of</u> <u>Services</u>		<u>Net Cost</u> <u>of Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Governmental Activities				
Instruction				
Regular	\$ 21,467,797	\$ 21,895,621	\$ 9,700,173	\$ 9,124,477
Special Education	6,882,692	6,602,733	2,473,340	2,992,878
Other Instruction	66,181	44,870	48,436	31,290
School Sponsored Activities and Athletics	2,094,102	2,147,622	1,636,742	1,628,457
Support Services				
Student and Instruction Related Services	7,581,741	7,914,936	6,009,585	6,014,565
General Administration	1,244,024	1,247,919	1,150,194	1,132,782
School Administration Services	2,349,670	2,640,087	2,084,175	2,269,186
Plant Operation and Maintenance	4,957,295	5,154,653	4,865,291	4,996,852
Pupil Transportation	2,157,114	2,578,763	1,538,601	1,915,888
Central and Other Support Services	1,376,303	1,439,750	1,238,045	1,250,691
Interest on Debt and Other Charges	1,077,024	1,128,245	1,077,024	1,128,245
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Governmental Activities	<u>\$ 51,253,943</u>	<u>\$ 52,795,199</u>	<u>\$ 31,821,606</u>	<u>\$ 32,485,311</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Business-Type Activities – The District's total business-type activities revenues were \$809,709 for the fiscal year ended June 30, 2020. Charges for services accounted for 100% of total revenues.

The total cost of all business-type activities programs and services was \$828,998. 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 and the prior period capital assets adjustment exceeded expenses, increasing net position by \$33,993 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 \$12,500,110. At June 30, 2019, the fund balance was \$7,675,113. This increase was largely attributable to the General Fund revenues exceeding expenditures for the fiscal year, as well as the District's issuance of a capital note (\$3,857,000) to finance the Media Center renovations and upgrades.

Revenues for the District's governmental funds were \$52,636,246 while total expenses were \$51,668,249.

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

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources:				
Property Taxes	\$ 31,668,863	\$ 31,116,836	\$ 552,027	1.77%
Tuition	8,308,872	7,822,287	486,585	6.22%
Miscellaneous	297,036	405,289	(108,253)	-26.71%
State Sources	<u>8,156,511</u>	<u>7,724,301</u>	<u>432,210</u>	5.60%
 Total General Fund Revenues	 <u>\$ 48,431,282</u>	 <u>\$ 47,068,713</u>	 <u>\$ 1,362,569</u>	 2.89%

Total General Fund Revenues increased by \$1,362,569 or 2.89% over the previous year.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Property taxes increased slightly less than 2% over the previous year. Tuition revenues increased by \$486,585. State aid revenues increased \$432,210, primarily due to an increase in the state TPAF pension contribution.

The following schedule presents a summary of General Fund expenditures.

	Fiscal Year Ended <u>June 30, 2020</u>	Fiscal Year Ended <u>June 30, 2019</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Instruction	\$ 26,720,136	\$ 25,696,580	\$ 1,023,556	3.98%
Support Services	17,401,718	17,963,328	(561,610)	-3.13%
Debt Service	399,074	564,883	(165,809)	-29.35%
Capital Outlay	<u>2,337,606</u>	<u>761,891</u>	<u>1,575,715</u>	206.82%
Total Expenditures	<u>\$ 46,858,534</u>	<u>\$ 44,986,682</u>	<u>\$ 1,871,852</u>	4.16%

In 2019-2020 General Fund revenues and other financing sources exceeded expenditures by \$1,572,748. As a result, total fund balance increased to \$8,983,142 at June 30, 2020. After deducting statutory transfers and reserves, the unassigned fund balance decreased from \$524,775 at June 30, 2019 to \$473,135 at June 30, 2020.

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 \$595,370, for the fiscal year ended June 30, 2020. 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 \$29,475 from the previous year.

Expenditures of the Special Revenue Fund were \$595,370 Instructional expenditures were \$486,907 or 82% of total expended for the fiscal year ended June 30, 2020.

Capital Projects - The capital projects revenues and other financing sources exceeded expenditures and other financing uses by \$3,233,632 increasing fund balance to \$3,491,411 at June 30, 2020. The increase is primarily due to the issuance of capital notes to fund the 2019 referendum project expenditures.

Proprietary Funds

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

Enterprise Fund - The District uses the Enterprise Fund to report activities related to the Food Services. The District's Enterprise Fund provides 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, 2020 amounts to \$47,921,231 (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 2019-20 amounted to \$2,985,717 for governmental activities and \$45,320 for business-type activities.

Capital Assets at June 30, 2020 and 2019

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 105,616	\$ 105,616			\$ 105,616	\$ 105,616
Improvements Other Than Buildings	6,765,977	6,751,000			6,765,977	6,751,000
Buildings	72,063,570	70,344,426			72,063,570	70,344,426
Machinery and Equipment	5,816,639	5,629,776	\$ 843,489	\$ 788,356	6,660,128	6,418,132
Construction in Progress	1,590,220	604,446	-	-	1,590,220	604,446
	86,342,022	83,435,264	843,489	788,356	87,185,511	84,223,620
Less Accumulated Depreciation	<u>(38,866,781)</u>	<u>(35,890,845)</u>	<u>(397,499)</u>	<u>(350,328)</u>	<u>(39,264,280)</u>	<u>(36,241,173)</u>
Total Capital Assets (Net)	<u>\$ 47,475,241</u>	<u>\$ 47,544,419</u>	<u>\$ 445,990</u>	<u>\$ 438,028</u>	<u>\$ 47,921,231</u>	<u>\$ 47,982,447</u>

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

LONG TERM LIABILITIES

At year end, the District's long-term liabilities consisted of compensated absences payable of \$636,094, bonds payable of \$26,268,000, capital notes of \$3,857,000, obligations under lease-purchase agreements of \$375,207 and net pension liability of \$8,234,254.

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 \$1,219,155 of unassigned general fund surplus. Additionally, the district has approximately \$5.5 million in Capital Reserve to cover future capital expenditures and maintains a maintenance reserve of approximately \$1 million. 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 2020/2021 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, the District will be faced with the potential for level or reduced State aid and mandated budget CAP's.

The District's operating budget for 2020/2021 is \$45,582,762. 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, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 12,210,513	\$ 449,825	\$ 12,660,338
Receivables, net	1,133,963		1,133,963
Inventory		13,363	13,363
Capital Assets			
Not Being Depreciated	1,695,836		1,695,836
Being Depreciated, Net	<u>45,779,405</u>	<u>445,990</u>	<u>46,225,395</u>
Total Assets	<u>60,819,717</u>	<u>909,178</u>	<u>61,728,895</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding of Debt	340,503		340,503
Deferred Amounts on Net Pension Liability	<u>1,475,816</u>	<u>-</u>	<u>1,475,816</u>
Total Deferred Outflows of Resources	<u>1,816,319</u>	<u>-</u>	<u>1,816,319</u>
Total Assets and Deferred Outflows of Resources	<u>62,636,036</u>	<u>909,178</u>	<u>63,545,214</u>
LIABILITIES			
Accounts Payable and Other Liabilities	768,845	5,173	774,018
Intergovernmental Payable	32,449		32,449
Accrued Interest Payable	451,648		451,648
Unearned Revenue	43,072	61,590	104,662
Noncurrent Liabilities			
Due Within One Year	6,864,553		6,864,553
Due Beyond One Year	<u>32,951,053</u>	<u>-</u>	<u>32,951,053</u>
Total Liabilities	<u>41,111,620</u>	<u>66,763</u>	<u>41,178,383</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>3,597,017</u>	<u>-</u>	<u>3,597,017</u>
Total Deferred Inflows of Resources	<u>3,597,017</u>	<u>-</u>	<u>3,597,017</u>
Total Liabilities and Deferred Inflows of Resources	<u>44,708,637</u>	<u>66,763</u>	<u>44,775,400</u>
NET POSITION			
Net Investment in Capital Assets	16,916,374	445,990	17,362,364
Restricted for:			
Capital Projects	5,674,648		5,674,648
Debt Service	31,728		31,728
Other Purposes	1,049,735		1,049,735
Unrestricted	<u>(5,745,086)</u>	<u>396,425</u>	<u>(5,348,661)</u>
Total Net Position	<u>\$ 17,927,399</u>	<u>\$ 842,415</u>	<u>\$ 18,769,814</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, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 21,467,797	\$ 6,629,524	\$ 5,138,100	\$ (9,700,173)		\$ (9,700,173)
Special Education	6,882,692	1,679,348	2,730,004	(2,473,340)		(2,473,340)
Other Instruction	66,181		17,745	(48,436)		(48,436)
School Sponsored Activities and Athletics	2,094,102		457,360	(1,636,742)		(1,636,742)
Support Services:						
Student and Instruction Related Services	7,581,741		1,572,156	(6,009,585)		(6,009,585)
General Administration Services	1,244,024		93,830	(1,150,194)		(1,150,194)
School Administration Services	2,349,670		265,495	(2,084,175)		(2,084,175)
Plant Operations and Maintenance	4,957,295		92,004	(4,865,291)		(4,865,291)
Pupil Transportation	2,157,114		618,513	(1,538,601)		(1,538,601)
Central and Other Support Services	1,376,303		138,258	(1,238,045)		(1,238,045)
Interest on Long-Term Debt and Other Charges	1,077,024	-	-	(1,077,024)	-	(1,077,024)
Total Governmental Activities	51,253,943	8,308,872	11,123,465	(31,821,606)	-	(31,821,606)
Business-Type Activities:						
Food Service	828,998	809,709	-	-	\$ (19,289)	(19,289)
Total Business-Type Activities	828,998	809,709	-	-	(19,289)	(19,289)
Total Primary Government	\$ 52,082,941	\$ 9,118,581	\$ 11,123,465	(31,821,606)	(19,289)	(31,840,895)
General Revenues:						
Property Taxes:						
Levied for General Purposes				31,668,863		31,668,863
Levied for Debt Service				3,219,097		3,219,097
State Aid - Restricted for Debt Service				361,647		361,647
Investment Earnings				162,954		162,954
Miscellaneous Income				162,932	-	162,932
Total General Revenues				35,575,493	-	35,575,493
Change in Net Position				3,753,887	(19,289)	3,734,598
Net Position, Beginning of Year				14,230,486	808,422	15,038,908
Prior Period Adjustment (Capital Assets)				(56,974)	53,282	(3,692)
Net Position, End of Year				\$ 17,927,399	\$ 842,415	\$ 18,769,814

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, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 8,595,726	\$ 44,920	\$ 3,544,327	\$ 25,540	\$ 12,210,513
Receivables, Net					
Intergovernmental	1,034,431	99,515			1,133,946
Other	-	-		17	17
Due from Other Funds	<u>37,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,662</u>
Total Assets	<u>\$ 9,667,819</u>	<u>\$ 144,435</u>	<u>\$ 3,544,327</u>	<u>\$ 25,557</u>	<u>\$ 13,382,138</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 659,677	\$ 93,914	\$ 15,254		\$ 768,845
Due to Other Funds			37,662		37,662
Payable to State Government		32,449			32,449
Unearned Revenue	<u>25,000</u>	<u>18,072</u>	<u>-</u>	<u>-</u>	<u>43,072</u>
Total Liabilities	<u>684,677</u>	<u>144,435</u>	<u>52,916</u>	<u>-</u>	<u>882,028</u>
Fund Balances					
Restricted Fund Balance					
Capital Reserve	3,186,757				3,186,757
Capital Reserve - Designated for Subsequent Year's Budget	2,276,000				2,276,000
Maintenance Reserve	1,049,735				1,049,735
Tuition Reserve	100,000				100,000
Tuition Reserve - Designated for Subsequent Year's Budget	200,000				200,000
Excess Surplus	742,203				742,203
Excess Surplus - Designated for Subsequent Year's Budget	564,808				564,808
Capital Projects Fund			3,485,240		3,485,240
Debt Service Fund			6,171	\$ 25,557	31,728
Committed Fund Balance					
Encumbrances	178,778				178,778
Assigned Fund Balance					
Encumbrances	176,799				176,799
Designated for Subsequent Year's Budget	34,927				34,927
Unassigned Fund Balance					
General Fund	<u>473,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,135</u>
Total Fund Balances	<u>8,983,142</u>	<u>-</u>	<u>3,491,411</u>	<u>25,557</u>	<u>12,500,110</u>
Total Liabilities and Fund Balances	<u>\$ 9,667,819</u>	<u>\$ 144,435</u>	<u>\$ 3,544,327</u>	<u>\$ 25,557</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 \$86,342,022 and the accumulated depreciation is \$38,866,781. 47,475,241

The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is: (451,648)

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) (41,596,304)

Net Position of governmental activities (Exhibit A-1) \$ 17,927,399

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, 2020

	<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>
REVENUES					
Local Sources					
Property Tax Levy	\$ 31,668,863			\$ 3,219,097	\$ 34,887,960
Interest Earnings	140,275		\$ 22,679		162,954
Tuition	8,308,872				8,308,872
Miscellaneous	<u>156,761</u>	<u>\$ 23,056</u>	<u>6,171</u>	<u>-</u>	<u>185,988</u>
Total - Local Sources	40,274,771	23,056	28,850	3,219,097	43,545,774
State Sources	8,156,511	134,636		361,647	8,652,794
Federal Sources	<u>-</u>	<u>437,678</u>	<u>-</u>	<u>-</u>	<u>437,678</u>
Total Revenues	<u>48,431,282</u>	<u>595,370</u>	<u>28,850</u>	<u>3,580,744</u>	<u>52,636,246</u>
EXPENDITURES					
Current					
Regular Instruction	18,634,006	107,643			18,741,649
Special Education Instruction	6,059,569	379,264			6,438,833
Other Instruction	61,093				61,093
School Sponsored Activities and Athletics	1,965,468				1,965,468
Support Services					
Student and Instruction Related Services	6,539,910	99,757			6,639,667
General Administrative Services	946,458				946,458
School Administrative Services	2,136,628				2,136,628
Plant Operations and Maintenance	4,299,025				4,299,025
Pupil Transportation	2,154,076				2,154,076
Central and Other Support Services	1,325,621				1,325,621
Debt Service					
Principal	267,312			2,570,000	2,837,312
Interest and Other Charges	131,762			1,014,806	1,146,568
Capital Outlay	<u>2,337,606</u>	<u>8,706</u>	<u>629,539</u>	<u>-</u>	<u>2,975,851</u>
Total Expenditures	<u>46,858,534</u>	<u>595,370</u>	<u>629,539</u>	<u>3,584,806</u>	<u>51,668,249</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,572,748</u>	<u>-</u>	<u>(600,689)</u>	<u>(4,062)</u>	<u>967,997</u>
OTHER FINANCING SOURCES (USES)					
Capital Note Proceeds	-		3,857,000		3,857,000
Transfers In	-			22,679	22,679
Transfers Out	<u>-</u>	<u>-</u>	<u>(22,679)</u>	<u>-</u>	<u>(22,679)</u>
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>3,834,321</u>	<u>22,679</u>	<u>3,857,000</u>
Net Change in Fund Balances	1,572,748	-	3,233,632	18,617	4,824,997
Fund Balance, Beginning of Year	<u>7,410,394</u>	<u>-</u>	<u>257,779</u>	<u>6,940</u>	<u>7,675,113</u>
Fund Balance, End of Year	<u>\$ 8,983,142</u>	<u>\$ -</u>	<u>\$ 3,491,411</u>	<u>\$ 25,557</u>	<u>\$ 12,500,110</u>

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, 2020**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 4,824,997

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

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

Depreciation Expense	\$ (2,985,717)	
Capital Outlay	<u>2,975,851</u>	(9,866)

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		(2,338)
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Repayment of debt is an expenditure in the governmental funds, but the issuance increases and repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

Payment of Principal		
Capital Note Proceeds	(3,857,000)	
Serial Bonds	2,570,000	
Lease Purchase Agreements	<u>267,312</u>	(1,019,688)

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	157,352	
Amortization of Deferred Charge on Refunding	<u>(101,279)</u>	56,073

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.

13,471

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.

(53,966)

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>(54,796)</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) \$ 3,753,887

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020**

ASSETS

Current Assets	
Cash	\$ 449,825
Inventory	<u>13,363</u>
Total Current Assets	<u>463,188</u>
Capital Assets	
Furniture, Machinery, and Equipment	843,489
Less: Accumulated Depreciation	<u>(397,499)</u>
Total Noncurrent Assets	<u>445,990</u>
Total Assets	<u>909,178</u>

LIABILITIES

Current Liabilities	
Accounts Payable	5,173
Unearned Revenue	<u>61,590</u>
Total Current Liabilities	<u>66,763</u>

NET POSITION

Net Investment in Capital Assets	445,990
Unrestricted	<u>396,425</u>
Total Net Position	<u>\$ 842,415</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, 2020

OPERATING REVENUES

Charges for Services	
Daily Sales- Non-Reimbursable Programs	\$ 798,064
Other Sales	<u>11,645</u>
 Total Operating Revenues	 <u>809,709</u>

OPERATING EXPENSES

Cost of Sales - Non-Reimbursable Programs	336,294
Salaries and Benefits	272,701
Management Fee	51,313
Miscellaneous	123,370
Depreciation	<u>45,320</u>
 Total Operating Expenses	 <u>828,998</u>
 Operating Income (Loss)	 (19,289)
 Net Position, Beginning of Year	 808,422
 Prior Period Adjustment (Capital Assets)	 <u>53,282</u>
 Net Position, End of Year	 <u>\$ 842,415</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 843,383
Cash Payments to Employees for Salaries and Benefits	(272,701)
Cash Payments to Suppliers for Goods and Services	<u>(518,620)</u>
Net Cash Provided by Operating Activities	<u>52,062</u>
Net Change in Cash	52,062
Cash, Beginning of Year	<u>397,763</u>
Cash, End of Year	<u><u>\$ 449,825</u></u>

RECONCILIATION OF NET CASH PROVIDED (USED)

BY OPERATING ACTIVITIES	
Operating Income (Loss)	<u>\$ (19,289)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided for Operating Activities	
Depreciation	45,320
Change in Assets and Liabilities	
(Increase)/Decrease in Accounts Receivable	2,696
(Increase)/Decrease in Inventory	(11,178)
Increase/(Decrease) in Unearned Revenue	30,978
Increase/(Decrease) in Accounts Payable	<u>3,535</u>
Total Adjustments	<u>71,351</u>
Net Cash Provided by Operating Activities	<u><u>\$ 52,062</u></u>

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2020**

	<u>Unemployment Compensation Trust Fund</u>	<u>Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash	\$ 300,178	\$ 62,765	\$ 300,043
Total Assets	<u>300,178</u>	<u>62,765</u>	<u>\$ 300,043</u>
LIABILITIES			
Payroll Deductions and Withholdings			\$ 34,241
Accounts Payable		7,000	
Intergovernmental Accounts Payable	31,607		
Due to Student Groups	<u>-</u>	<u>-</u>	<u>265,802</u>
Total Liabilities	<u>31,607</u>	<u>7,000</u>	<u>\$ 300,043</u>
NET POSITION			
Held In Trust For Unemployment Compensation Claims and Other Purposes	<u>\$ 268,571</u>	<u>\$ 55,765</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, 2020**

	Unemployment Compensation <u>Trust Fund</u>	Scholarship <u>Fund</u>
ADDITIONS		
Contributions		
Employees	\$ 31,078	
Donations		\$ 8,820
Interest	-	775
	<hr/>	<hr/>
Total Additions	31,078	9,595
	<hr/>	<hr/>
DEDUCTIONS		
Scholarships		16,632
Unemployment Compensation Claims	64,287	-
	<hr/>	<hr/>
Total Deductions	64,287	16,632
	<hr/>	<hr/>
Change in Net Position	(33,209)	(7,037)
Net Position, Beginning of Year	301,780	62,802
	<hr/>	<hr/>
Net Position, End of Year	<u>\$ 268,571</u>	<u>\$ 55,765</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Watchung Hills Regional High School District (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials from Warren Township, Long Hill Township and the Borough of Watchung and one appointed representative from the Green Brook Board of Education. The Board is responsible for the fiscal control of the District. A Superintendent of Schools is appointed by the Board and is responsible for the administrative control of the District. A School Business Administrator/Board Secretary is also appointed by the Board and oversees the business functions 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 currently operates a High School District grade nine (9) through grade twelve (12).

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 Superintendent of Schools is the Chief Administrative Officer of the District who is responsible for planning and operational functions of the District. The School Business Administrator/Board Secretary is the Chief Financial Officer and is responsible for budgeting, financial accounting and reporting and reports through the Superintendent of Schools to the Board.

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

For fiscal year 2020, there were no GASB statements required to be adopted and implemented by the District.

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

- GASB No. 84, *Fiduciary Activities*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2021. 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 87, *Leases*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. 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. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. The objectives of this Statement is to improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.
- GASB No. 92, *Omnibus 2020*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022 except requirements related to GASB No. 87 and Implementation Guide No. 2019-3 are effective upon issuance. The objective of this Statement is to enhance comparability in the application of accounting and financial reporting requirements and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics.
- GASB No. 96, *Subscription – Based Information Technology Arrangements*, will be effective beginning with the fiscal year ending June 30, 2023. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.
- GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No.84, and a Supersession of GASB Statement No. 32*, the section that maybe applicable to the District will be effective beginning with the fiscal year ending June 30, 2022. The objective of this Statement is to provide more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements

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

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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.

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 administrators, 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. *Inventories*

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

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

4. *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

5. *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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. 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 only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

6. Compensated Absences

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

7. Pensions

In the district-wide financial statements and proprietary fund types in the fund 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.

8. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows 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 with 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, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. *Net Position/Fund Balance*

District-Wide Statements

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

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

Governmental Fund Statements

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

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

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

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 2020/2021 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. (See Note 3C).

Tuition Reserve – This restriction was created in accordance with NJAC 6A:23A-17.1(F)8 to represent foreseeable future tuition adjustments for the 2019/2020 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 2018/2019 contract year that is appropriated in the 2020/2021 original budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2020 audited excess surplus that is required to be appropriated in the 2021/2022 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, 2019 audited excess surplus that was appropriated in the 2020/2021 original budget certified for taxes.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

Restricted Fund Balance (Continued)

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

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

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

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 2020/2021 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 amounts are used only after the other resources have been used.

10. 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 school district 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. *Fund Balance Policies (Continued)*

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

3. *Tuition Revenues and Expenditures*

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

Tuition Expenditures - Tuition charges for the fiscal years 2018-2019 and 2019-2020 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

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

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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 of this difference are as follows:

Bonds Payable	\$ 26,268,000
Original Issuance Premium	445,051
Deferred Charge on Refunding of Debt	(340,503)
Capital Leases Payable	375,207
Capital Notes Payable	3,857,000
Compensated Absences	636,094
Net Pension Liability	8,234,254
Deferred Amounts on Net Pension Liability	
Deferred Outflows	(1,475,816)
Deferred Inflows	<u>3,597,017</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ 41,596,304</u>

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. 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 2019/2020. Also, during 2019/2020 the Board increased the original General Fund budget by \$1,306,308 and the Special Revenue Fund budget by \$62,549. The increases were funded by the reappropriation of prior year encumbrances and additional grant awards.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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.

The activity of the capital reserve for the fiscal year ended June 30, 2020 is as follows:

Balance, July 1, 2019		\$ 3,461,250
Increased by		
Interest Earnings	\$ 1,507	
Deposits Approved by Board Resolution	<u>2,000,000</u>	
		<u>2,001,507</u>
Balance, June 30, 2020		<u>\$ 5,462,757</u>

\$2,276,000 of the capital reserve balance at June 30, 2020 was designated and appropriated for use in the 2020/2021 original budget certified for taxes.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Maintenance Reserve

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

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

The activity of the maintenance reserve for the fiscal year ended June 30, 2020 is as follows:

Balance, July 1, 2019	\$ 549,735
Increased by	
Deposits Approved by Board Resolution	500,000
Balance, June 30, 2020	\$ 1,049,735

D. 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, 2020 is \$1,307,011. Of this amount, \$564,808 was designated and appropriated in the 2020/2021 original budget certified for taxes and the remaining amount of \$742,203 will be appropriated in the 2021/2022 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, 2020**

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, 2020, the book value of the Board's deposits were \$13,323,324 and bank and brokerage firm balances of the Board's deposits amounted to \$14,743,935. The Board's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

Depository Account

Insured	<u>\$ 14,743,935</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, 2020 none of the Board's bank balances were exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; 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, 2020, 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, 2020**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2020 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>Debt Service</u>	<u>Total</u>
Receivables:				
Intergovernmental				
Federal		\$ 88,740		\$ 88,740
State	\$ 60,976	8,091		69,067
Other	973,455	2,684	\$ 17	976,156
Gross Receivables	1,034,431	99,515	17	1,133,963
Less: Allowance for Uncollectibles	-	-	-	-
Net Total Receivables	<u>\$ 1,034,431</u>	<u>\$ 99,515</u>	<u>\$ 17</u>	<u>\$ 1,133,963</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:

General Fund	
Funds Received for Use in Subsequent Years	\$ 25,000
Special Revenue Fund	
Grant Draw Downs Reserved for Encumbrances	437
Unencumbered Grant Draw Downs	<u>17,635</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 43,072</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance, July 1, 2019	Prior Period Adjustments	Increases	Decreases	Transfers/ Adjustments	Balance, June 30, 2020
Governmental Activities:						
Capital Assets, Not Being Depreciated:						
Land	\$ 105,616					\$ 105,616
Construction in Progress	604,446	-	\$ 1,590,220	-	\$ (604,446)	1,590,220
Total Capital Assets, Not Being Depreciated	<u>710,062</u>	<u>-</u>	<u>1,590,220</u>	<u>-</u>	<u>(604,446)</u>	<u>1,695,836</u>
Capital Assets, Being Depreciated:						
Improvements Other Than Buildings	6,751,000		14,977			6,765,977
Buildings	70,344,426	-	1,114,698		604,446	72,063,570
Machinery and Equipment	5,629,776	\$ (59,073)	255,956	\$ (10,020)	-	5,816,639
Total Capital Assets Being Depreciated	<u>82,725,202</u>	<u>(59,073)</u>	<u>1,385,631</u>	<u>(10,020)</u>	<u>604,446</u>	<u>84,646,186</u>
Less Accumulated Depreciation for:						
Improvements Other Than Buildings	(2,660,389)	-	(293,067)			(2,953,456)
Buildings	(29,816,827)	-	(2,312,258)			(32,129,085)
Machinery and Equipment	(3,413,629)	2,099	(380,392)	7,682	-	(3,784,240)
Total Accumulated Depreciation	<u>(35,890,845)</u>	<u>2,099</u>	<u>(2,985,717)</u>	<u>7,682</u>	<u>-</u>	<u>(38,866,781)</u>
Total Capital Assets, Being Depreciated, Net	<u>46,834,357</u>	<u>(56,974)</u>	<u>(1,600,086)</u>	<u>(2,338)</u>	<u>604,446</u>	<u>45,779,405</u>
Governmental Activities Capital Assets, Net	<u>\$ 47,544,419</u>	<u>\$ (56,974)</u>	<u>\$ (9,866)</u>	<u>\$ (2,338)</u>	<u>\$ -</u>	<u>\$ 47,475,241</u>
	Balance, July 1, 2019	Prior Period Adjustments	Increases		Balance, June 30, 2020	
Business-Type Activities:						
Capital Assets, Being Depreciated:						
Machinery and Equipment	\$ 788,356	\$ 55,133	-		\$ 843,489	
Total Capital Assets Being Depreciated	<u>788,356</u>	<u>55,133</u>	<u>-</u>		<u>843,489</u>	
Less Accumulated Depreciation for:						
Machinery and Equipment	(350,328)	(1,851)	\$ (45,320)		(397,499)	
Total Accumulated Depreciation	<u>(350,328)</u>	<u>(1,851)</u>	<u>(45,320)</u>		<u>(397,499)</u>	
Total Capital Assets, Being Depreciated, Net	<u>438,028</u>	<u>53,282</u>	<u>(45,320)</u>		<u>445,990</u>	
Business-Type Activities Capital Assets, Net	<u>\$ 438,028</u>	<u>\$ 53,282</u>	<u>\$ (45,320)</u>		<u>\$ 445,990</u>	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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	\$	1,283,857
Special		<u>179,143</u>
Total Instruction		<u>1,463,000</u>
Support Services		
Student and Instruction Related Services		507,572
General Administration		268,715
School Administration		119,429
Operations and Maintenance of Plant		<u>627,001</u>
Total Support Services		<u>1,522,717</u>
Total Depreciation Expense - Governmental Activities	\$	<u>2,985,717</u>
Business-Type Activities:		
Machinery and Equipment	\$	<u>45,320</u>
Total Depreciation Expense-Business-Type Activities	\$	<u>45,320</u>

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2020:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Media Center and Electrical Upgrades	\$ <u>629,539</u>	\$ <u>2,998,139</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2020, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	<u>\$ 37,662</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund.

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

Interfund Transfers

	<u>Transfer In</u>	
	<u>Debt Service Fund</u>	<u>Total</u>
Transfer Out		
Capital Projects Fund	<u>\$ 22,679</u>	<u>\$ 22,679</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 for the acquisition and installation of various equipment.

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

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2021	\$ 253,053	\$ 5,476	\$ 258,529
2022	<u>122,154</u>	<u>1,682</u>	<u>123,836</u>
	<u>\$ 375,207</u>	<u>\$ 7,158</u>	<u>\$ 382,365</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 or other purposes permitted by statute. 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, 2020 are comprised of the following issues:

\$17,190,000, 2011 Refunding Bonds, due in annual installments of \$1,700,000 to \$1,980,000 through January 15, 2024, interest at 5.0%	\$7,340,000
\$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 Bonds, due in annual installments of \$810,000 to \$1,023,000 through January 15, 2029 interest at 3.00% to 3.50%	8,218,000
\$1,970,000, 2016 Refunding Bonds, due in annual installments of \$190,000 to \$210,000 through January 15, 2027 interest at 1.75%	<u>1,405,000</u>
Total	<u>\$26,268,000</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>	
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	3,070,000	576,568	3,646,568
2025	3,325,000	447,430	3,772,430
2026-2029	<u>11,433,000</u>	<u>779,995</u>	<u>12,212,995</u>
	<u>\$ 26,268,000</u>	<u>\$ 4,232,708</u>	<u>\$ 30,500,708</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

Capital Note

On December 3, 2019, the Board issued a capital note in the amount of \$3,857,000 to finance the renovations and upgrades to the High School Media Center. The project was approved by the voters on September 24, 2019 as a part of the District’s referendum. The capital note bears an interest rate of 1.50%, and matures on December 2, 2020. The District’s intent is to fund the full principal amount of the capital note through a budget appropriation in the Debt Service Fund in the 2020/2021 fiscal year budget.

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2020 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 244,001,278
Less: Net Debt Issued	<u>30,125,000</u>
Remaining Borrowing Power	<u>\$ 213,876,278</u>

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 28,838,000		\$ 2,570,000	\$ 26,268,000	\$ 2,700,000
Add: Original Issue Premium	<u>602,403</u>	<u>-</u>	<u>157,352</u>	<u>445,051</u>	<u>-</u>
Total Bonds Payable	29,440,403	-	2,727,352	26,713,051	2,700,000
Capital Note		\$ 3,857,000		3,857,000	3,857,000
Obligations Under Lease Purchase	642,519		267,312	375,207	253,053
Compensated Absences	582,128	103,480	49,514	636,094	54,500
Net Pension Liability	<u>9,563,615</u>	<u>54,796</u>	<u>1,384,157</u>	<u>8,234,254</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 40,228,665</u>	<u>\$ 4,015,276</u>	<u>\$ 4,428,335</u>	<u>\$ 39,815,606</u>	<u>\$ 6,864,553</u>

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 OTHER INFORMATION

A. Risk Management

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

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

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the 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 Fund is on file with the School 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>
2019-2020		\$ 31,078	\$ 64,287	\$ 268,571
2018-2019		30,188	22,738	301,780
2017-2018		29,640	35,117	294,330

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, 2020, 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, 2020**

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. 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 Board employees who are eligible for pension coverage:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, 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. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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:

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 1/55th 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 1/60th 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.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage 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, which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions. For additional information about TPAF, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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 1/55th 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 1/60th 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 and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 OTHER INFORMATION (Continued)

D Employee Retirement Systems and Pension Plans (Continued)

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. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2019 is \$18.1 billion and the plan fiduciary net position as a percentage of the total pension liability is 56.27%. The collective net pension liability of the State funded TPAF at June 30, 2019 is \$61.5 billion and the plan fiduciary net position as a percentage of total pension liability is 26.95%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 which were rolled forward to June 30, 2019.

Actuarial Methods and Assumptions

In the July 1, 2018 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

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 members 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 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2020.

PERS employers' and TPAF State's nonemployer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2020 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State's annual pension contribution was less than the actuarial determined amount. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF nonemployer 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. All PERS and DCRP contributions made by the Board for fiscal years 2020, 2019 and 2018 were equal to the required contributions.

During the fiscal years ended June 30, 2020, 2019 and 2018 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, contributed for TPAF, respectively for normal cost pension and unfunded 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>
2020	\$ 444,518	\$ 3,496,879	\$ 11,071
2019	483,136	3,172,002	10,759
2018	429,204	2,454,263	12,941

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions (Continued)

In addition for fiscal years 2020, 2019 and 2018 the District contributed \$2,245, \$3,137 and \$8,191, respectively for PERS and the State contributed \$1,891, \$2,258 and \$3,047, 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 \$1,195,119 during the fiscal year ended June 30, 2020 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 both 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. 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 measurement period July 1, 2018 through June 30, 2019. 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 (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial 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, 2019 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2019.

At June 30, 2020, the District reported in the statement of net position (accrual basis) a liability of \$8,234,254 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the ratio of the District's share of contributions to the pension plan relative to the total contributions of all participating governmental entities, for the year ended June 30, 2019. At June 30, 2019, the District's proportionate share was .04570 percent, which was a decrease of .00287 percent from its proportionate share measured as of June 30, 2018 of .04857 percent.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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)

For the fiscal year ended June 30, 2020, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$499,314 for PERS. The pension contribution made by the District during the current 2019/2020 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, 2020 with a measurement date of the prior fiscal year end of June 30, 2019. 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, 2020 for contributions made subsequent to the measurement date. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 147,794	\$ 36,375
Changes of Assumptions	822,221	2,858,084
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		129,981
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>505,801</u>	<u>572,577</u>
Total	<u>\$ 1,475,816</u>	<u>\$ 3,597,017</u>

At June 30, 2020, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense/(benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2021	\$ (153,405)
2022	(783,346)
2023	(741,180)
2024	(387,054)
2025	(56,216)
Thereafter	<u>-</u>
	<u>\$ (2,121,201)</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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)

Actuarial Assumptions

The District's total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00%
	Based on Years of Service
Thereafter	3.00%-7.00%
	Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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 rates 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 PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
US Equity	28.00%	8.26%
Non-US Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
High Yield	2.00%	5.37%
Real Assets	2.50%	9.31%
Private Credit	6.00%	7.92%
Real Estate	7.50%	8.33%
Private Equity	12.00%	10.85%

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>
2020	June 30, 2019	6.28%
2019	June 30, 2018	5.66%

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2057
Municipal Bond Rate *	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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 6.28%, 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 (5.28 percent) or 1-percentage-point higher (7.28 percent) than the current rate:

	1% Decrease <u>5.28%</u>	Current Discount Rate <u>6.28%</u>	1% Increase <u>7.28%</u>
District's Proportionate Share of the PERS Net Pension Liability	\$ <u>10,401,201</u>	\$ <u>8,234,254</u>	\$ <u>6,408,294</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability as of the measurement date of June 30, 2019. A sensitivity analysis specific to the District's net pension liability at June 30, 2019 was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as an employee and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the measurement period July 1, 2018 through June 30, 2019. 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, 2019, 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, 2020, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$5,718,376 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2020 the State's proportionate share of the net pension liability attributable to the District is \$96,950,100. The nonemployer allocation percentages are based on the ratio of the State's contributions made as a nonemployer attributable to the District adjusted for unpaid early retirement incentives relative to total contributions to TPAF during the year ended June 30, 2019. At June 30, 2019, the State's share of the net pension liability attributable to the District was .15797 percent, which was a decrease of .00474 percent from its proportionate share measured as of June 30, 2018 of .16271 percent.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55-4.55%
	Based on Years of Service
Thereafter	2.75%-5.65%
	Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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 TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
US Equity	28.00%	8.26%
Non-US Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
High Yield	2.00%	5.37%
Real Assets	2.50%	9.31%
Private Credit	6.00%	7.92%
Real Estate	7.50%	8.33%
Private Equity	12.00%	10.85%

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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:

Fiscal Year	Measurement Date	Discount Rate
2020	June 30, 2019	5.60%
2019	June 30, 2018	4.86%

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, 2054
Municipal Bond Rate *	From July 1, 2054 and Thereafter

* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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 5.60%, 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 (4.60 percent) or 1-percentage-point higher (6.60 percent) than the current rate:

	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 114,325,626</u>	<u>\$ 96,950,100</u>	<u>\$ 82,533,900</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District as of the measurement date of June 30, 2019. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2019 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, 2020**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program 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 for the fiscal year ended June 30, 2019. 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 Employees Plan (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage, prescription drug benefits and Medicare Part B reimbursement to qualified retired education employees and their covered dependents. 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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.

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2018:

Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>364,943</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.

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2019 is \$41.7 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2018 which were rolled forward to June 30, 2019.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

In the June 30, 2018 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contributions

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.28 billion to the OPEB plan in fiscal year 2019.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through 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 Employees Plan for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2020, 2019 and 2018 were \$1,297,278, \$1,438,815 and \$1,585,156, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan 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.

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 Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. 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 measurement period July 1, 2018 through June 30, 2019. 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, 2020, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$1,447,365. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2020 the State's proportionate share of the OPEB liability attributable to the District is \$51,293,356. 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, 2019 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2019. At June 30, 2019, the state's share of the OPEB liability attributable to the District was .12 percent, which was no change from its proportionate share measured as of June 30, 2018 of .12 percent.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

The OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
TPAF:	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 3.05%
Rate Thereafter	1.55% to 3.05%
Mortality:	
PERS	Pre-retirement and Post-retirement based on Pub-2010 Healthy "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.
TPAF	Pre-retirement and Post-retirement based on Pub-2010 "Teachers" and "General" classifications respectively, headcount-weighted mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2019.
Long-Term Rate of Return	2.00%

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and the members years of service.

For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2015 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the plan upon retirement.

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 2.00% as of June 30, 2019.

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>
2020	June 30, 2019	3.50%
2019	June 30, 2018	3.87%

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, 2020**

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, 2020 (measurement date June 30, 2019) is as follows:

Balance, June 30, 2018 Measurement Date	<u>\$ 55,950,477</u>
Changes Recognized for the Fiscal Year:	
Service Cost	2,192,634
Interest on the Total OPEB Liability	2,220,855
Differences Between Expected and Actual Experience	(8,307,519)
Changes of Assumptions	764,788
Gross Benefit Payments	(1,574,553)
Contributions from the Member	<u>46,674</u>
Net Changes	<u>(4,657,121)</u>
Balance, June 30, 2019 Measurement Date	<u>\$ 51,293,356</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% percent in 2018 to 3.50% percent in 2019.

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, 2019.

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 3.50%, 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
State's Proportionate Share of the OPEB Liability Attributable to the District	<u>\$ 60,597,723</u>	<u>\$ 51,293,356</u>	<u>\$ 43,902,477</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 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:

	<u>1%</u> <u>Decrease</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability (School Retirees)	\$ <u>42,263,439</u>	\$ <u>51,293,356</u>	\$ <u>63,247,112</u>

The sensitivity analyses were based on the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2019. Sensitivity analyses specific to the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2019 were not provided by the pension system.

F. Subsequent Events

On August 25, 2020, the Board approved a withdrawal of \$112,424 from the General Fund Maintenance Reserve to fund COVID-19 related expenditures.

On September 15, 2020, the Board approved a withdrawal of \$430,000 from the General Fund Capital Reserve to fund the South Cafeteria HVAC project expenditures.

On October 13, 2020, the Board approved by resolution, the authorization to sell and issue an amount not to exceed \$21,500,000 of Refunding School Bonds. As of the date of the audit, the Board has not sold the refunding bonds.

NOTE 6 PRIOR PERIOD ADJUSTMENT

The financial statements have been adjusted to revise certain capital asset balances from the amounts previously reported. The governmental activities financial statements have been adjusted to reflect a decrease of \$56,974 in capital assets. In addition, the business-type activities financial statements have been restated to report an increase of \$53,282 in capital assets.

NOTE 7 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 7 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC (Continued)

New Jersey Governor Phil Murphy has issued multiple Executive Orders since March 16, 2020 including but not limited to aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of all schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods, the temporary reprieve to certain at-risk inmates and the extension of the permitted statutory grace period from May 11, 2020 to June 1, 2020 for quarterly property taxes due May 1, 2020. The Board expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the School District. The declaration of a public health emergency remains in effect as of the date of audit. As part of a planned multi-stage approach to restart the State's economy, Governor Murphy has signed a series of Executive Orders permitting the resumption of certain activities.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Board cannot predict how the outbreak will impact the financial condition or operations of the School District, or if there will be any impact on the assessed values of property within the School District or deferral of tax payments to municipalities. The Board cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain it facilities either before or after an outbreak of an infectious disease.

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, 2020**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 31,668,863		\$ 31,668,863	\$ 31,668,863	
Tuition	8,024,506		8,024,506	8,308,872	\$ 284,366
Interest			-	138,768	138,768
Interest on Capital Reserve	250		250	1,507	1,257
Interest on Maintenance Reserve	50		50		(50)
Rents and Royalties	121,300		121,300	85,209	(36,091)
Miscellaneous	145,000		145,000	71,552	(73,448)
State Sources					
Special Education Aid	889,679		889,679	889,679	
Security Aid	83,096		83,096	83,096	
Transportation Aid	616,602		616,602	616,602	-
Non-Public Transportation	-		-	1,791	1,791
Extraordinary Aid	200,000		200,000	600,017	400,017
On-Behalf TPAF (Non-Budget)					
Pension Contribution				3,435,305	3,435,305
NCGI Premium				61,574	61,574
Long Term Disability Insurance				1,891	1,891
Post Retirement - Medical				1,297,278	1,297,278
Social Security	-	-	-	1,195,119	1,195,119
Total Revenues	41,749,346	-	41,749,346	48,457,123	6,707,777
EXPENDITURES					
CURRENT					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 9-12	11,351,149	\$ (60,482)	11,290,667	11,278,524	12,143
Home Instruction					
Salaries of Teachers	15,000	(14,000)	1,000	80	920
Purchased Prof.-Ed. Services	37,000	-	37,000	24,218	12,782
Regular Programs - Undistributed Instruction					
Purchased Prof.-Ed. Services	12,500	-	12,500	11,230	1,270
Other Purchased Services	663,659	1,460	665,119	578,543	86,576
General Supplies	865,350	(14,133)	851,217	744,705	106,512
Textbooks	43,600	(1,039)	42,561	25,424	17,137
Other Objects	8,600	600	9,200	5,076	4,124
Total Regular Programs	12,996,858	(87,594)	12,909,264	12,667,800	241,464
Learning and/or Language Disabilities					
Salaries of Teachers	371,562	(4,000)	367,562	367,217	345
Other Salaries for Instruction	278,367	50,400	328,767	327,702	1,065
Other Purchased Services	2,200	-	2,200	-	2,200
General Supplies	29,650	(15,000)	14,650	9,727	4,923
Textbooks	700	-	700	-	700
Other Objects	1,000	-	1,000	-	1,000
Total Learning and/or Language Disabilities	683,479	31,400	714,879	704,646	10,233

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Resource Room					
Salaries of Teachers	\$ 1,525,349	\$ 86,498	\$ 1,611,847	\$ 1,611,793	\$ 54
Other Salaries for Instruction	175,051	2,800	177,851	177,487	364
Other Purchased Services	500	-	500	500	500
General Supplies	20,000	(1,900)	18,100	16,737	1,363
Textbooks	2,000	(900)	1,100	-	1,100
	<u>1,722,900</u>	<u>86,498</u>	<u>1,809,398</u>	<u>1,806,017</u>	<u>3,381</u>
Total Resource Room					
Total Special Education	<u>2,406,379</u>	<u>117,898</u>	<u>2,524,277</u>	<u>2,510,663</u>	<u>13,614</u>
Bilingual Education					
Salaries of Teachers	26,054	13,762	39,816	39,786	30
Other Purchased Services	5,500	-	5,500	5,500	5,500
Other Objects	600	-	600	-	600
	<u>32,154</u>	<u>13,762</u>	<u>45,916</u>	<u>39,786</u>	<u>6,130</u>
Total Bilingual Education					
School Sponsored Co-Curricular Activities					
Salaries	253,638	6,000	259,638	234,105	25,533
Purchased Services	3,300	500	3,800	3,800	3,800
Supplies and Materials	84,300	5,435	89,735	64,841	24,894
Other Objects	1,815	-	1,815	350	1,465
Transfers to Cover Deficit	18,000	-	18,000	5,000	13,000
	<u>361,053</u>	<u>11,935</u>	<u>372,988</u>	<u>304,296</u>	<u>68,692</u>
Total School Sponsored Co-Curricular Activities					
School Sponsored Athletics - Instruction					
Salaries	788,504	28,300	816,804	771,806	44,998
Purchased Services	215,760	33,100	248,860	179,503	69,357
Supplies and Materials	244,250	(1,435)	242,815	170,331	72,484
Other Objects	9,200	-	9,200	8,013	1,187
	<u>1,257,714</u>	<u>59,965</u>	<u>1,317,679</u>	<u>1,129,653</u>	<u>188,026</u>
Total School Sponsored Athletics-Instruction					
Total - Instruction	<u>17,054,158</u>	<u>115,966</u>	<u>17,170,124</u>	<u>16,652,198</u>	<u>517,926</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State - Spec.	339,171	211,910	551,081	532,481	18,600
Tuition to Co. Voc. School Dist. - Reg.	40,600	(6,000)	34,600	34,562	38
Tuition to Co. Voc. School Dist. - Special	23,300	21,000	44,300	43,884	416
Tuition to Priv Sch. For Disabled w/in State	1,921,629	(268,345)	1,653,284	1,642,910	10,374
Tuition to Priv Sch. For Disabled Out of State	-	40,000	40,000	34,000	6,000
Tuition - Other	20,000	(5,000)	15,000	11,233	3,767
	<u>2,344,700</u>	<u>(6,435)</u>	<u>2,338,265</u>	<u>2,299,070</u>	<u>39,195</u>
Total Undistributed Expenditures - Instruction					

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Attendance and Social Work Services					
Salaries	\$ 70,124	\$ 2,000	\$ 72,124	\$ 72,003	\$ 121
Purchased Professional and Technical Services	11,000	(8,100)	2,900	-	2,900
Total Attendance and Social Work Svcs.	<u>81,124</u>	<u>(6,100)</u>	<u>75,024</u>	<u>72,003</u>	<u>3,021</u>
Health Services					
Salaries of Teachers	252,331	14,000	266,331	254,780	11,551
Purchased Professional and Technical Services	130,400	600	131,000	130,950	50
Other Purchased Services	500	-	500	-	500
Supplies and Materials	15,500	(600)	14,900	11,403	3,497
Other Objects	260	-	260	-	260
Total Health Services	<u>398,991</u>	<u>14,000</u>	<u>412,991</u>	<u>397,133</u>	<u>15,858</u>
Other Support Services - Speech, OT, PT and Related Services					
Purchased Professional-Educational Services	189,304	(6,000)	183,304	103,024	80,280
Total Other Support Services-Speech, OT, PT and Related Services	<u>189,304</u>	<u>(6,000)</u>	<u>183,304</u>	<u>103,024</u>	<u>80,280</u>
Other Support Services - Extra. Services					
Salaries	387,966	4,500	392,466	342,294	50,172
Purchased Professional - Educational Services	294,171	91,000	385,171	364,632	20,539
Total Other Support Services - Extra. Services	<u>682,137</u>	<u>95,500</u>	<u>777,637</u>	<u>706,926</u>	<u>70,711</u>
Other Support Services - Guidance					
Salaries of Other Professional Staff	931,828	(2,900)	928,928	926,545	2,383
Salaries of Secretarial and Clerical Assistants	122,524	2,000	124,524	124,285	239
Other Salaries	141,461	3,000	144,461	144,040	421
Other Purchased Services	1,500	-	1,500	-	1,500
Supplies and Materials	21,350	-	21,350	14,656	6,694
Other Objects	15,700	(800)	14,900	8,404	6,496
Total Other Support Services - Guidance	<u>1,234,363</u>	<u>1,300</u>	<u>1,235,663</u>	<u>1,217,930</u>	<u>17,733</u>
Other Support Services - Child Study Team					
Salaries of Other Professional Staff	780,253	1,900	782,153	768,314	13,839
Salaries of Secretarial and Clerical Assistants	122,763	3,500	126,263	125,845	418
Purchased Professional - Educational Services	10,000	13,600	23,600	21,390	2,210
Other Purchased Services	26,300	(900)	25,400	23,735	1,665
Supplies and Materials	4,750	(600)	4,150	4,119	31
Other Objects	1,500	(1,000)	500	-	500
Total Other Support Services - Child Study Team	<u>945,566</u>	<u>16,500</u>	<u>962,066</u>	<u>943,403</u>	<u>18,663</u>
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisors of Instruction	581,792	3,900	585,692	584,859	833
Salaries of Other Professional Staff	13,500	-	13,500	7,525	5,975
Salaries of Secretarial and Clerical Assistants	49,886	100	49,986	49,939	47
Supplies and Materials	1,500	-	1,500	90	1,410
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	<u>646,678</u>	<u>4,000</u>	<u>650,678</u>	<u>642,413</u>	<u>8,265</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

EXPENDITURES	Original Budget	Adjustments	Modified Budget	Actual	Variance Final Budget to Actual
CURRENT (Continued)					
Educational Media Services/School Library					
Salaries	\$ 283,568	\$ 12,528	\$ 296,096	\$ 282,262	\$ 13,834
Other Purchased Services	57,500	16,000	73,500	60,854	12,646
Supplies and Materials	18,000	(5,300)	12,700	7,111	5,589
Total Educational Media Services/School Library	359,068	23,228	382,296	350,227	32,069
Instructional Staff Training Services					
Salaries of Other Professional Staff	55,025	560	55,585	55,579	6
Salaries of Secretarial and Clerical Assist.	26,338	200	26,538	26,518	20
Other Salaries	10,000	-	10,000	2,800	7,200
Purchased Professional/Educational Svcs.	32,380	-	32,380	21,187	11,193
Other Purchased Services	24,500	1,025	25,525	20,101	5,424
Supplies and Materials	13,000	-	13,000	4,538	8,462
Other Objects	4,000	-	4,000	1,520	2,480
Total Instructional Staff Training Svcs.	165,243	1,785	167,028	132,243	34,785
Support Services General Administration					
Salaries	310,871	3,630	314,501	301,134	13,367
Legal Services	70,000	-	70,000	61,378	8,622
Audit Fees	32,500	31,000	63,500	32,391	31,109
Other Purchased Professional Services	41,600	-	41,600	37,010	4,590
Purchased Technical Services	11,500	33,636	45,136	27,089	18,047
Miscellaneous Purchased Services	252,171	6,800	258,971	258,053	918
Communications/Telephone	33,757	(1,200)	32,557	23,723	8,834
BOE Other Purchased Services	3,100	-	3,100	2,910	190
General Supplies	5,280	-	5,280	47	5,233
BOE In House Training/Meeting Supplies	4,600	1,800	6,400	4,771	1,629
Miscellaneous Expenditures	11,200	25,150	36,350	29,465	6,885
BOE Membership Dues and Fees	26,800	(1,650)	25,150	15,607	9,543
Total Support Services General Administration	803,379	99,166	902,545	793,578	108,967
Support Services School Administration					
Salaries of Principals/Asst. Principals/Program Directors	611,726	(12,000)	599,726	582,941	16,785
Salaries of Other Professional Staff	723,928	(11,000)	712,928	646,393	66,535
Salaries of Secretarial and Clerical Assistants	189,865	-	189,865	180,955	8,910
Other Purchased Services	1,485	-	1,485	85	1,400
Supplies and Materials	23,000	12,000	35,000	28,602	6,398
Other Objects	26,500	-	26,500	17,725	8,775
Total Support Services School Administration	1,576,504	(11,000)	1,565,504	1,456,701	108,803
Central Services					
Salaries	631,150	4,000	635,150	635,075	75
Purchased Technical Services	1,700	450	2,150	650	1,500
Misc. Purchased Services	14,300	880	15,180	8,422	6,758
Supplies and Materials	8,400	-	8,400	4,761	3,639
Miscellaneous Expenditures	6,930	320	7,250	6,111	1,139
Total Central Services	662,480	5,650	668,130	655,019	13,111

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Administration Information Technology					
Salaries	\$ 197,718	\$ 4,700	\$ 202,418	\$ 189,430	\$ 12,988
Purchased Technical Services	29,000	2,500	31,500	31,280	220
Other Purchased Services	64,940	(8,700)	56,240	55,898	342
Other Objects	500	-	500	-	500
Total Administration Information Technology	<u>292,158</u>	<u>(1,500)</u>	<u>290,658</u>	<u>276,608</u>	<u>14,050</u>
Undist. Expend. - Required Maint. For School Facilities					
Salaries	865,691	(32,320)	833,371	795,303	38,068
Cleaning, Repair, and Maintenance	764,400	(41,134)	723,266	507,589	215,677
General Supplies	109,500	357	109,857	79,303	30,554
Other Objects	3,000	-	3,000	1,469	1,531
Total Undist. Expend - Required Maint. For School Facilities	<u>1,742,591</u>	<u>(73,097)</u>	<u>1,669,494</u>	<u>1,383,664</u>	<u>285,830</u>
Undist. Expend. - Custodial Services					
Purchased Professional-Technical Services		11,000	11,000	10,920	80
Cleaning, Repair, and Maintenance Services	870,408	5,550	875,958	735,769	140,189
Other Purchased Property Services	84,860	-	84,860	63,186	21,674
Insurance	7,341	-	7,341	7,341	-
Miscellaneous Purchased Services	42,941	17,790	60,731	57,728	3,003
General Supplies	5,500	(3,000)	2,500	-	2,500
Energy(Natural Gas)	183,610	3,000	186,610	167,866	18,744
Energy(Electricity)	500,685	-	500,685	477,583	23,102
Total Undist. Expend. - Custodial Services	<u>1,695,345</u>	<u>34,340</u>	<u>1,729,685</u>	<u>1,520,393</u>	<u>209,292</u>
Care and Upkeep of Grounds					
Salaries	252,645	2,010	254,655	241,011	13,644
Purchased Prof. and Technical Services	15,000	(2,750)	12,250	8,139	4,111
Cleaning, Repair, and Maintenance Serv.	100,000	(33,400)	66,600	63,678	2,922
General Supplies	58,000	(1,675)	56,325	54,914	1,411
Total Care and Upkeep	<u>425,645</u>	<u>(35,815)</u>	<u>389,830</u>	<u>367,742</u>	<u>22,088</u>
Security					
Salaries	316,414	12,500	328,914	320,484	8,430
Purchased Prof. and Technical Services	137,500	2,129	139,629	133,650	5,979
Cleaning, Repair, and Maintenance Serv.	5,300	(129)	5,171	101	5,070
General Supplies	68,000	(2,000)	66,000	23,870	42,130
Other Objects	200	-	200	-	200
Total Security	<u>527,414</u>	<u>12,500</u>	<u>539,914</u>	<u>478,105</u>	<u>61,809</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Student Transportation Services					
Sal. For Pupil Trans (Bet Home and Sch)-Reg.	\$ 64,234	\$ 438	\$ 64,672	\$ 64,672	-
Sal. For Pupil Trans (Other Than Bet Home and Sch)	145,000	(29,100)	115,900	67,141	\$ 48,759
Other Purchased Prof. and Technical Svce.	7,334	-	7,334	5,333	2,001
Management Fee - ESC Transportation Program	34,500	1,700	36,200	30,515	5,685
Cleaning, Repair, and Maintenance Services	36,500	(5,100)	31,400	14,877	16,523
Contr. Serv. (Bet Home and Sch)-Vendors	851,984	22,700	874,684	682,232	192,452
Contr. Serv. (Other Than Bet Home and Sch) - Vendors	21,850	111,300	133,150	70,271	62,879
Contr. Serv. (Bet Home and Sch)-Joint Agreements	129,800	(10,400)	119,400	87,153	32,247
Contr. Serv. (Spec. Ed.)-Joint Agreements	1,029,800	32,000	1,061,800	875,295	186,505
Contr. Serv. - Aid in Lieu Payments	249,000	(10,400)	238,600	155,539	83,061
Miscellaneous Purchased Services - Transportation	37,507	-	37,507	37,507	-
General Supplies	25,810	(5,100)	20,710	2,529	18,181
Other Objects	5,000	-	5,000	2,424	2,576
Total Student Transportation Services	2,638,319	108,038	2,746,357	2,095,488	650,869
Unallocated Benefits - Employee Benefits					
Social Security Contributions	441,252	-	441,252	432,260	8,992
Other Retirement Contributions-PERS	539,763	(86,098)	453,665	453,601	64
Other Retirement Contributions- Regular	13,729	-	13,729	11,071	2,658
Unemployment Compensation	1,000	-	1,000	620	380
Workmen's Compensation	245,973	(6,800)	239,173	225,874	13,299
Health Benefits	5,142,363	(228,240)	4,914,123	4,594,604	319,519
Tuition Reimbursement	108,250	-	108,250	66,094	42,156
Other Employee Benefits	8,000	-	8,000	3,787	4,213
Unused Sick Payments to Terminated/Retired Staff	54,500	-	54,500	38,515	15,985
Total Unallocated Benefits - Employee Benefits	6,554,830	(321,138)	6,233,692	5,826,426	407,266
On-Behalf - TPAF (Non-Budget)					
Pension Contribution	-	-	-	3,435,305	(3,435,305)
NCGI Premium	-	-	-	61,574	(61,574)
Long Term Disability Insurance	-	-	-	1,891	(1,891)
Post Retirement-Medical	-	-	-	1,297,278	(1,297,278)
Social Security Contributions	-	-	-	1,195,119	(1,195,119)
Total On-Behalf	-	-	-	5,991,167	(5,991,167)
Total Undistributed Expenditures	23,965,839	(45,078)	23,920,761	27,709,263	(3,788,502)
Interest Earned on Maintenance Reserve	50	-	50	-	50
Total Current Expenditures	41,020,047	70,888	41,090,935	44,361,461	(3,270,526)
CAPITAL OUTLAY					
Equipment					
Instruction					
Grades 9-12	153,165	(12,890)	140,275	138,658	1,617
School-Sponsored and Other Instructional Programs	15,000	3,300	18,300	18,253	47
Undistributed					
Admin. Info. Tech.	9,000	47,700	56,700	56,524	176
Required Maintenance for School Facilities	35,000	7,371	42,371	42,371	-
Care and Upkeep of Grounds	-	5,425	5,425	5,425	-
Total Equipment	212,165	50,906	263,071	261,231	1,840

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CAPITAL OUTLAY (Continued)					
Facilities Acquisition and Construction Svces.					
Architectural and/or Engineering Services	\$ 97,900	\$ 51,382	\$ 149,282	\$ 106,289	\$ 42,993
Construction Services	1,093,750	1,102,217	2,195,967	1,970,086	225,881
Assessment of Debt Service on SDA Funding	121,752	-	121,752	121,752	-
Total Facilities Acquisition and Construction Svces.	<u>1,313,402</u>	<u>1,153,599</u>	<u>2,467,001</u>	<u>2,198,127</u>	<u>268,874</u>
Interest Deposit to Capital Reserve	<u>250</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
Total Capital Outlay	<u>1,525,817</u>	<u>1,204,505</u>	<u>2,730,322</u>	<u>2,459,358</u>	<u>270,964</u>
SPECIAL SCHOOLS					
Summer School					
Instruction					
Salaries of Teachers	6,000	7,720	13,720	13,720	-
General Supplies	1,000	(800)	200	-	200
Total Special Schools	<u>7,000</u>	<u>6,920</u>	<u>13,920</u>	<u>13,720</u>	<u>200</u>
Transfer of Funds to Charter School	<u>-</u>	<u>23,995</u>	<u>23,995</u>	<u>23,995</u>	<u>-</u>
Total Expenditures	<u>42,552,864</u>	<u>1,306,308</u>	<u>43,859,172</u>	<u>46,858,534</u>	<u>(2,999,362)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(803,518)	(1,306,308)	(2,109,826)	1,598,589	3,708,415
Fund Balances, Beginning of Year	<u>8,130,573</u>	<u>-</u>	<u>8,130,573</u>	<u>8,130,573</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 7,327,055</u>	<u>\$ (1,306,308)</u>	<u>\$ 6,020,747</u>	<u>\$ 9,729,162</u>	<u>\$ 3,708,415</u>
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				\$ 3,186,757	
Capital Reserve - Designated for Subsequent Year's Budget				2,276,000	
Maintenance Reserve				1,049,735	
Tuition Reserve				100,000	
Tuition Reserve - Designated for Subsequent Year's Budget				200,000	
Excess Surplus				742,203	
Excess Surplus - Designated in Subsequent Year's Budget				564,808	
Committed Fund Balance:					
Encumbrances				178,778	
Assigned Fund Balance:					
Encumbrances				176,799	
Designated for Subsequent Year's Budget				34,927	
Unassigned Fund Balance:					
Unreserved				<u>1,219,155</u>	
				9,729,162	
Less: State Aid Payments Not Recognized on GAAP				<u>(746,020)</u>	
Fund Balance, GAAP Basis (Exhibit B-2)				<u>\$ 8,983,142</u>	

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 170,947	\$ (6,200)	\$ 164,747	\$ 134,636	\$ (30,111)
Federal	477,217	50,391	527,608	443,941	(83,667)
Other	31,342	18,358	49,700	26,159	(23,541)
Total Revenues	<u>679,506</u>	<u>62,549</u>	<u>742,055</u>	<u>604,736</u>	<u>(137,319)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	79,322	(44,336)	34,986	34,786	200
Purchased Professional and Educ Services	56,119	12,908	69,027	34,891	34,136
Other Purchased Services	371,603	2,191	373,794	370,231	3,563
General Supplies	12,024	30,529	42,553	23,955	18,598
Textbooks	17,836	5,149	22,985	18,965	4,020
Total Instruction	<u>536,904</u>	<u>6,441</u>	<u>543,345</u>	<u>482,828</u>	<u>60,517</u>
Support Services					
Salaries	22,634	(2,406)	20,228	11,373	8,855
Personal Services - Employee Benefits	-	13,197	13,197	11,650	1,547
Purchased Professional and Tech Services	94,968	247	95,215	84,181	11,034
Other Purchased Services	25,000	27,785	52,785	4,640	48,145
Supplies and Materials	-	-	-	-	-
Total Support Services	<u>142,602</u>	<u>38,823</u>	<u>181,425</u>	<u>111,844</u>	<u>69,581</u>
Facilities Acquisition and Equipment					
Instructional Equipment	-	17,285	17,285	10,064	7,221
Total Facilities Acquisition and Equipment	<u>-</u>	<u>17,285</u>	<u>17,285</u>	<u>10,064</u>	<u>7,221</u>
Total Expenditures	<u>679,506</u>	<u>62,549</u>	<u>742,055</u>	<u>604,736</u>	<u>137,319</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, 2020**

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Revenues (budgetary basis) (Exhibits C-1 and C-2)	\$ 48,457,123	\$ 604,736
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year Encumbrances		(10,279)
Prior Year Encumbrances		913
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements - Current Year	(746,020)	
State Aid payments recognized for GAAP statements, not recognized for budgetary basis - Prior Year	<u>720,179</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 48,431,282</u>	<u>\$ 595,370</u>
Uses/Outflows of Resources		
Actual Expenditures (budgetary basis) (Exhibit C-1 and C-2)	\$ 46,858,534	\$ 604,736
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes		
Current Year Encumbrances		(10,279)
Prior Year Encumbrances	<u>-</u>	<u>913</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 46,858,534</u>	<u>\$ 595,370</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 Seven Fiscal Years ***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.00000%	0.04857%	0.04633%	0.04680%	0.04456%	0.04308%	0.04168%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,234,254	\$ 9,563,615	\$ 10,785,035	\$ 13,861,901	\$ 10,002,788	\$ 8,065,407	\$ 7,965,083
District's Covered-Employee Payroll	\$ 3,301,807	\$ 3,272,374	\$ 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	249.39%	292.25%	324.36%	454.02%	322.18%	271.14%	267.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%	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 Seven Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 444,518	\$ 483,136	\$ 429,204	\$ 415,797	\$ 383,095	\$ 355,130	\$ 314,019
Contributions in Relation to the Contractually Required Contributions	<u>444,518</u>	<u>483,136</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	\$ 3,255,883	\$ 3,301,807	\$ 3,272,374	\$ 3,324,992	\$ 3,053,173	\$ 3,104,751	\$ 2,974,617
Contributions as a Percentage of Covered-Employee Payroll	13.65%	14.63%	13.12%	12.51%	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 Seven Fiscal Years ***

	<u>2020</u>	<u>2019</u>	<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%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State's Proportionate Share of Net Pension Liability (Asset) Associated with the District	\$ 96,950,100	\$ 103,511,349	\$ 107,130,017	\$ 127,864,123	\$ 102,351,486	\$ 83,009,491	\$ 80,663,187
Total	<u>\$ 96,950,100</u>	<u>\$ 103,511,349</u>	<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	\$ 16,796,517	\$ 16,875,999	\$ 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%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.95%	26.49%	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, 2020**

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 5d.

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

Postemployment Health Benefit Plan

Last Three Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 2,192,634	\$ 2,509,051	\$ 3,027,972
Interest on Total OPEB Liability	2,220,855	2,383,565	2,052,814
Differences Between Expected and Actual Experience	(8,307,519)	(5,863,967)	-
Changes of Assumptions	764,788	(6,420,597)	(8,559,275)
Gross Benefit Payments	(1,574,553)	(1,496,096)	(1,652,528)
Member Contributions	<u>46,674</u>	<u>51,707</u>	<u>60,850</u>
Net Change in Total OPEB Liability	(4,657,121)	(8,836,337)	(5,070,167)
Total OPEB Liability - Beginning of Year	<u>55,950,477</u>	<u>64,786,814</u>	<u>69,856,981</u>
Total OPEB Liability - End of Year	<u>\$ 51,293,356</u>	<u>\$ 55,950,477</u>	<u>\$ 64,786,814</u>
District's Proportionate Share of OPEB Liability	-	-	-
State's Proportionate Share of OPEB Liability	<u>\$ 51,293,356</u>	<u>\$ 55,950,477</u>	<u>\$ 64,786,814</u>
Total OPEB Liability - Ending	<u>\$ 51,293,356</u>	<u>\$ 55,950,477</u>	<u>\$ 64,786,814</u>
District's Covered-Employee Payroll	<u>\$ 20,098,324</u>	<u>\$ 20,148,373</u>	<u>\$ 20,133,029</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	<u>0%</u>	<u>0%</u>	<u>0%</u>

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

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

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, 2020**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 5e.

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, 2020**

	CARES	Title IV	Title II Part A	I.D.E.A. Part B Basic	Title I	Non-Public							Local	Grand Totals
						Textbooks	Nursing	Exam and Class	Comp Ed	Technology	Security	Home Instruction		
REVENUES														
Intergovernmental														
State						\$ 18,016	\$ 32,978	\$ 17,283	\$ 1,217	\$ 12,296	\$ 49,703	\$ 3,143		\$ 134,636
Federal	\$ 19,511	\$ 1,500	\$ 11,373	\$ 366,621	\$ 44,936	-	-	-	-	-	-	-		443,941
Local	-	-	-	-	-	-	-	-	-	-	-	-	\$ 26,159	26,159
Total Revenues	\$ 19,511	\$ 1,500	\$ 11,373	\$ 366,621	\$ 44,936	\$ 18,016	\$ 32,978	\$ 17,283	\$ 1,217	\$ 12,296	\$ 49,703	\$ 3,143	\$ 26,159	\$ 604,736
EXPENDITURES														
Instruction														
Salaries of Teachers					\$ 33,286								\$ 1,500	\$ 34,786
Purchased Professional and Educ Services	\$ 13,248							\$ 17,283	\$ 1,217			\$ 3,143		34,891
Other Purchased Services				\$ 361,981										8,250
General Supplies	6,263									\$ 12,296				5,396
Textbooks	-	-	-	-	-	\$ 18,016	-	-	-	-	-	-	949	18,965
Total Instruction	19,511	-	-	361,981	33,286	18,016	-	17,283	1,217	12,296	-	3,143	16,095	482,828
Support Services														
Salaries			\$ 11,373											11,373
Personal Services - Employee Benefits					11,650									11,650
Purchased Professional and Tech Services		\$ 1,500					\$ 32,978				\$ 49,703			84,181
Other Purchased Services				4,640										4,640
Supplies and Materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Support Services	-	1,500	11,373	4,640	11,650	-	32,978	-	-	-	49,703	-	-	111,844
Facilities Acquisition and Equipment														
Instructional Equipment	-	-	-	-	-	-	-	-	-	-	-	-	10,064	10,064
Total Facilities Acquisition and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	10,064	10,064
Total Expenditures	\$ 19,511	\$ 1,500	\$ 11,373	\$ 366,621	\$ 44,936	\$ 18,016	\$ 32,978	\$ 17,283	\$ 1,217	\$ 12,296	\$ 49,703	\$ 3,143	\$ 26,159	\$ 604,736

CAPITAL PROJECTS FUND

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Project Title/Description</u>	<u>Appropriations</u>	<u>Supplemental Authorization</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2020</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Referendum Project - Infrastructure Repairs and Renovation of the High School	\$ 12,553,000	\$ 700,000	\$ 13,041,109		\$ 211,891
Turf Field	941,000		895,112		45,888
Renovations and Upgrades to the Media Center	<u>3,857,000</u>	<u>-</u>	<u>-</u>	\$ 629,539	<u>3,227,461</u>
	<u>\$ 17,351,000</u>	<u>\$ 700,000</u>	<u>\$ 13,936,221</u>	<u>\$ 629,539</u>	<u>\$ 3,485,240</u>
					Unexpended Project Authorizations
					Add: Reserve for Payment of Debt Service
					<u>\$ 3,485,240</u> <u>6,171</u>
					Fund Balance (Budgetary Basis)
					<u>\$ 3,491,411</u>
					<u>Analysis of Restricted Fund Balance:</u>
					Restricted for Debt Service
					Restricted for Capital Projects
					<u>\$ 6,171</u> <u>3,485,240</u>
					Fund Balance, GAAP Basis
					<u>\$ 3,491,411</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Revenues and Other Financing Sources

Capital Note Proceeds	\$ 3,857,000
Interest on Deposits	22,679
Premium on Notes	<u>6,171</u>
 Total Revenues	 <u>3,885,850</u>

Expenditures and Other Financing Uses

Purchased Professional and Technical Services	269,028
Construction Services	312,171
Furniture	34,254
Other Miscellaneous	14,086
Transfer to Debt Service Fund	<u>22,679</u>
 Total Expenditures and Other Financing Uses	 <u>652,218</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	3,233,632
 Fund Balance, July 1, 2019	 <u>257,779</u>
 Fund Balance, June 30, 2020	 <u>\$ 3,491,411</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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 764,027	\$ -	\$ 764,027	\$ 764,027
Total Revenues	<u>764,027</u>	<u>-</u>	<u>764,027</u>	<u>764,027</u>
Expenditures and Other Financing Uses				
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

**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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 550,606		\$ 550,606	\$ 550,606
Transfer from Capital Reserve	<u>700,000</u>	<u>\$ -</u>	<u>700,000</u>	<u>700,000</u>
Total Revenues	<u>1,250,606</u>	<u>-</u>	<u>1,250,606</u>	<u>1,250,606</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	94,638		94,638	115,000
Construction Services	675,077		675,077	866,606
Equipment	<u>269,000</u>	<u>-</u>	<u>269,000</u>	<u>269,000</u>
Total Expenditures	<u>1,038,715</u>	<u>-</u>	<u>1,038,715</u>	<u>1,250,606</u>
Excess of Revenues Over Expenditures	<u>\$ 211,891</u>	<u>\$ -</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	100%
Original Target Completion Date	August 31, 2015

**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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
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>
Expenditures and Other Financing Uses				
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

**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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
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>
Expenditures and Other Financing Uses				
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

**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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
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>
Expenditures and Other Financing Uses				
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

**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, 2020**

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

Additional Project Information:

Project Number	5550-050-13-10000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 769,178
Increase (Decrease) in Authorized Cost	\$ 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

**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, 2020**

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

**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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
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>
Expenditures and Other Financing Uses				
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

**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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
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>
Expenditures and Other Financing Uses				
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

**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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 444,099	\$ -	\$ 444,099	\$ 444,099
Total Revenues	<u>444,099</u>	<u>-</u>	<u>444,099</u>	<u>444,099</u>
Expenditures and Other Financing Uses				
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

**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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 941,000	-	\$ 941,000	\$ 941,000
Total Revenues	<u>941,000</u>	<u>-</u>	<u>941,000</u>	<u>941,000</u>
Expenditures and Other Financing Uses				
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	100%
Original Target Completion Date	June 30, 2017

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
RENOVATIONS AND UPGRADES TO MEDIA CENTER
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Capital Note Proceeds	\$ -	\$ 3,857,000	\$ 3,857,000	\$ 3,857,000
Total Revenues	<u>-</u>	<u>3,857,000</u>	<u>3,857,000</u>	<u>3,857,000</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services		269,028	269,028	391,090
Construction Services		312,171	312,171	3,005,040
Furniture Under \$2,000		34,254	34,254	410,000
Other Miscellaneous	-	14,086	14,086	50,870
Total Expenditures	<u>-</u>	<u>629,539</u>	<u>629,539</u>	<u>3,857,000</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 3,227,461</u>	<u>\$ 3,227,461</u>	<u>\$ -</u>

Additional Project Information:

Bond Authorization Date	September 24, 2019
Debt Authorized	\$ 3,857,000
Debt Issued	\$ -
Original Authorized Cost	\$ 3,857,000
Increase (Decrease) in Authorized Cost	\$ -
Revised Authorized Cost	\$ 3,857,000
Percentage Decrease Over Original Authorized Cost	0.00%
Percentage Completion	16%
Original Target Completion Date	June 30, 2021

ENTERPRISE FUNDS

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2020**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Total</u>
ASSETS			
Cash	\$ 265,802	\$ 34,241	\$ 300,043
Total Assets	<u>\$ 265,802</u>	<u>\$ 34,241</u>	<u>\$ 300,043</u>
LIABILITIES			
Payroll Deductions and Withholdings Due to Student Groups	\$ 265,802	\$ 34,241 -	\$ 34,241 265,802
Total Liabilities	<u>\$ 265,802</u>	<u>\$ 34,241</u>	<u>\$ 300,043</u>

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2020</u>
ASSETS				
Cash	\$ 261,767	\$ 413,207	\$ 409,172	\$ 265,802
Total	<u>\$ 261,767</u>	<u>\$ 413,207</u>	<u>\$ 409,172</u>	<u>\$ 265,802</u>
LIABILITIES				
Due to Student Groups	\$ 261,767	\$ 413,207	\$ 409,172	\$ 265,802
Total	<u>\$ 261,767</u>	<u>\$ 413,207</u>	<u>\$ 409,172</u>	<u>\$ 265,802</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Balance, July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2020</u>
Payroll Deductions and Withholdings	\$ 15,731	\$ 12,000,780	\$ 12,000,771	\$ 15,740
Summer Savings		208,979	208,979	
Flexible Spending Account	16,934	117,396	115,829	18,501
Accrued Salaries and Wages	-	13,110,974	13,110,974	-
Due to General Fund	-	3,083	3,083	-
Totals	<u>\$ 32,665</u>	<u>\$ 25,441,212</u>	<u>\$ 25,439,636</u>	<u>\$ 34,241</u>

LONG-TERM DEBT

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2019</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, June 30, 2020</u>
			<u>Date</u>	<u>Amount</u>					
Serial Bonds - Construction and Refunding Bonds	7/29/2011	\$ 17,190,000	1/15/2021	1,700,000	5.00 %	\$ 8,945,000		\$ 1,605,000	\$ 7,340,000
			1/15/2022	1,780,000	5.00				
			1/15/2023	1,880,000	5.00				
			1/15/2024	1,980,000	5.00				
Refunding Bonds	2/2/2012	9,365,000	1/15/2025	2,210,000	3.00 %	9,305,000			9,305,000
			1/15/2026	2,285,000	5.00				
			1/15/2027	2,365,000	5.00				
			1/15/2028	2,445,000	5.00				
School Bonds, Series 2013	11/13/2013	12,553,000	1/15/2021	810,000	3.00 %	9,003,000		785,000	8,218,000
			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				
Refunding Bonds	3/15/2016	1,970,000	1/15/2021-22	190,000	1.750 %	1,585,000	-	180,000	1,405,000
			1/15/2023	195,000	1.750				
			1/15/2024-25	205,000	1.750				
			1/15/2026-27	210,000	1.750				
						<u>\$ 28,838,000</u>	<u>\$ -</u>	<u>\$ 2,570,000</u>	<u>\$ 26,268,000</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Description</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2020</u>
Acquisition of Automated External Defibrillators	\$ 89,000	\$ 18,515		\$ 18,515	
Technology, Vehicles and Security Upgrades	645,000	264,129		131,021	\$ 133,108
Acquisition of Equipment	590,000	<u>359,875</u>	<u>-</u>	<u>117,776</u>	<u>242,099</u>
		<u>\$ 642,519</u>	<u>\$ -</u>	<u>\$ 267,312</u>	<u>\$ 375,207</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, 2020

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 3,219,097		\$ 3,219,097	\$ 3,219,097	
Miscellaneous	1,000		1,000		\$ (1,000)
State Sources					
Debt Service Aid	<u>361,647</u>	<u>-</u>	<u>361,647</u>	<u>361,647</u>	<u>-</u>
Total Revenues	<u>3,581,744</u>	<u>-</u>	<u>3,581,744</u>	<u>3,580,744</u>	<u>(1,000)</u>
EXPENDITURES					
Debt Service					
Principal	2,570,000		2,570,000	2,570,000	
Interest	<u>1,014,808</u>	<u>-</u>	<u>1,014,808</u>	<u>1,014,806</u>	<u>2</u>
Total Expenditures	<u>3,584,808</u>	<u>-</u>	<u>3,584,808</u>	<u>3,584,806</u>	<u>2</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(3,064)</u>	<u>-</u>	<u>(3,064)</u>	<u>(4,062)</u>	<u>(998)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,679</u>	<u>22,679</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,679</u>	<u>22,679</u>
Excess (Deficiency) of Revenue Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>(3,064)</u>	<u>-</u>	<u>(3,064)</u>	<u>18,617</u>	<u>21,681</u>
Fund Balance, Beginning of Year	<u>6,940</u>	<u>-</u>	<u>6,940</u>	<u>6,940</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,876</u>	<u>\$ -</u>	<u>\$ 3,876</u>	<u>\$ 25,557</u>	<u>\$ 21,681</u>
Analysis of Restricted Fund Balance					
Designated for Subsequent Year's Budget				\$ 3,876	
Available for Debt Service				<u>21,681</u>	
				<u>\$ 25,557</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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	\$ 14,020,686	\$ 13,903,304	\$ 14,957,986	\$ 17,776,328	\$ 15,417,519	\$ 15,113,001	\$ 15,563,886	\$ 17,221,912	\$ 17,967,682	\$ 16,916,374
Restricted	2,208,924	2,697,846	1,419,503	12,869,779	8,079,606	3,640,492	3,510,769	3,452,419	4,229,816	6,756,111
Unrestricted	573,420	868,293	1,673,897	(9,293,546)	(12,451,537)	(7,411,467)	(8,408,114)	(9,142,981)	(7,967,012)	(5,745,086)
Total Governmental Activities Net Position	\$ 16,803,030	\$ 17,469,443	\$ 18,051,386	\$ 21,352,561	\$ 11,045,588	\$ 11,342,026	\$ 10,666,541	\$ 11,531,350	\$ 14,230,486	\$ 17,927,399
Business-Type Activities										
Invested in Capital Assets	\$ 23,926	\$ 27,399	\$ 38,715	\$ 186,282	\$ 135,946	\$ 218,111	\$ 195,709	\$ 358,810	\$ 438,028	\$ 445,990
Unrestricted	175,893	224,814	260,377	97,725	102,009	164,823	257,596	261,904	370,394	396,425
Total Business-Type Activities Net Position	\$ 199,819	\$ 252,213	\$ 299,092	\$ 284,007	\$ 237,955	\$ 382,934	\$ 453,305	\$ 620,714	\$ 808,422	\$ 842,415
District-Wide										
Net Investment in Capital Assets	\$ 14,044,612	\$ 13,930,703	\$ 14,996,701	\$ 17,962,610	\$ 15,553,465	\$ 15,331,112	\$ 15,759,595	\$ 17,580,722	\$ 18,405,710	\$ 17,362,364
Restricted	2,208,924	2,697,846	1,419,503	12,869,779	8,079,606	3,640,492	3,510,769	3,452,419	4,229,816	6,756,111
Unrestricted	749,313	1,093,107	1,934,274	(9,195,821)	(12,349,528)	(7,246,644)	(8,150,518)	(8,881,077)	(7,596,618)	(5,348,661)
Total District Net Position	\$ 17,002,849	\$ 17,721,656	\$ 18,350,478	\$ 21,636,568	\$ 11,283,543	\$ 11,724,960	\$ 11,119,846	\$ 12,152,064	\$ 15,038,908	\$ 18,769,814

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

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 16,054,820	\$ 16,474,021	\$ 16,860,889	\$ 17,155,737	\$ 20,673,392	\$ 21,568,696	\$ 23,869,760	\$ 22,285,682	\$ 21,895,621	\$ 21,467,797
Special Education	4,388,482	4,522,158	4,748,750	5,205,996	6,033,087	6,266,347	7,210,563	7,358,644	6,602,733	6,882,692
Other Instruction	97,873	100,443	100,310	98,584	110,693	37,654	36,870	29,315	44,870	66,181
School Sponsored Activities And Athletics	1,437,639	1,486,681	1,544,989	1,544,272	1,896,729	1,999,127	2,168,611	2,133,492	2,147,622	2,094,102
Support Services:										
Student and Instruction Related Services	4,234,325	4,402,844	4,542,094	4,557,732	5,600,031	6,213,819	7,479,738	7,702,787	7,914,936	7,581,741
General Administration	1,798,149	1,916,028	2,186,687	1,027,050	1,041,375	1,218,434	1,331,125	1,259,590	1,247,919	1,244,024
School Administrative Services	1,160,256	1,263,078	1,355,199	2,133,095	2,526,879	2,485,745	2,811,870	2,804,421	2,640,087	2,349,670
Plant Operations And Maintenance	4,583,328	4,553,743	3,432,478	4,523,995	4,890,303	5,109,549	5,337,514	6,032,423	5,154,653	4,957,295
Pupil Transportation	1,753,052	1,784,440	1,877,914	2,051,698	2,101,720	2,183,469	2,353,253	2,561,898	2,578,763	2,157,114
Central Services	888,268	912,078	1,107,563	1,270,500	1,419,464	1,455,553	1,652,018	1,495,784	1,439,750	1,376,303
Interest On Long-Term Debt and Other Charges	1,443,734	1,286,190	1,088,192	1,303,581	1,426,449	1,385,401	1,287,144	1,213,027	1,128,245	1,077,024
Total Governmental Activities Expenses	37,839,926	38,701,704	38,845,065	40,872,240	47,720,122	49,923,794	55,538,466	54,877,063	52,795,199	51,253,943
Business-Type Activities:										
Food Service	707,858	733,677	742,748	858,673	930,831	915,669	968,188	1,019,159	1,071,920	828,998
Adult School	118,666	109,299	107,625	215	-	-	-	-	-	-
Total Business-Type Activities Expense	826,524	842,976	850,373	858,888	930,831	915,669	968,188	1,019,159	1,071,920	828,998
Total District Expenses	\$ 38,666,450	\$ 39,544,680	\$ 39,695,438	\$ 41,731,128	\$ 48,650,953	\$ 50,839,463	\$ 56,506,654	\$ 55,896,222	\$ 53,867,119	\$ 52,082,941
Program Revenues										
Governmental Activities:										
Charges For Services:										
Regular	\$ 6,166,111	\$ 5,802,712	\$ 5,921,000	\$ 6,885,276	\$ 6,288,730	\$ 6,024,900	\$ 5,997,979	\$ 6,299,926	\$ 6,779,748	\$ 6,629,524
Special Education	551,812	557,487	442,447	591,352	597,456	935,371	799,014	936,553	1,042,539	1,679,348
Pupil Transportation										
Operating Grants And Contributions	3,154,862	3,892,569	4,942,848	4,669,449	9,055,430	11,043,261	14,237,659	13,233,721	12,487,601	11,123,465
Capital Grants And Contributions	2,069	-	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	9,874,854	10,252,768	11,306,295	12,146,077	15,941,616	18,003,532	21,034,652	20,470,200	20,309,888	19,432,337
Business-Type Activities:										
Charges For Services										
Food Service	742,662	813,342	820,347	849,246	942,330	961,566	1,038,559	1,110,318	1,138,796	809,709
Adult School	93,342	81,793	66,826	764	-	-	-	-	-	-
Total Business Type Activities Program Revenues	836,004	895,135	887,173	850,010	942,330	961,566	1,038,559	1,110,318	1,138,796	809,709
Total District Program Revenues	\$ 10,710,858	\$ 11,147,903	\$ 12,193,468	\$ 12,996,087	\$ 16,883,946	\$ 18,965,098	\$ 22,073,211	\$ 21,580,518	\$ 21,448,684	\$ 20,242,046
Net (Expense)/Revenue										
Governmental Activities	\$ (27,965,072)	\$ (28,448,936)	\$ (27,538,770)	\$ (28,726,163)	\$ (31,778,506)	\$ (31,920,262)	\$ (34,503,814)	\$ (34,406,863)	\$ (32,485,311)	\$ (31,821,606)
Business-Type Activities	9,480	52,159	36,800	(8,878)	11,499	45,897	70,371	91,159	66,876	(19,289)
Total District-Wide Net Expense	\$ (27,955,592)	\$ (28,396,777)	\$ (27,501,970)	\$ (28,735,041)	\$ (31,767,007)	\$ (31,874,365)	\$ (34,433,443)	\$ (34,315,704)	\$ (32,418,435)	\$ (31,840,895)

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

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 26,047,191	\$ 26,568,135	\$ 27,099,498	\$ 27,641,488	\$ 28,194,318	\$ 28,758,204	\$ 29,333,368	\$ 30,506,702	\$ 31,116,836	\$ 31,668,863
Taxes Levied For Debt Service	2,313,662	2,325,313	2,245,729	2,452,108	3,176,201	3,169,145	3,200,626	3,198,501	3,189,222	3,219,097
Federal and State Aid - Unrestricted					32,974	36,062	52,066	53,548	4,630	-
State Aid - Restricted					355,049	355,823	358,420	682,729	359,607	361,647
Investment Earnings	19,272	8,519	9,124	26,759	33,892	26,454	28,951	65,308	157,333	162,954
Miscellaneous Income	226,693	213,382	181,733	235,741	152,395	198,462	453,921	265,362	253,663	162,932
Donation of Capital Assets				2,000						
Adjustments/Gain/Loss - Capital Assets						81,452				
Transfers	-	-	(10,000)	6,220	-	-	-	-	-	-
Total Governmental Activities	<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>	<u>35,081,291</u>	<u>35,575,493</u>
Business-Type Activities:										
Investment Earnings	484	235	79	13						
Transfers	-	-	10,000	(6,220)	-	-	-	-	-	-
Total Business-Type Activities	<u>484</u>	<u>235</u>	<u>10,079</u>	<u>(6,207)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total District-Wide	<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>	<u>\$ 35,081,291</u>	<u>\$ 35,575,493</u>
Change in Net Position										
Governmental Activities	\$ 641,746	\$ 666,413	\$ 1,987,314	\$ 1,638,153	\$ 166,323	\$ 705,340	\$ (1,076,462)	\$ 365,287	\$ 2,595,980	\$ 3,753,887
Business-Type Activities	9,964	52,394	46,879	(15,085)	11,499	45,897	70,371	91,159	66,876	(19,289)
Total District	<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>	<u>\$ 2,662,856</u>	<u>\$ 3,734,598</u>

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved										
Unreserved										
Restricted	-									
Committed	\$ 2,695,772	\$ 2,017,604	\$ 1,568,689	\$ 3,382,584	\$ 3,764,249	\$ 4,548,235	\$ 4,822,104	\$ 4,440,435	\$ 5,379,311	\$ 8,119,503
Assigned	260,946	159,831	635,734	114,470	509,250	523,856	330,075	38,487	1,136,567	178,778
Unassigned	164,360	1,242,475	589,715	363,775	317,133	338,963	225,522	267,953	369,741	211,726
	<u>649,058</u>	<u>595,658</u>	<u>681,166</u>	<u>691,556</u>	<u>683,367</u>	<u>693,427</u>	<u>727,130</u>	<u>579,704</u>	<u>524,775</u>	<u>473,135</u>
Total General Fund	<u>\$ 3,770,136</u>	<u>\$ 4,015,568</u>	<u>\$ 3,475,304</u>	<u>\$ 4,552,385</u>	<u>\$ 5,273,999</u>	<u>\$ 6,104,481</u>	<u>\$ 6,104,831</u>	<u>\$ 5,326,579</u>	<u>\$ 7,410,394</u>	<u>\$ 8,983,142</u>
All Other Governmental Funds										
Reserved										
Unreserved										
Restricted	-									
	\$ 1,220,017	\$ 1,076,939	\$ 629,400	\$ 11,035,719	\$ 6,295,252	\$ 4,027,082	\$ 441,931	\$ 307,107	\$ 264,719	\$ 3,516,968
Total All Other Governmental Funds	<u>\$ 1,220,017</u>	<u>\$ 1,076,939</u>	<u>\$ 629,400</u>	<u>\$ 11,035,719</u>	<u>\$ 6,295,252</u>	<u>\$ 4,027,082</u>	<u>\$ 441,931</u>	<u>\$ 307,107</u>	<u>\$ 264,719</u>	<u>\$ 3,516,968</u>

**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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Tax Levy	\$ 28,360,853	\$ 28,893,448	\$ 29,345,227	\$ 30,093,596	\$ 31,370,519	\$ 31,927,349	\$ 32,533,994	\$ 33,705,203	\$ 34,306,058	\$ 34,887,960
Tuition Charges	6,717,923	6,360,199	6,363,447	7,476,628	6,886,186	6,960,271	6,796,993	7,236,479	7,822,287	8,308,872
Interest Earnings	19,272	8,519	9,124	26,759	33,892	26,454	28,951	65,308	157,333	162,954
Miscellaneous	236,172	243,867	201,325	244,597	172,175	208,446	464,660	284,670	269,820	185,988
State Sources	2,671,230	3,452,107	4,539,302	4,293,453	5,344,959	5,966,424	6,362,438	7,559,286	8,230,556	8,652,794
Federal Sources	476,222	409,977	383,954	367,140	487,518	510,614	454,969	414,014	462,040	437,678
Total Revenues	38,481,672	39,368,117	40,842,379	42,502,173	44,295,249	45,599,558	46,642,005	49,264,960	51,248,094	52,636,246
Expenditures										
Instruction										
Regular Instruction	15,237,655	15,620,706	16,206,477	16,460,207	17,406,096	17,253,862	17,575,515	17,622,431	18,256,641	18,741,649
Special Education Instruction	4,267,223	4,405,190	4,659,112	5,114,463	5,516,456	5,541,153	6,017,363	6,428,785	5,960,174	6,438,833
Other Instruction	98,170	100,717	100,916	99,082	100,598	31,475	28,258	24,378	39,321	61,093
School Sponsored Activities and Athletics	1,441,164	1,489,913	1,552,459	1,550,221	1,701,790	1,736,185	1,756,889	1,835,126	1,935,476	1,965,468
Support Services:										
Student and Inst. Related Services	3,895,812	4,060,064	4,133,872	4,272,687	4,687,989	4,996,430	5,610,341	6,172,893	6,648,684	6,639,667
General Administration	988,669	1,077,580	1,201,371	867,236	794,658	915,674	959,581	902,007	949,290	946,458
School Administrative Services	1,719,004	1,837,674	2,129,664	2,071,376	2,267,234	2,132,244	2,195,479	2,278,652	2,271,302	2,136,628
Plant Operations And Maintenance	4,162,219	4,121,842	4,045,956	4,156,533	4,366,650	4,425,394	4,358,544	4,548,315	4,364,657	4,299,025
Pupil Transportation	1,753,877	1,785,174	1,879,581	2,053,129	2,096,943	2,165,948	2,302,915	2,514,155	2,552,893	2,154,076
Central Services	890,675	914,337	1,113,931	1,276,253	1,343,413	1,321,402	1,370,588	1,285,462	1,306,315	1,325,621
Capital Outlay	2,020,551	1,101,801	1,912,107	3,534,025	4,178,623	4,328,682	4,052,355	2,086,824	783,710	2,975,851
Debt Service:										
Debt Issuance Costs		229,984		8,663						
Advance Refunding Escrow		1,486,283								
Principal	1,368,266	1,390,479	1,520,128	1,643,983	2,318,590	2,335,549	2,589,320	3,730,689	2,901,869	2,837,312
Interest and Other Charges	1,458,429	1,360,286	1,364,608	1,255,135	1,624,062	1,558,963	1,409,658	1,338,319	1,236,335	1,146,568
Total Expenditures	39,301,714	40,982,030	41,820,182	44,362,993	48,403,102	48,742,961	50,226,806	50,768,036	49,206,667	51,668,249
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(820,042)	(1,613,913)	(977,803)	(1,860,820)	(4,107,853)	(3,143,403)	(3,584,801)	(1,503,076)	2,041,427	967,997
Other Financing Sources (Uses)										
Proceeds From Lease Purchase				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)								
Proceeds from Capital Note										3,857,000
Capital Leases (Non-Budgeted)										
Gain on Capital Assets						81,452				
Transfers In	1,139,741	400,616	1,220,643	347,627	22,139	11,607	61,967	1,325,709	6,623	22,679
Transfers Out	(1,139,741)	(400,616)	(1,230,643)	(341,407)	(22,139)	(11,607)	(61,967)	(1,325,709)	(6,623)	(22,679)
Total Other Financing Sources (Uses)	-	1,716,267	(10,000)	13,344,220	89,000	1,705,715	-	590,000	-	3,857,000
Net Change in Fund Balances	\$ (820,042)	\$ 102,354	\$ (987,803)	\$ 11,483,400	\$ (4,018,853)	\$ (1,437,688)	\$ (3,584,801)	\$ (913,076)	\$ 2,041,427	\$ 4,824,997
Debt Service as a Percentage of Noncapital Expenditures	7.58%	6.90%	7.23%	7.10%	8.92%	8.77%	8.66%	10.41%	8.55%	8.18%

* Noncapital expenditures are total expenditures less capital outlay.

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

Fiscal Year Ended June 30	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Rental</u>	<u>Misc.</u>	<u>Total</u>
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
2019	7,822,287	151,626	134,035	119,628	8,227,576
2020	8,308,872	140,275	85,209	71,552	8,605,908

Source: District Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Valuation	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Valuation	Total Direct School Tax Rate ^a
Long Hill Township												
2011	\$ 19,059,600	\$ 1,139,562,700	\$ 2,245,100	\$ 39,700	\$ 104,055,800	\$ 16,541,200	\$ 6,268,200	\$ 1,287,772,300	\$ 4,509,141	\$ 1,292,281,441	\$ 1,792,478,629	\$ 0.562
2012	17,735,400	1,127,011,200	3,103,600	45,700	103,707,100	16,541,200	6,268,200	1,274,412,400	4,714,115	1,279,126,515	1,695,714,200	0.587
2013	16,751,400	1,115,697,400	4,115,700	45,700	102,227,500	16,445,900	6,268,200	1,261,551,800	3,796,526	1,265,348,326	1,623,851,325	0.594
2014	16,714,900	1,111,286,000	3,734,200	47,400	102,470,400	16,304,600	6,268,200	1,256,825,700	3,141,460	1,259,967,160	1,597,186,047	0.593
2015	12,534,800	1,109,792,400	4,113,800	48,300	105,033,300	16,175,000	6,268,200	1,253,965,800	3,141,460	1,257,107,261	1,772,280,568	0.576
2016	13,971,900	1,433,093,900	4,611,700	67,800	132,529,400	18,072,600	8,606,400	1,610,953,700	4,068,200	1,615,021,900	1,782,295,522	0.454
2017	14,201,100	1,446,332,700	4,649,300	72,600	135,721,400	18,666,200	9,181,900	1,628,825,200	4,065,433	1,632,890,633	1,746,318,280	0.467
2018	14,602,700	1,454,297,100	4,434,300	71,100	136,627,900	19,112,100	9,429,200	1,638,574,400	4,130,534	1,642,704,934	1,738,834,023	0.472
2019	15,056,700	1,464,477,700	4,423,600	66,300	139,496,700	19,255,200	9,591,100	1,652,367,300	4,078,046	1,656,445,346	1,755,380,885	0.457
2020	15,176,700	1,467,343,900	3,872,200	67,700	142,281,300	19,418,800	9,928,000	1,658,088,600	4,134,578	1,662,223,178	1,747,819,984	0.432
Warren Township												
2011	\$ 96,740,500	\$ 3,145,601,700	\$ 25,551,000		\$ 638,821,400	\$ 36,119,200		\$ 3,942,833,800	\$ 6,013,698	\$ 3,948,847,498	\$ 4,171,743,932	\$ 0.40
2012	82,894,100	3,222,571,800	26,443,200	198,300	634,340,600	35,303,600		4,001,751,600	5,764,382	4,007,517,982	4,151,349,860	0.388
2013	72,272,000	3,344,937,520	27,157,100		627,211,600	35,451,500		4,107,029,720	5,478,908	4,112,508,628	4,194,970,394	0.391
2014	61,316,700	3,471,066,700	27,930,700	189,800	633,883,600	39,665,800		4,234,053,300	5,568,016	4,239,621,316	4,288,083,148	0.404
2015	56,274,000	3,632,718,700	30,677,300	197,700	597,292,500	39,694,000		4,356,854,200	5,685,495	4,362,539,695	4,585,997,627	0.414
2016	60,040,000	3,776,295,660	30,311,300	190,700	593,589,400	40,268,100		4,500,695,160	5,615,916	4,506,311,076	4,562,392,262	0.412
2017	58,993,600	3,851,747,890	30,480,000	189,000	602,205,530	40,560,000		4,584,176,020	5,553,500	4,589,729,520	4,586,010,424	0.417
2018	61,169,000	3,891,435,990	30,811,000		608,208,900	44,399,000		4,636,023,890	5,616,235	4,641,640,125	4,620,539,585	0.421
2019	59,858,600	3,891,957,160	29,570,100	184,300	574,368,500	44,869,000		4,600,807,660	5,654,013	4,606,461,673	4,640,065,626	0.426
2020	46,034,300	3,856,539,200	30,021,100	184,900	560,121,700	45,112,500		4,538,013,700	5,757,639	4,543,771,339	4,593,256,872	0.441
Borough of Watchung												
2011	\$ 35,484,200	\$ 1,204,394,400			\$ 290,376,800	\$ 6,367,300	\$ 49,255,800	\$ 1,585,878,500	\$ 1,468,637	\$ 1,587,347,137	\$ 1,684,856,609	\$ 0.363
2012	35,511,800	1,221,449,700			282,766,200	6,273,400	49,255,800	1,595,256,900	1,577,286	1,596,834,186	1,674,592,266	0.377
2013	31,860,700	1,214,066,800	\$ 377,200	\$ 5,280	294,459,700	6,237,300	47,400,000	1,594,406,980	1,484,459	1,595,891,439	1,641,460,927	0.384
2014	31,400,800	1,246,894,300	355,000	5,280	296,015,200	6,237,500	47,400,000	1,628,308,080	1,151,575	1,629,459,655	1,634,355,194	0.376
2015	32,019,400	1,280,593,700	334,100	5,280	297,786,500	6,359,500	47,850,000	1,664,948,480	1,138,954	1,666,087,434	1,687,333,485	0.379
2016	31,504,200	1,334,125,900	342,600	5,280	303,605,500	6,414,300	47,850,000	1,723,847,780	1,140,757	1,724,988,537	1,721,887,944	0.366
2017	30,704,300	1,365,322,000	348,000	5,280	304,472,700	6,439,400	48,325,000	1,755,616,680	1,127,931	1,756,744,611	1,754,739,422	0.360
2018	27,590,500	1,390,517,700	357,900	5,490	310,132,800	6,509,200	61,600,000	1,796,713,590	1,170,134	1,797,883,724	1,796,733,437	0.372
2019	29,597,800	1,399,715,980	362,400	5,490	304,417,300	6,576,700	59,900,000	1,800,575,670	1,213,534	1,801,789,204	1,806,535,036	0.409
2020	27,890,400	1,413,129,200	365,400	6,000	307,515,400	6,700,200	59,900,000	1,815,506,600	1,293,654	1,816,800,254	1,831,904,726	0.434

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 THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

Net Direct Debt of School District as of December 31, 2019		\$ 32,695,000
Net Overlapping Debt of School District		
Long Hill Township	\$ 8,000,121	
Warren Township	14,262,130	
Borough of Watchung	<u>20,397,815</u>	
		<u>42,660,066</u>
Total Direct and Overlapping Bond Debt as of December 31, 2019		<u>\$ 75,355,066</u>

Sources: County and Municipal Annual Debt Statements, December 31, 2019

- (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	2020		2011	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
<u>Long Hill Township</u>				
Valley and Plainfield Associate	\$ 26,704,600	1.61%	\$ 21,204,400	1.64%
Stirling Center Associates	15,115,600	0.91%	9,907,400	0.77%
Bell Atlantic/Verizon	4,134,578	0.25%	4,454,525	0.34%
Stirling Manor	6,267,800	0.38%	4,000,000	0.31%
Prism Millington LLC	4,271,000	0.26%		
Transcontinental Gas Pipeline	4,170,000	0.25%	3,764,500	0.29%
Tifa Ltd.			3,030,500	0.23%
RHK/A.K. Stamping			2,312,300	0.18%
Dagwood Prop. (Ind. Soccer, LLC)			2,246,900	0.17%
Parthenon C/O Walgreens	3,380,500	0.20%		
M&M Realty Management	3,429,900	0.21%		
Millington Savings Bank	3,109,600	0.19%	2,215,500	0.17%
Jilrydan, Inc (Realty, LLC)	2,739,900	0.16%	2,197,400	0.17%
	<u>\$ 73,323,478</u>	<u>4.41%</u>	<u>\$ 55,333,425</u>	<u>4.28%</u>
<u>Warren Township</u>				
King George Property Co.			\$ 110,492,700	2.80%
Warren CC Acquisitions, LLC	\$ 70,242,900	1.55%		
Mt. Bethel Corp	-	0.00%	80,732,200	2.04%
Somerset Assoc. c/o Chubb	33,468,600	0.74%	83,148,000	2.11%
Liberty Assoc			31,015,800	0.79%
Normandy Real Estate Partners	12,776,000	0.28%		
Normandy Warren Holdings, LLC			16,513,000	0.42%
GC Net Lease (Warren) Investors	24,928,000	0.55%		
Vicendese Family LTD			21,141,700	0.54%
30 Independence C/O Mack Realty			33,237,800	0.84%
S/K Warren Associates, LLC	13,000,000	0.29%		0.00%
K Hovnanian at Warren			24,986,400	0.63%
Warren 2001, LLC	16,250,000		17,655,000	0.45%
10 Independence SPE			16,513,000	0.42%
Brightview Warren LLC	18,500,000	0.41%		
HCRI NY-NJ Properties, LLC	12,922,000	0.28%		
Ivy Tech Property LLC	31,747,400	0.70%		
184 Property Owner LLC	31,747,400	0.70%		
	<u>\$ 265,582,300</u>	<u>5.84%</u>	<u>\$ 435,435,600</u>	<u>11.03%</u>
<u>Borough of Watchung</u>				
Watchung Square Associates	\$ 69,344,000	3.82%	\$ 84,429,000	5.32%
WM Crystal Ridge, LLC			49,255,000	3.10%
PP Watchung Investors	59,900,000	3.30%		
Levin Properties, LP	50,000,000	2.75%	53,250,000	3.35%
Watchung VF LLC			22,971,800	1.45%
Watchung UE, LLC	24,303,400	1.34%		
Sears Roebuck & Co	20,119,800	1.11%	17,669,000	1.11%
Walmart	16,928,000	0.93%		
Target Corp	15,777,000	0.87%	15,528,500	0.98%
HD Development of Maryland, Inc.	14,400,000	0.79%	13,500,000	0.85%
680 Mountain Boulevard, LLC	12,240,000	0.67%		
Weldon Materials Inc		0.00%	9,448,800	0.60%
Mini U Storage New Jersey RE LLC		0.00%	7,132,000	0.45%
Pitney Partners		0.00%	7,650,000	0.48%
Route 22 East, LLC	10,375,900	0.57%		0.00%
	<u>\$ 293,388,100</u>	<u>16.15%</u>	<u>\$ 280,834,100</u>	<u>17.69%</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	
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
2019	34,306,058	34,306,058	100.00%	N/A
2020	34,887,960	34,887,960	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 Notes	Debt Authorized But Not Issued			
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
2019	28,838,000	642,519		-	29,480,519	30,360	971
2020	26,268,000	375,207	\$ 3,857,000	-	30,500,207	30,061	1,015

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)**

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
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
2019	28,838,000		28,838,000	0.36%	950
2020	26,268,000		26,268,000	0.33%	874

Source: District records

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

<u>Calendar Year</u>	<u>Total</u>	<u>Regional School District</u>	<u>Local School District</u>	<u>Municipality</u>	<u>County</u>
<u>Long Hill Township</u>					
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
2019	2.39	0.457	1.014	0.642	0.279
2020	2.42	0.432	1.066	0.651	0.274
<u>Warren Township</u>					
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
2019	2.04	0.426	0.883	0.326	0.403
2020	2.07	0.441	0.907	0.323	0.399
<u>Borough of Watchung</u>					
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
2019	2.08	0.409	0.637	0.625	0.404
2020	2.13	0.434	0.657	0.643	0.394

Source: Tax Collector

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

June 30,

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt Limit	\$ 247,132,546	\$ 153,417,263	\$ 230,189,071	\$ 226,793,730	\$ 228,560,650	\$ 234,248,897	\$ 239,247,971	\$ 241,440,371	\$ 242,966,664	\$ 244,001,278
Total Net Debt Applicable to Limit	<u>31,816,476</u>	<u>30,005,476</u>	<u>28,915,476</u>	<u>40,093,000</u>	<u>38,033,000</u>	<u>36,914,000</u>	<u>34,624,000</u>	<u>31,313,000</u>	<u>28,838,000</u>	<u>30,125,000</u>
Legal Debt Margin	<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>	<u>\$ 214,128,664</u>	<u>\$ 213,876,278</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.87%	19.56%	12.56%	17.68%	16.64%	15.76%	14.47%	12.97%	11.87%	12.35%

Legal Debt Margin Calculation, December 31, 2019

	2017	\$ 8,073,112,913
	2018	8,188,274,989
	2019	<u>8,138,739,903</u>
		<u>\$ 24,400,127,805</u>
Average Equalized Valuation of Taxable Property		\$ 8,133,375,935
3% of Equalized Valuation Basis		244,001,278
Less Net Debt		<u>30,125,000</u>
Remaining Borrowing Power		<u>\$ 213,876,278</u>

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

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income (2)</u>	<u>Population (1)</u>
<u>Long Hill Township</u>			
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%	94,259	8,711
2018	3.1%	98,842	8,560
2019	2.6%	N/A	8,430
<u>Warren Township</u>			
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%	96,548	16,029
2018	2.9%	106,194	15,745
2019	2.6%	N/A	15,625
<u>Borough of Watchung</u>			
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%	96,548	5,985
2018	3.1%	106,194	6,055
2019	2.8%	N/A	6,006

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>2020</u>		<u>2011</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Instruction										
Regular	142	143	148	148	148	147	146	138	135	135
Special Education	35	35	37	41	42	42	43	43	41	41
Other Special Education	9	9	9	9	10	10	10	10	10	10
Adult/Continuing Education Programs	1	1	1	-	-	-	-			
Support Services:										
Student and Instruction Related Services	19	19	19	19	19	19	19	19	19	19
General Administration	9	9	9	10	10	10	10	10	9	9
School Administrative Services	12	12	14	14	14	13	12	12	12	12
Other Administrative Services	8	6	6	6	6	6	6	6	6	6
Central Services	6	6	6	6	6	6	6	6	6	6
Administrative Information Technology	5	5	5	5	5	6	6	6	6	6
Plant Operations And Maintenance	15	15	15	15	15	15	15	14	14	14
Pupil Transportation	1	1	1	1	1	1	1	1	1	1
Total	<u>262</u>	<u>261</u>	<u>270</u>	<u>274</u>	<u>276</u>	<u>275</u>	<u>274</u>	<u>265</u>	<u>259</u>	<u>259</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment^a	Operating Expenditures^b	Cost Per Pupil^c	Percentage Change	Teaching Staff	Pupil Teacher Ratio High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
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%
2019	1,965	44,284,753	22,537	4.07%	176	1:11	1,965	1,879.0	-4.80%	95.62%
2020	1,935	44,708,518	23,105	2.52%	176	1:11	1,935	1,873.0	-1.53%	96.80%

Sources: District records

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

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>District Building</u>										
<u>High School</u>										
Square Feet	391,915	391,915	391,915	391,915	391,915	391,915	391,915	391,915	391,915	391,915
Capacity (students)	2,506	2,506	2,506	2,506	2,506	2,506	2,506	2,506	2,506	2,506
Enrollment	2,057	2,069	2,136	2,175	2,197	2,137	2,064	2,014	1,965	1,935
<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

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>
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
2019	1,312,016
2020	1,383,664

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF INSURANCE
JUNE 30, 2020**

	<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
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
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
108 Stirling Road
Warren, New Jersey 07059

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, 2020 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 December 22, 2020.

Internal Control Over Financial Reporting

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

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


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


Compliance and Other Matters

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

Purpose of this Report

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


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 22, 2020



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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ROBERT LERCH, CPA
CHRIS SOHN, 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
108 Stirling Road
Warren, New Jersey 07059

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, 2020. 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 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 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, 2020.

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 the New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Watchung Hills Regional High School District's internal control over compliance.

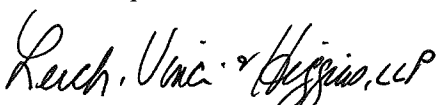
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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


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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watchung Hills Regional High School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated December 22, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of 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
December 22, 2020

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period	Award Amount	Balance, July 1, 2019	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year Balances	Balance at June 30, 2020			Memo GAAP Receivable
											(Accounts Receivable)	Unearned Revenue	Due to Grantor	
U.S. Department of Education														
Passed-Through State Department of Education														
Special Revenue Fund														
Title I	84.010A	S010A180030	7/1/18-6/30/19	\$ 47,980	\$ (20,950)	\$ (3,935)	\$ 20,950		\$ 3,935					*
Title I	84.010A	S010A190030	7/1/19-6/30/20	44,936		3,935	30,770	\$ 44,936	(3,935)		\$ (18,101)	\$ 3,935		* \$ (14,166)
Title II - A	84.367A	S367B180027	7/1/18-6/30/19	22,634	(9,770)	(17,521)	9,770		17,521					*
Title II - A	84.367A	S367B190029	7/1/19-6/30/20	21,775		17,521		11,373	(17,521)		(39,296)	27,923		* (11,373)
Title IV	84.424	S424A180031	7/1/18-6/30/19	10,000		(1,600)			1,600					*
Title IV	84.424	S424A190031	7/1/19-6/30/20	10,000		1,600		1,500	(1,600)		(11,600)	10,100		* (1,500)
I.D.E.A. Part B, Basic	84.027A	H027A180100	7/1/18-6/30/19	378,445	(64,564)	(36,713)	64,564		36,713					*
I.D.E.A Part B, Basic	84.027A	H027A190100	7/1/19-6/30/20	378,053		36,713	318,167	366,621	(36,713)		(96,599)	48,145		* (48,454)
CARES Emergency Relief Act	84.425D	S425D200027	3/13/20-9/30/22	36,131	-	-	-	19,511	-	-	(36,131)	16,620	-	* (13,247)
Total U.S. Department of Education					(95,284)	-	444,221	443,941	-	-	(201,727)	106,723	-	(88,740)
Total Federal Financial Awards					\$ (95,284)	\$ -	\$ 444,221	\$ 443,941	\$ -	\$ -	\$ (201,727)	\$ 106,723	\$ -	\$ (88,740)

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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, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Received	Balance, July 1, 2019					Balance, June 30, 2020				MEMO		
				Unearned Revenue (Accounts 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	19-495-034-5120-089	7/1/18-6/30/19	\$ 750,169	\$ (67,993)			\$ 67,993							*	
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	889,679				807,951	\$ 889,679		\$ (81,728)				*	\$ 889,679
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	83,096	(7,531)			7,531							*	
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	83,096				75,463	83,096		(7,633)				*	83,096
Total State Aid Public				(75,524)			958,938	972,775		(89,361)					972,775
T.P.A.F. Pension	20-495-034-5094-002	7/1/19-6/30/20	3,435,305				3,435,305	3,435,305							3,435,305
T.P.A.F. Pension - NCGI	20-495-034-5094-004	7/1/19-6/30/20	61,574				61,574	61,574						*	61,574
T.P.A.F. Pension - LTDI	20-495-034-5094-004	7/1/19-6/30/20	1,891				1,891	1,891						*	1,891
Post Retirement-Medical Contributions	20-495-034-5094-001	7/1/19-6/30/20	1,297,278				1,297,278	1,297,278						*	1,297,278
Total TPAF On Behalf Pension Contributions							4,796,048	4,796,048							4,796,048
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	616,602	(55,887)			55,887							*	
Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	616,602				559,960	616,602		(56,642)				*	616,602
Extraordinary Aid	19-100-034-5120-473	7/1/18-6/30/19	588,768	(588,768)			588,768							*	
Extraordinary Aid	20-495-034-5120-044	7/1/19-6/30/20	600,017				600,017	600,017		(600,017)				*	600,017
Non Public Transportation Reimb.	N/A	7/1/18-6/30/19	72,210	(72,210)			72,210							*	
Non Public Transportation Reimb.	N/A	7/1/19-6/30/20	1,791				1,791			(1,791)				\$	(1,791)
Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	1,174,820	(58,057)			58,057							*	
Social Security Contributions	20-495-034-5094-003	7/1/19-6/30/20	1,195,119				1,135,934	1,195,119		(59,185)				*	(59,185)
Total General Fund				(850,446)			8,225,802	8,182,352		(806,996)					(60,976)
Special Revenue Fund															
Nonpublic Aid															
Textbook Aid	19-100-034-5120-064	7/1/18-6/30/19	17,836		\$ 122				\$ 122					*	
Textbook Aid	20-100-034-5120-064	7/1/19-6/30/20	18,185				18,185	18,016			\$ 169			*	18,016
Technology Aid	19-100-034-5120-373	7/1/18-6/30/19	12,024		36				36					*	
Technology Aid	20-100-034-5120-373	7/1/19-6/30/20	12,420				12,420	12,296			124			*	12,296
Nursing Services	19-100-034-5120-070	7/1/18-6/30/19	33,368		1,581				1,581					*	
Nursing Services	20-100-034-5120-070	7/1/19-6/30/20	33,465				33,465	32,978			487			*	32,978
Security	19-100-034-5120-509	7/1/18-6/30/19	51,600		188				188					*	
Security	20-100-034-5120-509	7/1/19-6/30/20	51,750				51,750	49,703			2,047			*	49,703
Chapter 192 (Auxiliary Services)														*	
Compensatory Education	19-100-034-5120-067	7/1/18-6/30/19	1,692		338				338					*	
Compensatory Education	20-100-034-5120-067	7/1/19-6/30/20	2,920				2,620	1,217		(300)		1,703		*	(300)
Home Instruction	19-100-034-5120-067	7/1/18-6/30/19	1,823	(1,823)			1,823							*	
Home Instruction	20-100-034-5120-067	7/1/19-6/30/20	3,143					3,143		(3,143)				*	(3,143)
Chapter 193 (Handicapped Services)														*	
Examination and Classification	19-100-034-5120-066	7/1/18-6/30/19	32,758		2,188				2,188					*	
Examination and Classification	20-100-034-5120-066	7/1/19-6/30/20	44,393				39,828	17,283		(4,365)		27,110		*	(4,365)
Supplemental Instruction	19-100-034-5120-066	7/1/18-6/30/19	159		159				159					*	
Supplemental Instruction	20-100-034-5120-066	7/1/19-6/30/20	809				726			(83)		809		*	(83)
Corrective Speech	19-100-034-5120-066	7/1/18-6/30/19	34,819		34,819				34,819					*	
Total Special Revenue Fund				(1,823)	39,431		160,817	134,636	39,431	(8,091)		32,449			(8,091)
Debt Service Fund															
Debt Service Aid	20-495-034-5120-075	7/1/19-6/30/20	361,647				361,647	361,647						*	361,647
Total Debt Service Aid							361,647	361,647							361,647
Total State Financial Assistance Subject to Single Audit Determination				\$ (852,269)	\$ 39,431	\$ -	8,748,266	8,678,635	\$ 39,431	\$ (815,087)	\$ -	\$ 32,449	\$ (69,067)	\$ -	\$ 8,678,635
Less On-Behalf TPAF Pension															
T.P.A.F. Pension	20-495-034-5094-002						3,435,305	3,435,305							
T.P.A.F. Pension - NCGI	20-495-034-5094-004						61,574	61,574							
T.P.A.F. Pension - LTDI	20-495-034-5094-004						1,891	1,891							
Post Retirement-Pension Contributions	20-495-034-5094-001						1,297,278	1,297,278							
Total State Financial Assistance Subject to Major Program Determination							4,796,048	4,796,048							
							\$ 3,952,218	\$ 3,882,587							

**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, 2020**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the District's financial statements. The information in these schedules is presented in accordance with the requirements of 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 \$25,841 for the general fund and a decrease of \$9,366 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the District's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 8,156,511	\$ 8,156,511
Special Revenue Fund	\$ 437,678	134,636	572,314
Debt Service Fund	-	361,647	361,647
	<hr/>	<hr/>	<hr/>
Total Financial Assistance	<u>\$ 437,678</u>	<u>\$ 8,652,794</u>	<u>\$ 9,090,472</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, 2020**

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 \$1,195,119 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, 2020. The amount reported as TPAF Pension System Contributions in the amount of \$3,496,879, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,297,278 and TPAF Long-Term Disability Insurance in the amount of \$1,891 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2020.

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 payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020

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, 2020**

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.