

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, 2019

Prepared by

Business Office

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INTRODUCTORY SECTION



WATCHUNG HILLS REGIONAL HIGH SCHOOL

Elizabeth C. Jewett
Superintendent

Timothy M. Stys, CPA
Business Administrator

George P. Alexis
Principal

November 8, 2019

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

Dear Board Members:

The comprehensive annual financial report of the Watchung Hills Regional High School District Board of Education for the fiscal year ended June 30, 2019, 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 2018/2019 fiscal year with an enrollment of 1,965 which is 49 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>
2018/2019	1,965	(2.48%)
2017/2018	2,014	(2.42%)
2016/2017	2,064	(3.42%)
2015/2016	2,137	(2.73%)
2014/2015	2,197	1.01%
2013/2014	2,175	1.82%
2012/2013	2,136	3.49%
2011/2012	2,064	0.34%
2010/2011	2,057	(0.57%)
2009/2010	2,069	1.77%

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, 2019.

5. ACCOUNTING SYSTEM AND REPORTS:

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

6. CASH MANAGEMENT:

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

7. RISK MANAGEMENT:

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

8. OTHER INFORMATION:

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

9. ACKNOWLEDGEMENTS:

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

Respectfully submitted,

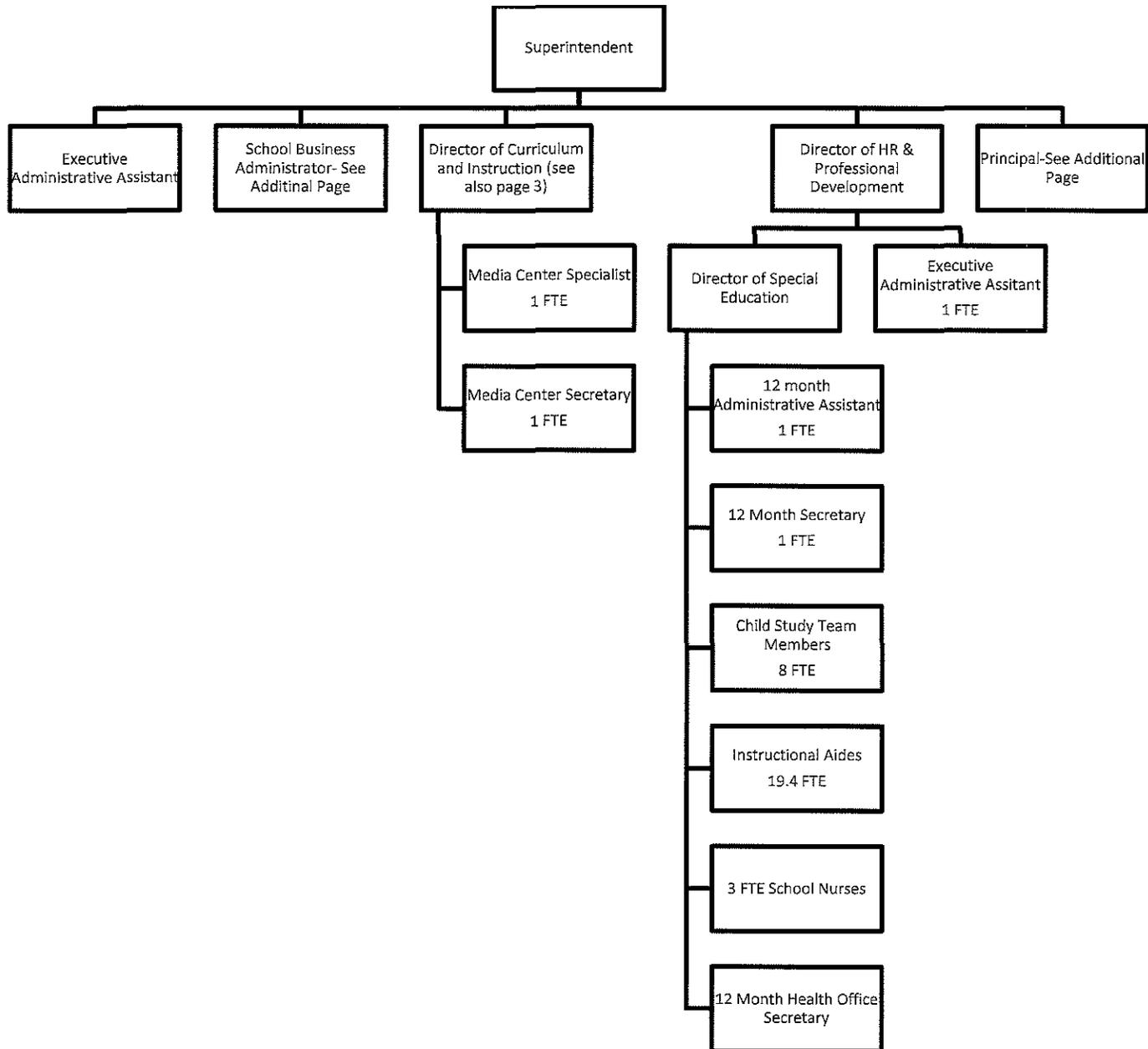


Elizabeth C. Jewett
Superintendent of Schools



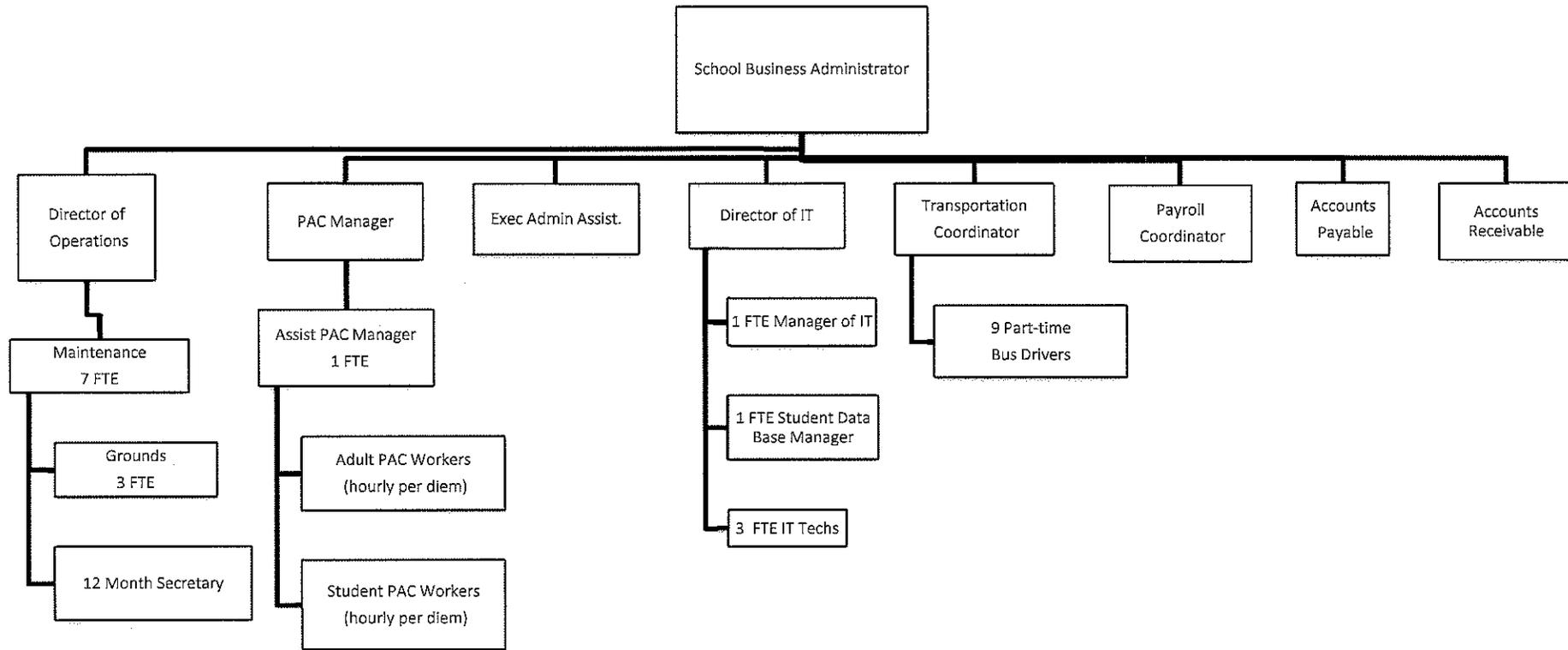
Timothy M. Stys
School Business Administrator/
Board Secretary

District Organizational Chart Watchung Hills Regional High School 2018-2019



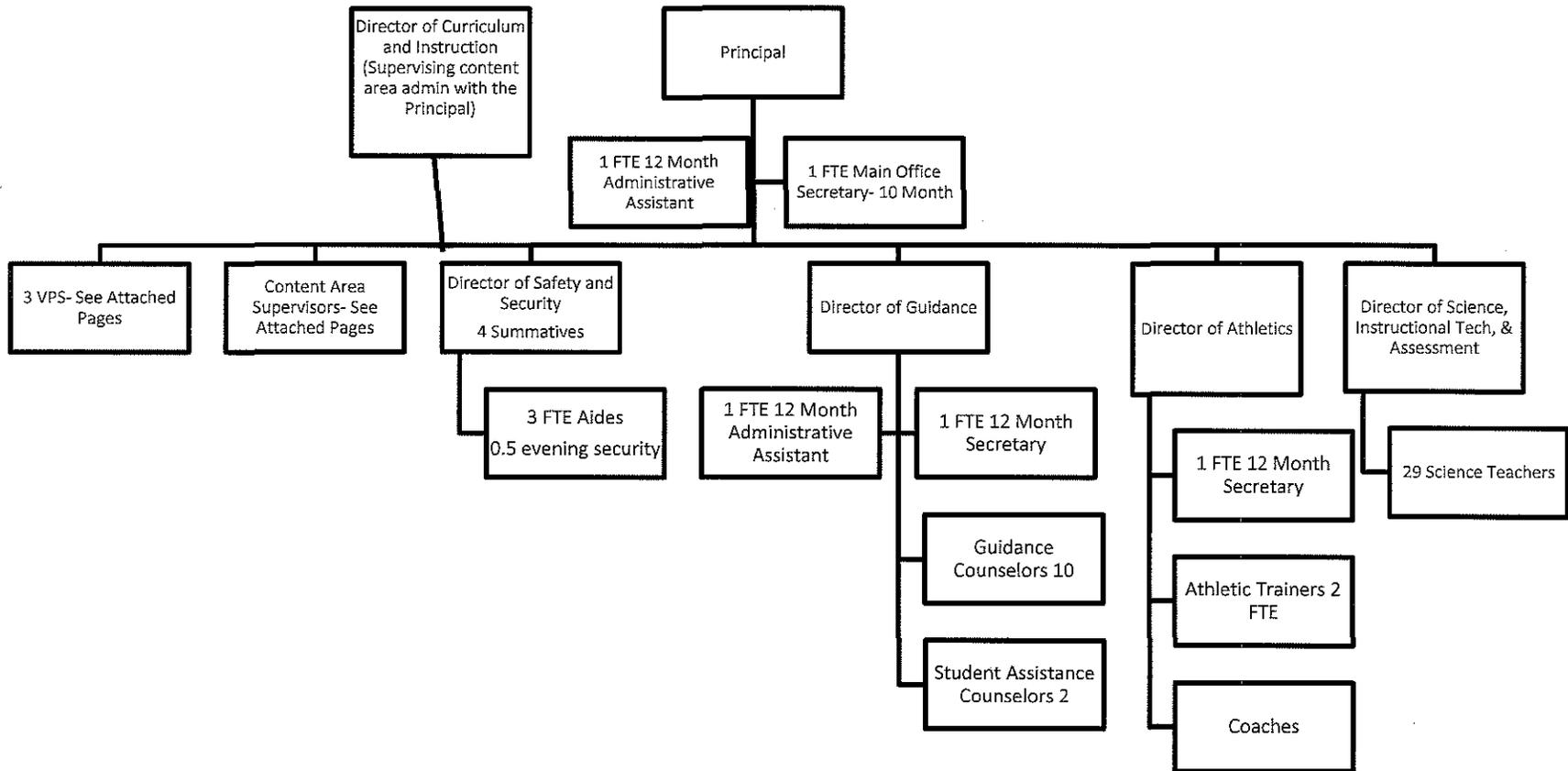
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District Organizational Chart Watchung Hills Regional High School 2018-2019



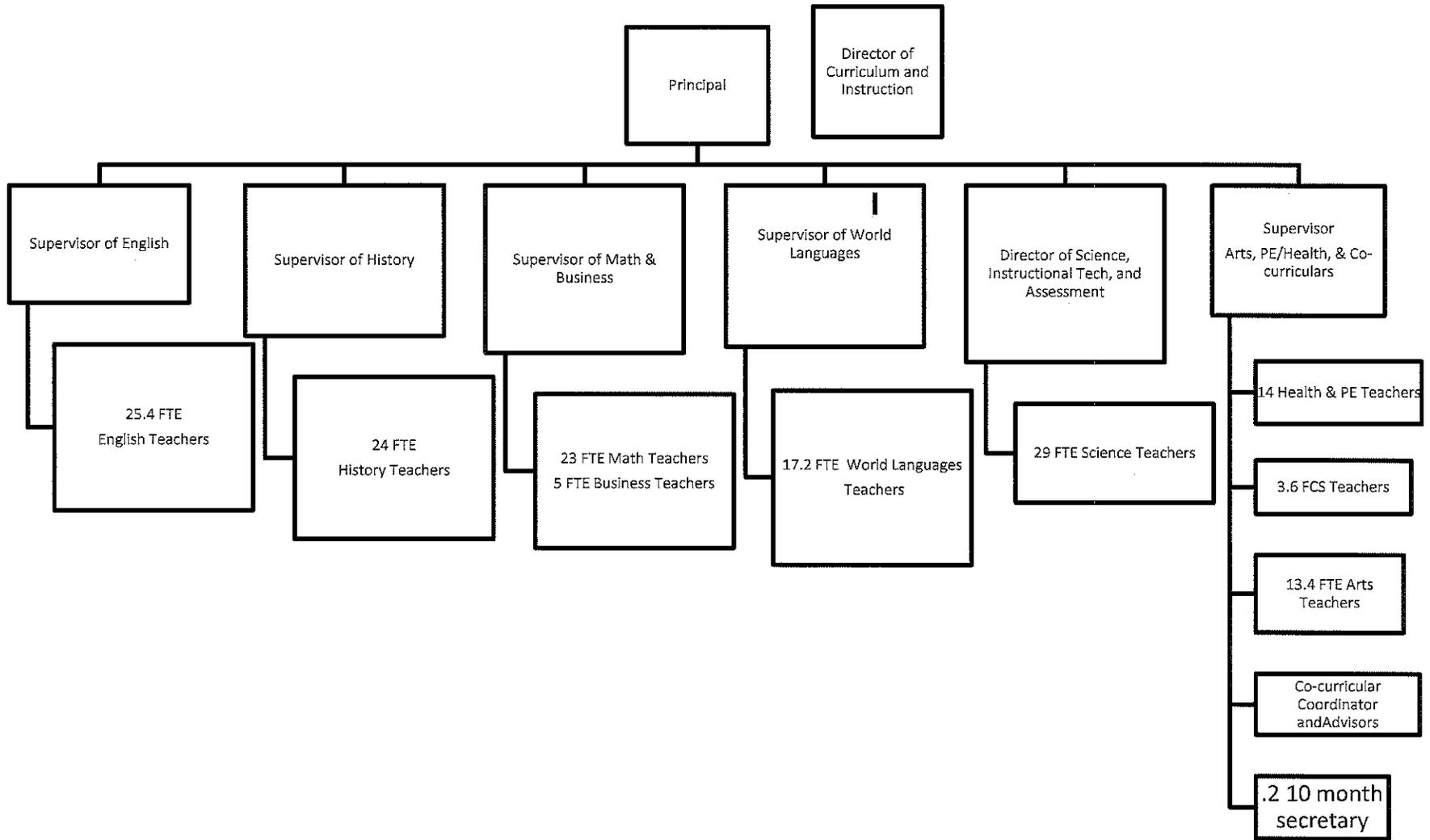
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District Organizational Chart Watchung Hills Regional High School 2018-2019



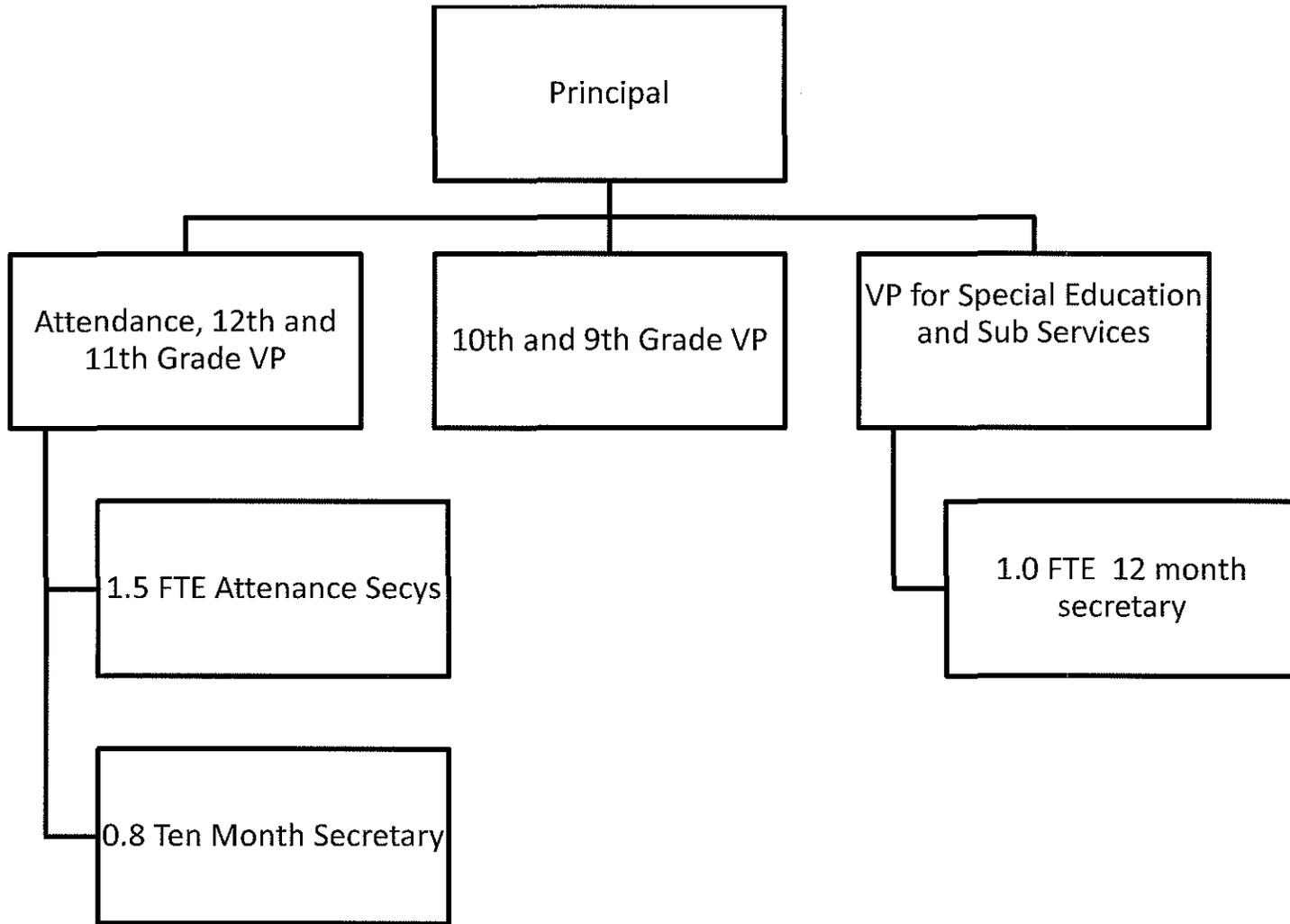
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District Organizational Chart Watchung Hills Regional High School 2018-2019



TTA

District Organizational Chart Watchung Hills Regional High School 2018-2019



ix

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2019

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Peter Fallon – President Warren Township	2020
Rita Barone – Vice President Long Hill Township	2019
Lisa DeMizio Long Hill Township	2020
John Patrick Fahy Warren Township	2019
Freddie Hayeck Watchung Township	2020
Barry Hunsinger Watchung Borough	2021
Robert Morrison Warren Township	2019
Susan Ober Long Hill Township	2021
Gregory Przybylski Warren Township	2021

Appointed

Bruce Martins Green Brook Township	1 year term
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Other Officials

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

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

Architect

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
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watchung Hills Regional High School District, as of and for the fiscal year ended June 30, 2019 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, 2019, 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

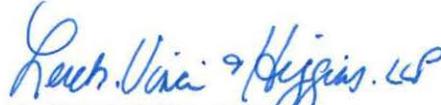
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Watchung Hills Regional High School District's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule 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 November 8, 2019 on our consideration of the Watchung Hills Regional High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Watchung Hills Regional High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Watchung Hills Regional High School District's internal control over financial reporting and compliance.



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



Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 8, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Watchung Hills Regional High School District's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. 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 2018-2019 fiscal year include the following:

- The net position of the Watchung Hills Regional High School District at the close of the fiscal year was \$15,038,908.
- Overall revenues were \$56,529,975. General revenues accounted for \$35,081,291 or 62% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$21,448,684 or 38% of total revenues.
- The school district had \$52,795,199 in expenses for governmental activities; only \$20,309,888 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$35,081,291 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 \$7,675,113. The General Fund's fund balance at June 30, 2019 was \$7,410,394 an increase of \$2,083,815 when compared with the beginning balance of \$5,326,579 at July 1, 2018.
- The General Fund unassigned budgetary basis fund balance at June 30, 2019 was \$1,244,954 which represents an increase of \$121,254 compared to the ending unassigned budgetary basis fund balance at June 30, 2018 of \$1,123,700.
- The school district maintains a Capital Reserve balance of \$3,461,250, a Tuition Reserve balance of \$300,000 and a Maintenance Reserve balance of \$549,735 at June 30, 2019.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

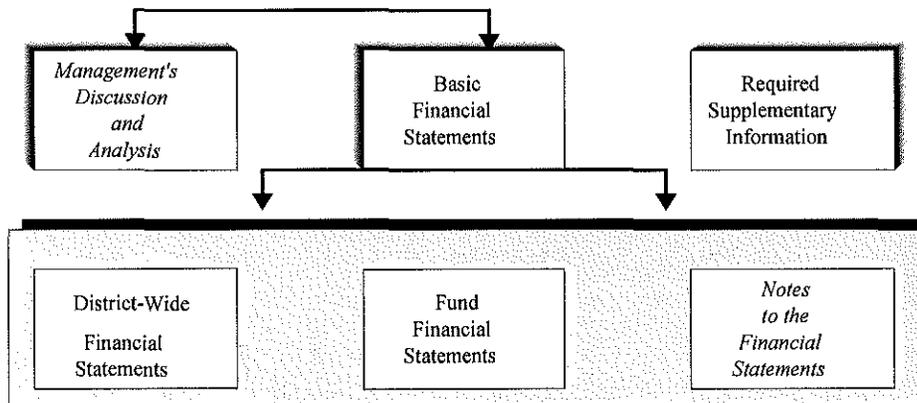
Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

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

Major Features of the District-Wide and Fund Financial Statements

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

District-Wide Financial Statements

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

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

District-Wide Financial Statements (continued)

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Fund Financial Statements (continued)

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

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

Notes to the Financial Statements

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

Other Information

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

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

DISTRICT-WIDE FINANCIAL ANALYSIS

Changes in Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$15,038,908 as of June 30, 2019. 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, 2019 and 2018

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets						
Current and Other Assets	\$ 8,146,354	\$ 5,919,972	\$ 402,644	\$ 303,499	\$ 8,548,998	\$ 6,223,471
Capital Assets	<u>47,544,419</u>	<u>49,612,129</u>	<u>438,028</u>	<u>358,810</u>	<u>47,982,447</u>	<u>49,970,939</u>
Total Assets	<u>55,690,773</u>	<u>55,532,101</u>	<u>840,672</u>	<u>662,309</u>	<u>56,531,445</u>	<u>56,194,410</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding of Debt	441,782	559,245	-	-	441,782	559,245
Deferred Amounts on Net Pension Liability	<u>2,525,399</u>	<u>3,023,028</u>	<u>-</u>	<u>-</u>	<u>2,525,399</u>	<u>3,023,028</u>
Total Deferred Outflows of Resources	<u>2,967,181</u>	<u>3,582,273</u>	<u>-</u>	<u>-</u>	<u>2,967,181</u>	<u>3,582,273</u>
Total Assets and Deferred Outflows of Resources	<u>58,657,954</u>	<u>59,114,374</u>	<u>840,672</u>	<u>662,309</u>	<u>59,498,626</u>	<u>59,776,683</u>
Liabilities						
Long-Term Liabilities	40,228,665	44,544,172			40,228,665	44,544,172
Other Liabilities	<u>936,360</u>	<u>789,699</u>	<u>32,250</u>	<u>41,595</u>	<u>968,610</u>	<u>831,294</u>
Total Liabilities	<u>41,165,025</u>	<u>45,333,871</u>	<u>32,250</u>	<u>41,595</u>	<u>41,197,275</u>	<u>45,375,466</u>
Deferred Inflows of Resources						
Deferred Amounts on Net Pension Liability	<u>3,262,443</u>	<u>2,249,153</u>	<u>-</u>	<u>-</u>	<u>3,262,443</u>	<u>2,249,153</u>
Total Deferred Inflows of Resources	<u>3,262,443</u>	<u>2,249,153</u>	<u>-</u>	<u>-</u>	<u>3,262,443</u>	<u>2,249,153</u>
Total Liabilities and Deferred Inflows of Resources	<u>44,427,468</u>	<u>47,583,024</u>	<u>32,250</u>	<u>41,595</u>	<u>44,459,718</u>	<u>47,624,619</u>
Net Position:						
Net Investment in Capital Assets	17,967,682	17,221,912	438,028	358,810	18,405,710	17,580,722
Restricted	4,229,816	3,452,419			4,229,816	3,452,419
Unrestricted	<u>(7,967,012)</u>	<u>(9,142,981)</u>	<u>370,394</u>	<u>261,904</u>	<u>(7,596,618)</u>	<u>(8,881,077)</u>
Total Net Position	<u>\$ 14,230,486</u>	<u>\$ 11,531,350</u>	<u>\$ 808,422</u>	<u>\$ 620,714</u>	<u>\$ 15,038,908</u>	<u>\$ 12,152,064</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Changes in Net Position
for the Fiscal Years Ended June 30, 2019 and 2018

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 7,822,287	\$ 7,236,479	\$ 1,138,796	\$ 1,110,318	\$ 8,961,083	\$ 8,346,797
Operating Grants and Contributions	12,487,601	13,233,721			12,487,601	13,233,721
General Revenues						
Property Taxes	34,306,058	33,705,203			34,306,058	33,705,203
State Aid	364,237	736,277			364,237	736,277
Other	410,996	330,670	-	-	410,996	330,670
Total Revenues	55,391,179	55,242,350	1,138,796	1,110,318	56,529,975	56,352,668
Expenses						
Instruction						
Regular	21,895,621	22,285,682			21,895,621	22,285,682
Special Education	6,602,733	7,358,644			6,602,733	7,358,644
Other Instruction	44,870	29,315			44,870	29,315
School Sponsored Activities and Athletics	2,147,622	2,133,492			2,147,622	2,133,492
Support Services						
Student and Instruction Related Services	7,914,936	7,702,787			7,914,936	7,702,787
General Administration	1,247,919	1,259,590			1,247,919	1,259,590
School Administration Services	2,640,087	2,804,421			2,640,087	2,804,421
Plant Operation and Maintenance	5,154,653	6,032,423			5,154,653	6,032,423
Pupil Transportation	2,578,763	2,561,898			2,578,763	2,561,898
Business and Other Support Services	1,439,750	1,495,784			1,439,750	1,495,784
Interest on Long-Term Debt	1,128,245	1,213,027			1,128,245	1,213,027
Food Services	-	-	1,071,920	1,019,159	1,071,920	1,019,159
Total Expenses	52,795,199	54,877,063	1,071,920	1,019,159	53,867,119	55,896,222
Change in Net Position	2,595,980	365,287	66,876	91,159	2,662,856	456,446
Net Position, Beginning of Year	11,531,350	10,666,541	620,714	453,305	12,152,064	11,119,846
Prior Period Adjustment	103,156	499,522	120,832	76,250	223,988	575,772
Net Position, End of Year	\$ 14,230,486	\$ 11,531,350	\$ 808,422	\$ 620,714	\$ 15,038,908	\$ 12,152,064

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 \$55,391,179 for the fiscal year ended June 30, 2019. Property taxes of \$34,306,058 represented 62% percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and local aid was \$12,851,838. The other major source of revenues is charges for services which includes tuition from other LEAs predominately from the Green Brook Board of Education. The District received \$7,822,287 in tuition in 2018/19.

The total cost of all governmental activities programs and services was \$52,795,199. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$30,690,846 (58%) of total expenditures. Student support services, exclusive of administration, total \$7,914,936 or (15%) of total expenditures.

Total governmental activities revenues exceeded expenses increasing net position \$2,595,980 from the previous year.

Net Cost of Governmental Activities. The District's total cost of services was \$52,795,199. After applying program revenues, derived from charges for services of \$7,822,287 and operating grants and contributions of \$12,487,601; the net cost of services of the District is \$32,485,311.

Total and Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2019 and 2018

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Governmental Activities				
Instruction				
Regular	\$ 21,895,621	\$ 22,285,682	\$ 9,124,477	\$ 9,304,759
Special Education	6,602,733	7,358,644	2,992,878	3,743,245
Other Instruction	44,870	29,315	31,290	19,675
School Sponsored Activities and Athletics	2,147,622	2,133,492	1,628,457	1,550,970
Support Services				
Student and Instruction Related Services	7,914,936	7,702,787	6,014,565	5,811,653
General Administration	1,247,919	1,259,590	1,132,782	1,126,999
School Administration Services	2,640,087	2,804,421	2,269,186	2,339,782
Plant Operation and Maintenance	5,154,653	6,032,423	4,996,852	5,796,873
Pupil Transportation	2,578,763	2,561,898	1,915,888	2,240,092
Central and Other Support Services	1,439,750	1,495,784	1,250,691	1,259,788
Interest on Debt and Other Charges	1,128,245	1,213,027	1,128,245	1,213,027
Total Governmental Activities	<u>\$ 52,795,199</u>	<u>\$ 54,877,063</u>	<u>\$ 32,485,311</u>	<u>\$ 34,406,863</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

Business-Type Activities – The District's total business-type activities revenues were \$1,138,796 for the fiscal year ended June 30, 2019. Charges for services accounted for 100% of total revenues.

The total cost of all business-type activities programs and services was \$1,071,920. The District's expenses are related to Food Service programs provided to all students, teachers and administrators within the District.

Total business-type activities revenues exceeded expenses, increasing net position by \$66,876 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 \$7,675,113. At June 30, 2018, the fund balance was \$5,633,686. This increase was due to the revenues exceeding expenditures for the fiscal year.

Revenues for the District's governmental funds were \$51,248,094 while total expenses were \$49,206,667.

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

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended <u>June 30, 2019</u>	Fiscal Year Ended <u>June 30, 2018</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Local Sources:				
Property Taxes	\$ 31,116,836	\$ 30,506,702	\$ 610,134	2.00%
Tuition	7,822,287	7,236,479	585,808	8.10%
Miscellaneous	405,289	325,240	80,049	24.61%
State Sources	<u>7,724,301</u>	<u>6,749,986</u>	<u>974,315</u>	14.43%
 Total General Fund Revenues	 <u>\$ 47,068,713</u>	 <u>\$ 44,818,407</u>	 <u>\$ 2,250,306</u>	 5.02%

Total General Fund Revenues increased by \$2,250,306 or 5% over the previous year.

Property taxes increased 2% over the previous year. Tuition revenue increased by \$585,808. State aid revenues increased \$974,315, primarily due to an increase in the state TPAF pension contribution.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

The following schedule presents a summary of General Fund expenditures.

	Fiscal Year Ended <u>June 30, 2019</u>	Fiscal Year Ended <u>June 30, 2018</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Instruction	\$ 25,696,580	\$ 25,422,915	\$ 273,665	1.08%
Support Services	17,963,328	17,223,770	739,558	4.29%
Debt Service	564,883	563,483	1,400	0.25%
Capital Outlay	<u>761,891</u>	<u>1,065,220</u>	<u>(303,329)</u>	-28.48%
Total Expenditures	<u>\$ 44,986,682</u>	<u>\$ 44,275,388</u>	<u>\$ 711,294</u>	1.61%

In 2018-2019 General Fund revenues and other financing sources exceeded expenditures by \$2,083,815. As a result, total fund balance increased to \$7,410,394 at June 30, 2019. After deducting statutory transfers and reserves, the unassigned fund balance decreased from \$579,704 at June 30, 2018 to \$524,775 at June 30, 2019.

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 \$624,845, for the fiscal year ended June 30, 2019. 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 increased by \$64,952 from the previous year.

Expenditures of the Special Revenue Fund were \$624,845, Instructional expenditures were \$495,032 or 79% of total expended for the fiscal year ended June 30, 2019.

Capital Projects - The capital projects expenditures and other financing uses exceeded revenues and other financing sources by \$22,735 decreasing fund balance to \$257,779 at June 30, 2019. The decrease is primarily due to the ongoing construction projects within the District.

Proprietary Funds

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

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

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2019 amounts to \$47,982,447 (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 2018-19 amounted to \$2,954,576 for governmental activities and \$45,559 for business-type activities.

Capital Assets at June 30, 2019 and 2018

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 105,616	\$ 105,616			\$ 105,616	\$ 105,616
Improvements Other Than Buildings	6,751,000	7,004,185			6,751,000	7,004,185
Buildings	70,344,426	70,091,241			70,344,426	70,091,241
Machinery and Equipment	5,629,776	5,375,274	\$ 788,356	\$ 677,110	6,418,132	6,052,384
Construction in Progress	604,446	23,975	-	-	604,446	23,975
	83,435,264	82,600,291	788,356	677,110	84,223,620	83,277,401
Less Accumulated Depreciation	<u>(35,890,845)</u>	<u>(32,988,162)</u>	<u>(350,328)</u>	<u>(318,300)</u>	<u>(36,241,173)</u>	<u>(33,306,462)</u>
Total Capital Assets (Net)	<u>\$ 47,544,419</u>	<u>\$ 49,612,129</u>	<u>\$ 438,028</u>	<u>\$ 358,810</u>	<u>\$ 47,982,447</u>	<u>\$ 49,970,939</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 \$582,128, bonds payable of \$28,838,000, obligations under lease-purchase agreements of \$642,519 and net pension liability of \$9,563,615.

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 \$1,244,954 of unassigned general fund surplus. Additionally, the district has approximately \$3.5 million in Capital Reserve to cover future capital expenditures and maintains a maintenance reserve of approximately \$549 thousand. 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 2019/2020 budget. The primary factors were the District's projected student population, the condition of the facility, the condition of the New Jersey economy, and the economic difficulties that face our region. Going forward beyond 2019/2020, the District will be faced with the potential of level or reduced State aid and a strict 2% budget CAP.

The District's operating budget for 2019/2020 is \$42,552,864. 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, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 7,853,074	\$ 397,763	\$ 8,250,837
Receivables, net	293,280	2,696	295,976
Inventory		2,185	2,185
Capital Assets			
Not Being Depreciated	710,062	-	710,062
Being Depreciated, Net	<u>46,834,357</u>	<u>438,028</u>	<u>47,272,385</u>
Total Assets	<u>55,690,773</u>	<u>840,672</u>	<u>56,531,445</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding of Debt	441,782		441,782
Deferred Amounts on Net Pension Liability	<u>2,525,399</u>	<u>-</u>	<u>2,525,399</u>
Total Deferred Outflows of Resources	<u>2,967,181</u>	<u>-</u>	<u>2,967,181</u>
Total Assets and Deferred Outflows of Resources	<u>58,657,954</u>	<u>840,672</u>	<u>59,498,626</u>
LIABILITIES			
Accounts Payable and Other Liabilities	392,697	1,638	394,335
Intergovernmental Payable	39,431		39,431
Accrued Interest Payable	465,119		465,119
Unearned Revenue	39,113	30,612	69,725
Noncurrent Liabilities			
Due Within One Year	2,891,813		2,891,813
Due Beyond One Year	<u>37,336,852</u>	<u>-</u>	<u>37,336,852</u>
Total Liabilities	<u>41,165,025</u>	<u>32,250</u>	<u>41,197,275</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>3,262,443</u>	<u>-</u>	<u>3,262,443</u>
Total Deferred Inflows of Resources	<u>3,262,443</u>	<u>-</u>	<u>3,262,443</u>
Total Liabilities and Deferred Inflows of Resources	<u>44,427,468</u>	<u>32,250</u>	<u>44,459,718</u>
NET POSITION			
Net Investment in Capital Assets	17,967,682	438,028	18,405,710
Restricted for:			
Capital Projects	3,673,141		3,673,141
Debt Service	6,940		6,940
Other Purposes	549,735		549,735
Unrestricted	<u>(7,967,012)</u>	<u>370,394</u>	<u>(7,596,618)</u>
Total Net Position	<u>\$ 14,230,486</u>	<u>\$ 808,422</u>	<u>\$ 15,038,908</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, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 21,895,621	\$ 6,779,748	\$ 5,991,396	\$ (9,124,477)		\$ (9,124,477)
Special Education	6,602,733	1,042,539	2,567,316	(2,992,878)		(2,992,878)
Other Instruction	44,870		13,580	(31,290)		(31,290)
School Sponsored Activities and Athletics	2,147,622		519,165	(1,628,457)		(1,628,457)
Support Services:						
Student and Instruction Related Services	7,914,936		1,900,371	(6,014,565)		(6,014,565)
General Administration Services	1,247,919		115,137	(1,132,782)		(1,132,782)
School Administration Services	2,640,087		370,901	(2,269,186)		(2,269,186)
Plant Operations and Maintenance	5,154,653		157,801	(4,996,852)		(4,996,852)
Pupil Transportation	2,578,763		662,875	(1,915,888)		(1,915,888)
Central and Other Support Services	1,439,750		189,059	(1,250,691)		(1,250,691)
Interest on Long-Term Debt and Other Charges	1,128,245	-	-	(1,128,245)	-	(1,128,245)
Total Governmental Activities	52,795,199	7,822,287	12,487,601	(32,485,311)	-	(32,485,311)
Business-Type Activities:						
Food Service	1,071,920	1,138,796	-	-	\$ 66,876	66,876
Total Business-Type Activities	1,071,920	1,138,796	-	-	66,876	66,876
Total Primary Government	\$ 53,867,119	\$ 8,961,083	\$ 12,487,601	(32,485,311)	66,876	(32,418,435)
General Revenues:						
Property Taxes:						
Levied for General Purposes				31,116,836		31,116,836
Levied for Debt Service				3,189,222		3,189,222
State Aid - Unrestricted				4,630		4,630
State Aid - Restricted for Debt Service				359,607		359,607
Investment Earnings				157,333		157,333
Miscellaneous Income				253,663		253,663
Total General Revenues				35,081,291	-	35,081,291
Change in Net Position				2,595,980	66,876	2,662,856
Net Position, Beginning of Year				11,531,350	620,714	12,152,064
Prior Period Adjustment (Capital Assets)				103,156	120,832	223,988
Net Position, End of Year				\$ 14,230,486	\$ 808,422	\$ 15,038,908

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, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash	\$ 7,540,540	\$ 10,153	\$ 295,441	\$ 6,940	\$ 7,853,074
Receivables, Net					
Intergovernmental	130,267	97,107			227,374
Other	58,757	7,149			65,906
Due from Other Funds	37,662	-	-	-	37,662
Total Assets	\$ 7,767,226	\$ 114,409	\$ 295,441	\$ 6,940	\$ 8,184,016
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 336,832	\$ 55,865			\$ 392,697
Due to Other Funds			\$ 37,662		37,662
Payable to State Government		39,431			39,431
Unearned Revenue	20,000	19,113	-	-	39,113
Total Liabilities	356,832	114,409	37,662	-	508,903
Fund Balances					
Restricted Fund Balance					
Capital Reserve	3,461,250				3,461,250
Maintenance Reserve	549,735				549,735
Tuition Reserve	200,000				200,000
Tuition Reserve - Designated for Subsequent Year's Budget	100,000				100,000
Excess Surplus	564,808				564,808
Excess Surplus - Designated for Subsequent Year's Budget	503,518				503,518
Capital Projects Fund			257,779		257,779
Debt Service Fund				\$ 6,940	6,940
Committed Fund Balance					
Encumbrances	1,136,567				1,136,567
Assigned Fund Balance					
Encumbrances	169,741				169,741
Designated for Subsequent Year's Budget	200,000				200,000
Unassigned Fund Balance					
General Fund	524,775	-	-	-	524,775
Total Fund Balances	7,410,394	-	257,779	6,940	7,675,113
Total Liabilities and Fund Balances	\$ 7,767,226	\$ 114,409	\$ 295,441	\$ 6,940	

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 \$83,435,264 and the accumulated depreciation is \$35,890,845.	47,544,419
The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is:	(465,119)
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)	(40,523,927)
Net Position of governmental activities (Exhibit A-1)	<u>\$ 14,230,486</u>

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, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 31,116,836			\$ 3,189,222	\$ 34,306,058
Interest Earnings	151,626		\$ 5,707		157,333
Tuition	7,822,287				7,822,287
Miscellaneous	253,663	\$ 16,157	-	-	269,820
Total - Local Sources	39,344,412	16,157	5,707	3,189,222	42,555,498
State Sources	7,724,301	146,648		359,607	8,230,556
Federal Sources	-	462,040	-	-	462,040
Total Revenues	<u>47,068,713</u>	<u>624,845</u>	<u>5,707</u>	<u>3,548,829</u>	<u>51,248,094</u>
EXPENDITURES					
Current					
Regular Instruction	18,114,824	141,817			18,256,641
Special Education Instruction	5,606,959	353,215			5,960,174
Other Instruction	39,321				39,321
School Sponsored Activities and Athletics	1,935,476				1,935,476
Support Services					
Student and Instruction Related Services	6,518,871	129,813			6,648,684
General Administrative Services	949,290				949,290
School Administrative Services	2,271,302				2,271,302
Plant Operations and Maintenance	4,364,657				4,364,657
Pupil Transportation	2,552,893				2,552,893
Central and Other Support Services	1,306,315				1,306,315
Debt Service					
Principal	426,869			2,475,000	2,901,869
Interest and Other Charges	138,014			1,098,321	1,236,335
Capital Outlay	761,891	-	21,819	-	783,710
Total Expenditures	<u>44,986,682</u>	<u>624,845</u>	<u>21,819</u>	<u>3,573,321</u>	<u>49,206,667</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,082,031</u>	<u>-</u>	<u>(16,112)</u>	<u>(24,492)</u>	<u>2,041,427</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	1,784			4,839	6,623
Transfers Out	-	-	(6,623)	-	(6,623)
Total Other Financing Sources and (Uses)	<u>1,784</u>	<u>-</u>	<u>(6,623)</u>	<u>4,839</u>	<u>-</u>
Net Change in Fund Balances	2,083,815	-	(22,735)	(19,653)	2,041,427
Fund Balance, Beginning of Year	<u>5,326,579</u>	<u>-</u>	<u>280,514</u>	<u>26,593</u>	<u>5,633,686</u>
Fund Balance, End of Year	<u>\$ 7,410,394</u>	<u>\$ -</u>	<u>\$ 257,779</u>	<u>\$ 6,940</u>	<u>\$ 7,675,113</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, 2019**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)	\$	2,041,427
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>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.</p>		
Depreciation Expense	\$ (2,954,576)	
Capital Outlays	<u>783,710</u>	(2,170,866)
<p>Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
Payment of Principal		
Serial Bonds	2,475,000	
Lease Purchase Agreements	<u>426,869</u>	2,901,869
<p>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.</p>		
Amortization of Bond Premium	187,259	
Amortization of Deferred Charge on Refunding	<u>(117,463)</u>	69,796
<p>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.</p>		
		38,294
<p>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.</p>		
		4,959
<p>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).</p>		
Increase in Pension Expense - Public Employees' Retirement System		<u>(289,499)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	\$	<u>2,595,980</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

ASSETS

Current Assets	
Cash	\$ 397,763
Accounts Receivable	2,696
Inventory	<u>2,185</u>
Total Current Assets	<u>402,644</u>
Capital Assets	
Furniture, Machinery, and Equipment	788,356
Less: Accumulated Depreciation	<u>(350,328)</u>
Total Noncurrent Assets	<u>438,028</u>
Total Assets	<u>840,672</u>

LIABILITIES

Current Liabilities	
Accounts Payable	1,638
Unearned Revenue	<u>30,612</u>
Total Current Liabilities	<u>32,250</u>

NET POSITION

Net Investment in Capital Assets	438,028
Unrestricted	<u>370,394</u>
Total Net Position	<u>\$ 808,422</u>

**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, 2019**

OPERATING REVENUES

Charges for Services	
Daily Sales- Non-Reimbursable Programs	\$ 1,117,970
Other Sales	<u>20,826</u>
 Total Operating Revenues	 <u>1,138,796</u>
 OPERATING EXPENSES	
Cost of Sales - Non-Reimbursable Programs	447,686
Salaries and Benefits	379,726
Management Fee	57,857
Miscellaneous	141,092
Depreciation	<u>45,559</u>
 Total Operating Expenses	 <u>1,071,920</u>
 Operating Income	 66,876
 Net Position, Beginning of Year	 620,714
 Prior Period Adjustment (Capital Assets)	 <u>120,832</u>
 Net Position, End of Year	 <u>\$ 808,422</u>

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 1,137,147
Cash Payments to Employees for Salaries and Benefits	(379,726)
Cash Payments to Suppliers for Goods and Services	<u>(660,108)</u>
Net Cash Provided by Operating Activities	<u>97,313</u>

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

Purchase of Fixed Assets	<u>(3,945)</u>
Net Cash (Used for) by Capital and Related Financing Activities	<u>(3,945)</u>

Net Change in Cash	93,368
Cash, Beginning of Year	<u>304,395</u>
Cash, End of Year	<u>\$ 397,763</u>

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

Operating Income	<u>\$ 66,876</u>
Adjustments to Reconcile Operating Income to Net Cash Provided for Operating Activities	
Depreciation	45,559
Change in Assets and Liabilities	
(Increase)/Decrease in Accounts Receivable	(2,696)
(Increase)/Decrease in Inventory	(38)
Increase/(Decrease) in Unearned Revenue	1,047
Increase/(Decrease) in Accounts Payable	(10,392)
Increase/(Decrease) in Due to/from Other Funds	<u>(3,043)</u>
Total Adjustments	<u>30,437</u>
Net Cash Provided by Operating Activities	<u>\$ 97,313</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, 2019**

	<u>Unemployment Compensation Trust Fund</u>	<u>Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash	\$ 301,786	\$ 62,802	\$ 294,432
Total Assets	<u>301,786</u>	<u>62,802</u>	<u>\$ 294,432</u>
LIABILITIES			
Payroll Deductions and Withholdings	6		\$ 32,665
Due to Student Groups	<u>-</u>	<u>-</u>	<u>261,767</u>
Total Liabilities	<u>6</u>	<u>-</u>	<u>\$ 294,432</u>
NET POSITION			
Held In Trust For Unemployment Compensation Claims and Other Purposes	<u>\$ 301,780</u>	<u>\$ 62,802</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, 2019**

	Unemployment Compensation <u>Trust Fund</u>	Scholarship <u>Fund</u>
ADDITIONS		
Contributions		
Employees	\$ 30,188	
Donations		\$ 11,439
Interest	-	<u>1,080</u>
Total Additions	<u>30,188</u>	<u>12,519</u>
DEDUCTIONS		
Scholarships		17,400
Unemployment Compensation Claims	<u>22,738</u>	<u>-</u>
Total Deductions	<u>22,738</u>	<u>17,400</u>
Change in Net Position	7,450	(4,881)
Net Position, Beginning of Year	<u>294,330</u>	<u>67,683</u>
Net Position, End of Year	<u>\$ 301,780</u>	<u>\$ 62,802</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, 2019**

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. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

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

B. New Accounting Standards

During fiscal year 2019, the District adopted the following GASB statements:

- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*,. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

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

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the fiscal year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

C. Basis of Presentation - Financial Statements

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

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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

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

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

Additionally, the government reports the following fund types:

The *fiduciary trust funds* are used to account for resources legally held in trust for state unemployment insurance claims and for private donations for scholarship awards. All resources of the funds, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

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

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

Reclassifications

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019**

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, 2019**

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.

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. *Long-Term Obligations (Continued)*

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

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).

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 (NJS 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 2018/2019 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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)

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 2017/2018 contract year that is appropriated in the 2019/2020 original budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2019 audited excess surplus that is required to be appropriated in the 2020/2021 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, 2018 audited excess surplus that was appropriated in the 2019/2020 original budget certified for taxes.

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

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

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

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

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

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

Designated for Subsequent Year’s Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2019/2020 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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*

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 government 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 government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government 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. The District has no committed fund balances at year end.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as 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 2017-2018 and 2018-2019 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

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

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

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Bonds Payable	\$ 28,838,000
Original Issuance Premium	602,403
Deferred Charge on Refunding of Debt	(441,782)
Capital Leases Payable	642,519
Compensated Absences	582,128
Net Pension Liability	9,563,615
Deferred Amounts on Net Pension Liability	
Deferred Outflow	(2,525,399)
Deferred Inflow	<u>3,262,443</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ 40,523,927</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2018/2019. Also, during 2018/2019 the Board increased the original General Fund budget by \$411,254 and the Special Revenue budget by \$173,449. The increases were funded by grant awards, the reappropriation of prior year general fund encumbrances and prior year extraordinary aid and nonpublic transportation aids.

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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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, 2019 is as follows:

Balance, July 1, 2018		\$ 2,964,200
Increased by		
Interest Earnings	\$ 1,984	
Deposits Approved by Board Resolution	<u>1,100,000</u>	
		<u>1,101,984</u>
		4,066,184
Decreased by		
Budgeted Withdrawals		
Capital Outlay		<u>604,934</u>
Balance, June 30, 2019		<u>\$ 3,461,250</u>

C. Maintenance Reserve

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

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Maintenance Reserve (Continued)

The activity of the maintenance reserve for the fiscal year ended June 30, 2019 is as follows:

Balance, July 1, 2018	\$ 249,735
Increased by	
Deposits Approved by Board Resolution	<u>300,000</u>
Balance, June 30, 2019	<u>\$ 549,735</u>

D. Transfers to Capital Outlay

During the 2018/2019 school year, the district transferred \$165,000 to the non-equipment capital outlay accounts.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2019 is \$1,068,326. Of this amount, \$503,518 was designated and appropriated in the 2019/2020 original budget certified for taxes and the remaining amount of \$564,808 will be appropriated in the 2020/2021 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, 2019**

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, 2019, the book value of the Board's deposits were \$8,909,857 and bank and brokerage firm balances of the Board's deposits amounted to \$10,448,561. The Board's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

Depository Account

Insured	\$ <u>10,448,561</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, 2019 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, 2019, 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, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2019 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>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental				
Federal		\$ 95,284		\$ 95,284
State	\$ 130,267	1,823		132,090
Other	58,757	7,149		65,906
Accounts	<u>-</u>	<u>-</u>	\$ 2,696	<u>2,696</u>
Gross Receivables	189,024	104,256	2,696	295,976
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 189,024</u>	<u>\$ 104,256</u>	<u>\$ 2,696</u>	<u>\$ 295,976</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	\$ 20,000
Special Revenue Fund	
Grant Draw Downs Reserved for Encumbrances	913
Unencumbered Grant Draw Downs	<u>18,200</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 39,113</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance, July 1, 2018	Prior Period Adjustments	Increases	Decreases	Transfers/ Adjustments	Balance, June 30, 2019
Governmental Activities:						
Capital Assets, Not Being Depreciated:						
Land	\$ 105,616					\$ 105,616
Construction in Progress	23,975	-	\$ 604,446	-	\$ (23,975)	604,446
Total Capital Assets, Not Being Depreciated	<u>129,591</u>	<u>-</u>	<u>604,446</u>	<u>-</u>	<u>(23,975)</u>	<u>710,062</u>
Capital Assets, Being Depreciated:						
Improvements Other Than Buildings	7,004,185	\$ (253,185)				6,751,000
Buildings	70,091,241	253,185				70,344,426
Machinery and Equipment	5,375,274	51,263	179,264	-	23,975	5,629,776
Total Capital Assets Being Depreciated	<u>82,470,700</u>	<u>51,263</u>	<u>179,264</u>	<u>-</u>	<u>23,975</u>	<u>82,725,202</u>
Less Accumulated Depreciation for:						
Improvements Other Than Buildings	(2,373,394)	18,995	(305,990)			(2,660,389)
Buildings	(27,572,690)	29,395	(2,273,532)			(29,816,827)
Machinery and Equipment	(3,042,078)	3,503	(375,054)	-	-	(3,413,629)
Total Accumulated Depreciation	<u>(32,988,162)</u>	<u>51,893</u>	<u>(2,954,576)</u>	<u>-</u>	<u>-</u>	<u>(35,890,845)</u>
Total Capital Assets, Being Depreciated, Net	<u>49,482,538</u>	<u>103,156</u>	<u>(2,775,312)</u>	<u>-</u>	<u>23,975</u>	<u>46,834,357</u>
Governmental Activities Capital Assets, Net	<u>\$ 49,612,129</u>	<u>\$ 103,156</u>	<u>\$ (2,170,866)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,544,419</u>
	Balance, July 1, 2018	Prior Period Adjustments	Increases			Balance, June 30, 2019
Business-Type Activities:						
Capital Assets, Being Depreciated:						
Machinery and Equipment	\$ 677,110	\$ 107,301	\$ 3,945			\$ 788,356
Total Capital Assets Being Depreciated	<u>677,110</u>	<u>107,301</u>	<u>3,945</u>			<u>788,356</u>
Less Accumulated Depreciation for:						
Machinery and Equipment	(318,300)	13,531	(45,559)			(350,328)
Total Accumulated Depreciation	<u>(318,300)</u>	<u>13,531</u>	<u>(45,559)</u>			<u>(350,328)</u>
Total Capital Assets, Being Depreciated, Net	<u>358,810</u>	<u>120,832</u>	<u>(41,614)</u>			<u>438,028</u>
Business-Type Activities Capital Assets, Net	<u>\$ 358,810</u>	<u>\$ 120,832</u>	<u>\$ (41,614)</u>			<u>\$ 438,028</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	\$ 1,270,467
Special	<u>177,275</u>

Total Instruction	<u>1,447,742</u>
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Support Services

Student and Instruction Related Services	502,278
General Administration	265,912
School Administration	118,183
Operations and Maintenance of Plant	<u>620,461</u>

Total Support Services	<u>1,506,834</u>
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Total Depreciation Expense - Governmental Activities	<u>\$ 2,954,576</u>
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Business-Type Activities:

Machinery and Equipment	<u>\$ 45,559</u>
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Total Depreciation Expense-Business-Type Activities	<u>\$ 45,559</u>
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E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2019, 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 and/or expenditures paid by one fund on behalf of another fund.

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

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

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

Interfund Transfers

	<u>Transfer In</u>		
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Transfer Out:			
Capital Projects Fund	\$ <u>1,784</u>	\$ <u>4,839</u>	\$ <u>6,623</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:

Fiscal Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 267,313	\$ 10,009	\$ 277,322
2021	253,053	5,476	258,529
2022	<u>122,153</u>	<u>1,682</u>	<u>123,835</u>
	<u>\$ 642,519</u>	<u>\$ 17,167</u>	<u>\$ 659,686</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 and 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, 2019 are comprised of the following issues:

\$17,190,000, 2011 Refunding Bonds, due in annual installments of \$1,605,000 to \$1,980,000 through January 15, 2024 interest at 5.0%	\$8,945,000
\$9,365,000, 2012 Refunding Bonds, due in annual installments of \$2,210,000 to \$2,445,000 through January 15, 2028, interest at 3.0% to 5.0%	9,305,000
\$12,553,000, 2013 Refunding Bonds, due in annual installments of \$785,000 to \$1,023,000 through January 15, 2029, interest at 2.50% to 3.50%	9,003,000
\$1,970,000 ,2016 Refunding Bonds, due in annual installments of \$180,000 to \$210,000 through January 15, 2027, interest at 1.750%	<u>1,585,000</u>
Total	<u>\$28,838,000</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>	
2020	\$ 2,570,000	\$ 1,014,805	\$ 3,584,805
2021	2,700,000	911,780	3,611,780
2022	2,805,000	817,155	3,622,155
2023	2,935,000	699,780	3,634,780
2024	3,070,000	576,568	3,646,568
2025-2029	<u>14,758,000</u>	<u>1,227,425</u>	<u>15,985,425</u>
	<u>\$ 28,838,000</u>	<u>\$ 5,247,513</u>	<u>\$ 34,085,513</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2019 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 242,966,664
Less: Net Debt Issued	<u>28,838,000</u>
Remaining Borrowing Power	<u>\$ 214,128,664</u>

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 31,313,000		\$ 2,475,000	\$ 28,838,000	\$ 2,570,000
Add: Original Issue Premium	<u>789,662</u>	<u>-</u>	<u>187,259</u>	<u>602,403</u>	<u>-</u>
Total Bonds Payable	32,102,662	-	2,662,259	29,440,403	2,570,000
Obligations Under Lease Purchase	1,069,388		426,869	642,519	267,313
Compensated Absences	587,087	\$ 58,436	63,395	582,128	54,500
Net Pension Liability	<u>10,785,035</u>	<u>-</u>	<u>1,221,420</u>	<u>9,563,615</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 44,544,172</u>	<u>\$ 58,436</u>	<u>\$ 4,373,943</u>	<u>\$ 40,228,665</u>	<u>\$ 2,891,813</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, 2019**

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 Group 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 respective insurance funds are on file with the School’s Business Administrator.

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

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

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018-2019		\$ 30,188	\$ 22,738	\$ 301,780
2017-2018		29,640	35,117	294,330
2016-2017		30,388	49,673	299,807

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, 2019, 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, 2019**

NOTE 5 OTHER INFORMATION (Continued)

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2019, 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees. TPAF is a cost sharing multiple- employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions. 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.

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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds

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

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

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

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

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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2018 is \$19.7 billion and the plan fiduciary net position as a percentage of the total pension liability is 53.60%. The collective net pension liability of the State funded TPAF at June 30, 2018 is \$63.81 billion and the plan fiduciary net position as a percentage of total pension liability is 26.49%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 which were rolled forward to June 30, 2018.

Actuarial Methods and Assumptions

In the July 1, 2017 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 2019.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions (Continued)

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, 2019 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 this 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 2019, 2018 and 2017 were equal to the required contributions.

During the fiscal years ended June 30, 2019, 2018 and 2017 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 accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended June 30,	PERS	On-Behalf TPAF	DCRP
2019	\$ 483,136	\$ 3,172,002	\$ 10,759
2018	429,204	2,454,263	12,941
2017	415,797	1,787,211	3,647

In addition for fiscal years 2019, 2018 and 2017 the District contributed \$3,137, \$8,191 and \$2,744, respectively for PERS and the State contributed \$2,258, \$3,047 and \$3,514, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85, *Omnibus 2017* (GASB No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,174,820 during the fiscal year ended June 30, 2019 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. 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, 2017 through June 30, 2018. Employer allocation percentages have been rounded for presentation purposes.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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)

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, 2018 are based on the ratio of each employer’s contribution to total employer contributions of the group for the fiscal year ended June 30, 2018.

At June 30, 2019, the District reported in the statement of net position (accrual basis) a liability of \$9,563,615 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the District’s proportionate share was .04857 percent, which was an increase of .00224 percent from its proportionate share measured as of June 30, 2017 of .04633 percent.

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$772,635 for PERS. The pension contribution made by the District during the current 2018/2019 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, 2019 with a measurement date of the prior fiscal year end of June 30, 2018. 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, 2019 for contributions made subsequent to the measurement date. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 182,380	\$ 49,313
Changes of Assumptions	1,575,925	3,057,935
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		89,707
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>767,094</u>	<u>65,488</u>
Total	<u>\$ 2,525,399</u>	<u>\$ 3,262,443</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

At June 30, 2019, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	<u>Total</u>
2020	\$ 285,981
2021	107,084
2022	(522,857)
2023	(480,691)
2024	(126,561)
Thereafter	<u>-</u>
	<u>\$ (737,044)</u>

Actuarial Assumptions

The District's total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

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

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2018) 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 pension plans' target asset allocation as of June 30, 2018 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	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	5.66%
2018	June 30, 2017	5.00%

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2046
Municipal Bond Rate *	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 5.66%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66 percent) or 1-percentage-point higher (6.66 percent) than the current rate:

	1% Decrease <u>4.66%</u>	Current Discount Rate <u>5.66%</u>	1% Increase <u>6.66%</u>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 12,025,144</u>	<u>\$ 9,563,615</u>	<u>\$ 7,498,550</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2018. A sensitivity analysis specific to the District's net pension liability at June 30, 2018 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, 2019**

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 employer and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2018. 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, 2018, 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, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$6,034,350 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, 2019 the State's proportionate share of the net pension liability attributable to the District is \$103,511,349. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. At June 30, 2018, the State's share of the net pension liability attributable to the District was .16271 percent, which was an increase of .00382 percent from its proportionate share measured as of June 30, 2017 of .15889 percent.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55-4.55%
Thereafter	2.00-5.45%
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2006

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2018) 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 pension plans' target asset allocation as of June 30, 2018 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	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	4.86%
2018	June 30, 2017	4.25%

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

* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.86%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.86 percent) or 1-percentage-point higher (5.86 percent) than the current rate:

	1% Decrease <u>(3.86%)</u>	Current Discount Rate <u>(4.86%)</u>	1% Increase <u>(5.86%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 122,348,449</u>	<u>\$ 103,511,349</u>	<u>\$ 87,895,852</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2018. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2018 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, 2019**

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, 2018. 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, 2019**

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, 2017:

Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	145,050
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>362,181</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, 2018 is \$46.1 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, 2017 which were rolled forward to June 30, 2018.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

In the June 30, 2017 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 \$1.23 billion to the OPEB plan in fiscal year 2018.

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.

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, 2019, 2018 and 2017 were \$1,438,815, \$1,585,156 and \$1,489,154, 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, 2017 through June 30, 2018. 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.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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)

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$2,719,552. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State’s proportionate share of the OPEB liability attributable to the District is \$55,950,477. 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, 2018 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018. At June 30, 2018, 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, 2017 of .12 percent.

Actuarial Assumptions

The OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disable Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.
Long-Term Rate of Return	1.00%

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

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For prescription drug benefits, the initial trend rate is 8.0 percent and decreases to a 5.0 percent long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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)

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2018.

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>
2019	June 30, 2018	3.87%
2018	June 30, 2017	3.58%

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.

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, 2019 (measurement date June 30, 2018) is as follows:

	<u>Total OPEB Liability (State Share 100%)</u>
Balance, June 30, 2017 Measurement Date	\$ <u>64,786,814</u>
Changes Recognized for the Fiscal Year:	
Service Cost	2,509,051
Interest on the Total OPEB Liability	2,383,565
Differences Between Expected and Actual Experience	(5,863,967)
Changes of Assumptions	(6,420,597)
Gross Benefit Payments	(1,496,096)
Member Contributions	51,707
Net Changes	\$ <u>(8,836,337)</u>
Balance, June 30, 2018 Measurement Date	\$ <u>55,950,477</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

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, 2018. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 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, 2019**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Sensitivity of OPEB Liability

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 3.87% 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 (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ <u>66,144,853</u>	\$ <u>55,950,477</u>	\$ <u>47,847,000</u>

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	\$ <u>46,246,328</u>	\$ <u>55,950,477</u>	\$ <u>68,784,586</u>

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018 were not provided by the pension system.

F. Subsequent Events

On September 24, 2019, the voters approved a referendum project consisting of renovations and upgrades to the Media Center and electrical upgrades including the replacement of electrical panels and distribution systems. The projects are estimated to cost \$3,857,000 and will be funded through the issuance of a short term bond or note.

On October 1, 2019, the Board authorized the sale of a bond anticipation note of \$3,857,000. As of the date of this audit, the Board has not awarded the sale of a bond anticipation note.

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, 2019**

	<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	\$ 31,116,836		\$ 31,116,836	\$ 31,116,836	
Tuition	7,662,210		7,662,210	7,822,287	\$ 160,077
Interest			-	149,642	149,642
Interest on Capital Reserve			-	1,984	1,984
Rents and Royalties	121,300		121,300	134,035	12,735
Miscellaneous	115,000		115,000	119,628	4,628
State Sources					
Special Education Aid	750,169		750,169	750,169	
Security Aid	83,096		83,096	83,096	
Transportation Aid	392,592		392,592	616,602	224,010
Non-Public Transportation				72,210	72,210
Extraordinary Aid	200,000		200,000	588,768	388,768
Extraordinary Aid (Prior Year Additional Funding)				1,744	1,744
On-Behalf TPAF (Non-Budget)					
Pension Contribution				3,106,965	3,106,965
NCGI Premium				65,037	65,037
Long Term Disability Insurance				2,258	2,258
Post Retirement - Medical				1,438,815	1,438,815
Social Security	-	-	-	1,174,820	1,174,820
Total Revenues	<u>40,441,203</u>	<u>-</u>	<u>40,441,203</u>	<u>47,244,896</u>	<u>6,803,693</u>
EXPENDITURES					
CURRENT					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 9-12	11,216,730	\$ (73,500)	11,143,230	10,949,406	193,824
Home Instruction					
Salaries of Teachers	20,000	(8,900)	11,100	40	11,060
Purchased Prof.-Ed. Services	37,000	-	37,000	16,395	20,605
Regular Programs - Undistributed Instruction					
Purchased Prof.-Ed. Services	12,500	-	12,500	10,500	2,000
Other Purchased Services	753,741	8,925	762,666	694,450	68,216
General Supplies	593,100	74,874	667,974	604,340	63,634
Textbooks	68,900	(23,430)	45,470	26,957	18,513
Other Objects	8,000	-	8,000	5,371	2,629
Total Regular Programs	<u>12,709,971</u>	<u>(22,031)</u>	<u>12,687,940</u>	<u>12,307,459</u>	<u>380,481</u>
Learning and/or Language Disabilities					
Salaries of Teachers	357,795	5,900	363,695	363,666	29
Other Salaries for Instruction	366,472	(95,854)	270,618	254,343	16,275
Purchased Prof.-Ed. Services		-			-
Other Purchased Services	2,500	(350)	2,150	693	1,457
General Supplies	10,250	2,350	12,600	11,346	1,254
Textbooks	700	(700)	-	-	-
Other Objects	1,000	(1,000)	-	-	-
Total Learning and/or Language Disabilities	<u>738,717</u>	<u>(89,654)</u>	<u>649,063</u>	<u>630,048</u>	<u>19,015</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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	\$ 1,575,099	\$ (51,700)	\$ 1,523,399	\$ 1,491,252	\$ 32,147
Other Salaries for Instruction	370,297	(176,514)	193,783	191,175	2,608
Other Purchased Services	500	-	500		500
General Supplies	20,000	(2,000)	18,000	13,053	4,947
Textbooks	2,000	(2,000)	-	-	-
Total Resource Room	<u>1,967,896</u>	<u>(232,214)</u>	<u>1,735,682</u>	<u>1,695,480</u>	<u>40,202</u>
Total Special Education	<u>2,706,613</u>	<u>(321,868)</u>	<u>2,384,745</u>	<u>2,325,528</u>	<u>59,217</u>
Bilingual Education					
Salaries of Teachers	11,967	13,500	25,467	25,418	49
Other Purchased Services	500	-	500		500
Other Objects	600	-	600	-	600
Total Bilingual Education	<u>13,067</u>	<u>13,500</u>	<u>26,567</u>	<u>25,418</u>	<u>1,149</u>
School Sponsored Co-Curricular Activities					
Salaries	247,452	(700)	246,752	224,188	22,564
Purchased Services	1,200	2,100	3,300		3,300
Supplies and Materials	35,950	(4,880)	31,070	17,713	13,357
Other Objects		1,815	1,815	1,815	-
Transfers to Cover Deficit	19,200	(4,849)	14,351	13,200	1,151
Total School Sponsored Co-Curricular Activities	<u>303,802</u>	<u>(6,514)</u>	<u>297,288</u>	<u>256,916</u>	<u>40,372</u>
School Sponsored Athletics - Instruction					
Salaries	769,272	8,000	777,272	747,602	29,670
Purchased Services	207,755	27,708	235,463	212,300	23,163
Supplies and Materials	226,690	2,895	229,585	185,383	44,202
Other Objects	8,950	8,919	17,869	14,446	3,423
Total School Sponsored Athletics-Instruction	<u>1,212,667</u>	<u>47,522</u>	<u>1,260,189</u>	<u>1,159,731</u>	<u>100,458</u>
Total - Instruction	<u>16,946,120</u>	<u>(289,391)</u>	<u>16,656,729</u>	<u>16,075,052</u>	<u>581,677</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State - Regular		21,000	21,000	20,747	253
Tuition to Other LEAs Within State - Spec.	246,027	-	246,027	209,548	36,479
Tuition to Co. Voc. School Dist. - Reg.	39,000	-	39,000	30,550	8,450
Tuition to Co. Voc. School Dist. - Special	8,450	15,000	23,450	23,450	-
Tuition to Priv Sch. For Disabled w/in State	1,960,345	(98,772)	1,861,573	1,726,083	135,490
Tuition to Priv Sch. For Disabled Out of State	80,000	-	80,000	40,000	40,000
Tuition - State Facilities	4,500	-	4,500	4,500	-
Tuition - Other	20,000	39,000	59,000	55,431	3,569
Total Undistributed Expenditures - Instruction	<u>2,358,322</u>	<u>(23,772)</u>	<u>2,334,550</u>	<u>2,110,309</u>	<u>224,241</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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	\$ 68,414	-	\$ 68,414	\$ 68,413	\$ 1
Purchased Professional and Technical Services	11,000	-	11,000	-	11,000
Total Attendance and Social Work Svcs.	<u>79,414</u>	<u>-</u>	<u>79,414</u>	<u>68,413</u>	<u>11,001</u>
Health Services					
Salaries of Teachers	258,490	\$ (5,560)	252,930	239,383	13,547
Purchased Professional and Technical Services	130,400	-	130,400	119,755	10,645
Other Purchased Services	500	(360)	140	-	140
Supplies and Materials	14,000	-	14,000	13,390	610
Other Objects	-	260	260	255	5
Total Health Services	<u>403,390</u>	<u>(5,660)</u>	<u>397,730</u>	<u>372,783</u>	<u>24,947</u>
Other Support Services - Speech, OT, PT and Related Services					
Purchased Professional-Educational Services	185,669	20,400	206,069	169,436	36,633
Total Other Support Services-Speech, OT, PT and Related Services	<u>185,669</u>	<u>20,400</u>	<u>206,069</u>	<u>169,436</u>	<u>36,633</u>
Other Support Services - Extra. Services					
Salaries	83,136	296,728	379,864	379,824	40
Purchased Professional - Educational Services	403,750	(300)	403,450	310,174	93,276
Total Other Support Services - Extra. Services	<u>486,886</u>	<u>296,428</u>	<u>783,314</u>	<u>689,998</u>	<u>93,316</u>
Other Support Services - Guidance					
Salaries of Other Professional Staff	914,286	-	914,286	913,646	640
Salaries of Secretarial and Clerical Assistants	119,535	-	119,535	119,535	-
Other Salaries	124,880	14,000	138,880	138,010	870
Other Purchased Services	1,500	(600)	900	-	900
Supplies and Materials	22,150	(2,000)	20,150	13,458	6,692
Other Objects	17,850	-	17,850	8,651	9,199
Total Other Support Services - Guidance	<u>1,200,201</u>	<u>11,400</u>	<u>1,211,601</u>	<u>1,193,300</u>	<u>18,301</u>
Other Support Services - Child Study Team					
Salaries of Other Professional Staff	759,588	24,000	783,588	778,193	5,395
Salaries of Secretarial and Clerical Assistants	119,770	-	119,770	119,670	100
Purchased Professional - Educational Services	10,000	7,550	17,550	15,896	1,654
Other Purchased Services	26,300	377	26,677	26,258	419
Supplies and Materials	4,750	-	4,750	4,419	331
Other Objects	1,500	(1,105)	395	395	-
Total Other Support Services - Child Study Team	<u>921,908</u>	<u>30,822</u>	<u>952,730</u>	<u>944,831</u>	<u>7,899</u>
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisors of Instruction	585,481	(22,700)	562,781	561,443	1,338
Salaries of Other Professional Staff	13,500	-	13,500	7,700	5,800
Salaries of Secretarial and Clerical Assistants	47,489	1,200	48,689	48,669	20
Supplies and Materials	1,500	-	1,500	323	1,177
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	<u>647,970</u>	<u>(21,500)</u>	<u>626,470</u>	<u>618,135</u>	<u>8,335</u>

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Educational Media Services/School Library					
Salaries	\$ 278,803		\$ 278,803	\$ 269,438	\$ 9,365
Other Purchased Services	57,916	\$ (2,000)	55,916	51,177	4,739
Supplies and Materials	18,000	(2,008)	15,992	10,365	5,627
	<u>354,719</u>	<u>(4,008)</u>	<u>350,711</u>	<u>330,980</u>	<u>19,731</u>
Total Educational Media Services/School Library					
Instructional Staff Training Services					
Salaries of Other Professional Staff	53,840		53,840	53,840	-
Salaries of Secretarial and Clerical Assist.	25,696		25,696	25,696	-
Other Salaries	10,000		10,000	560	9,440
Purchased Professional/Educational Svcs.	39,040	(7,000)	32,040	13,529	18,511
Other Purchased Services	22,000	1,500	23,500	22,353	1,147
Supplies and Materials	15,000	-	15,000	2,732	12,268
Other Objects	5,000	7,000	12,000	1,444	10,556
	<u>170,576</u>	<u>1,500</u>	<u>172,076</u>	<u>120,154</u>	<u>51,922</u>
Total Instructional Staff Training Svcs.					
Support Services General Administration					
Salaries	304,719	2,950	307,669	302,586	5,083
Legal Services	70,000	3,410	73,410	73,405	5
Audit Fees	32,500	31,000	63,500	32,161	31,339
Other Purchased Professional Services	31,600	3,390	34,990	29,969	5,021
Purchased Technical Services	11,500	43,020	54,520	19,469	35,051
Miscellaneous Purchased Services	228,129	13,800	241,929	241,169	760
Communications/Telephone	27,000	9,030	36,030	27,854	8,176
BOE Other Purchased Services	2,500	600	3,100	2,919	181
General Supplies	4,600	-	4,600	4,571	29
BOE In House Training/Meeting Supplies	5,280	-	5,280	54	5,226
Miscellaneous Expenditures	11,200	-	11,200	5,861	5,339
BOE Membership Dues and Fees	32,048	-	32,048	26,386	5,662
	<u>761,076</u>	<u>107,200</u>	<u>868,276</u>	<u>766,404</u>	<u>101,872</u>
Total Support Services General Administration					
Support Services School Administration					
Salaries of Principals/Asst. Principals/Program Directors	597,697	150	597,847	597,845	2
Salaries of Other Professional Staff	731,740	-	731,740	706,634	25,106
Salaries of Secretarial and Clerical Assistants	186,318	-	186,318	179,932	6,386
Other Purchased Services	1,975	(150)	1,825	267	1,558
Supplies and Materials	23,000	15,000	38,000	23,080	14,920
Other Objects	24,000	700	24,700	22,989	1,711
	<u>1,564,730</u>	<u>15,700</u>	<u>1,580,430</u>	<u>1,530,747</u>	<u>49,683</u>
Total Support Services School Administration					
Central Services					
Salaries	619,006	10	619,016	618,963	53
Purchased Technical Services	1,700	1,418	3,118	2,168	950
Misc. Purchased Services	14,200	(750)	13,450	9,885	3,565
Supplies and Materials	8,400	2,500	10,900	4,650	6,250
Miscellaneous Expenditures	6,800	-	6,800	3,991	2,809
	<u>650,106</u>	<u>3,178</u>	<u>653,284</u>	<u>639,657</u>	<u>13,627</u>
Total Central Services					

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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	\$ 193,318	\$ (10)	\$ 193,308	\$ 183,125	\$ 10,183
Purchased Technical Services	29,000	(780)	28,220	25,688	2,532
Other Purchased Services	59,540	3,300	62,840	59,614	3,226
Other Objects	500	-	500	-	500
	<u>282,358</u>	<u>2,510</u>	<u>284,868</u>	<u>268,427</u>	<u>16,441</u>
Total Administration Information Technology					
Undist. Expend. - Required Maint. For School Facilities					
Salaries	869,424	(6,150)	863,274	758,947	104,327
Cleaning, Repair, and Maintenance	881,000	(358,274)	522,726	426,922	95,804
General Supplies	109,250	19,132	128,382	123,582	4,800
Other Objects	3,500	(935)	2,565	2,565	-
	<u>1,863,174</u>	<u>(346,227)</u>	<u>1,516,947</u>	<u>1,312,016</u>	<u>204,931</u>
Total Undist. Expend - Required Maint. For School Facilities					
Undist. Expend. - Custodial Services					
Purchased Professional-Technical Services	-	-	-	-	-
Cleaning, Repair, and Maintenance Services	773,236	75,900	849,136	845,168	3,968
Other Purchased Property Services	95,060	(13,000)	82,060	68,810	13,250
Insurance	6,985	-	6,985	6,925	60
Miscellaneous Purchased Services	86,176	(400)	85,776	82,863	2,913
General Supplies	5,500	-	5,500	3,115	2,385
Energy(Natural Gas)	190,150	-	190,150	172,827	17,323
Energy(Electricity)	527,569	29,000	556,569	550,293	6,276
	<u>1,684,676</u>	<u>91,500</u>	<u>1,776,176</u>	<u>1,730,001</u>	<u>46,175</u>
Total Undist. Expend. - Custodial Services					
Care and Upkeep of Grounds					
Salaries	241,399	6,651	248,050	245,325	2,725
Purchased Prof. and Technical Services	17,000	-	17,000	2,609	14,391
Cleaning, Repair, and Maintenance Serv.	93,000	(13,766)	79,234	68,145	11,089
General Supplies	55,000	4,605	59,605	54,569	5,036
	<u>406,399</u>	<u>(2,510)</u>	<u>403,889</u>	<u>370,648</u>	<u>33,241</u>
Total Care and Upkeep					
Security					
Salaries	308,733	(501)	308,232	287,546	20,686
Purchased Prof. and Technical Services	134,000	500	134,500	128,910	5,590
Cleaning, Repair, and Maintenance Serv.	5,300	-	5,300	250	5,050
General Supplies	18,000	(8,372)	9,628	3,520	6,108
Other Objects	200	-	200	-	200
	<u>466,233</u>	<u>(8,373)</u>	<u>457,860</u>	<u>420,226</u>	<u>37,634</u>
Total Security					

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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.	\$ 62,667	-	\$ 62,667	\$ 62,667	-
Sal. For Pupil Trans (Other Than Bet Home and Sch)	163,816	\$ (8,000)	155,816	128,317	\$ 27,499
Other Purchased Prof. and Technical Svce.	6,985	65	7,050	6,193	857
Management Fee - ESC Transportation Program	25,437	15,412	40,849	36,866	3,983
Cleaning, Repair, and Maintenance Services	36,500	4,000	40,500	38,885	1,615
Contr. Serv. (Bet Home and Sch)-Vendors	813,750	(20,052)	793,698	787,031	6,667
Contr. Serv. (Other Than Bet Home and Sch)					
- Vendors	21,553	12,000	33,553	27,936	5,617
Contr. Serv. (Bet Home and Sch)-Joint Agreements	82,440	21,024	103,464	101,285	2,179
Contr. Serv. (Spec. Ed.)-Joint Agreements	1,029,785	(5,384)	1,024,401	1,007,864	16,537
Contr. Serv. - Aid in Lieu Payments	262,521	(19,000)	243,521	210,428	33,093
Miscellaneous Purchased Services - Transportation	35,690	(200)	35,490	35,384	106
General Supplies	15,810	3,100	18,910	17,993	917
Other Objects	5,250	(66)	5,184	2,958	2,226
Total Student Transportation Services	2,562,204	2,899	2,565,103	2,463,807	101,296
Unallocated Benefits - Employee Benefits					
Social Security Contributions	428,400	-	428,400	425,192	3,208
Other Retirement Contributions-PERS	454,891	31,382	486,273	486,273	-
Other Retirement Contributions- Regular	9,051	3,320	12,371	11,078	1,293
Unemployment Compensation	800	-	800	612	188
Workmen's Compensation	234,039	(1,800)	232,239	232,050	189
Health Benefits	5,046,339	(46,702)	4,999,637	4,801,947	197,690
Tuition Reimbursement	118,550	-	118,550	86,918	31,632
Other Employee Benefits	8,000	-	8,000	6,002	1,998
Unused Sick Payments to Terminated/Retired Staff	54,500	9,000	63,500	63,395	105
Total Unallocated Benefits - Employee Benefits	6,354,570	(4,800)	6,349,770	6,113,467	236,303
On-Behalf - TPAF (Non-Budget)					
Pension Contribution				3,106,965	(3,106,965)
NCGI Premium				65,037	(65,037)
Long Term Disability Insurance				2,258	(2,258)
Post Retirement-Medical				1,438,815	(1,438,815)
Social Security Contributions	-	-	-	1,174,820	(1,174,820)
Total On-Behalf	-	-	-	5,787,895	(5,787,895)
Total Undistributed Expenditures	23,404,581	166,687	23,571,268	28,021,634	(4,450,366)
Interest Earned on Maintenance Reserve	50	-	50	-	50
Total Current Expenditures	40,350,751	(122,704)	40,228,047	44,096,686	(3,868,639)
CAPITAL OUTLAY					
Equipment					
Instruction					
Grades 9-12	124,500	(22,131)	102,369	102,059	310
School Admin.		7,100	7,100	7,084	16
School-Sponsored and Other Instructional Programs		4,849	4,849	4,849	-
Athletics		25,281	25,281	25,280	1
Undistributed					
Admin. Info. Tech.		6,811	6,811	6,777	34
Required Maintenance for School Facilities	-	11,400	11,400	11,396	4
Total Equipment	124,500	33,310	157,810	157,445	365

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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	\$ 96,000	\$ 19,700	\$ 115,700	\$ 98,648	\$ 17,052
Construction Services	1,200,000	473,948	1,673,948	505,798	1,168,150
Assessment of Debt Service on SDA Funding	121,752	-	121,752	121,752	-
Total Facilities Acquisition and Construction Svces.	<u>1,417,752</u>	<u>493,648</u>	<u>1,911,400</u>	<u>726,198</u>	<u>1,185,202</u>
Interest Deposit to Capital Reserve	250	-	250	-	250
Total Capital Outlay	<u>1,542,502</u>	<u>526,958</u>	<u>2,069,460</u>	<u>883,643</u>	<u>1,185,817</u>
SPECIAL SCHOOLS					
Summer School					
Instruction					
Salaries of Teachers		6,600	6,600	6,160	440
General Supplies	-	400	400	193	207
Total Special Schools	<u>-</u>	<u>7,000</u>	<u>7,000</u>	<u>6,353</u>	<u>647</u>
Total Expenditures	<u>41,893,253</u>	<u>411,254</u>	<u>42,304,507</u>	<u>44,986,682</u>	<u>(2,682,175)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,452,050)</u>	<u>(411,254)</u>	<u>(1,863,304)</u>	<u>2,258,214</u>	<u>4,121,518</u>
Capital Reserve					
Transfers In				1,784	1,784
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,784</u>	<u>1,784</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,452,050)</u>	<u>(411,254)</u>	<u>(1,863,304)</u>	<u>2,259,998</u>	<u>4,123,302</u>
Fund Balances, Beginning of Year	<u>5,870,575</u>	<u>-</u>	<u>5,870,575</u>	<u>5,870,575</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 4,418,525</u>	<u>\$ (411,254)</u>	<u>\$ 4,007,271</u>	<u>\$ 8,130,573</u>	<u>\$ 4,123,302</u>
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				\$ 3,461,250	
Maintenance Reserve				549,735	
Tuition Reserve				200,000	
Tuition Reserve - Designated for Subsequent Year's Budget				100,000	
Excess Surplus				564,808	
Excess Surplus - Designated in Subsequent Year's Budget				503,518	
Committed Fund Balance:					
Encumbrances				1,136,567	
Assigned Fund Balance:					
Encumbrances				169,741	
Designated for Subsequent Year's Budget				200,000	
Unassigned Fund Balance:					
Unreserved				<u>1,244,954</u>	
				8,130,573	
Less: State Aid Payments Not Recognized on GAAP				<u>(720,179)</u>	
Fund Balance, GAAP Basis (Exhibit B-2)				<u>\$ 7,410,394</u>	

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 128,399	\$ 57,680	\$ 186,079	\$ 146,648	\$ (39,431)
Federal	412,212	109,597	521,809	462,040	(59,769)
Other	31,570	6,172	37,742	17,070	(20,672)
Total Revenues	<u>572,181</u>	<u>173,449</u>	<u>745,630</u>	<u>625,758</u>	<u>(119,872)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	70,570	(18,892)	51,678	47,531	4,147
Purchased Professional and Educ Services	38,634	32,617	71,251	33,747	37,504
Other Purchased Services	315,014	62,863	377,877	361,677	16,200
General Supplies	12,543	11,061	23,604	19,096	4,508
Textbooks	18,570	(734)	17,836	17,714	122
Total Instruction	<u>455,331</u>	<u>86,915</u>	<u>542,246</u>	<u>479,765</u>	<u>62,481</u>
Support Services					
Salaries	20,337	6,872	27,209	10,936	16,273
Personal Services - Employee Benefits	3,861	14,188	18,049	17,017	1,032
Purchased Professional and Tech Services	92,652	55,704	148,356	108,274	40,082
Other Purchased Services	-	7,600	7,600	7,600	-
Supplies and Materials	-	2,170	2,170	2,166	4
Total Support Services	<u>116,850</u>	<u>86,534</u>	<u>203,384</u>	<u>145,993</u>	<u>57,391</u>
Total Expenditures	<u>572,181</u>	<u>173,449</u>	<u>745,630</u>	<u>625,758</u>	<u>119,872</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, 2019**

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)	\$ 47,244,896	\$ 625,758
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		(913)
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements - Current Year	(720,179)	
State Aid payments recognized for GAAP statements, not recognized for budgetary basis - Prior Year	<u>543,996</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 47,068,713</u>	<u>\$ 624,845</u>
Uses/Outflows of Resources		
Actual Expenditures (budgetary basis) (Exhibit C-1 and C-2)	\$ 44,986,682	\$ 625,758
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes		
Current Year Encumbrances	<u>-</u>	<u>(913)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 44,986,682</u>	<u>\$ 624,845</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 Six Fiscal Years ***

	<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)	0.04857%	0.04633%	0.04680%	0.04456%	0.04308%	0.04168%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 9,563,615	\$ 10,785,035	\$ 13,861,901	\$ 10,002,788	\$ 8,065,407	\$ 7,965,083
District's Covered-Employee Payroll	\$ 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	292.25%	324.36%	454.02%	322.18%	271.14%	267.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 Six Fiscal Years**

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

	<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%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0	\$0	\$0
State's Proportionate Share of Net Pension Liability (Asset) Associated with the District	<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>
Total	<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	\$ 16,875,999	\$ 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%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 2019**

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 Two Fiscal Years*

	<u>2019</u>	<u>2018</u>
Service Cost	\$ 2,509,051	\$ 3,027,972
Interest on Total OPEB Liability	2,383,565	2,052,814
Differences Between Expected and Actual Experience	(5,863,967)	-
Changes of Assumptions	(6,420,597)	(8,559,275)
Gross Benefit Payments	(1,496,096)	(1,652,528)
Member Contributions	<u>51,707</u>	<u>60,850</u>
Net Change in Total OPEB Liability	(8,836,337)	(5,070,167)
Total OPEB Liability - Beginning of Year	<u>64,786,814</u>	<u>69,856,981</u>
Total OPEB Liability - End of Year	<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>\$ 55,950,477</u>	<u>\$ 64,786,814</u>
Total OPEB Liability - Ending	<u>\$ 55,950,477</u>	<u>\$ 64,786,814</u>
District's Covered-Employee Payroll	<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>

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, 2019**

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, 2019**

	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					\$ 17,714	\$ 31,787	\$ 30,570	\$ 1,354	\$ 11,988	\$ 51,412	\$ 1,823		\$ 146,648
Federal	\$ 18,400	\$ 21,539	\$ 359,890	\$ 62,211									462,040
Local	-	-	-	-	-	-	-	-	-	-	-	\$ 17,070	17,070
Total Revenues	\$ 18,400	\$ 21,539	\$ 359,890	\$ 62,211	\$ 17,714	\$ 31,787	\$ 30,570	\$ 1,354	\$ 11,988	\$ 51,412	\$ 1,823	\$ 17,070	\$ 625,758
EXPENDITURES													
Instruction													
Salaries of Teachers				\$ 46,031								\$ 1,500	\$ 47,531
Purchased Professional and Educ Services							\$ 30,570	\$ 1,354			\$ 1,823		33,747
Other Purchased Services			\$ 353,215									8,462	361,577
General Supplies									\$ 11,988			7,108	19,096
Textbooks	-	-	-	-	\$ 17,714	-	-	-	-	-	-	-	17,714
Total Instruction	-	-	353,215	46,031	17,714	-	30,570	1,354	11,988	-	1,823	17,070	479,765
Support Services													
Salaries		\$ 10,936											10,936
Personal Services - Employee Benefits		837		16,180									17,017
Purchased Professional and Tech Services	18,400		6,675			\$ 31,787				\$ 51,412			108,274
Other Purchased Services		7,600											7,600
Supplies and Materials	-	2,166	-	-	-	-	-	-	-	-	-	-	2,166
Total Support Services	18,400	21,539	6,675	16,180	-	31,787	-	-	-	51,412	-	-	145,993
Total Expenditures	\$ 18,400	\$ 21,539	\$ 359,890	\$ 62,211	\$ 17,714	\$ 31,787	\$ 30,570	\$ 1,354	\$ 11,988	\$ 51,412	\$ 1,823	\$ 17,070	\$ 625,758

CAPITAL PROJECTS FUND

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Project Title/Description</u>	<u>Appropriations</u>	<u>Adjustments</u>	<u>Supplemental Authorization</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2019</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
Technology, Vehicles and Security Upgrades	645,000	\$ 528 *	-	645,528		-
Acquisition of Equipment	<u>590,000</u>	<u>-</u>	<u>-</u>	<u>568,181</u>	<u>21,819</u>	<u>-</u>
	<u>\$ 14,729,000</u>	<u>\$ 528</u>	<u>\$ 700,000</u>	<u>\$ 15,149,930</u>	<u>\$ 21,819</u>	<u>\$ 257,779</u>

Total Fund Balance - Restricted for
 Capital Projects \$ 257,779

* Increased for interest earned on Lease Purchase Account

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Revenues and Other Financing Sources

Interest on Deposits	\$	4,839
Interest on Escrow		<u>868</u>

Total Revenues		<u>5,707</u>
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Expenditures and Other Financing Uses

Acquisition of Capital Equipment		21,819
Transfer to General Fund		1,784
Transfer to Debt Service Fund		<u>4,839</u>

Total Expenditures and Other Financing Uses		<u>28,442</u>
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Excess (Deficiency) of Revenues Over (Under) Expenditures		(22,735)
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Fund Balance, July 1, 2018		<u>280,514</u>
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Fund Balance, June 30, 2019	\$	<u><u>257,779</u></u>
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**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
NORTH KITCHEN - INTERIOR ALTERATIONS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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	 764,027	 -	 764,027	 764,027
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	200,000	-	200,000	200,000
 Total Expenditures	 764,027	 -	 764,027	 764,027
 Excess of Revenues Over Expenditures	 \$ -	 \$ -	 \$ -	 \$ -

Additional Project Information:

Project Number	5550-050-13-4000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 606,575
Increase (Decrease) in Authorized Cost	\$ 157,452
Revised Authorized Cost	\$ 764,027

Percentage Increase Over Original Authorized Cost	25.96%
Percentage Completion	100%
Original Target Completion Date	August 31, 2016
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SOUTH KITCHEN - INTERIOR ALTERATIONS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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	83%
Original Target Completion Date	August 31, 2015
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SOUTH BUILDING - STEAM HEAT PIPE REPLACEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SOUTH BUILDING ROOF REPLACEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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	 2,326,687	 -	 2,326,687	 2,326,687
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	206,502		206,502	206,502
Construction Services	2,120,185	-	2,120,185	2,120,185
 Total Expenditures	 2,326,687	 -	 2,326,687	 2,326,687
 Excess of Revenues Over Expenditures	 \$ -	 \$ -	 \$ -	 \$ -

Additional Project Information:

Project Number	5550-050-13-9000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 3,193,156
Increase (Decrease) in Authorized Cost	\$ (866,469)
Revised Authorized Cost	\$ 2,326,687

Percentage Decrease Over Original

Authorized Cost	-27.14%
Percentage Completion	100%
Original Target Completion Date	October 15, 2014
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
NORTH BUILDING ROOF REPLACEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SOUTH BUILDING - CURTAINWALL SYSTEM
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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	853,174	-	853,174	853,174
 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
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
REPLACEMENT AND REPAIRS OF EXHAUST FANS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
REPAVING OF FRONT (SOUTH) PARKING LOT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
REAR (NORTH) PARKING LOT REPAVING
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
EMERGENCY ACCESS DRIVEWAY AND EGRESS WALKWAYS
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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	 444,099	 -	 444,099	 444,099
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	44,436		44,436	44,436
Construction Services	399,663	-	399,663	399,663
 Total Expenditures	 444,099	 -	 444,099	 444,099
 Excess of Revenues Over Expenditures	 \$ -	 \$ -	 \$ -	 \$ -

Additional Project Information:

Project Number	5550-050-13-11000
Grant Date	July 19, 2013
Bond Authorization Date	December 4, 2013
Bonds Authorized	\$ 12,553,000
Bonds Issued	\$ 12,553,000
Original Authorized Cost	\$ 306,000
Increase (Decrease) in Authorized Cost	\$ 138,099
Revised Authorized Cost	\$ 444,099

Percentage Decrease Over Original Authorized Cost	45.13%
Percentage Completion	100%
Original Target Completion Date	August 31, 2016
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
TURF FIELD
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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	95%
Original Target Completion Date	June 30, 2017
Revised Target Completion Date	N/A

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
TECHNOLOGY, VEHICLES AND SECURITY UPGRADES
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Lease Purchase Proceeds	\$ 645,000
Original Authorized Cost	\$ 645,000
Revised Authorized Cost	\$ 645,528

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

* Increased for interest earned on Lease Purchase Account

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ACQUISITION OF EQUIPMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Lease Purchase Proceeds	\$ 590,000	-	\$ 590,000	\$ 590,000
Total Revenues	<u>590,000</u>	<u>-</u>	<u>590,000</u>	<u>590,000</u>
Expenditures and Other Financing Uses				
Capital Equipment	189,246		189,246	189,246
Non-Capital Equipment	<u>378,935</u>	\$ 21,819	<u>400,754</u>	<u>400,754</u>
Total Expenditures	<u>568,181</u>	<u>21,819</u>	<u>590,000</u>	<u>590,000</u>
Excess of Revenues Over Expenditures	<u>\$ 21,819</u>	<u>\$ (21,819)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Lease Purchase Proceeds	\$ 590,000
Original Authorized Cost	\$ 590,000
Revised Authorized Cost	\$ 590,000
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	95%
Original Target Completion Date	June 30, 2018
Revised Target Completion Date	N/A

ENTERPRISE FUNDS

EXHIBIT G-1

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019**

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Total</u>
ASSETS			
Cash	\$ 261,767	\$ 32,665	\$ 294,432
Total Assets	<u>\$ 261,767</u>	<u>\$ 32,665</u>	<u>\$ 294,432</u>
LIABILITIES			
Payroll Deductions and Withholdings Due to Student Groups	<u>\$ 261,767</u>	\$ 32,665 <u>-</u>	\$ 32,665 <u>261,767</u>
Total Liabilities	<u>\$ 261,767</u>	<u>\$ 32,665</u>	<u>\$ 294,432</u>

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30, 2019</u>
ASSETS				
Cash	\$ 240,863	\$ 725,699	\$ 704,795	\$ 261,767
Total	<u>\$ 240,863</u>	<u>\$ 725,699</u>	<u>\$ 704,795</u>	<u>\$ 261,767</u>
LIABILITIES				
Due to Student Groups	\$ 240,863	\$ 725,699	\$ 704,795	\$ 261,767
Total	<u>\$ 240,863</u>	<u>\$ 725,699</u>	<u>\$ 704,795</u>	<u>\$ 261,767</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Balance,</u> <u>July 1,</u> <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30,</u> <u>2019</u>
Payroll Deductions and Withholdings	\$ 15,691	\$ 11,690,542	\$ 11,690,502	\$ 15,731
Summer Savings		200,901	200,901	
Flexible Spending Account	20,818	130,050	133,934	16,934
Accrued Salaries and Wages		13,127,953	13,127,953	-
Due to General Fund	-	4,166	4,166	-
Totals	<u>\$ 36,509</u>	<u>\$ 25,153,612</u>	<u>\$ 25,157,456</u>	<u>\$ 32,665</u>

LONG-TERM DEBT

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 SCHEDULE OF SERIAL BONDS PAYABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<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, 2018</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, June 30, 2019</u>
			<u>Date</u>	<u>Amount</u>					
Serial Bonds - Construction and Refunding Bonds	7/29/2011	\$ 17,190,000	1/15/2020	1,605,000	5.00 %	\$ 10,480,000			\$ 8,945,000
			1/15/2021	1,700,000	5.00				
			1/15/2022	1,780,000	5.00				
			1/15/2023	1,880,000	5.00				
			1/15/2024	1,980,000	5.00				
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	1/15/2020	785,000	2.50 %	9,763,000			9,003,000
			1/15/2021	810,000	3.00				
			1/15/2022	835,000	3.00				
			1/15/2023	860,000	3.00				
			1/15/2024	885,000	3.00				
			1/15/2025	910,000	3.00				
			1/15/2026	935,000	3.00				
			1/15/2027	965,000	3.25				
			1/15/2028	995,000	3.50				
			1/15/2029	1,023,000	3.50				
			Refunding Bonds	3/15/2016	1,970,000				
1/15/2021-22	190,000	1.750							
1/15/2023	195,000	1.750							
1/15/2024-25	205,000	1.750							
1/15/2026-27	210,000	1.750							
						<u>1,765,000</u>	<u>-</u>	<u>180,000</u>	<u>1,585,000</u>
						<u>\$ 31,313,000</u>	<u>\$ -</u>	<u>\$ 2,475,000</u>	<u>\$ 28,838,000</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Year</u>	<u>Description</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2019</u>
2014	Acquisition and Installation of Equipment	785,000	\$ 164,103		\$ 164,103	
2015	Acquisition of Automated External Defibrillators	89,000	36,666		18,151	\$ 18,515
2016	Technology, Vehicles and Security Upgrades	645,000	393,097		128,968	264,129
2017	Acquisition of Equipment	590,000	<u>475,522</u>	<u>-</u>	<u>115,647</u>	<u>359,875</u>
			<u>\$ 1,069,388</u>	<u>\$ -</u>	<u>\$ 426,869</u>	<u>\$ 642,519</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, 2019

	<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	\$ 3,189,222		\$ 3,189,222	\$ 3,189,222	
Miscellaneous	1,000		1,000		\$ (1,000)
State Sources					
Debt Service Aid	<u>359,607</u>	-	<u>359,607</u>	<u>359,607</u>	-
Total Revenues	<u>3,549,829</u>	-	<u>3,549,829</u>	<u>3,548,829</u>	(1,000)
EXPENDITURES					
Debt Service					
Principal	2,475,000		2,475,000	2,475,000	
Interest	<u>1,098,358</u>	-	<u>1,098,358</u>	<u>1,098,321</u>	37
Total Expenditures	<u>3,573,358</u>	-	<u>3,573,358</u>	<u>3,573,321</u>	37
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(23,529)</u>	-	<u>(23,529)</u>	<u>(24,492)</u>	(963)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	4,839	4,839
Total Other Financing Sources	-	-	-	<u>4,839</u>	<u>4,839</u>
Excess (Deficiency) of Revenue Over/(Under) Expenditures and Other Financing Sources (Uses)	(23,529)	-	(23,529)	(19,653)	3,876
Fund Balance, Beginning of Year	<u>26,593</u>	-	<u>26,593</u>	<u>26,593</u>	-
Fund Balance, End of Year	<u>\$ 3,064</u>	<u>\$ -</u>	<u>\$ 3,064</u>	<u>\$ 6,940</u>	<u>\$ 3,876</u>
Analysis of Restricted Fund Balance					
Designated for Subsequent Year's Budget				\$ 3,064	
Available for Debt Service				<u>3,876</u>	
				<u>\$ 6,940</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 13,736,776	\$ 14,020,686	\$ 13,903,304	\$ 14,957,986	\$ 17,776,328	\$ 15,417,519	\$ 15,113,001	\$ 15,563,886	\$ 17,221,912	\$ 17,967,682
Restricted	1,560,906	2,208,924	2,697,846	1,419,503	12,869,779	8,079,606	3,640,492	3,510,769	3,452,419	4,229,816
Unrestricted	<u>863,602</u>	<u>573,420</u>	<u>868,293</u>	<u>1,673,897</u>	<u>(9,293,546)</u>	<u>(12,451,537)</u>	<u>(7,411,467)</u>	<u>(8,408,114)</u>	<u>(9,142,981)</u>	<u>(7,967,012)</u>
Total Governmental Activities Net Position	\$ 16,161,284	\$ 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
Business-Type Activities										
Invested in Capital Assets	\$ 17,554	\$ 23,926	\$ 27,399	\$ 38,715	\$ 186,282	\$ 135,946	\$ 218,111	\$ 195,709	\$ 358,810	\$ 438,028
Unrestricted	<u>172,301</u>	<u>175,893</u>	<u>224,814</u>	<u>260,377</u>	<u>97,725</u>	<u>102,009</u>	<u>164,823</u>	<u>257,596</u>	<u>261,904</u>	<u>370,394</u>
Total Business-Type Activities Net Position	\$ 189,855	\$ 199,819	\$ 252,213	\$ 299,092	\$ 284,007	\$ 237,955	\$ 382,934	\$ 453,305	\$ 620,714	\$ 808,422
District-Wide										
Net Investment in Capital Assets	\$ 13,754,330	\$ 14,044,612	\$ 13,930,703	\$ 14,996,701	\$ 17,962,610	\$ 15,553,465	\$ 15,331,112	\$ 15,759,595	\$ 17,580,722	\$ 18,405,710
Restricted	1,560,906	2,208,924	2,697,846	1,419,503	12,869,779	8,079,606	3,640,492	3,510,769	3,452,419	4,229,816
Unrestricted	<u>1,035,903</u>	<u>749,313</u>	<u>1,093,107</u>	<u>1,934,274</u>	<u>(9,195,821)</u>	<u>(12,349,528)</u>	<u>(7,246,644)</u>	<u>(8,150,518)</u>	<u>(8,881,077)</u>	<u>(7,596,618)</u>
Total District Net Position	\$ 16,351,139	\$ 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

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 16,863,313	\$ 16,054,820	\$ 16,474,021	\$ 16,860,889	\$ 17,155,737	\$ 20,673,392	\$ 21,568,696	\$ 23,869,760	\$ 22,285,682	\$ 21,895,621
Special Education	4,002,031	4,388,482	4,522,158	4,748,750	5,205,996	6,033,087	6,266,347	7,210,563	7,358,644	6,602,733
Other Instruction	91,929	97,873	100,443	100,310	98,584	110,693	37,654	36,870	29,315	44,870
School Sponsored Activities And Athletics	1,444,286	1,437,639	1,486,681	1,544,989	1,544,272	1,896,729	1,999,127	2,168,611	2,133,492	2,147,622
Support Services:										
Student and Instruction Related Services	4,416,723	4,234,325	4,402,844	4,542,094	4,557,732	5,600,031	6,213,819	7,479,738	7,702,787	7,914,936
General Administration	1,396,908	1,798,149	1,916,028	2,186,687	1,027,050	1,041,375	1,218,434	1,331,125	1,259,590	1,247,919
School Administrative Services	1,636,833	1,160,256	1,263,078	1,355,199	2,133,095	2,526,879	2,485,745	2,811,870	2,804,421	2,640,087
Plant Operations And Maintenance	4,220,312	4,583,328	4,553,743	3,432,478	4,523,995	4,890,303	5,109,549	5,337,514	6,032,423	5,154,653
Pupil Transportation	1,863,379	1,753,052	1,784,440	1,877,914	2,051,698	2,101,720	2,183,469	2,353,253	2,561,898	2,578,763
Central Services	861,134	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
Interest On Long-Term Debt and Other Charges	1,514,431	1,443,734	1,286,190	1,088,192	1,303,581	1,426,449	1,385,401	1,287,144	1,213,027	1,128,245
Total Governmental Activities Expenses	38,311,279	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
Business-Type Activities:										
Food Service	665,568	707,858	733,677	742,748	858,673	930,831	915,669	968,188	1,019,159	1,071,920
Adult School	117,647	118,666	109,299	107,625	215	-	-	-	-	-
Total Business-Type Activities Expense	783,215	826,524	842,976	850,373	858,888	930,831	915,669	968,188	1,019,159	1,071,920
Total District Expenses	\$ 39,094,494	\$ 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
Program Revenues										
Governmental Activities:										
Charges For Services:										
Regular	\$ 5,687,544	\$ 6,166,111	\$ 5,802,712	\$ 5,921,000	\$ 6,885,276	\$ 6,288,730	\$ 6,024,900	\$ 5,997,979	\$ 6,299,926	\$ 6,779,748
Special Education	640,670	551,812	557,487	442,447	591,352	597,456	935,371	799,014	936,553	1,042,539
Pupil Transportation										
Operating Grants And Contributions	4,314,721	3,154,862	3,892,569	4,942,848	4,669,449	9,055,430	11,043,261	14,237,659	13,233,721	12,487,601
Capital Grants And Contributions	640,398	2,069	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	11,283,333	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
Business-Type Activities:										
Charges For Services										
Food Service	696,636	742,662	813,342	820,347	849,246	942,330	961,566	1,038,559	1,110,318	1,138,796
Adult School	101,237	93,342	81,793	66,826	764	-	-	-	-	-
Total Business Type Activities Program Revenues	797,873	836,004	895,135	887,173	850,010	942,330	961,566	1,038,559	1,110,318	1,138,796
Total District Program Revenues	\$ 12,081,206	\$ 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
Net (Expense)/Revenue										
Governmental Activities	\$ (27,027,946)	\$ (27,965,072)	\$ (28,448,936)	\$ (27,538,770)	\$ (28,726,163)	\$ (31,778,506)	\$ (31,920,262)	\$ (34,503,814)	\$ (34,406,863)	\$ (32,485,311)
Business-Type Activities	14,658	9,480	52,159	36,800	(8,878)	11,499	45,897	70,371	91,159	66,876
Total District-Wide Net Expense	\$ (27,013,288)	\$ (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)

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 25,791,448	\$ 26,047,191	\$ 26,568,135	\$ 27,099,498	\$ 27,641,488	\$ 28,194,318	\$ 28,758,204	\$ 29,333,368	\$ 30,506,702	\$ 31,116,836
Taxes Levied For Debt Service	2,273,657	2,313,662	2,325,313	2,245,729	2,452,108	3,176,201	3,169,145	3,200,626	3,198,501	3,189,222
Federal and State Aid - Unrestricted	213,827					32,974	36,062	52,066	53,548	4,630
State Aid - Restricted						355,049	355,823	358,420	682,729	359,607
Investment Earnings	41,361	19,272	8,519	9,124	26,759	33,892	26,454	28,951	65,308	157,333
Miscellaneous Income	120,733	226,693	213,382	181,733	235,741	152,395	198,462	453,921	265,362	253,663
Donation of Capital Assets					2,000					
Adjustments/Gain/Loss - Capital Assets	(35,794)						81,452			
Transfers	-	-	-	(10,000)	6,220	-	-	-	-	-
Total Governmental Activities	28,405,232	28,606,818	29,115,349	29,526,084	30,364,316	31,944,829	32,625,602	33,427,352	34,772,150	35,081,291
Business-Type Activities:										
Investment Earnings	838	484	235	79	13					
Transfers	-	-	-	10,000	(6,220)	-	-	-	-	-
Total Business-Type Activities	838	484	235	10,079	(6,207)	-	-	-	-	-
Total District-Wide	\$ 28,406,070	\$ 28,607,302	\$ 29,115,584	\$ 29,536,163	\$ 30,358,109	\$ 31,944,829	\$ 32,625,602	\$ 33,427,352	\$ 34,772,150	\$ 35,081,291
Change in Net Position										
Governmental Activities	\$ 1,377,286	\$ 641,746	\$ 666,413	\$ 1,987,314	\$ 1,638,153	\$ 166,323	\$ 705,340	\$ (1,076,462)	\$ 365,287	\$ 2,595,980
Business-Type Activities	15,496	9,964	52,394	46,879	(15,085)	11,499	45,897	70,371	91,159	66,876
Total District	\$ 1,392,782	\$ 651,710	\$ 718,807	\$ 2,034,193	\$ 1,623,068	\$ 177,822	\$ 751,237	\$ (1,006,091)	\$ 456,446	\$ 2,662,856

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 3,447,582									
Unreserved	543,207	-								
Restricted		\$ 2,695,772	\$ 2,017,604	\$ 1,568,689	\$ 3,382,584	\$ 3,764,249	\$ 4,548,235	\$ 4,822,104	\$ 4,440,435	\$ 5,379,311
Committed		260,946	159,831	635,734	114,470	509,250	523,856	330,075	38,487	1,136,567
Assigned		164,360	1,242,475	589,715	363,775	317,133	338,963	225,522	267,953	369,741
Unassigned	-	649,058	595,658	681,166	691,556	683,367	693,427	727,130	579,704	524,775
Total General Fund	<u>\$ 3,990,789</u>	<u>\$ 3,770,136</u>	<u>\$ 4,015,568</u>	<u>\$ 3,475,304</u>	<u>\$ 4,552,385</u>	<u>\$ 5,273,999</u>	<u>\$ 6,104,481</u>	<u>\$ 6,104,831</u>	<u>\$ 5,326,579</u>	<u>\$ 7,410,394</u>
All Other Governmental Funds										
Reserved	\$ 2,914									
Unreserved	1,816,492	-	-	-	-					
Restricted	-	\$ 1,220,017	\$ 1,076,939	\$ 629,400	\$ 11,035,719	\$ 6,295,252	\$ 4,027,082	\$ 441,931	\$ 307,107	\$ 264,719
Total All Other Governmental Funds	<u>\$ 1,819,406</u>	<u>\$ 1,220,017</u>	<u>\$ 1,076,939</u>	<u>\$ 629,400</u>	<u>\$ 11,035,719</u>	<u>\$ 6,295,252</u>	<u>\$ 4,027,082</u>	<u>\$ 441,931</u>	<u>\$ 307,107</u>	<u>\$ 264,719</u>

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

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax Levy	\$ 28,065,105	\$ 28,360,853	\$ 28,893,448	\$ 29,345,227	\$ 30,093,596	\$ 31,370,519	\$ 31,927,349	\$ 32,533,994	\$ 33,705,203	\$ 34,306,058
Tuition Charges	6,328,214	6,717,923	6,360,199	6,363,447	7,476,628	6,886,186	6,960,271	6,796,993	7,236,479	7,822,287
Interest Earnings	41,361	19,272	8,519	9,124	26,759	33,892	26,454	28,951	65,308	157,333
Miscellaneous	146,710	236,172	243,867	201,325	244,597	172,175	208,446	464,660	284,670	269,820
State Sources	4,555,596	2,671,230	3,452,107	4,539,302	4,293,453	5,344,959	5,966,424	6,362,438	7,559,286	8,230,556
Federal Sources	587,373	476,222	409,977	383,954	367,140	487,518	510,614	454,969	414,014	462,040
Total Revenues	39,724,359	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
Expenditures										
Instruction										
Regular Instruction	16,141,895	15,237,655	15,620,706	16,206,477	16,460,207	17,406,096	17,253,862	17,575,515	17,622,431	18,256,641
Special Education Instruction	3,895,322	4,267,223	4,405,190	4,659,112	5,114,463	5,516,456	5,541,153	6,017,363	6,428,785	5,960,174
Other Instruction	92,472	98,170	100,717	100,916	99,082	100,598	31,475	28,258	24,378	39,321
School Sponsored Activities and Athletics	1,450,853	1,441,164	1,489,913	1,552,459	1,550,221	1,701,790	1,736,185	1,756,889	1,835,126	1,935,476
Support Services:										
Student and Inst. Related Services	4,111,289	3,895,812	4,060,064	4,133,872	4,272,687	4,687,989	4,996,430	5,610,341	6,172,893	6,648,684
General Administration	1,233,032	988,669	1,077,580	1,201,371	867,236	794,658	915,674	959,581	902,007	949,290
School Administrative Services	1,566,549	1,719,004	1,837,674	2,129,664	2,071,376	2,267,234	2,132,244	2,195,479	2,278,652	2,271,302
Plant Operations And Maintenance	3,826,535	4,162,219	4,121,842	4,045,956	4,156,533	4,366,650	4,425,394	4,358,544	4,548,315	4,364,657
Pupil Transportation	1,866,474	1,753,877	1,785,174	1,879,581	2,053,129	2,096,943	2,165,948	2,302,915	2,514,155	2,552,893
Central Services	865,522	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
Capital Outlay	1,523,256	2,020,551	1,101,801	1,912,107	3,534,025	4,178,623	4,328,682	4,052,355	2,086,824	783,710
Debt Service:										
Debt Issuance Costs			229,984		8,663					
Advance Refunding Escrow			1,486,283							
Principal	1,196,893	1,368,266	1,390,479	1,520,128	1,643,983	2,318,590	2,335,549	2,589,320	3,730,689	2,901,869
Interest and Other Charges	1,532,173	1,458,429	1,360,286	1,364,608	1,255,135	1,624,062	1,558,963	1,409,658	1,338,319	1,236,335
Total Expenditures	39,302,265	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
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	422,094	(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
Other Financing Sources (Uses)										
Proceeds From Lease Purchase	1,000,000				785,000	89,000	645,000		590,000	
Proceeds From Serial Bonds					12,553,000		941,000			
Refunding Bond Proceeds			26,555,000				1,970,000			
Premium on Refunding Bonds			2,552,267							
Payments to Refunded Bonds Escrow			(27,391,000)				(1,931,737)			
Capital Leases (Non-Budgeted)							81,452			
Gain on Capital Assets							11,607			
Transfers In	12,662	1,139,741	400,616	1,220,643	347,627	22,139	61,967	1,325,709	1,325,709	6,623
Transfers Out	(12,662)	(1,139,741)	(400,616)	(1,230,643)	(341,407)	(22,139)	(11,607)	(61,967)	(1,325,709)	(6,623)
Total Other Financing Sources (Uses)	1,000,000	-	1,716,267	(10,000)	13,344,220	89,000	1,705,715	-	590,000	-
Net Change in Fund Balances	\$ 1,422,094	\$ (820,042)	\$ 102,354	\$ (987,803)	\$ 11,483,400	\$ (4,018,853)	\$ (1,437,688)	\$ (3,584,801)	\$ (913,076)	\$ 2,041,427
Debt Service as a Percentage of Noncapital Expenditures	7.22%	7.58%	6.90%	7.23%	7.10%	8.92%	8.77%	8.66%	10.41%	8.55%

* 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>
2010	\$ 6,328,214	\$ 28,699	\$ 87,718	\$ 33,015	\$ 6,477,646
2011	6,717,923	18,912	91,730	134,963	6,963,528
2012	6,360,199	7,903	102,385	107,734	6,578,221
2013	6,363,447	8,481	88,701	86,826	6,547,455
2014	7,476,628	8,224	95,491	140,250	7,720,593
2015	6,886,186	11,726	115,791	36,604	7,050,307
2016	6,960,271	14,857	119,781	78,681	7,173,590
2017	6,796,993	22,404	126,474	324,747	7,270,618
2018	7,236,479	59,954	137,423	127,863	7,561,719
2019	7,822,287	151,626	134,035	119,628	8,227,576

Source: District Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
Long Hill Township												
2010	\$ 20,585,900	\$ 1,137,120,400	\$ 2,795,500	\$ 40,700	\$ 103,892,800	\$ 16,541,200	\$ 6,668,200	\$ 1,287,644,700	\$ 4,454,525	\$ 1,292,099,025	\$ 1,839,145,332	\$ 0.522
2011	19,059,600	1,139,562,700	2,245,100	39,700	104,055,800	16,541,200	6,268,200	1,287,772,300	4,509,141	1,292,281,441	1,792,478,629	0.562
2012	17,735,400	1,127,011,200	3,103,600	45,700	103,707,100	16,541,200	6,268,200	1,274,412,400	4,714,115	1,279,126,515	1,695,714,200	0.587
2013	16,751,400	1,115,697,400	4,115,700	45,700	102,227,500	16,445,900	6,268,200	1,261,551,800	3,796,526	1,265,348,326	1,623,851,325	0.594
2014	16,714,900	1,111,286,000	3,734,200	47,400	102,470,400	16,304,600	6,268,200	1,256,825,700	3,141,460	1,259,967,160	1,597,186,047	0.593
2015	12,534,800	1,109,792,400	4,113,800	48,300	105,033,300	16,175,000	6,268,200	1,253,965,800	3,141,460	1,257,107,261	1,772,280,568	0.576
2016	13,971,900	1,433,093,900	4,611,700	67,800	132,529,400	18,072,600	8,606,400	1,610,953,700	4,068,200	1,615,021,900	1,782,295,522	0.454
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
Warren Township												
2010	\$ 101,108,900	\$ 3,048,149,900	\$ 24,754,800	\$ 226,100	\$ 650,772,200	\$ 37,653,900		\$ 3,862,665,800	\$ 7,378,865	\$ 3,870,044,665	\$ 4,567,425,015	\$ 0.411
2011	96,740,500	3,145,601,700	25,551,000		638,821,400	36,119,200		3,942,833,800	6,013,698	3,948,847,498	4,171,743,932	0.395
2012	82,894,100	3,222,571,800	26,443,200	198,300	634,340,600	35,303,600		4,001,751,600	5,764,382	4,007,517,982	4,151,349,860	0.388
2013	72,272,000	3,344,937,520	27,157,100		627,211,600	35,451,500		4,107,029,720	5,478,908	4,112,508,628	4,194,970,394	0.391
2014	61,316,700	3,471,066,700	27,930,700	189,800	633,883,600	39,665,800		4,234,053,300	5,568,016	4,239,621,316	4,288,083,148	0.404
2015	56,274,000	3,632,718,700	30,677,300	197,700	597,292,500	39,694,000		4,356,854,200	5,685,495	4,362,539,695	4,585,997,627	0.414
2016	60,040,000	3,776,295,660	30,311,300	190,700	593,589,400	40,268,100		4,500,695,160	5,615,916	4,506,311,076	4,562,392,262	0.412
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
Borough of Watchung												
2010	\$ 35,609,900	\$ 1,184,481,400			\$ 295,509,400	\$ 6,367,200	\$ 56,964,000	\$ 1,578,931,900	\$ 1,762,687	\$ 1,580,694,587	\$ 1,824,791,793	\$ 0.351
2011	35,484,200	1,204,394,400			290,376,800	6,367,300	49,255,800	1,585,878,500	1,468,637	1,587,347,137	1,684,856,609	0.363
2012	35,511,800	1,221,449,700			282,766,200	6,273,400	49,255,800	1,595,256,900	1,577,286	1,596,834,186	1,674,592,266	0.377
2013	31,860,700	1,214,066,800	\$ 377,200	\$ 5,280	294,459,700	6,237,300	47,400,000	1,594,406,980	1,484,459	1,595,891,439	1,641,460,927	0.384
2014	31,400,800	1,246,894,300	355,000	5,280	296,015,200	6,237,500	47,400,000	1,628,308,080	1,151,575	1,629,459,655	1,634,355,194	0.376
2015	32,019,400	1,280,593,700	334,100	5,280	297,786,500	6,359,500	47,850,000	1,664,948,480	1,138,954	1,666,087,434	1,687,333,485	0.379
2016	31,504,200	1,334,125,900	342,600	5,280	303,605,500	6,414,300	47,850,000	1,723,847,780	1,140,757	1,724,988,537	1,721,887,944	0.366
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

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, 2018
(Unaudited)**

Net Direct Debt of School District as of December 31, 2018		\$ 31,313,000
Net Overlapping Debt of School District		
Long Hill Township	\$ 9,740,477	
Warren Township	14,399,448	
Borough of Watchung	<u>21,202,491</u>	
		<u>45,342,416</u>
Total Direct and Overlapping Bond Debt as of December 31, 2018		<u>\$ 76,655,416</u>

Sources: County and Municipal Annual Debt Statements, December 31, 2018

- (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	2019		2010	
	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	13,815,000	0.83%	9,907,400	0.77%
Bell Atlantic/Verizon	4,130,534	0.25%	4,454,525	0.34%
Stirling Manor	5,877,000	0.35%	4,000,000	0.31%
Transcontinental Gas Pipeline	4,040,500	0.24%	3,764,500	0.29%
Tifa Ltd.	4,179,400	0.25%	3,030,500	0.23%
RHK/A.K. Stamping		0.00%	2,312,300	0.18%
Dagwood Prop. (Ind. Soccer, LLC)		0.00%	2,246,900	0.17%
Parthenon C/O Walgreens	3,380,500	0.20%		
M&M Realty Management	3,339,600	0.20%		
Millington Savings Bank	3,048,200	0.18%	2,215,500	0.17%
Jilrydan, Inc (Realty, LLC)	2,660,700	0.16%	2,197,400	0.17%
	\$ 71,176,034	4.30%	\$ 55,333,425	4.28%
<u>Warren Township</u>				
King George Property Co.			\$ 110,492,700	2.86%
Warren CC Acquisitions, LLC	\$ 86,859,500	1.89%		
Mt. Bethel Corp	22,931,400	0.50%	80,732,200	2.09%
Somerset Assoc. c/o Chubb	35,300,000	0.77%	83,148,000	2.15%
Liberty Assoc			31,015,800	0.80%
Normandy Real Estate Partners	70,857,900	1.54%		
Normandy Warren Holdings, LLC			16,513,000	0.43%
GC Net Lease (Warren) Investors	24,928,000	0.54%		
Vicendese Family LTD			21,141,700	0.55%
Warren 2001 C/O Thomson Reuters	16,147,000	0.35%		
30 Independence C/O Mack Realty			33,237,800	0.86%
S/K Warren Associates, LLC	13,500,000	0.29%		0.00%
K Hovnanian at Warren			24,986,400	0.65%
Warren 2001, LLC			17,655,000	0.46%
10 Independence SPE			16,513,000	0.43%
Brightview Warren LLC	18,500,000	0.40%		
HCRI NY-NJ Properties, LLC	19,992,000	0.43%		
Ivy Tech Property LLC	32,399,600	0.70%		
	\$ 341,415,400	7.41%	\$ 435,435,600	11.25%
<u>Borough of Watchung</u>				
Watchung Square Associates	\$ 69,130,000	3.84%	\$ 85,849,000	5.43%
WM Crystal Ridge, LLC			56,964,000	3.60%
PP Watchung Investors	59,900,000	3.32%		
Levin Properties, LP	51,631,400	2.87%	53,250,000	3.37%
Watchung VF LLC			24,754,600	1.57%
Watchung UE, LLC	20,741,000	1.15%		
Sears Roebuck & Co	14,755,000	0.82%	18,350,000	1.16%
Walmart	16,792,000	0.93%		
HD Development of Maryland, Inc.	14,155,000	0.79%	13,500,000	0.85%
Target Corp	15,653,000	0.87%	15,528,500	0.98%
680 Mountain Boulevard, LLC	12,240,000	0.68%		
Weldon Materials Inc		0.00%	9,607,700	0.61%
Mini U Storage New Jersey RE LLC		0.00%	8,268,000	0.52%
Pitney Partners		0.00%	7,650,000	0.48%
Route 22 East, LLC	11,067,000	0.61%		0.00%
	\$ 286,064,400	15.88%	\$ 293,721,800	18.58%

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	
2010	\$ 28,065,105	\$ 28,065,105	100.00%	N/A
2011	28,360,853	28,360,853	100.00%	N/A
2012	28,893,448	28,893,448	100.00%	N/A
2013	29,345,227	29,345,227	100.00%	N/A
2014	30,093,596	30,093,596	100.00%	N/A
2015	31,370,519	31,370,519	100.00%	N/A
2016	31,927,349	31,927,349	100.00%	N/A
2017	32,533,994	32,533,994	100.00%	N/A
2018	33,705,203	33,705,203	100.00%	N/A
2019	34,306,058	34,306,058	100.00%	N/A

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

Fiscal Year Ended June 30,	Governmental Activities					Total District	Population *	Per Capita
	General Obligation Bonds	Lease Purchase Agreements	Capital Leases	Bond Anticipation Notes (BANs)	Debt Authorized But Not Issued			
2010	\$ 32,731,000	\$1,676,392			\$ 476	\$ 34,407,868	31,223	\$ 1,102
2011	31,816,000	1,223,126			476	33,039,602	29,984	1,102
2012	30,005,000	807,647			476	30,813,123	30,311	1,017
2013	28,915,000	377,519			-	29,292,519	30,569	958
2014	40,093,000	893,536			-	40,986,536	30,693	1,335
2015	38,033,000	723,946			-	38,756,946	30,738	1,261
2016	36,914,000	1,198,397			-	38,112,397	30,682	1,242
2017	34,624,000	899,077			-	35,523,077	30,766	1,155
2018	31,313,000	1,069,388			-	32,382,388	30,725	1,054
2019	28,838,000	642,519			-	29,480,519	30,360	971

Source: District records

* Total Population of Long Hill, Warren and Watchung

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
2010	\$ 32,731,000		\$ 32,731,000	0.49%	\$ 1,048
2011	31,816,000		31,816,000	0.47%	1,061
2012	30,005,000		30,005,000	0.44%	990
2013	28,915,000		28,915,000	0.41%	946
2014	40,093,000		40,093,000	0.56%	1,306
2015	38,033,000		38,033,000	0.52%	1,237
2016	36,914,000		36,914,000	0.47%	1,203
2017	34,624,000		34,624,000	0.43%	1,125
2018	31,313,000		31,313,000	0.39%	1,019
2019	28,838,000		28,838,000	0.36%	950

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>					
2010	2.73	0.522	1.145	0.731	0.327
2011	2.82	0.562	1.180	0.744	0.329
2012	2.86	0.587	1.179	0.766	0.327
2013	2.96	0.594	1.250	0.788	0.324
2014	2.87	0.593	1.161	0.788	0.326
2015	2.93	0.576	1.217	0.806	0.333
2016	2.35	0.454	0.966	0.646	0.282
2017	2.36	0.467	0.974	0.637	0.278
2018	2.38	0.472	0.986	0.640	0.278
2019	2.39	0.457	1.014	0.642	0.279
<u>Warren Township</u>					
2010	2.05	0.411	0.945	0.295	0.394
2011	2.01	0.395	0.940	0.294	0.378
2012	1.99	0.388	0.934	0.289	0.382
2013	2.02	0.391	0.923	0.314	0.389
2014	2.04	0.404	0.914	0.319	0.400
2015	2.05	0.414	0.902	0.328	0.404
2016	2.01	0.412	0.875	0.318	0.404
2017	1.99	0.417	0.859	0.311	0.401
2018	1.99	0.421	0.859	0.313	0.394
2019	2.04	0.426	0.883	0.326	0.403
<u>Borough of Watchung</u>					
2010	1.92	0.351	0.723	0.462	0.385
2011	1.96	0.363	0.728	0.491	0.379
2012	2.01	0.377	0.732	0.519	0.386
2013	2.07	0.384	0.748	0.546	0.391
2014	2.09	0.376	0.748	0.572	0.398
2015	2.12	0.379	0.749	0.588	0.402
2016	2.09	0.366	0.732	0.594	0.399
2017	1.98	0.360	0.613	0.606	0.400
2018	1.99	0.372	0.612	0.610	0.397
2019	2.08	0.409	0.637	0.625	0.404

Source: Tax Collector

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

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 255,541,716	\$ 247,132,546	\$ 153,417,263	\$ 230,189,071	\$ 226,793,730	\$ 228,560,650	\$ 234,248,897	\$ 239,247,971	\$ 241,440,371	\$ 242,966,664
Total Net Debt Applicable to Limit	<u>32,731,476</u>	<u>31,816,476</u>	<u>30,005,476</u>	<u>28,915,476</u>	<u>40,093,000</u>	<u>38,033,000</u>	<u>36,914,000</u>	<u>34,624,000</u>	<u>31,313,000</u>	<u>28,838,000</u>
Legal Debt Margin	<u>\$ 222,810,240</u>	<u>\$ 215,316,070</u>	<u>\$ 123,411,787</u>	<u>\$ 201,273,595</u>	<u>\$ 186,700,730</u>	<u>\$ 190,527,650</u>	<u>\$ 197,334,897</u>	<u>\$ 204,623,971</u>	<u>\$ 210,127,371</u>	<u>\$ 214,128,664</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.81%	12.87%	19.56%	12.56%	17.68%	16.64%	15.76%	14.47%	12.97%	11.87%

Legal Debt Margin Calculation, December 31, 2018

2016	\$ 8,035,278,456
2017	8,073,112,913
2018	<u>8,188,274,989</u>
	<u>\$ 24,296,666,358</u>
Average Equalized Valuation of Taxable Property	\$ 8,098,888,786
3% of Equalized Valuation Basis	242,966,664
Less Net Debt	<u>28,838,000</u>
Remaining Borrowing Power	<u>\$ 214,128,664</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>			
2009	6.3%	\$ 71,361	8,579
2010	6.4%	74,460	8,720
2011	6.2%	77,207	8,761
2012	6.4%	80,027	8,776
2013	6.8%	80,868	8,794
2014	4.4%	83,687	8,785
2015	3.9%	87,896	8,773
2016	3.6%	89,065	8,750
2017	3.6%	94,259	8,711
2018	3.1%	N/A	8,560
<u>Warren Township</u>			
2009	4.3%	\$ 69,579	15,871
2010	4.3%	69,610	15,369
2011	4.2%	71,919	15,666
2012	4.4%	75,678	15,869
2013	5.3%	78,762	15,953
2014	4.5%	82,666	15,999
2015	3.9%	87,930	15,966
2016	3.6%	90,268	16,057
2017	3.3%	96,548	16,029
2018	2.9%	N/A	15,745
<u>Borough of Watchung</u>			
2009	6.4%	\$ 69,579	6,773
2010	6.4%	69,610	5,851
2011	6.3%	71,919	5,884
2012	6.6%	75,678	5,924
2013	4.2%	78,762	5,946
2014	4.5%	82,666	5,954
2015	4.2%	87,930	5,943
2016	4.0%	90,268	5,959
2017	3.4%	96,548	5,985
2018	3.1%	N/A	6,055

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>2019</u>		<u>2010</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Instruction										
Regular	153	142	143	148	148	148	147	146	138	135
Special Education	35	35	35	37	41	42	42	43	43	41
Other Special Education	9	9	9	9	9	10	10	10	10	10
Adult/Continuing Education Programs	1	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	9	10	10	10	10	10	9
School Administrative Services	12	12	12	14	14	14	13	12	12	12
Other Administrative Services	9	8	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	5	6	6	6	6
Plant Operations And Maintenance	15	15	15	15	15	15	15	15	14	14
Pupil Transportation	15	1	1	1	1	1	1	1	1	1
Total	<u>288</u>	<u>262</u>	<u>261</u>	<u>270</u>	<u>274</u>	<u>276</u>	<u>275</u>	<u>274</u>	<u>265</u>	<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
2010	2,069	\$ 35,049,943	\$ 16,941	-2.66%	188	1:11	2,069	2,003.4	1.77%	96.83%
2011	2,057	34,454,468	16,750	-1.13%	177	1:12	2,057	1,983.6	-0.58%	96.43%
2012	2,064	35,413,197	17,158	2.43%	180	1:12	2,064	1,990.0	0.34%	96.41%
2013	2,136	37,023,339	17,333	1.02%	185	1:12	2,136	2,044.1	3.49%	95.70%
2014	2,175	37,921,187	17,435	0.59%	189	1:12	2,175	2,089.0	1.83%	96.05%
2015	2,197	40,281,827	18,335	5.16%	190	1:12	2,197	2,103.0	1.01%	95.72%
2016	2,137	40,519,767	18,961	3.41%	189	1:11	2,137	2,057.0	-2.73%	96.26%
2017	2,064	42,175,473	20,434	7.77%	189	1:11	2,064	1,977.0	-3.42%	95.78%
2018	2,014	43,612,204	21,655	5.97%	181	1:11	2,014	1,918.0	-2.42%	95.23%
2019	1,965	44,284,753	22,537	4.07%	176	1:11	1,965	1,879.0	-4.80%	95.62%

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</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	2,069	2,057	2,069	2,136	2,175	2,197	2,137	2,064	2,014	1,965
<u>Garage</u>										
Square Feet	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
<u>Field House</u>										
Square Feet	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000

Number of Schools at June 30, 2019
Senior High School = 1

Source: District Records

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

<u>Year</u>	<u>Amount</u>
2010	\$ 1,113,820
2011	1,320,963
2012	1,311,846
2013	1,379,308
2014	1,475,556
2015	1,594,056
2016	1,567,514
2017	1,438,033
2018	1,356,436
2019	1,312,016

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
SCHEDULE OF INSURANCE
JUNE 30, 2019**

	<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

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watchung Hills Regional High School District as of and for the fiscal year ended June 30, 2019 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 November 8, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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
November 8, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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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
Warren, New Jersey

Report on Compliance for Each Major State Program

We have audited the Watchung Hills Regional High School District's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Watchung Hills Regional High School District's major state programs for the fiscal year ended June 30, 2019. The Watchung Hills Regional High School District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Watchung Hills Regional High School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards 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, 2019.

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.

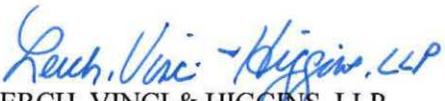
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 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 Watchung Hills Regional High School District, as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated November 8, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of 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
November 8, 2019

WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period	Award Amount	Balance, July 1, 2018	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year Balances	Balance at June 30, 2019			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		\$ 18,166	\$ 41,261	\$ 62,211	\$ (18,166)		\$ (24,885)	\$ 3,935		* \$ (20,950)
Title I	84.010A	S010A170030	7/1/17-6/30/18	47,623	\$ (14,657)	(18,166)	14,657		18,166					*
Title II - A	84.367A	S367B180027	7/1/18-6/30/19	22,634		16,426	11,769	21,539	(16,426)		(27,291)	17,521		* (9,770)
Title II - A	84.367A	S367B170029	7/1/17-6/30/18	22,597	(7,727)	(16,426)	7,727		16,426					*
Title IV	84.424	S424A180031	7/1/18-6/30/19	10,000		10,000	18,400	18,400	(10,000)		(1,600)	1,600		* -
Title IV	84.424	S424A170031	7/1/17-6/30/18	10,000	-	(10,000)			10,000					*
I.D.E.A. Part B, Basic	84.027A	H027A180100	7/1/18-6/30/19	378,445		18,158	295,326	359,890	(18,158)		(101,277)	36,713		* (64,564)
I.D.E.A Part B, Basic	84.027A	H027A170100	7/1/17-6/30/18	377,793	(113,736)	(18,158)	113,736	-	18,158	-	-	-		* -
Total U.S. Department of Education					(136,120)	-	502,876	462,040	-	-	(155,053)	59,769	-	(95,284)
Total Federal Financial Awards					\$ (136,120)	\$ -	\$ 502,876	\$ 462,040	\$ -	\$ -	\$ (155,053)	\$ 59,769	\$ -	\$ (95,284)

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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, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Received	Balance, July 1, 2018				Balance, June 30, 2019				MEMO		
				Unearned Revenue (Accts. Receivable)	Due to Grantor	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
General Fund														
Special Education Aid	19-495-034-5120-889	7/1/18-6/30/19	\$ 750,169				\$ 682,176	\$ 750,169		\$ (67,993)			\$ 750,169	
Special Education Aid	18-495-034-5120-689	7/1/17-6/30/18	750,169	(64,816)			64,816							
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	83,096				75,565	83,096		(7,531)			83,096	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	83,096	(7,179)			7,179							
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	18,030	(1,558)			1,558							
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	18,030	(1,558)			1,558							
Professional Learning Community Aid	18-495-034-5120-098	7/1/17-6/30/18	17,520	(1,514)			1,514							
Total State Aid Public				(76,625)			834,366	833,265		(75,524)			833,265	
T.P.A.F. Pension														
T.P.A.F. Pension - NCGI	19-495-034-5094-002	7/1/18-6/30/19	3,106,965				3,106,965	3,106,965					3,106,965	
T.P.A.F. Pension - LITDI	19-495-034-5094-004	7/1/18-6/30/19	65,037				65,037	65,037					65,037	
Post Retirement-Pension Contributions	19-495-034-5094-001	7/1/18-6/30/19	1,438,815				1,438,815	1,438,815					1,438,815	
Total TPAF On Behalf Pension Contributions							4,613,075	4,613,075					4,613,075	
Transportation Aid														
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	616,602				560,715	616,602		(55,887)			616,602	
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	218,205	(18,853)			18,853							
Extraordinary Aid	19-100-034-5120-473	7/1/18-6/30/19	588,768				588,768	588,768		(588,768)			588,768	
Extraordinary Aid	18-495-034-5120-044	7/1/17-6/30/18	450,262	(448,518)			450,262			1,744			1,744	
Non Public Transportation Reimb.	N/A	7/1/18-6/30/19	72,210				72,210	72,210		(72,210)			72,210	
Non Public Transportation Reimb.	N/A	7/1/17-6/30/18	80,130	(80,130)			80,130							
Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	1,174,820				1,116,763	1,174,820		(58,057)			1,174,820	
Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	1,180,322	(57,759)			57,759							
Total General Fund				(681,885)			7,731,923	7,900,484		(850,446)			(130,267)	7,900,484
Special Revenue Fund														
Nonpublic Aid														
Textbook Aid	19-100-034-5120-064	7/1/18-6/30/19	17,836				17,836	17,714			\$ 122		17,714	
Textbook Aid	18-100-034-5120-064	7/1/17-6/30/18	18,570		\$ 928				\$ 928					
Technology Aid	19-100-034-5120-373	7/1/18-6/30/19	12,024				12,024	11,988			36		11,988	
Technology Aid	18-100-034-5120-373	7/1/17-6/30/18	12,343		3				3					
Nursing Services	19-100-034-5120-670	7/1/18-6/30/19	33,368				33,368	31,787			1,581		31,787	
Nursing Services	18-100-034-5120-670	7/1/17-6/30/18	33,077		819				819					
Security	19-100-034-5120-509	7/1/18-6/30/19	51,600				51,600	51,412			188		51,412	
Security	18-100-034-5120-509	7/1/17-6/30/18	25,575		2,158				2,158					
Chapter 192														
Compensatory Education	18-100-034-5120-067	7/1/18-6/30/19	1,692				1,692	1,354			338		1,354	
Home Instruction	19-100-034-5120-067	7/1/18-6/30/19	1,823				1,823	1,823		(1,823)			1,823	
Home Instruction	18-100-034-5120-067	7/1/17-6/30/18	399	(399)			399							
Chapter 193														
Examination and Classification	18-100-034-5120-066	7/1/18-6/30/19	32,758				32,758	30,570			2,188		30,570	
Examination and Classification	18-100-034-5120-066	7/1/17-6/30/18	43,122		3,283				3,283					
Supplemental Instruction	19-100-034-5120-066	7/1/18-6/30/19	159				159				159			
Supplemental Instruction	18-100-034-5120-066	7/1/17-6/30/18	9,516		9,040				9,040					
Connective Speech	19-100-034-5120-066	7/1/18-6/30/19	34,819				34,819				34,819			
Total Special Revenue Fund				(399)	16,231		184,655	146,648	16,231	(1,823)		39,431	(1,823)	146,648
Debt Service Fund														
Debt Service Aid	19-495-034-5120-075	7/1/18-6/30/19	359,607				359,607	359,607					359,607	
Total Debt Service Aid							359,607	359,607					359,607	
Total State Financial Assistance Subject to Single Audit Determination				\$ (682,284)	\$ 16,231	\$ -	8,276,185	8,406,739	\$ 16,231	\$ (852,269)	\$ -	\$ 39,431	\$ (132,090)	\$ 8,406,739
Less On-Behalf TPAF Pension														
T.P.A.F. Pension	19-495-034-5094-002						3,106,965	3,106,965						
T.P.A.F. Pension - NCGI	19-495-034-5094-004						65,037	65,037						
T.P.A.F. Pension - LITDI	19-495-034-5094-004						2,258	2,258						
Post Retirement-Pension Contributions	19-495-034-5094-001						1,438,815	1,438,815						
							4,613,075	4,613,075						
Total State Financial Assistance Subject to Major Program Determination							\$ 3,663,110	\$ 3,793,664						

**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, 2019**

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. This basis of accounting is described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$176,183 for the general fund and a decrease of \$913 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 7,724,301	\$ 7,724,301
Special Revenue Fund	\$ 462,040	146,648	608,688
Debt Service Fund	-	359,607	359,607
	<u> </u>	<u> </u>	<u> </u>
Total Financial Assistance	<u>\$ 462,040</u>	<u>\$ 8,230,556</u>	<u>\$ 8,692,596</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, 2019**

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 \$1,174,820 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, 2019. The amount reported as TPAF Pension System Contributions in the amount of \$3,172,002, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,438,815 and TPAF Long-Term Disability Insurance in the amount of \$2,258 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2019.

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, 2019**

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, 2019

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, 2019**

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.