

**BOROUGH OF MORRIS PLAINS
SCHOOL DISTRICT**

**Morris Plains Board of Education
Morris Plains, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

**Comprehensive Annual
Financial Report**

of the

Morris Plains Borough School District

Morris Plains, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

**Borough of Morris Plains Board of Education
Finance Department**

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2011

INTRODUCTORY SECTION

Letter of Transmittal 1
Organizational Chart..... 5
Roster of Officials..... 6
Consultants and Advisors 7

FINANCIAL SECTION 8

Independent Auditors' Report 9
Required Supplementary Information..... 11
 Management's Discussion and Analysis (Unaudited)..... 12

Basic Financial Statements (Sections A. and B.)..... 20

A. District-Wide Financial Statements..... 21
 A-1 Statement of Net Assets..... 22
 A-2 Statement of Activities 23

B. Fund Financial Statements 25
 B-1 Balance Sheet – Governmental Funds..... 26
 B-2 Statement of Revenue, Expenditures and Changes in Fund Balance –
 Governmental Funds 28
 B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities..... 30
 B-4 Statement of Net Assets – Proprietary Funds 31
 B-5 Statement of Revenue, Expenses and Changes in Fund Net
 Assets – Proprietary Funds..... 32
 B-6 Statement of Cash Flows – Proprietary Funds 33
 B-7 Statement of Fiduciary Net Assets – Fiduciary Funds 34
 B-8 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds..... 35

Notes to the Basic Financial Statements 36

Supplementary Schedules (Sections C. to I.)

C. Budgetary Comparison Schedules..... 58
 C-1 Budgetary Comparison Schedule – Budgetary Basis – General Fund 59
 C-2 Budgetary Comparison Schedule – Budgetary Basis – Special Revenue Fund 71
 C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information..... 72

D. School Level Schedules (Not Applicable) 73

E. Special Revenue Fund..... 74
 E-1 Combining Schedule of Revenue and Expenditures Special Revenue
 Fund – Budgetary Basis 75
 E-2 Preschool Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

FINANCIAL SECTION (Cont'd)

F. Capital Projects Fund	77
F-1 Summary Schedule of Revenue, Expenditures and Changes in Fund Balance – Budgetary Basis	78
F-1a Schedule of Project Revenue, Expenditures, Project Balances, and Project Status – Budgetary Basis – Additions and Upgrades to Borough Middle School	79
F-1b Schedule of Project Revenue, Expenditures, Project Balances, and Project Status – Budgetary Basis – Partial Roof Replacement Borough Elementary School	80
G. Proprietary Funds	81
Enterprise Fund:	
G-1 Statement of Net Assets.....	82
G-2 Statement of Revenue, Expenses and Changes in Fund Net Assets.....	83
G-3 Statement of Cash Flows	84
H. Fiduciary Funds.....	85
H-1 Combining Statement of Fiduciary Net Assets	86
H-2 Statement of Changes in Fiduciary Net Assets.....	87
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	88
H-4 Student Activity Agency Fund Statement of Activity	89
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements.....	90
I. Long-Term Debt.....	91
I-1 Schedule of Serial Bonds.....	92
I-2 Schedule of Obligations Under Capital Leases (Not Applicable).....	93
I-3 Debt Service Fund Budgetary Comparison Schedule	94
J. Statistical Section (Unaudited).....	95
J-1 Net Assets by Component	96
J-2 Changes in Net Assets	97
J-3 Fund Balances - Governmental Funds.....	100
J-4 Changes in Fund Balances - Governmental Funds.....	101
J-5 General Fund - Other Local Revenue by Source.....	103
J-6 Assessed Value and Actual Value of Taxable Property	104
J-7 Direct and Overlapping Property Tax Rates.....	105
J-8 Principal Property Tax Payers	106
J-9 Property Tax Levies and Collections.....	107
J-10 Ratios of Outstanding Debt by Type	108
J-11 Ratios of Net General Bonded Debt Outstanding.....	109
J-12 Ratios of Overlapping Governmental Activities Debt.....	110
J-13 Legal Debt Margin Information	111
J-14 Demographic and Economic Statistics	112
J-15 Principal Employers	113
J-16 Full-Time Equivalent District Employees by Function/Program	114
J-17 Operating Statistics.....	115
J-18 School Building Information	116
J-19 Schedule of Required Maintenance for School Facilities.....	117
J-20 Insurance Schedule	118

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

K.	Single Audit Section.....	119
K-1	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	120
K-2	Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04	122
	Schedule of Expenditures of Federal Awards	124
	Schedule of Expenditures of State Awards	125
	Notes to the Schedules of Expenditures of Federal and State Awards.....	126
	Schedule of Findings and Questioned Costs	128
	Summary Schedule of Prior Audit Findings.....	129

INTRODUCTORY SECTION

MORRIS PLAINS BOARD OF EDUCATION
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MORRIS PLAINS, NEW JERSEY 07950
www.mp.morris.k12.nj.us
(973) 598-1650 Fax (973)540-1983

September 13, 2011

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

Dear Honorable President and Board Members:

The comprehensive annual financial report of the Morris Plains Borough School District (the "District") for the fiscal year ended June 30, 2011, 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 Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statement and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart, a roster of officials and a list of consultants and advisors. The financial section includes The Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends, and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

The Morris Plains Borough School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Morris Plains Borough School District and its schools constitute the District's reporting entity.

The Honorable President and Members
of the Board of Education
Morris Plains Borough School District
Page 2
September 13, 2011

1) REPORTING ENTITY AND ITS SERVICES: (Cont'd)

The District provides a full range of educational services appropriate to grade levels K through 8 as well as special education for handicapped students. The District completed the 2010-2011 fiscal year with an average daily enrollment of 633 students, which is an increase of 3 students from the previous year's enrollment.

Fiscal Year	Average Daily Enrollment		Percent Change
	Student Enrollment		
2010-11	633		0.48%
2009-10	630		-2.78%
2008-09	648		4.35%
2007-08	621		0.81%
2006-07	616		3.01%

2) ECONOMIC CONDITION AND OUTLOOK:

The Morris Plains community is experiencing the impact of the current economic condition in the United States. A recent revaluation of property has increased taxes on existing dwellings. Ratables are influenced by recently built corporate structures, which have yet to be occupied.

3) MAJOR INITIATIVES:

The District has put a great deal of effort and resources into curriculum writing in the areas of Mathematics and Language Arts. Professional Development and purchase of materials to support the Collins Writing Program was another major initiative which will continue into the 2011-2012 school year. The District has also begun a major technology upgrade initiative focusing on improving the infrastructure to allow for wireless access throughout the Mountain Way and Borough Schools. This will allow for adding additional computers and Promethian boards along with other new technology in the coming years.

This year the District also replaced the roof in the Borough School Learning Center and moved a boiler from Borough to Mountain Way.

4) INTERNAL ACCOUNTING CONTROLS:

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

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

The Honorable President and Members
of the Board of Education
Morris Plains Borough School District
Page 3
September 13, 2011

4) INTERNAL ACCOUNTING CONTROLS:

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

5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2011.

6) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) CASH MANAGEMENT:

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

8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Morris Essex Insurance Group (MEIG) oversees risk management for Workers' Compensation Insurance. A Schedule of Insurance Coverage is found on Exhibit J-20.

9) DEBT ADMINISTRATION: At June 30, 2011, the District had \$4,840,000 in outstanding general obligation bonds in connection with a bond referendum for the construction at both school facilities.

The Honorable President and Members
of the Board of Education
Morris Plains Borough School District
Page 4
September 13, 2011

10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board of Education at its last organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and State OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Morris Plains Borough School District for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

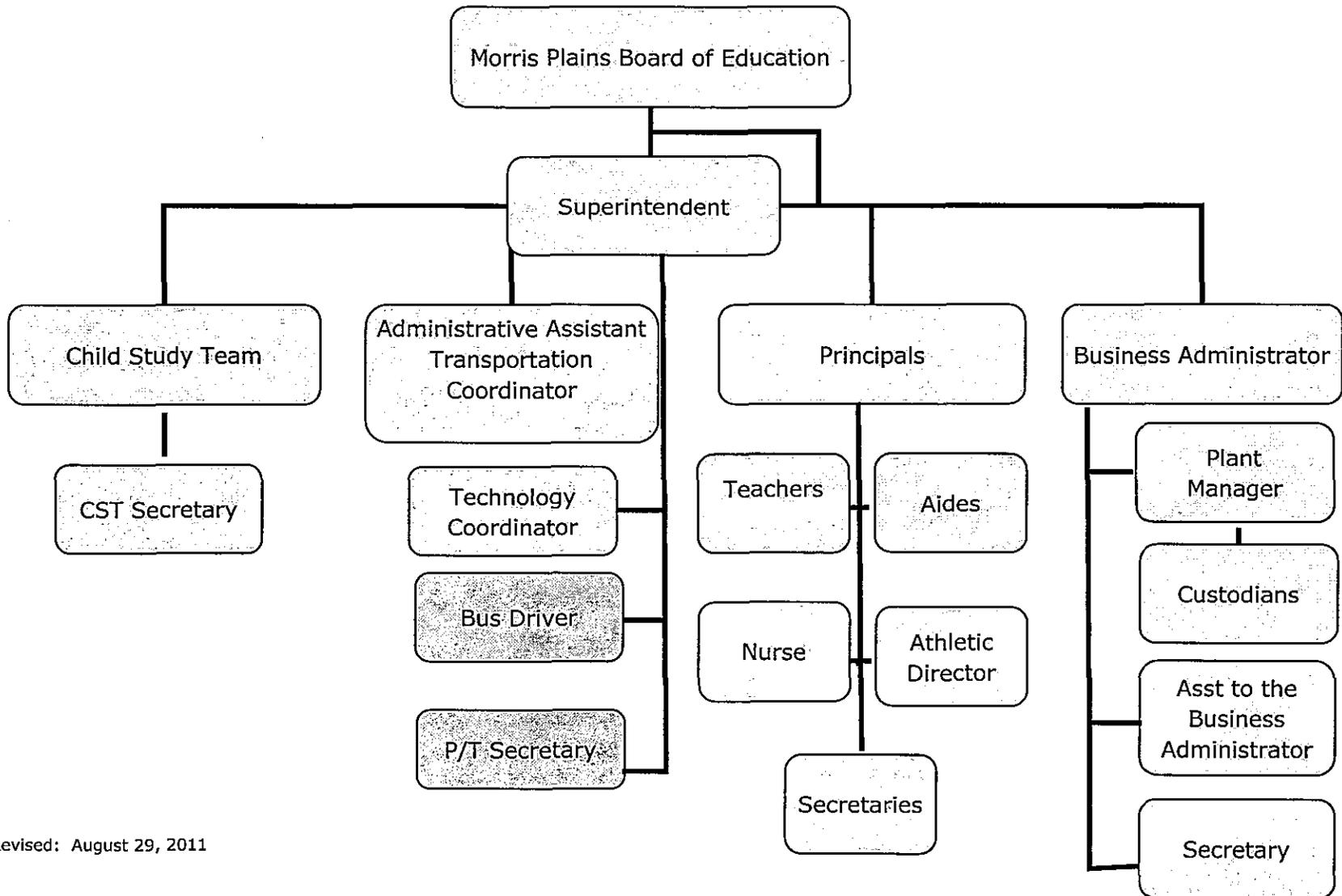


Dr. Ernest Palestis
Interim Superintendent



Alice Bresett
Business Administrator/Board Secretary

Morris Plains School District



Revised: August 29, 2011

**MORRIS PLAINS BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Expiration of Term</u>
Lee A. Lusardi Connor, President	2013
Cynthia Fetherston, Vice-President	2013
Alan Albin	2012
Scott Bober	2014
Terri Kaag	2012
Maria Manley	2013
Wayne Marek	2012
Douglas McCabe	2014
Denise Rawding	2014

<u>Other Officials</u>	<u>Title</u>
Dennis Mack	Interim Superintendent until August 15, 2011
Dr. Ernest Palestis	Interim Superintendent from August 15, 2011
Alice Bresett	Business Administrator/Board Secretary

**MORRIS PLAINS BOROUGH SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Nisivoccia LLP, CPAs
200 Valley Road, Suite 300
Mount Arlington, New Jersey 07856
and
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Attorney

Anthony Sciarrillo, Esq.
Linabury, McCormic & Eastbrook
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Westfield, New Jersey 07091

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PO Box 2355
Morristown, New Jersey 07962

Architects

The Musial Group
191 Mill Lane
Mountainside, New Jersey 07092

Parette-Somjen Architects
439 Route 46 East
Rockaway, New Jersey 07866

Official Depositories

Investors Savings Bank
736 Speedwell Avenue
Morris Plains, New Jersey 07950

TD Bank
11000 Atrium Way
Mount Laurel, New Jersey 08054

FINANCIAL SECTION



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

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Morris Plains Borough School District in the County of Morris as of and for the fiscal year ended June 30, 2011 which collectively comprise the School District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Morris Plains Borough School District in the County of Morris as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2011 on our consideration of the Board of Education of the Morris Plains Borough 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

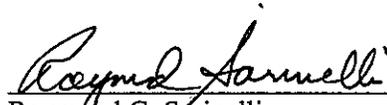
The Honorable President and Members
of the Board of Education
Morris Plains Borough School District
Page 2

The Management's Discussion and Analysis and Budgetary Comparison Information on Schedules C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Morris Plains Borough School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey OMB's Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

September 13, 2011
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond G. Sarinelli
Licensed Public School Accountant #864
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Morris Plains Borough School District
Management Discussion and Analysis
Unaudited**

This section of Morris Plains Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status is stable, in spite of a significant decrease in state aid for several years.
- Overall revenue was \$15.5 million.
- Enrollment in the District has been steady for the last several years while cost per pupil has continued to increase.

Overview of the Financial Statements

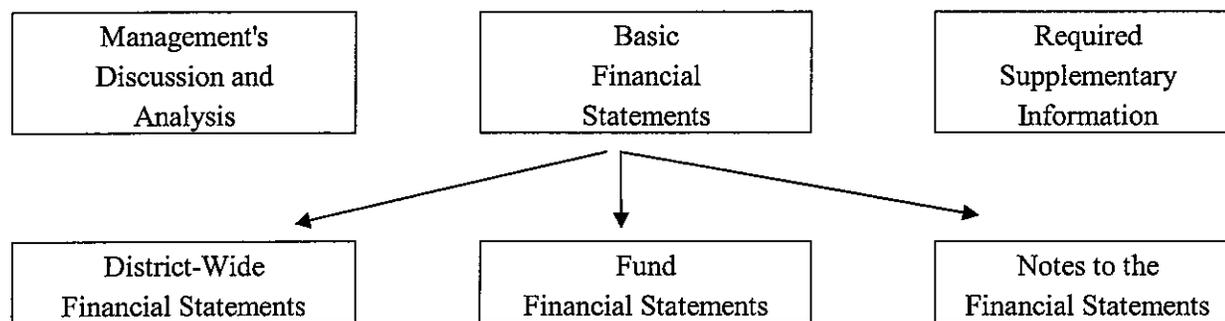
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

Figure A-1

Organization of Morris Plains Borough School District's Financial Report



**Morris Plains Borough School District
Management Discussion and Analysis
Unaudited**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Morris Plains Borough School District
Management Discussion and Analysis
Unaudited**

District-wide Statements

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

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

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

In the District-wide financial statements, the District's activities are divided into two categories:

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

**Morris Plains Borough School District
Management Discussion and Analysis
Unaudited**

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.
- *Notes to Financial Statements:* Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets increased \$386,918. Net assets from governmental activities increased by \$383,609 combined with an increase in net assets from business activities of \$3,309. Net assets invested in capital assets increased by \$231,873, reserved net assets increased by \$105,824 and unrestricted net assets increased by \$49,211.

Figure A-3

Condensed Statement of Net Assets

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	
Current and Other Assets	\$ 1,770,511	\$ 1,635,565	\$ 18,547	\$ 29,609	\$ 1,789,058	\$ 1,665,174	7.44%
Capital Assets	15,785,202	16,161,823	22,767	17,273	15,807,969	16,179,096	-2.29%
Total Assets	17,555,713	17,797,388	41,314	46,882	17,597,027	17,844,270	-1.39%
Long-Term Debt Outstanding	4,698,653	5,495,387			4,698,653	5,495,387	-14.50%
Other Liabilities	675,049	503,599	502	9,379	675,551	512,978	31.69%
Total Liabilities	5,373,702	5,998,986	502	9,379	5,374,204	6,008,365	-10.55%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	10,945,202	10,718,823	22,767	17,273	10,967,969	10,736,096	2.16%
Reserved	1,069,956	964,132			1,069,956	964,132	10.98%
Unrestricted	166,853	115,447	18,045	20,230	184,898	135,677	36.28%
Total Net Assets	\$ 12,182,011	\$ 11,798,402	\$ 40,812	\$ 37,503	\$ 12,222,823	\$ 11,835,905	3.27%

Changes in Net Assets. The District's combined net assets were \$12,222,823 on June 30, 2011, or \$386,918 greater than they were the year before. (See Figure A-3).

**Morris Plains Borough School District
Management Discussion and Analysis
Unaudited**

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	
Revenue:							
Program Revenue:							
Charges for Services	\$ 54,992		\$ 98,577	\$ 99,505	\$ 153,569	\$ 99,505	54.33%
Operating Grants & Contributions	1,061,940	\$ 1,421,747	24,190	27,042	1,086,130	1,448,789	-25.03%
Capital Grants & Contributions	17,244				17,244		
General Revenue:							
Property Taxes	13,956,109	13,442,957			13,956,109	13,442,957	3.82%
Federal and State Aid	225,196	280,668			225,196	280,668	-19.76%
Other	205,799	245,838	8,625	30	214,424	245,868	-12.79%
Total Revenue	15,521,280	15,391,210	131,392	126,577	15,652,672	15,517,787	0.87%
Expenses:							
Instruction	5,655,319	5,730,961			5,655,319	5,730,961	-1.32%
Pupil and Instruction Services	5,902,678	6,046,389			5,902,678	6,046,389	-2.38%
Administrative and Business	1,226,849	1,209,947			1,226,849	1,209,947	1.40%
Maintenance and Operations	1,068,762	1,113,391			1,068,762	1,113,391	-4.01%
Transportation	603,024	670,137			603,024	670,137	-10.01%
Other	681,039	502,846	128,083	126,331	809,122	629,177	28.60%
Total Expenses	15,137,671	15,273,671	128,083	126,331	15,265,754	15,400,002	-0.87%
Increase/(Decrease) in Net Assets	\$ 383,609	\$ 117,539	\$ 3,309	\$ 246	\$ 386,918	\$ 117,785	

Revenue Sources. The District's total revenue for the school year was \$15,652,672, (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting of \$13,956,109 of the total, or 89.16 percent. (See Figure A-5). Approximately 8.48 percent came from state and federal aid and the remainder from miscellaneous sources.

**Figure A-5
Sources of School District Revenue - Fiscal Year 2011**

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 177,371	1.13%
Property Taxes	13,956,109	89.16%
Federal and State Categorical Grants	1,151,199	7.35%
Charges for Services	153,569	0.98%
Other	214,424	1.38%
	\$ 15,652,672	100.00%

The total cost of all programs and services was \$15,265,754. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (79.67 percent). (See Figure A-6). The District's administrative and maintenance and operations costs accounted for 15.04 percent of total costs. It is important to remember that \$413,486 in depreciation is included in expenses for the year.

**Morris Plains Borough School District
Management Discussion and Analysis
Unaudited**

**Figure A-6
Sources of School District Expenses - Fiscal Year 2011**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 5,655,319	37.05%
Pupil and Instruction Services	5,902,678	38.67%
Administrative and Business	1,226,849	8.04%
Maintenance and Operations	1,068,762	7.00%
Transportation	603,024	3.95%
Other	809,122	5.30%
	<u>\$ 15,265,754</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District remains stable. Maintaining existing programs along with the provision of programs and services for students with special needs place great demands on the District's resources along with rising employee salary and benefits costs.

Careful management of expenses remains essential for the District to maintain its financial health. State aid is decreasing while costs continue to escalate.

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

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

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	2010/11	2009/10	2010/11	2009/10
Instruction	\$ 5,655,319	\$ 5,730,961	\$ 4,638,754	\$ 4,479,703
Pupil and Instruction Services	5,902,678	6,046,389	5,814,152	6,027,698
Administrative and Business	1,226,849	1,209,947	1,226,849	1,169,491
Maintenance and Operations	1,068,762	1,113,391	1,068,762	1,113,391
Transportation	603,024	670,137	591,184	558,795
Other	681,039	502,846	663,794	502,846
	<u>\$ 15,137,671</u>	<u>\$ 15,273,671</u>	<u>\$ 14,003,495</u>	<u>\$ 13,851,924</u>

- The cost of all governmental activities this year was \$15.1 million.
- Approximately \$14.0 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from federal and state grants and other miscellaneous revenue.

**Morris Plains Borough School District
Management Discussion and Analysis
Unaudited**

Business-Type Activities

Net assets from the District's business-type activity increased by \$3,309, (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenues exceeded expenses by \$3,309, accounting for all of the increase in the net assets of the business-type activities.

Financial Analysis of the District's Funds

The District's financial position remains relatively stable. Revenues increased this year mainly due to collecting tuition not collected in prior years. Expenditures during the recent year increased as a result of increased special education costs including out-of-district private school tuition and related services.

Another area that contributed to increased expenses is our sending tuition for high school students. The cost per student is the highest in the County and the number of students attending public high school is increasing due to a combination of higher enrollment and the economy (less students attending private high schools).

Salary and employee benefit costs also increased this year. These costs are mainly governed by collective bargaining agreements. Health benefit costs are rising at a much higher rate than the district budget cap.

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

General Fund Budgetary Highlights

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

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

Capital Asset and Debt Administration

Figure A-8

Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2011	2010	2011	2010	2011	2010	Change 2010-2011
Sites	\$ 951,200	\$ 951,200			\$ 951,200	\$ 951,200	0.00%
Site Improvements	632,870	680,966			632,870	680,966	-7.60%
Buildings & Building Improvements	14,051,030	14,426,531			14,051,030	14,426,531	-2.67%
Machinery & Equipment	150,102	103,126	\$ 22,767	\$ 17,273	172,869	120,399	30.35%
Total	\$ 15,785,202	\$ 16,161,823	\$ 22,767	\$ 17,273	\$ 15,807,969	\$ 16,179,096	-2.35%

**Morris Plains Borough School District
Management Discussion and Analysis
Unaudited**

Capital Asset and Debt Administration

- Change in Capital Assets is a result of the acquisition of assets in the amount of \$61,540 combined with depreciation expense of \$413,486 and adjustments of (\$19,181).

Long-term Debt

At year-end, the District had a net of \$4,840,000 in general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

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

	Total School District		Percentage Change 2010-2011
	2011	2010	
Net General Obligation Bonds (Financed with Property Taxes)	\$ 4,649,914	\$ 5,443,000	-17.06%
Other Long Term Debt	48,739	52,387	-7.48%
Total	\$ 4,698,653	\$ 5,495,387	16.96%

- The District continued to pay down its debt, retiring \$360,000 of outstanding bonds.
- The District issued \$4,470,000 of School Refunding Bonds which advanced refunded or defeased \$4,713,000 of the 2003 School Bonds
- Compensated absences payable decreased by a net amount of \$3,648.

Factors Bearing on the District's Future

Currently, the District is in good financial condition. Everyone associated with the Board of Education is grateful for the community support of the schools. However, due to an environment of decreasing state aid, there is an ever-increasing reliance on local property taxes to fund school district operations. A major concern is that an extraordinary financial burden is placed on taxpayers just to maintain appropriate class sizes and services.

Future finances will be challenged even further with the continued effect of legislation that impacts the financial operation of the School District. S1701, adopted by the State of New Jersey on June 17, 2004, forced the District to cut its allowable undesignated general fund balance to 2% of the District's total adjusted expenditures which leaves the District with very little protection in the event of unforeseen emergencies. This law also places limits on the District's ability to transfer funds into capital reserve for the construction and maintenance of school facilities, the ability to transfer available fund balance as needed and the ability to transfer available funds between appropriation accounts. Taking away the option of transferring available funds during the budget year will severely impact our ability to maintain and improve our facilities.

Contacting the District's Financial Management

This financial report is designed to provide the District's 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 financial information, contact the Board of Education Office at 500 Speedwell Avenue, Morris Plains, NJ 07950.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 1,075,082	\$ 16,931	\$ 1,092,013
Receivables from Other Governments	103,479		103,479
Other Receivables	229,583		229,583
Unamortized Bond Issuance Costs	94,452		94,452
Inventory		1,616	1,616
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	267,915		267,915
Capital Assets:			
Sites (Land)	951,200		951,200
Depreciable Site Improvements, Building and Building Improvements and Machinery and Equipment	14,834,002	22,767	14,856,769
Total Assets	<u>17,555,713</u>	<u>41,314</u>	<u>17,597,027</u>
<u>LIABILITIES:</u>			
Accounts Payable - Vendors	124,448		124,448
Accrued Interest Payble	21,064		21,064
Deferred Revenue	2,000	502	2,502
Unamortized Bond Premiums	527,537		527,537
Noncurrent Liabilities:			
Due Within One Year, Net	404,160		404,160
Due Beyond One Year, Net	4,294,493		4,294,493
Total Liabilities	<u>5,373,702</u>	<u>502</u>	<u>5,374,204</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	10,945,202	22,767	10,967,969
Reserved for:			
Capital Projects	267,915		267,915
Debt Service	9,642		9,642
Other Purposes	792,399		792,399
Unrestricted	166,853	18,045	184,898
Total Net Assets	<u>\$ 12,182,011</u>	<u>\$ 40,812</u>	<u>\$ 12,222,823</u>

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Governmental Activities:						
Instruction:						
Regular	\$ 4,232,330		\$ 560,382		\$ (3,671,948)	\$ (3,671,948)
Special Education	1,100,359		426,779		(673,580)	(673,580)
School -Sponsored/Other Instruction	322,630		29,405		(293,225)	(293,225)
Support Services:						
Tuition	4,727,528	\$ 54,992			(4,672,536)	(4,672,536)
Student and Instruction Related Services	1,175,150		33,534		(1,141,616)	(1,141,616)
General Administration Services	481,711				(481,711)	(481,711)
School Administration Services	370,046				(370,046)	(370,046)
Central Services	283,960				(283,960)	(283,960)
Administration Information Technology	91,132				(91,132)	(91,132)
Plant Operations and Maintenance	1,068,762				(1,068,762)	(1,068,762)
Pupil Transportation	603,024		11,840		(591,184)	(591,184)
Interest on Long-Term Debt	166,676				(166,676)	(166,676)
Unallocated Depreciation	393,974				(393,974)	(393,974)
Capital Outlay	87,518			\$ 17,244	(70,274)	(70,274)
Charter Schools	32,871				(32,871)	(32,871)
Total Governmental Activities	15,137,671	54,992	1,061,940	17,244	(14,003,495)	(14,003,495)

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Business-Type Activities:						
Food Service	\$ 128,083	\$ 98,577	\$ 24,190		\$ (5,316)	\$ (5,316)
Total Business-Type Activities	<u>128,083</u>	<u>98,577</u>	<u>24,190</u>		<u>(5,316)</u>	<u>(5,316)</u>
Total Primary Government	<u>\$ 15,265,754</u>	<u>\$ 153,569</u>	<u>\$ 1,086,130</u>	<u>\$ 17,244</u>	<u>\$ (14,003,495)</u>	<u>\$ (14,008,811)</u>
General Revenues and Special Items:						
Taxes:						
				\$ 13,377,690		\$ 13,377,690
				578,419		578,419
				225,196		225,196
				6,189	\$ 38	6,227
				199,610		199,610
					8,587	8,587
				<u>14,387,104</u>	<u>8,625</u>	<u>14,395,729</u>
					383,609	386,918
				<u>11,798,402</u>	<u>37,503</u>	<u>11,835,905</u>
				<u>\$ 12,182,011</u>	<u>\$ 40,812</u>	<u>\$ 12,222,823</u>

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

FUND FINANCIAL STATEMENTS

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,064,899		\$ 541	\$ 9,642	\$ 1,075,082
Interfund Receivables	95,466				95,466
Receivables From Federal Government		\$ 103,479			103,479
Receivables From State Government	212,339		17,244		229,583
Restricted Cash and Cash Equivalents	267,915				267,915
Total Assets	\$ 1,640,619	\$ 103,479	\$ 17,785	\$ 9,642	\$ 1,771,525
 LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payable		\$ 77,681	\$ 17,785		\$ 95,466
Accounts Payable - Vendors	\$ 100,650	23,798			124,448
Deferred Revenue		2,000			2,000
Total Liabilities	100,650	103,479	17,785		221,914
 Fund Balances:					
Restricted for:					
Capital Reserve Account	267,915				267,915
Tuition Reserve Designated for:					
2011-2012 Budget	70,000				70,000
2012-2013 Budget	200,000				200,000
Maintenance Reserve	75,000				75,000
Excess Surplus Designated for Subsequent Year's Expenditures	200,772				200,772
Excess Surplus					
Debt Service				\$ 9,642	9,642

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
LIABILITIES AND FUND BALANCES:					
Assigned:					
Other Purposes	\$ 246,627				\$ 246,627
Unassigned	479,655				479,655
Total Fund Balances	1,539,969			\$ 9,642	1,549,611
Total Liabilities and Fund Balances	\$ 1,640,619	\$ 103,479	\$ 17,785	\$ 9,642	

Amounts Reported for *Governmental Activities* in the Statement of Net Assets (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 \$31,748,646 and the accumulated depreciation is \$15,963,444.

\$ 15,785,202

Interest on long-term debt is not accrued in Governmental Funds, but rather is recognized as an expenditure when due.

(21,064)

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. Deferred Bond Interest costs are not reported as expenditures in the Governmental Funds in the year of the expenditures.

(4,698,652)

Bond premiums are reported as revenue in the Governmental Funds in the year the bonds are sold.

The premium is \$527,537 and accumulated amortization is \$-0-.

(527,537)

Bond issuance costs are reported as expenditures in the Governmental Funds in the year the bonds are sold.

The cost is \$94,451 and accumulated amortization is \$-0-

94,451

Net Assets of Governmental Activities

\$ 12,182,011

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 13,377,690			\$ 578,419	\$ 13,956,109
Interest Earned on Capital Reserve Funds	53				53
Tuition - Other Lea's within the State	41,992				41,992
Tuition - Individuals	13,000				13,000
Miscellaneous	203,604	\$ 2,100	\$ 41		205,745
Total - Local Sources	13,636,339	2,100	41	578,419	14,216,899
State Sources	992,506		17,244		1,009,750
Federal Sources		294,630			294,630
Total Revenue	14,628,845	296,730	17,285	578,419	15,521,279
EXPENDITURES					
Current:					
Regular Instruction	2,758,450	268,239			3,026,689
Special Education Instruction	742,386	28,491			770,877
School Sponsored/Other Instruction	225,724				225,724
Support Services and Undistributed Costs:					
Tuition	4,727,528				4,727,528
Student & Instruction Related Services	1,022,735				1,022,735
General Administrative Services	422,551				422,551
School Administrative Services	260,466				260,466
Central Services	226,259				226,259
Administrative Information Technology	77,263				77,263
Plant Operations and Maintenance	951,475				951,475
Pupil Transportation	593,533				593,533
Allocated and Unallocated Benefits	2,138,761				2,138,761

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES					
Debt Service:					
Principal				\$ 360,000	\$ 360,000
Interest and Other Charges				218,418	218,418
Transfer of Funds to Charter Schools	\$ 32,871				32,871
Capital Outlay	78,180		\$ 43,110		121,290
Total Expenditures	<u>14,258,182</u>	<u>\$ 296,730</u>	<u>43,110</u>	<u>578,418</u>	<u>15,176,440</u>
Excess/(Deficit) of Revenue over/(under) Expenditures	370,663		(25,825)	1	344,839
OTHER FINANCING SOURCES/(USES)					
Transfers In	41		25,866	9,641	35,548
Transfers Out	(25,866)		(9,682)		(35,548)
Total Other Financing Sources/(Uses)	<u>(25,825)</u>		<u>16,184</u>	<u>9,641</u>	
Net Change in Fund Balances	344,838		(9,641)	9,642	344,839
Fund Balance—July 1	1,195,131		9,641		1,204,772
Fund Balance—June 30	<u>\$ 1,539,969</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 9,642</u>	<u>\$ 1,549,611</u>

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 344,839

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:

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

This is the amount by which depreciation and disposal of assets with carrying value differs from capital outlay in the period.

	Depreciation Expense	\$ (410,393)	
	Disposal of Assets with Carrying Value	(27,768)	
	Capital Outlays	<u>61,540</u>	
			(376,621)

Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.

360,000

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

3,648

Debt is issued for the advanced refunding less the amount of bonds defeased are not recorded in the Governmental Funds.

	School Bonds Issued	(4,470,000)	
	School Bonds Defeased	4,713,000	
	School Bond Deferred Interest	190,086	
	School Bond Issuance Costs	94,451	
	School Bond Premium	<u>(527,537)</u>	
			- 0-

In the Statement of Activities, interest on long-term debt is accrued, regardless of when due. In the Governmental Fund, interest is reported when due. The accrued interest is an addition in the reconciliation (+)

51,743

\$ 383,609

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF JUNE 30, 2011

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 16,931
Inventories	1,616
	<hr/>
Total Current Assets	18,547
	<hr/>
Non-Current Assets:	
Capital Assets, Net of Depreciation	
Depreciable Furniture and Equipment	22,767
	<hr/>
Total Non-Current Assets	22,767
	<hr/>
Total Assets	41,314
	<hr/>

LIABILITIES:

Current Liabilities:	
Deferred Revenue	502
	<hr/>
Total Current Liabilities	502
	<hr/>

NET ASSETS:

Investment in Capital Assets Net of Related Debt	22,767
Unrestricted	18,045
	<hr/>
Total Net Assets	\$ 40,812
	<hr/>

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 77,780
Daily Sales - Non-Reimbursable Programs	20,797
	<hr/>
Total Operating Revenue	98,577
	<hr/>
Operating Expenses:	
Cost of Sales	59,200
Salaries, Benefits & Payroll Taxes	44,543
Supplies, Insurance & Other Costs	10,794
Management Fee	10,453
Depreciation Expense	3,093
	<hr/>
Total Operating Expenses	128,083
	<hr/>
Operating Loss	(29,506)
	<hr/>
Non-Operating Income:	
Local Sources:	
Interest Income	38
State Sources:	
State School Lunch Program	1,362
Federal Sources:	
National School Lunch Program	13,734
Food Distribution Program	9,094
	<hr/>
Total Non-Operating Income	24,228
	<hr/>
Change in Net Assets	(5,278)
Adjustment to Capital Assets	8,587
	<hr/>
Net Assets - Beginning of Year	37,503
	<hr/>
Net Assets - End of Year	\$ 40,812
	<hr/> <hr/>

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 104,035
Payments to Employees	(44,543)
Payments to Food Service Vendor	(67,884)
Payments to Suppliers	(10,794)
	<hr/>
Net Cash Used for Operating Activities	(19,186)
	<hr/>
Cash Flows Provided for Investing Activities:	
Local Sources:	
Interest Income	38
	<hr/>
Net Cash Provided by Investing Activities	38
	<hr/>
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program	1,471
Federal Sources:	
National School Lunch Program	14,738
	<hr/>
Net Cash Provided by Noncapital Financing Activities	16,209
	<hr/>
Net Decrease in Cash and Cash Equivalents	(2,939)
	<hr/>
Cash and Cash Equivalents, July 1	19,870
	<hr/>
Cash and Cash Equivalents, June 30	\$ 16,931
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (29,506)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	3,093
Food Distribution Program	9,094
Changes in Assets and Liabilities:	
Decrease in Inventory	1,552
Decrease in Interfund Receivable	5,458
(Increase) in Deferred Revenue	(1,034)
(Increase) in Accounts Payable	(7,843)
	<hr/>
Net Cash Used for Operating Activities	\$ (19,186)
	<hr/> <hr/>

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities through the Food Distribution Program valued at \$10,495 and Utilized Commodities Valued at \$9,743.

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency	Unemployment Compensation Fund
ASSETS:		
Cash and Cash Equivalents	\$ 281,157	\$ 40,376
Interfund Receivable		8,525
	281,157	48,901
LIABILITIES:		
Payroll Deductions and Withholdings	49,862	
Accrued Salaries and Wages	170,745	
Due to Student Groups	52,025	
Interfund Payable	8,525	
	281,157	
NET ASSETS:		
Held in Trust for Unemployment Claims		48,901
	\$ -0-	\$ 48,901

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Fund</u>
Additions:	
Contributions:	
Plan Contributions - Due from Payroll Agency	\$ 8,525
Board Contributions	75,000
Total Contributions	<u>83,525</u>
Investment Earnings:	
Interest	87
Net Investment Earnings	<u>87</u>
Total Additions	<u>83,612</u>
Deductions	
Unemployment Compensation Claims	<u>68,577</u>
Total Deductions	<u>68,577</u>
Change in Net Assets	15,035
Net Assets - Beginning of the Year	<u>33,866</u>
Net Assets - End of the Year	<u><u>\$ 48,901</u></u>

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

B. Basis of Presentation: (Cont'd)

Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses in the program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund and Payroll Agency Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

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

Reports for the District's Enterprise Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements

D. Budgets/Budgetary Control:

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

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

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

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
 (Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 14,552,767	\$ 297,709
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(979)
Prior Year State Aid Payments Recognized for GAAP Statements	83,487	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(7,409)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 14,628,845	\$ 296,730
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,258,182	\$ 297,709
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.		(979)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 14,258,182	\$ 296,730

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

E. Cash and Cash Equivalents and Investments: (Cont'd)

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

H. Encumbrances: (Cont'd)

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

K. Capital Assets:

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

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

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

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in 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.

M. Accrued Salaries and Wages:

The District allows certain employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year. As of June 30, 2011 the amount earned by these employees but not disbursed was \$170,745.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service.

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

O. Deferred Revenue:

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,539,969 General Fund fund balance at June 30, 2011, \$246,627 is assigned for encumbrances; \$267,915 is restricted in the capital reserve account; \$75,000 has been restricted in the maintenance reserve account; \$70,000 has been restricted for tuition adjustment for the fiscal year ended June 30, 2012 and \$200,000 has been restricted for tuition adjustment for the fiscal year ended June 30, 2013 in accordance with N.J.A.C. 6A:23-3.1(F)(8); \$200,772 is restricted as prior year excess surplus in accordance with N.J.S.A. 18A:7F (S1701) and has been appropriated and included as anticipated revenue for the year ending June 30, 2012, and \$479,655 is unassigned fund balance, which is \$7,409 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2012

Debt Service Fund: The Debt Service Fund has \$9,642 of restricted fund balance at June 30, 2011.

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

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$7,409, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payment and not the fund balance reported on the fund statement which excludes the last state aid payment.

Q. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

R. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes 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 the resources reported in governmental funds.

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2011.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances in the General Fund at June 30, 2011.

S. Revenue - Exchange and Nonexchange Transactions:

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

S. Revenue - Exchange and Nonexchange Transactions:

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

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

T. Operating Revenue and Expenses:

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

U. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2011, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve</u>	<u>Total</u>
Checking & Savings Accounts	\$ 1,413,546	\$ 267,915	\$ 1,681,461
	<u>\$ 1,413,546</u>	<u>\$ 267,915</u>	<u>\$ 1,681,461</u>

During the period ended June 30, 2011, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was \$1,681,461 and the bank balance was \$1,944,023.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	Balance 6/30/2010	Increases	Adjustments/ Decreases	Balance 6/30/2011
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 951,200			\$ 951,200
Construction in Progress		\$ 43,110	\$ (43,110)	
Total Capital Assets not Being Depreciated	951,200	43,110	(43,110)	951,200
Capital Assets Being Depreciated:				
Site Improvements	916,576			916,576
Buildings and Building Improvements	29,415,679		85,158	29,500,837
Machinery and Equipment	315,453	18,430	46,150	380,033
Total Capital Assets Being Depreciated	30,647,708	18,430	131,308	30,797,446
Governmental Activities Capital Assets	31,598,908	61,540	88,198	31,748,646
Less Accumulated Depreciation for:				
Site Improvements	(235,610)	(45,829)	(2,267)	(283,706)
Buildings and Building Improvements	(14,989,148)	(342,653)	(118,006)	(15,449,807)
Machinery and Equipment	(212,327)	(21,911)	4,307	(229,931)
Total Accumulated Depreciation	(15,437,085)	(410,393)	(115,966)	(15,963,444)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 16,161,823	\$ (348,853)	\$ (27,768)	\$ 15,785,202
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 35,200		\$ 11,200	\$ 46,400
Less Accumulated Depreciation	(17,927)	\$ (3,093)	(2,613)	(23,633)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 17,273	\$ (3,093)	8,587	\$ 22,767
GRAND TOTAL	\$ 16,179,096	\$ (351,946)	\$ (19,181)	\$ 15,807,969

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 10,082
General and School Administration Services	1,607
Operations and Maintenance of Plant	4,730
General/Unallocated	393,974
	<u>\$ 410,393</u>

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 5. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Morris Plains Borough School District in 1997, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end of any unanticipated revenue or unexpended line item appropriations, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account 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 July 1, 2010 to June 30, 2011 fiscal year is as follows:

Balance at June 30, 2010	\$	283,522
Interest		53
Increased by Board Resolution June 9, 2011		81,340
Budget Withdrawal		<u>(97,000)</u>
Balance at June 30, 2011	\$	<u>267,915</u>

The balance in the capital reserve account at June 30, 2011 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan ("LRFP"). The withdrawal from the capital reserve was for use in a DOE approved facilities project, consistent with the District's LRFP.

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2011, the District transferred \$133,164 to capital outlay accounts for the acquisition of equipment. These transfers did not require approval of the County Superintendent. The transfers of \$25,866 were for a State approved SDA Project.

NOTE 7. LONG-TERM LIABILITIES:

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2010	Accrued	Defeased/ Retired	Balance 6/30/2011
Bonds Payable	\$ 5,443,000	\$ 4,470,000	\$ 5,073,000	\$ 4,840,000
Deferred Interest		<u>(190,086)</u>		<u>(190,086)</u>
Net Serial Bonds Payable	5,443,000	4,279,914	5,073,000	4,649,914
Compensated Absences Payable	52,387	2,363	6,011	48,739
	<u>\$ 5,495,387</u>	<u>\$ 4,282,277</u>	<u>\$ 5,079,011</u>	<u>\$ 4,698,653</u>

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7. LONG-TERM LIABILITIES: (Cont'd)

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and will be retired through the Debt Service Fund.

On June 1, 2011 the District issued \$4,470,000 refunding bonds with interest rates ranging from 3.00-5.00% to refund \$4,713,000 of the \$7,533,000 school bonds dated 2/27/2003 with rates ranging from 3.20% to 4.30%. As a result of the advance refunding, the School District reduced its total debt service requirement by 228,992, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$243,000, or a 5.156 % net present value savings.

The refunding bonds will mature on February 15, 2012 through February 15, 2023 and constitute an advanced refunding. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent who will pay the debt service requirements of the refunded bonds on February 15, 2013, which is the first optional redemption date. The refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

The District has bonds outstanding as of June 30, 2011 as follows:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
2/15/2012	3.25%	\$ 370,000
2/15/2023	3.00-5.00%	4,470,000
		<u>\$ 4,840,000</u>

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

<u>Year Ending June 30,</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 420,000	\$ 136,371	\$ 556,371
2013	360,000	195,100	555,100
2014	365,000	184,300	549,300
2015	370,000	173,350	543,350
2016	380,000	158,550	538,550
2017-2021	2,060,000	531,100	2,591,100
2022-2023	885,000	66,750	951,750
	<u>\$ 4,840,000</u>	<u>\$ 1,445,521</u>	<u>\$ 6,285,521</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2011, the Board has no bonds authorized but not issued.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7. LONG-TERM LIABILITIES: (Cont'd)

C. Capital Leases Payable:

The District had no capital leases as of June 30, 2011.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability and will be liquidated through the General Fund. There is no current portion of the compensated absences balance of the governmental funds in the current year; therefore, the entire \$48,739 represents the long-term liability balance of compensated absences.

There is no liability for compensated absences in the District's Enterprise Funds.

NOTE 8. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$75,000 was established by the Morris Plains Borough School District by board resolution on June 7, 2011. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District Contributions to PERS amounted to \$85,593, \$79,449 and \$78,835 for the fiscal years ended June 30, 2011, 2010 and 2009, respectively.

During the fiscal years ended June 30, 2011, 2010 and 2009 the State of New Jersey contributed \$-0-, \$-0- and \$-0-, respectively, to the TPAF for normal pension benefits on-behalf of the District.

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2010 there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 10. POST-RETIREMENT BENEFITS (Cont'd)

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$228,363, \$248,140, and \$205,756 for 2011, 2010, and 2009, respectively.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health benefit coverage through the Horizon Blue Cross Blue Shield.

Property and Liability Insurance

The District insures property, liability and health benefits through purchased insurance policies with the exception of workers' compensation coverage. The District is a member of the Morris-Essex Insurance Group (the "Group"). The Group provides its members with workers' compensation coverage. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school districts established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

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

The June 30, 2011 audit report for the fund is not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2010 is as follows:

	Morris Essex Insurance Group
Total Assets	\$ 6,704,867
Net Assets	\$ 2,481,257
Total Revenue	\$ 2,839,218
Total Expenses	\$ 2,151,940
Change in Net Assets	\$ 687,278
Net Assets Distribution to Participating Members	\$ 607,096

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

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

The Burton Agency
44 Bergen Street
PO Box 270
Westwood, New Jersey 07675
(201) 664-0310

New Jersey Unemployment Compensation Insurance

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

The following is a summary of District contributions, employee contributions, interest earnings, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2008-2009	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -
2009-2010	-0-	40,372	5	6,511	33,866
2010-2011	75,000	8,525	87	68,577	48,901

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2011.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 95,466	
Special Revenue Fund		\$ 77,681
Capital Projects Fund		17,785
	<u>\$ 95,466</u>	<u>\$ 95,466</u>

The interfund receivable in the General Fund and the Capital Projects Fund represents cash advanced to the Capital projects fund awaiting receipt of the State SDA Grant and the current year interest not transferred as of June 30, 2011. The interfund between the General Fund and the Special Revenue fund represents cash advanced to the Special Revenue Fund awaiting the receipt of federal grant awards.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 13. DEFERRED COMPENSATION

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

Equitable	Lincoln National Insurance	Franklin Templeton
Oppenheimer	Lincoln Financial Group	

NOTE 14. ECONOMIC DEPENDENCY

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

NOTE 15. TAX CALENDAR

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

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

NOTE 16. CONTINGENT LIABILITIES

Litigation

The District is periodically involved in other pending lawsuits. The District estimates that the potential claims against it resulting from such other litigation and not covered by insurance would not materially affect the financial statements of the District.

Grant Programs

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

Arbitrage

The District is not subject to liability for arbitrage payable to the federal government relative to its \$7,533,000 School Bonds dated February 27, 2003 nor its \$4,470,000 Refunding Bonds dated June 1, 2011 as the District is considered a small issuer with debt under \$15,000,000.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 16. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2011, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ 246,627	\$ 989	\$ -0-	\$ -0-	\$ 247,616

On the District's Governmental Funds Balance Sheet as of June 30, 2011, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$989 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized on a GAAP basis and are reflected as either a reduction in grants receivables or an increase in deferred revenue.

BUDGETARY COMPARISON SCHEDULES

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 13,377,690		\$ 13,377,690	\$ 13,377,690	
Interest on Capital Reserve	1,000		1,000	53	\$ (947)
Tuition - Other Lea's within the State	75,000		75,000	41,992	(33,008)
Tuition - Individuals				13,000	13,000
Unrestricted Miscellaneous Revenue	50,000		50,000	203,604	153,604
Total - Local Sources	13,503,690		13,503,690	13,636,339	132,649
State Sources:					
Special Education Aid	177,371		177,371	177,371	
Extraordinary Aid				201,400	201,400
Non Public Transportation				10,525	10,525
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				10,752	10,752
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				228,363	228,363
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				288,017	288,017
Total State Sources	177,371		177,371	916,428	739,057
TOTAL REVENUE	13,681,061		13,681,061	14,552,767	871,706
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers					
Kindergarten - Salaries of Teachers	247,065	\$ 7,591	254,656	254,656	
Grades 1-5 - Salaries of Teachers	1,329,053	25,318	1,354,371	1,354,371	
Grades 6-8 - Salaries of Teachers	1,058,830	(6,419)	1,052,411	1,036,760	15,651

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Home Instruction:					
Salaries of Teachers	\$ 1,000	\$ 3,000	\$ 4,000	\$ 3,339	\$ 661
Purchased Professional and Education Services	1,000	(1,000)			
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	4,210	44,125	48,335	4,210	44,125
General Supplies	103,277	(4,210)	99,067	95,470	3,597
Textbooks	9,644	4,210	13,854	9,644	4,210
Total Regular Programs - Instruction	<u>2,754,079</u>	<u>72,615</u>	<u>2,826,694</u>	<u>2,758,450</u>	<u>68,244</u>
Special Education - Instruction:					
Visual Impairments:					
Other Salaries for Instruction	25,979		25,979	24,705	1,274
General Supplies	500		500	357	143
Total Visual Impairments	<u>26,479</u>		<u>26,479</u>	<u>25,062</u>	<u>1,417</u>
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	52,140		52,140	52,140	
Other Salaries for Instruction	38,172	(1,478)	36,694	24,147	12,547
General Supplies	4,574		4,574	3,128	1,446
Textbooks	4,352		4,352	3,601	751
Total Multiple Disabilities	<u>99,238</u>	<u>(1,478)</u>	<u>97,760</u>	<u>83,016</u>	<u>14,744</u>

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 415,219		\$ 415,219	\$ 413,444	\$ 1,775
Other Salaries for Instruction	154,258	\$ (23,615)	130,643	130,591	52
General Supplies	8,376		8,376	4,913	3,463
Textbooks	300		300	232	68
Total Resource Room/Resource Center	578,153	(23,615)	554,538	549,180	5,358
Preschool Disabilities - Part-Time:					
Salaries of Teachers	57,492	86	57,578	57,578	
Other Salaries for Instruction	27,273	(86)	27,187	26,733	454
General Supplies	1,000		1,000	817	183
Total Preschool Disabilities - Part-Time	85,765		85,765	85,128	637
Total Special Education - Instruction	789,635	(25,093)	764,542	742,386	22,156
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	108,249	(5,743)	102,506	80,412	22,094
General Supplies	869		869	430	439
Total Basic Skills/Remedial - Instruction	109,118	(5,743)	103,375	80,842	22,533
Bilingual Education - Instruction:					
Salaries for Teachers	39,665		39,665	39,102	563
General Supplies	750		750	569	181
Total Bilingual Education - Instruction	40,415		40,415	39,671	744

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
School-Sponsored Cocurricular - Instruction:					
Salaries	\$ 23,185		\$ 23,185	\$ 21,896	\$ 1,289
Purchased Services (300-500 series)		\$ 375	375	25	350
Supplies and Materials	5,000	(375)	4,625	1,663	2,962
Total School-Sponsored Cocurricular - Instruction	28,185		28,185	23,584	4,601
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	49,637	(3,875)	45,762	41,526	4,236
Supplies and Materials	3,489		3,489	3,368	121
Other Object	1,355		1,355	1,355	
Transfers to Cover Deficit (Agency Funds)	3,600	1,000	4,600	4,300	300
Total School-Sponsored Cocurricular Athletics - Instruction	58,081	(2,875)	55,206	50,549	4,657
Summer School - Instruction:					
Salaries for Teachers	11,500	19,578	31,078	31,078	
Total Summer School - Instruction	11,500	19,578	31,078	31,078	
Total Instruction	3,791,013	58,482	3,849,495	3,726,560	122,935

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	\$ 3,187,100		\$ 3,187,100	\$ 3,187,100	
Tuition to Other LEAs Within the State - Special	758,061	\$ (62,093)	695,968	691,522	\$ 4,446
Tuition to Vo-Tech - Regular	36,100	(352)	35,748	35,747	1
Tuition to Private Schools for the Handicapped - Within State	910,959	(42,300)	868,659	813,159	55,500
Total Undistributed Expenditures - Instruction	<u>4,892,220</u>	<u>(104,745)</u>	<u>4,787,475</u>	<u>4,727,528</u>	<u>59,947</u>
Health Services:					
Salaries	122,700		122,700	119,200	3,500
Purchased Professional and Technical Services	4,300		4,300	4,100	200
Supplies and Materials	1,565		1,565	1,009	556
Total Health Services	<u>128,565</u>		<u>128,565</u>	<u>124,309</u>	<u>4,256</u>
Other Support Services - Students - Related Services:					
Salaries		60,048	60,048	60,048	
Purchased Professional - Educational Services	311,500	(34,832)	276,668	256,998	19,670
Supplies and Materials	3,032	1,000	4,032	3,619	413
Total Other Support Services - Students - Related Services	<u>314,532</u>	<u>26,216</u>	<u>340,748</u>	<u>320,665</u>	<u>20,083</u>
Other Support Services - Students - Extraordinary Services					
Salaries		2,300	2,300	2,211	89
Total Other Support Services - Students - Extraordinary Services		<u>2,300</u>	<u>2,300</u>	<u>2,211</u>	<u>89</u>

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Other Support Services - Students - Guidance					
Salaries	\$ 81,209		\$ 81,209	\$ 81,209	
Purchased Professional - Educational Services	12,050	\$ (8,406)	3,644	3,644	
Supplies and Materials	5,243		5,243	1,685	\$ 3,558
Total Other Support Services - Students - Guidance	98,502	(8,406)	90,096	86,538	3,558
Other Support Services - Students - Child Study Team					
Salaries of Other Professional Staff	81,000	(700)	80,300	79,864	436
Purchased Professional - Educational Services	227,000	(14,300)	212,700	208,679	4,021
Supplies and Materials	5,000		5,000	4,956	44
Total Other Support Services - Students - Child Study Team	313,000	(15,000)	298,000	293,499	4,501
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	39,741		39,741	38,212	1,529
Salaries of Other Professional Staff	3,426		3,426	3,426	
Supplies and Materials	3,300		3,300	2,973	327
Total Improvement of Instructional Services	46,467		46,467	44,611	1,856
Educational Media Services/School Library:					
Salaries	115,554		115,554	115,554	
Purchased Professional and Technical Services	4,000	(1,156)	2,844	2,844	
Other Purchased Services (400-500 Series)	8,218	(1,446)	6,772	6,772	
Supplies and Materials	18,782	(2,572)	16,210	15,927	283
Total Educational Media Services/School Library	146,554	(5,174)	141,380	141,097	283

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	\$ 12,400		\$ 12,400	\$ 9,674	\$ 2,726
Other Objects	210		210	131	79
Total Instructional Staff Training Services	12,610		12,610	9,805	2,805
Support Services - General Administration:					
Salaries	176,740	\$ 26,745	203,485	203,485	
Legal Services	50,000	5,677	55,677	55,155	522
Audit Fees	25,000		25,000	25,000	
Architectural/Engineering Fees	5,000	(750)	4,250	4,250	
Other Purchased Services	10,000	11,225	21,225	21,225	
Communications/Telephone	58,000	14,824	72,824	72,209	615
BOE Other Purchased Professional Services	4,500	(4,496)	4	4	
Other Purchased Services (400-500 series)	16,000	(3,340)	12,660	12,660	
General Supplies	5,000	(3,636)	1,364	1,364	
Judgements Against School District	24,000	(8,000)	16,000	16,000	
Miscellaneous Expenditures	5,000	(1,384)	3,616	3,616	
BOE Membership Dues and Fees	10,000	(2,417)	7,583	7,583	
Total Support Services - General Administration	389,240	34,448	423,688	422,551	1,137
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	176,800	(9,481)	167,319	167,319	
Salaries of Secretarial and Clerical Assistants	86,390	(7,227)	79,163	76,746	2,417
Other Purchased Services (400-500 series)	6,400		6,400	6,286	114

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Support Services - School Administration: (Cont'd)					
Supplies and Materials	\$ 8,570		\$ 8,570	\$ 6,892	\$ 1,678
Other Objects	5,189		5,189	3,223	1,966
Total Support Services - School Administration	283,349	\$ (16,708)	266,641	260,466	6,175
Central Services:					
Salaries	196,015	(283)	195,732	189,184	6,548
Purchased Professional Services	8,000	(8,000)			
Purchased Technical Services	15,000	8,170	23,170	23,170	
Miscellaneous Purchased Services (400-500 series)	10,700	(170)	10,530	9,771	759
Supplies and Materials	3,000		3,000	2,859	141
Other Objects	1,900		1,900	1,275	625
Total Central Services	234,615	(283)	234,332	226,259	8,073
Administrative Information Technology:					
Salaries	47,291		47,291	45,472	1,819
Purchased Technical Services	13,340		13,340	6,851	6,489
Other Purchased Services (400-500 Series)	8,430		8,430	7,675	755
Supplies and Materials	14,000	6,337	20,337	17,265	3,072
Total Administrative Information Technology	83,061	6,337	89,398	77,263	12,135

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Required Maintenance of School Facilities:					
Salaries	\$ 72,800		\$ 72,800	\$ 69,622	\$ 3,178
Cleaning, Repair and Maintenance Services	167,711	\$ 38,835	206,546	165,723	40,823
General Supplies	15,500	4,000	19,500	18,850	650
Other Objects	7,100	(4,000)	3,100	2,981	119
Total Required Maintenance of School Facilities	263,111	38,835	301,946	257,176	44,770
Other Operations & Maintenance of Plant:					
Salaries	319,797	(5,115)	314,682	298,675	16,007
Cleaning, Repairs, and Maintenance Services	8,500		8,500	2,490	6,010
Other Purchased Property Services	5,000		5,000	4,341	659
Insurance	63,000	(7,000)	56,000	55,460	540
Miscellaneous Purchased Services	38,727		38,727	38,727	
General Supplies	32,212	8,000	40,212	39,204	1,008
Energy (Natural Gas)	77,700	(8,000)	69,700	45,274	24,426
Energy (Electricity)	252,800	(42,672)	210,128	210,128	
Total Other Operations & Maintenance of Plant	797,736	(54,787)	742,949	694,299	48,650
Student Transportation Services:					
Salaries: Between Home and School - Regular	36,505		36,505	31,118	5,387
Cleaning, Repairs, and Maintenance Services	4,000		4,000	2,917	1,083
Lease/Purchase - School Bus	15,885		15,885	15,885	
Contracted Services: Other Between Home and School - Vendors	45,000	3,684	48,684	46,816	1,868
Contracted Services: Between Home and School - Joint Agreement	21,200	(3,913)	17,287	15,178	2,109

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Student Transportation Services: (Cont'd)					
Contracted Services: Regular Students - ESCs	\$ 14,000	\$ 10,000	\$ 24,000	\$ 19,169	\$ 4,831
Contracted Services: Special Education Students - ESCs	137,000	107,688	244,688	222,489	22,199
Contracted Services: Aid in Lieu of Payments - Non Public Schools	368,554	(92,554)	276,000	228,134	47,866
Miscellaneous Purchased Services - Transportation	11,000	(10,000)	1,000	765	235
Supplies and Materials	10,500	2,783	13,283	11,062	2,221
Total Student Transportation Services	541,054	17,917	558,971	481,619	77,352
Unallocated Benefits:					
Social Security Contribution	122,893		122,893	109,521	13,372
Other Retirement Contributions - PERS	80,000	60,819	140,819	140,661	158
Unemployment Compensation	129,147	(20,600)	108,547	75,000	33,547
Workmen's Compensation	68,976		68,976	68,803	173
Health Benefits	1,282,297	(120,700)	1,161,597	1,153,250	8,347
Tuition Reimbursement	40,000		40,000	33,626	6,374
Other Employee Benefits	31,810	1,173	32,983	30,768	2,215
Total Unallocated Benefits	1,755,123	(79,308)	1,675,815	1,611,629	64,186
Unallocated Benefits:					
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				10,752	(10,752)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				228,363	(228,363)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				288,017	(288,017)
Total Undistributed Expenditures	10,299,739	(158,358)	10,141,381	10,308,657	(167,276)
TOTAL CURRENT EXPENSE	14,090,752	(99,876)	13,990,876	14,035,217	(44,341)

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Grades 1-5		\$ 34,470	\$ 34,470		\$ 34,470
Grades 6-8		50,000	50,000		50,000
Undistributed Expenditures - Central Services		20,264	20,264		20,264
Non-Instructional Services		28,430	28,430	\$ 18,430	10,000
Total Equipment		133,164	133,164	18,430	114,734
Facilities Acquisition and Construction Services:					
Legal Services	\$ 2,000	(2,000)			
Other Purchased Professional and Technical Services	60,774	(46,640)	14,134	13,976	158
Construction Services	80,000	(23,000)	57,000		57,000
Other Objects - Debt Service Assessment		45,774	45,774	45,774	
Total Facilities Acquisition and Construction Services	142,774	(25,866)	116,908	59,750	57,158
Total Capital Outlay	142,774	107,298	250,072	78,180	171,892
Transfer Funds to Charter Schools	21,914	10,957	32,871	32,871	
TOTAL EXPENDITURES	14,255,440	18,379	14,273,819	14,146,268	127,551
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(574,379)	(18,379)	(592,758)	406,499	999,257

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Sources/(Uses):					
Operating Transfer In/(Out):					
Transfer to Capital Projects Fund - Capital Outlay		\$ (25,866)	\$ (25,866)	\$ (25,866)	
Transfer in From Capital Projects Fund				41	\$ 41
Total Other Financing Sources/(Uses)		<u>(25,866)</u>	<u>(25,866)</u>	<u>(25,825)</u>	<u>41</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	\$ (574,379)	(44,245)	(618,624)	380,674	999,298
Fund Balance, July 1	<u>1,278,618</u>		<u>1,278,618</u>	<u>1,278,618</u>	
Fund Balance, June 30	<u>\$ 704,239</u>	<u>\$ (44,245)</u>	<u>\$ 659,994</u>	<u>\$ 1,659,292</u>	<u>\$ 999,298</u>
<u>Recapitulation:</u>					
Restricted:					
Capital Reserve				\$ 267,915	
Excess Surplus - Designated for Subsequent Year's Expenditures				200,772	
Tuition Reserve 2011-2012				70,000	
Tuition Reserve 2012-2013				200,000	
Maintenance Reserve				75,000	
Assigned:					
Year End Encumbrances				246,627	
Unassigned Fund Balance				<u>487,064</u>	
				1,547,378	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				<u>(7,409)</u>	
Fund Balances per Governmental Funds (GAAP)				<u>\$ 1,539,969</u>	

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources		\$ 4,100	\$ 4,100	\$ 2,100	\$ (2,000)
Federal Sources	\$ 248,861	53,965	302,826	295,609	(7,217)
Total Revenue	248,861	58,065	306,926	297,709	(9,217)
Expenditures:					
Instruction:					
Salaries	62,349	8,904	71,253	64,213	7,040
General Supplies		2,162	2,162	2,162	
Total Instruction	62,349	11,066	73,415	66,375	7,040
Support Services:					
Tuition	143,738	23,048	166,786	166,786	
Salaries of Other Professional Staff		11,521	11,521	11,521	
Employee Benefits	28,017	1,534	29,551	28,355	1,196
Purchased Professional/Technical Services		8,245	8,245	8,245	
Purchased Professional/Educational Services		2,100	2,100	2,100	
Other Purchased Services		8,962	8,962	7,981	981
Supplies and Materials	14,757	(8,411)	6,346	6,346	
Total Support Services	186,512	46,999	233,511	231,334	2,177
Total Expenditures	248,861	58,065	306,926	297,709	9,217
Excess/(Deficiency) of Revenue Over/(Under) Expenditures and Other Financing Sources (Uses)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 14,552,767	\$ 297,709
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(979)
Prior Year State Aid Payment Recognized for GAAP Statements	83,487	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(7,409)	
	\$ 14,628,845	\$ 296,730
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.		
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,146,268	\$ 297,709
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.		(979)
	\$ 14,146,268	\$ 296,730
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds		

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Morris Plains Foundation Grant	No Child Left Behind		
		Title I	Title IIA	Title IIA Carryover
REVENUE:				
Local Sources	\$ 2,100			
Federal Sources		\$ 7,591	\$ 9,981	\$ 10,919
Total Revenue	2,100	7,591	9,981	10,919
EXPENDITURES:				
Instruction:				
Salaries of Teachers		4,736		4,573
General Supplies		2,162		
Total Instruction		6,898		4,573
Support Services:				
Tuition				
Salaries of Other Professional Staff				
Employee Benefits		693		
Purchased Professional/Technical Services			2,000	
Purchased Professional Educational Services	2,100			
Other Purchased Services			7,981	
Supplies and Materials				6,346
Total Support Services	2,100	693	9,981	6,346
Total Expenditures	\$ 2,100	\$ 7,591	\$ 9,981	\$ 10,919

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	IDEA			Totals
	Part B	Preschool	Part B ARRA	
REVENUE:				
Local Sources				\$ 2,100
Federal Sources	\$ 166,786	\$ 6,245	\$ 94,087	295,609
Total Revenue	166,786	6,245	94,087	297,709
EXPENDITURES:				
Instruction:				
Salaries of Teachers			54,904	64,213
General Supplies				2,162
Total Instruction			54,904	66,375
Support Services:				
Tuition	166,786			166,786
Salaries of Other Professional Staff			11,521	11,521
Employee Benefits			27,662	28,355
Purchased Professional/Technical Services		6,245		8,245
Purchased Professional Educational Services				2,100
Other Purchased Services				7,981
Supplies and Materials				6,346
Total Support Services	166,786	6,245	39,183	231,334
Total Expenditures	\$ 166,786	\$ 6,245	\$ 94,087	\$ 297,709

CAPITAL PROJECTS FUND

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Revenue:		
SDA Grant	\$	17,244
Interest Earned		41
Total Revenues		<u>17,285</u>
Expenditures:		
Purchased Professional and Technical Services		5,610
Construction Services		37,500
Total Expenditures		<u>43,110</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures		(25,825)
Other Financing Sources/(Uses):		
Operating Transfers In - Capital Outlay		25,866
Operating Transfers Out - General Fund		(41)
Operating Transfers Out - Debt Service		<u>(9,641)</u>
Total Other Financing Sources/(Uses)		<u>16,184</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)		(9,641)
Fund Balance - Beginning Balance		<u>9,641</u>
Fund Balance - Ending Balance	\$	<u><u>-0-</u></u>

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
ADDITIONS AND UPGRADES TO BOROUGH MIDDLE SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
SDA Grant	\$ 3,218,566		\$ 3,218,566	\$ 3,218,566
Bond Proceeds	5,621,182		5,621,182	5,621,182
Total Revenues	8,839,748		8,839,748	8,839,748
Expenditures and Other Financing Sources:				
Purchased Professional and Technical Services	1,641,236		1,641,236	1,648,670
Construction Services	6,861,999		6,861,999	6,865,268
Other Objects	326,872		326,872	325,810
Transfer to Debt Service Fund		\$ 9,641	9,641	
Total Expenditures and Other Financing Sources	8,830,107	9,641	8,839,748	8,839,748
(Deficit) of Revenue and Other Financing Sources Over Expenditures and Other Financing Sources	\$ 9,641	\$ (9,641)	\$ -0-	\$ -0-

Additional Project Information:

Project Numbers	SP#3380-020-03-0042
Grant Date	10/28/2002
Bond Authorization Date	2/3/2003
Bonds Authorized	\$ 5,563,527
Additional Bonds Authorized	57,655
Bonds Issued	5,621,182
Original Authorized Cost	8,782,093
Adjustment to Authorized Cost	57,655
Revised Authorized Cost	<u>\$ 8,839,748</u>
Percentage Increase over Original Authorized Cost	0.66%
Percentage Completion	100%
Original Target Completion Date	09/26/05
Revised Target Completion Date	10/31/08

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
PARTIAL ROOF REPLACEMENT BOROUGH ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
SDA Grant		\$ 17,244	\$ 17,244	\$ 17,244
Transfer from Capital Outlay		25,866	25,866	25,866
Total Revenues and Other Financing Sources		43,110	43,110	43,110
Expenditures and Other :				
Purchased Professional and Technical Services		\$ 5,610	5,610	5,610
Construction Services		37,500	37,500	37,500
Total Expenditures		43,110	43,110	43,110
(Deficit) of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Additional Project Information:

Project Numbers	SP#3380-202-10-G0LI
Grant Date	2/3/2011
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 59,500
Cancelled SDA Grant	(4,456)
Cancelled Capital Outlay	(11,934)
Revised Authorized Cost	<u>\$ 43,110</u>
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completion	100%
Original Target Completion Date	12/01/10
Revised Target Completion Date	N/A

PROPRIETARY FUNDS

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 16,931
Inventories	1,616
	<hr/>

Total Current Assets	<hr/> 18,547
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Non-Current Assets:

Capital Assets, Net of Depreciation	
Depreciable Furniture and Equipment	22,767
	<hr/>

Total Non-Current Assets	<hr/> 22,767
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Total Assets	<hr/> 41,314
--------------	--------------

LIABILITIES:

Current Liabilities:

Deferred Revenue	502
	<hr/>

Total Current Liabilities	<hr/> 502
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NET ASSETS:

Investment in Capital Assets Net of Related Debt	22,767
Unrestricted	18,045
	<hr/>

Total Net Assets	<hr/> <hr/> \$ 40,812
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MORRIS PLAINS BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 77,780
Daily Sales - Non-Reimbursable Programs	20,797
	<hr/>
Total Operating Revenue	98,577
	<hr/>
Operating Expenses:	
Cost of Sales	59,200
Salaries, Benefits & Payroll Taxes	44,543
Supplies, Insurance & Other Costs	10,794
Management Fee	10,453
Depreciation Expense	3,093
	<hr/>
Total Operating Expenses	128,083
	<hr/>
Operating Loss	(29,506)
Non-Operating Income:	
Local Sources:	
Interest Income	38
State Sources:	
State School Lunch Program	1,362
Federal Sources:	
National School Lunch Program	13,734
Food Distribution Program	9,094
	<hr/>
Total Non-Operating Income	24,228
	<hr/>
Change in Net Assets	(5,278)
Adjustment to Capital Assets	8,587
Net Assets - Beginning of Year	37,503
	<hr/>
Net Assets - End of Year	\$ 40,812
	<hr/> <hr/>

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 104,035
Payments to Employees	(44,543)
Payments to Food Service Vendor	(67,884)
Payments to Suppliers	(10,794)
	<hr/>
Net Cash Used for Operating Activities	(19,186)
Cash Flows Provided for Investing Activities:	
Local Sources:	
Interest Income	38
	<hr/>
Net Cash Provided by Investing Activities	38
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program	1,471
Federal Sources:	
National School Lunch Program	14,738
	<hr/>
Net Cash Provided by Noncapital Financing Activities	16,209
Net Decrease in Cash and Cash Equivalents	(2,939)
Cash and Cash Equivalents, July 1	19,870
	<hr/>
Cash and Cash Equivalents, June 30	\$ 16,931
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (29,506)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	3,093
Food Distribution Program	9,094
Changes in Assets and Liabilities:	
Decrease in Inventory	1,552
Decrease in Interfund Receivable	5,458
(Increase) in Deferred Revenue	(1,034)
(Increase) in Accounts Payable	(7,843)
	<hr/>
Net Cash Used for Operating Activities	\$ (19,186)
	<hr/> <hr/>

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities through the Food Distribution Program valued at \$8,060 and Utilized Commodities Valued at \$9,094.

FIDUCIARY FUNDS

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Agency</u>	<u>Unemployment Compensation Fund</u>	<u>Totals</u>
ASSETS:			
Cash and Cash Equivalents	\$ 281,157	\$ 40,376	\$ 321,533
Interfund Receivable		8,525	8,525
Total Assets	<u>281,157</u>	<u>48,901</u>	<u>330,058</u>
LIABILITIES:			
Payroll Deductions and Withholdings	49,862		49,862
Accrued Salaries and Wages	170,745		170,745
Due to Student Groups	52,025		52,025
Interfund Payable	8,525		8,525
Total Liabilities	<u>281,157</u>		<u>281,157</u>
NET ASSETS:			
Held in Trust for Unemployment Claims		48,901	48,901
Total Net Assets	<u>\$ -0-</u>	<u>\$ 48,901</u>	<u>\$ 48,901</u>

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Unemployment Compensation Fund	Totals
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Plan Contributions - Due from Payroll Agency	\$ 8,525	\$ 8,525
Board Contributions	<u> 75,000</u>	<u> 75,000</u>
Total Contributions	<u> 83,525</u>	<u> 83,525</u>
Investment Earnings:		
Interest	<u> 87</u>	<u> 87</u>
Net Investment Earnings	<u> 87</u>	<u> 87</u>
Total Additions	<u> 83,612</u>	<u> 83,612</u>
Deductions		
Unemployment Compensation Claims	<u> 68,577</u>	<u> 68,577</u>
Total Deductions	<u> 68,577</u>	<u> 68,577</u>
Change in Net Assets	15,035	15,035
Net Assets - Beginning of the Year	<u> 33,866</u>	<u> 33,866</u>
Net Assets - End of the Year	<u> \$ 48,901</u>	<u> \$ 48,901</u>

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 48,229	\$ 107,232	\$ 103,436	\$ 52,025
Total Assets	<u>\$ 48,229</u>	<u>\$ 107,232</u>	<u>\$ 103,436</u>	<u>\$ 52,025</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 48,229	\$ 107,232	\$ 103,436	\$ 52,025
Total Liabilities	<u>\$ 48,229</u>	<u>\$ 107,232</u>	<u>\$ 103,436</u>	<u>\$ 52,025</u>

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Student Activities Account	\$ 48,161	\$ 102,493	\$ 98,826	\$ 51,828
Referee Account	<u>68</u>	<u>4,739</u>	<u>4,610</u>	<u>197</u>
Total All School Accounts	<u>\$ 48,229</u>	<u>\$ 107,232</u>	<u>\$ 103,436</u>	<u>\$ 52,025</u>

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 174,282	\$ 6,000,121	\$ 5,945,271	\$ 229,132
Total Assets	<u>\$ 174,282</u>	<u>\$ 6,000,121</u>	<u>\$ 5,945,271</u>	<u>\$ 229,132</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 46,804	\$ 5,820,851	\$ 5,817,793	\$ 49,862
Accrued Salaries and Wages	127,478	170,745	127,478	170,745
Intefund Payable	<u>8,525</u>	<u>8,525</u>	<u>8,525</u>	<u>8,525</u>
Total Liabilities	<u>\$ 174,282</u>	<u>\$ 6,000,121</u>	<u>\$ 5,945,271</u>	<u>\$ 229,132</u>

LONG-TERM DEBT

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2011		Interest Rate	Balance June 30, 2010	Issued	Retired or Matured	Defeased	Balance June 30, 2011
			Date	Amount						
Various Improvements to Borough Schools	02/27/03	\$ 7,533,000	02/15/12	\$ 370,000	3.250%	\$ 5,443,000		\$ 360,000	\$ 4,713,000	\$ 370,000
Refunding School Bonds	06/01/11	4,470,000	02/15/12	50,000	3.000%					
			02/15/13	360,000	3.000%					
			02/15/14	365,000	3.000%					
			02/15/15	370,000	4.000%					
			02/15/16	380,000	4.000%					
			02/15/17	390,000	4.000%					
			02/15/18	400,000	5.000%					
			02/15/19	420,000	5.000%					
			02/15/20	425,000	5.000%					
			02/15/21	425,000	5.000%					
			02/15/22	435,000	5.000%					
	02/15/23	450,000	5.000%							
							\$ 4,470,000			4,470,000
						\$ 5,443,000	\$ 4,470,000	\$ 360,000	\$ 4,713,000	\$ 4,840,000

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 578,419		\$ 578,419	\$ 578,419	
Total Revenues	578,419		578,419	578,419	
EXPENDITURES:					
Regular Debt Service:					
Interest	218,419		218,419	218,418	\$ 1
Redemption of Principal	360,000		360,000	360,000	
Total Regular Debt Service	578,419		578,419	578,418	1
Total Expenditures	578,419		578,419	578,418	1
Excess/(Deficiency) of Revenues Over/(Under) Expenditures				1	1
Other Financing Sources:					
Operating Transfers In - Capital Projects Fund				9,641	\$ 9,641
Total Other Financing Sources				9,641	9,641
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures				9,642	9,642
Fund Balance, July 1					
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ 9,642	\$ 9,642
 <u>Recapitulation:</u>					
Restricted Fund Balance				\$ 9,642	

STATISTICAL SECTION

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

Contents

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The School implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities/(Deficit)									
Invested in Capital Assets, Net of Related Debt	\$ (6,991,928)	\$ (6,896,105)	\$ (3,142,760)	\$ 1,902,179	\$ 4,006,850	\$ 10,319,214	\$ 10,613,787	\$ 10,718,823	\$ 10,945,202
Restricted	8,234,360	11,976,561	8,715,051	3,935,139	2,072,521	1,029,674	785,968	964,132	1,069,956
Unrestricted	584,251	688,890	335,661	272,470	263,016	436,334	281,108	115,447	166,853
Total Governmental Activities Net Assets	\$ 1,826,683	\$ 5,769,346	\$ 5,907,952	\$ 6,109,788	\$ 6,342,387	\$ 11,785,222	\$ 11,680,863	\$ 11,798,402	\$ 12,182,011
Business-Type Activities									
Invested in Capital Assets, Net of Related Debt				\$ 24,313	\$ 21,966	\$ 24,313	\$ 19,620	\$ 17,273	\$ 22,767
Unrestricted	4,127	5,482	4,559	6,397	8,269	13,807	17,637	20,230	18,045
Total Business-Type Activities Net Assets	\$ 4,127	\$ 5,482	\$ 4,559	\$ 30,710	\$ 30,235	\$ 38,120	\$ 37,257	\$ 37,503	\$ 40,812
District-Wide/(Deficit)									
Invested in Capital Assets, Net of Related Debt	\$ (6,991,928)	\$ (6,896,105)	\$ (3,142,760)	\$ 1,926,492	\$ 4,028,816	\$ 10,343,527	\$ 10,633,407	\$ 10,736,096	\$ 10,967,969
Restricted	8,234,360	11,976,561	8,715,051	3,935,139	2,072,521	1,029,674	785,968	964,132	1,069,956
Unrestricted	588,378	694,372	340,220	278,867	271,285	450,141	298,745	135,677	184,898
Total District Net Assets	\$ 1,830,810	\$ 5,774,828	\$ 5,912,511	\$ 6,140,498	\$ 6,372,622	\$ 11,823,342	\$ 11,718,120	\$ 11,835,905	\$ 12,222,823

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2006.

Source: School District Financial Reports

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental Activities:									
Instruction:									
Regular	\$ 2,775,069	\$ 4,030,120	\$ 4,026,665	\$ 4,252,279	\$ 4,289,548	\$ 4,559,958	\$ 4,049,319	\$ 4,269,963	\$ 4,232,330
Special Education	498,572	771,560	708,532	705,607	679,580	1,179,653	995,243	1,125,062	1,100,359
Other Instruction	137,468	190,043	186,498	181,891	290,000	249,882	202,323	335,936	322,630
School-Sponsored Instruction									
Support Services:									
Tuition	3,018,343	3,145,770	3,508,490	3,056,303	3,475,095	3,858,451	4,181,420	4,826,292	4,727,528
Student & Instruction Related Services	1,006,856	1,081,583	1,160,845	1,200,181	1,145,941	1,129,591	1,201,566	1,220,097	1,175,150
General and Business Administrative Services	1,968,249	729,211	729,048	695,479	829,449	721,874	542,243	426,239	481,711
School Administrative Services	157,101	233,008	300,016	292,059	316,586	517,965	367,020	444,043	370,046
Central Services							185,678	258,281	283,960
Administrative Information Technology							58,657	81,384	91,132
Plant Operations And Maintenance	964,396	1,137,888	1,191,383	1,798,137	1,739,864	1,641,977	1,579,350	1,113,391	1,068,762
Pupil Transportation	465,240	487,703	632,942	576,119	715,166	684,547	668,458	670,137	603,024
Interest On Long-Term Debt			278,544	270,094	260,994	247,344	227,126	226,002	166,676
Unallocated Depreciation							164,233	270,313	393,974
Capital Outlay							46,010		87,518
Charter Schools								6,531	32,871
Total Governmental Activities Expenses	10,991,294	11,806,886	12,722,963	13,028,149	13,742,223	14,791,242	14,468,646	15,273,671	15,137,671
Business-Type Activities:									
Food Service	8,554	9,385	8,720	58,329	147,596	148,960	136,784	126,331	128,083
Total Business-Type Activities Expense	8,554	9,385	8,720	58,329	147,596	148,960	136,784	126,331	128,083
Total District Expenses	\$ 10,999,848	\$ 11,816,271	\$ 12,731,683	\$ 13,086,478	\$ 13,889,819	\$ 14,940,202	\$ 14,605,430	\$ 15,400,002	\$ 15,265,754

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
UNAUDITED
(Continued)
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues:									
Governmental Activities:									
Charges For Services:									
Instruction (Tuition)									\$ 54,992
Operating Grants and Contributions	\$ 593,682	\$ 147,592	\$ 147,538	\$ 184,637	\$ 179,509	\$ 2,101,152	\$ 1,300,457	\$ 1,421,747	1,061,940
Capital Grants and Contributions									17,244
Total Governmental Activities Program Revenues	593,682	147,592	147,538	184,637	179,509	2,101,152	1,300,457	1,421,747	1,134,176
Business-Type Activities:									
Charges for Services:									
Food Service	5,474	5,869	5,938	50,957	131,585	124,655	112,588	99,505	98,577
Operating Grants and Contributions	4,618	4,871	1,859	33,523	15,536	27,476	25,663	27,042	24,190
Total Business Type Activities Program Revenues	10,092	10,740	7,797	84,480	147,121	152,130	138,251	126,547	122,767
Total District Program Revenues	\$ 603,774	\$ 158,332	\$ 155,335	\$ 269,117	\$ 326,630	\$ 2,253,282	\$ 1,438,708	\$ 1,548,294	\$ 1,256,943
Net (Expense)/Revenue									
Governmental Activities	\$ (10,397,612)	\$ (11,659,294)	\$ (12,575,425)	\$ (12,843,512)	\$ (13,562,714)	\$ (12,690,090)	\$ (13,168,189)	\$ (13,851,924)	\$ (14,003,495)
Business-Type Activities	1,538	1,355	(923)	26,151	(475)	3,170	1,467	216	(5,316)
Total District-Wide Net Expense	\$ (10,396,074)	\$ (11,657,939)	\$ (12,576,348)	\$ (12,817,361)	\$ (13,563,189)	\$ (12,686,920)	\$ (13,166,722)	\$ (13,851,708)	\$ (14,008,811)

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
UNAUDITED
(Continued)
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Property Taxes Levied for General Purposes, Net	\$ 9,524,724	\$ 9,942,738	\$ 10,859,499	\$ 10,800,824	\$ 11,199,448	\$ 11,647,426	\$ 12,142,867	\$ 12,863,163	\$ 13,377,690
Taxes Levied for Debt Service				550,094	560,994	323,900	580,844	579,794	578,419
Unrestricted Grants and Contributions	846,497	1,320,079	1,544,407	1,614,476	1,857,161	258,697	302,666	280,668	225,196
Investment Earnings		23,676	152,926	74,056	84,987	56,361	22,122	5,646	6,189
N.J. Economic Development Authority Grants		4,222,188							
Miscellaneous Income	292,877	93,276	157,199	5,918	92,703	244,171	99,994	240,192	199,610
Total Governmental Activities	10,664,098	15,601,957	12,714,031	13,045,368	13,795,293	12,530,555	13,148,493	13,969,463	14,387,104
Business-Type Activities:									
Investment Earnings						20	15	30	38
Prior Year Adjustment- Capital Assets						4,695			8,587
Total Business-Type Activities						4,715	15	30	8,625
Total District-Wide	\$ 10,664,098	\$ 15,601,957	\$ 12,714,031	\$ 13,045,368	\$ 13,795,293	\$ 12,535,270	\$ 13,148,508	\$ 13,969,493	\$ 14,395,729
Change in Net Assets									
Governmental Activities	266,486	3,942,663	138,606	201,856	232,579	(159,535)	(19,696)	117,539	383,609
Business-Type Activities	1,538	1,355	(923)	26,151	(475)	7,885	1,482	246	3,309
Total District	\$ 268,024	\$ 3,944,018	\$ 137,683	\$ 228,007	\$ 232,104	\$ (151,650)	\$ (18,214)	\$ 117,785	\$ 386,918

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2006.

Source: School District Financial Reports

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved/Restricted	\$ 1,186,037	\$ 1,207,156	\$ 1,538,696	\$ 877,182	\$ 1,575,604	\$ 977,741	\$ 775,265	\$ 735,928	\$ 813,687
Assigned									246,627
Unassigned									479,655
Unreserved	<u>584,251</u>	<u>688,890</u>	<u>404,210</u>	<u>521,874</u>	<u>263,016</u>	<u>488,979</u>	<u>421,216</u>	<u>459,203</u>	
Total General Fund	<u>\$ 1,770,288</u>	<u>\$ 1,896,046</u>	<u>\$ 1,942,906</u>	<u>\$ 1,399,056</u>	<u>\$ 1,838,620</u>	<u>\$ 1,466,720</u>	<u>\$ 1,196,481</u>	<u>\$ 1,195,131</u>	<u>\$ 1,539,969</u>
All Other Governmental Funds									
Reserved/Restricted	\$ 454,277		\$ 6,117,664			\$ 142,250			\$ 9,642
Unreserved, Reported In:									
Special Revenue Fund	(1,180)								
Capital Projects Fund	<u>6,595,226</u>	<u>\$ 10,769,405</u>	<u>1,058,690</u>	<u>\$ 976,509</u>	<u>\$ 496,917</u>	<u>8,605</u>	<u>\$ 10,703</u>	<u>\$ 9,641</u>	
Total All Other Governmental Funds	<u>\$ 7,048,323</u>	<u>\$ 10,769,405</u>	<u>\$ 7,176,354</u>	<u>\$ 976,509</u>	<u>\$ 496,917</u>	<u>\$ 150,855</u>	<u>\$ 10,703</u>	<u>\$ 9,641</u>	<u>\$ 9,642</u>
Total Governmental Funds:									
Reserved	\$ 1,640,314	\$ 1,207,156	\$ 7,656,360	\$ 877,182	\$ 1,575,604	\$ 1,119,991	\$ 775,265	\$ 735,928	\$ 823,329
Assigned									246,627
Unassigned									479,655
Unreserved	<u>7,178,297</u>	<u>11,458,295</u>	<u>1,462,900</u>	<u>1,498,383</u>	<u>759,933</u>	<u>497,584</u>	<u>431,919</u>	<u>468,844</u>	
Total Governmental Funds	<u>\$ 8,818,611</u>	<u>\$ 12,665,451</u>	<u>\$ 9,119,260</u>	<u>\$ 2,375,565</u>	<u>\$ 2,335,537</u>	<u>\$ 1,617,575</u>	<u>\$ 1,207,184</u>	<u>\$ 1,204,772</u>	<u>\$ 1,549,611</u>

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2006.

Source: School District Financial Reports

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Tax Levy	\$ 9,524,724	\$ 10,469,082	\$ 10,859,499	\$ 11,350,918	\$ 11,760,442	\$ 12,218,670	\$ 12,723,711	\$ 13,442,957	\$ 13,956,110
Tuition Charges	143,810	85,049	35,657					92,473	54,992
Interest Earned on Capital Reserve Funds	5,914	161,286	152,927	74,056	84,987	56,361	2,294	607	53
Miscellaneous	143,153	8,227	121,542	47,753	92,703	244,171	119,822	153,258	205,744
State Sources	1,294,822	1,451,483	1,548,407	1,576,641	1,857,161	1,937,493	1,417,231	1,432,387	1,009,750
Federal Sources	145,357	143,592	143,538	180,637	179,509	175,012	185,892	269,528	294,630
Total Revenue	11,257,780	12,318,719	12,861,570	13,230,005	13,974,802	14,631,707	14,448,950	15,391,210	15,521,279
Expenditures:									
Instruction:									
Regular Instruction	2,648,419	2,895,552	3,465,788	3,860,115	3,826,023	3,137,761	2,948,500	3,095,125	3,026,689
Special Education Instruction	488,830	557,157	584,009	619,803	606,257	858,031	895,991	789,081	770,877
School Sponsored/Other Instruction	137,188	144,302	160,710	165,028	176,798	175,681	143,014	234,922	225,724
Support Services:									
Tuition	3,018,343	3,145,770	3,508,490	3,056,303	3,475,095	3,858,450	4,181,420	4,826,292	4,727,528
Student & Instruction Related Services	1,006,856	853,354	1,016,360	1,098,080	1,105,155	853,676	1,059,566	1,080,772	1,022,735
General And Business Administrative Services	392,185	561,153	666,476	657,806	245,325	503,343	538,380	369,749	422,551
School Administrative Services	155,800	170,915	228,285	243,443	650,964	422,389	299,985	314,579	260,466
Central Services							170,678	208,588	226,259
Administrative Information Technology							48,657	68,039	77,263
Plant Operations And Maintenance	964,396	974,376	1,009,655	1,671,735	1,637,347	1,229,976	1,000,259	997,773	951,475
Pupil Transportation	465,240	474,498	612,106	557,905	702,029	663,478	668,458	665,145	593,533
Allocated and Unallocated Benefits	1,549,823	1,865,595	1,052,843	688,458	898,428	2,655,003	2,046,770	2,110,200	2,138,761
Debt Service:									
Principal		240,000	260,000	280,000	300,000	320,000	340,000	350,000	360,000
Interest And Other Charges		286,344	278,544	270,094	260,994	251,244	240,844	229,794	218,419
Capital Outlay	705,286	567,350	3,654,495	5,102,508	2,052,479	420,636	276,818	47,032	121,290
Charter Schools								6,531	32,871
Total Expenditures	11,532,366	12,736,366	16,497,761	18,271,278	15,936,894	15,349,669	14,859,340	15,393,622	15,176,441

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(Continued)
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	\$ (274,586)	\$ (417,647)	\$ (3,636,191)	\$ (5,041,273)	\$ (1,962,092)	\$ (717,962)	\$ (410,390)	\$ (2,412)	\$ 344,838
Other Financing Sources (Uses)									
Proceeds From Sale of Building			90,000	90,000	90,000				
Bond Proceeds	7,533,000								
N.J. Economic Development Authority Grants		4,222,188							
Transfers In	58,185	137,610	112,739	50,123	35,035	11,913	1,559	633	35,549
Transfers Out	(58,185)	(137,610)	(112,739)	(50,123)	(35,035)	(11,913)	(1,559)	(633)	(35,549)
Total Other Financing Sources (Uses)	7,533,000	4,222,188	90,000	90,000	90,000				
Net Change In Fund Balances	<u>\$ 7,258,414</u>	<u>\$ 3,804,541</u>	<u>\$ (3,546,191)</u>	<u>\$ (4,951,273)</u>	<u>\$ (1,872,092)</u>	<u>\$ (717,962)</u>	<u>\$ (410,390)</u>	<u>\$ (2,412)</u>	<u>\$ 344,838</u>
Debt Service As A Percentage Of Noncapital Expenditures	0.00%	4.33%	4.19%	4.18%	4.04%	3.83%	3.98%	3.78%	3.84%

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2006.

Source: School District Financial Reports

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Rentals	Prior Year Refunds	Other	Total
2002	\$ 38,983		\$ 63,988		\$ 139,572	\$ 242,543
2003	26,742		5,374		21,368	53,484
2004	18,530				8,227	26,757
2005	28,659				121,358	150,017
2006	74,056				137,753	211,809
2007	84,987				182,703	267,690
2008	44,448				244,171	288,619
2009	20,563			\$ 10,940	90,613	122,116
2010	5,039			174,832	66,467	246,338
2011	6,189	\$ 54,992		187,469	9,999	258,649

Source: Morris Plains Borough School District records

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST EIGHT YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2003	\$ 5,948,000	\$ 451,611,350	\$ 258,544,300	\$ 52,005,000	\$ 4,500,000	\$ 772,608,650	\$ 1,731,425	\$ 774,340,075	1.277	\$ 1,001,172,535
2004	5,947,800	451,719,450	258,508,200	52,005,000	10,412,600	778,593,050	1,449,764	780,042,814	1.297	1,155,057,237
2005	4,506,500	452,844,450	259,227,200	52,005,000	10,412,600	778,995,750	1,187,282	780,183,032	1.424	1,309,731,729
2006	4,009,100	454,892,150	257,681,000	52,005,000	10,412,600	778,999,850	1,053,928	780,053,778	1.483	1,374,168,887
2007	4,862,500	455,050,570	252,773,800	52,005,000	10,412,600	775,104,470	1,032,234	776,136,704	1.546	1,616,945,306
2008	4,603,600	456,506,370	250,380,800	52,005,000	10,412,600	773,908,370	1,135,563	775,043,933	1.608	1,525,974,857
2009	* 12,890,400	855,574,700	505,011,300	88,640,000	21,950,000	1,484,066,400	2,305,926	1,486,372,326	0.879	1,598,593,596
2010	11,751,800	856,002,200	483,361,300	102,040,000	21,950,000	1,475,105,300	2,179,649	1,477,284,949	0.927	1,575,266,527

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

* Revaluation of Real Property effective in this year.

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are \$100 per assessed value

Source: Municipal Tax Assessor

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(rate per \$100 of assessed value)

Year Ended December 31,	Morris Plains Borough School District					Total Direct and Overlapping Tax Rate
	Direct Rate			Overlapping Rates		
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Municipality	Morris County	
2001	\$ 1.100		\$ 1.100	\$ 0.770	\$ 0.340	\$ 2.210
2002	1.192		1.192	0.807	0.371	2.370
2003	1.277		1.277	0.842	0.381	2.500
2004	1.297		1.297	0.874	0.419	2.590
2005	1.424		1.424	0.916	0.450	2.790
2006	1.413	\$ 0.070	1.483	0.953	0.444	2.880
2007	1.476	0.070	1.546	1.007	0.497	3.050
2008	1.568	0.040	1.608	1.098	0.455	3.161
2009	* 0.839	0.040	0.879	0.600	0.246	1.725
2010	0.887	0.040	0.927	0.634	0.244	1.805

* Revaluation of Real Property effective in this year.

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

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

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

Source: Municipal Tax Collector and School Business Administrator

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

BOROUGH OF MORRIS PLAINS

2011			2002		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Mc Neil - PPC Inc.	\$ 182,500,000	12.35%	NOT AVAILABLE		
Pfizer Inc.	79,000,000	5.35%			
PMW Partnership	49,700,000	3.36%			
Vorando Realty Trust	34,500,000	2.34%			
James M. Weichert	32,700,000	2.21%			
Mack-Cali Properties Number 3	23,950,000	1.62%			
WM Highland LLC	21,950,000	1.49%			
WU 100 American LLC	19,900,000	1.35%			
The Stop & Shop Supermarket Co	16,500,000	1.12%			
HPT CW Properties Trust	14,100,000	0.95%			
Total	\$ 474,800,000	32.14%		\$ -0-	0.00%

Source: Municipal Tax Assessor

MORRIS PLAINS BOROUGH 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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 8,945,815	\$ 8,945,815	100.00%	-0-
2003	9,209,761	9,209,761	100.00%	-0-
2004	9,524,724	9,524,724	100.00%	-0-
2005	9,942,738	9,942,738	100.00%	-0-
2006	10,859,499	10,859,499	100.00%	-0-
2007	11,350,918	11,350,918	100.00%	-0-
2008	11,760,442	11,760,442	100.00%	-0-
2009	11,971,326	11,971,326	100.00%	-0-
2010	13,442,957	13,442,957	100.00%	-0-
2011	13,956,109	13,956,109	100.00%	-0-

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

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

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

(dollars in thousands, except per capita)

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2002		\$ 103,241	\$ 103,241	0.03%	\$ 18
2003	\$ 7,533,000	79,432	7,612,432	2.12%	1,296
2004	7,293,000	55,623	7,348,623	1.96%	1,241
2005	7,033,000	31,814	7,064,814	1.72%	1,179
2006	6,753,000	8,005	6,761,005	1.56%	1,115
2007	6,453,000		6,453,000	1.49%	1,067
2008	6,133,000		6,133,000	1.48%	1,012
2009	5,793,000		5,793,000	1.40%	956
2010	5,443,000		5,443,000	1.32%	898
2011	4,840,000		4,840,000	1.17%	798

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

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

Source: School District Financial Reports

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SEVEN FISCAL YEARS
UNAUDITED
(dollars in thousands, except per capita)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 7,033,000	-0-	\$ 7,033,000	0.91%	\$ 1,263
2006	6,753,000	-0-	6,753,000	0.87%	1,220
2007	6,453,000	-0-	6,453,000	0.83%	1,166
2008	6,133,000	-0-	6,133,000	0.79%	1,014
2009	5,793,000	-0-	5,793,000	0.75%	956
2010	5,443,000	-0-	5,443,000	0.70%	898
2011	4,840,000	-0-	4,840,000	0.33%	798

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

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

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

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

Source: School District Financial Reports

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
UNAUDITED
AS OF DECEMBER 31, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes:			
Borough of Morris Plains	\$ 6,041,917	100.00%	\$ 6,041,917
Morris County General Obligation Debt	249,234,104	1.94% ^a	<u>4,827,770</u>
Subtotal, Overlapping Debt			10,869,687
Morris Plains School District Direct Debt			<u>5,443,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 16,312,687</u></u>

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

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Morris Plains taxable equalized property values. Applicable percentages were estimated by determining the portion of Morris Plains Borough's equalized property value that is within the Morris County boundaries and dividing it by Morris County's total equalized property value.

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST NINE FISCAL YEARS
UNAUDITED

<u>Legal Debt Margin Calculation for Fiscal Year 2011</u>	
Equalized valuation basis	Morris Plains Borough
2010	\$ 1,572,942,312
2009	1,596,113,573
2008	<u>1,573,304,269</u>
	<u>\$ 4,742,360,154</u>
Average Equalized Valuation of Taxable Property	\$ 1,580,786,718
Debt Limit (3% of average equalization value) ^a	47,423,602
Net Bonded School Debt as of June 30, 2011	<u>4,840,000</u>
Legal Debt Margin	<u>\$ 42,583,602</u>

	<u>Fiscal Year</u>								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 27,705,078	\$ 30,618,685	\$ 34,135,859	\$ 37,853,337	\$ 42,081,459	\$ 44,783,573	\$ 46,931,058	\$ 46,800,483	\$ 47,423,602
Total Net Debt Applicable to Limit	<u>7,533,000</u>	<u>7,293,000</u>	<u>7,033,000</u>	<u>6,753,000</u>	<u>6,453,000</u>	<u>6,133,000</u>	<u>5,793,000</u>	<u>5,443,000</u>	<u>4,840,000</u>
Legal Debt Margin	<u>\$ 20,172,078</u>	<u>\$ 30,618,685</u>	<u>\$ 27,102,859</u>	<u>\$ 31,100,337</u>	<u>\$ 35,628,459</u>	<u>\$ 38,650,573</u>	<u>\$ 41,138,058</u>	<u>\$ 41,357,483</u>	<u>\$ 42,583,602</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	27.19%	23.82%	20.60%	17.84%	15.33%	13.69%	12.34%	11.63%	10.21%

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2006.

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts.

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Personal Income ^b	Morris County Per Capita Personal Income ^c	Unemployment Rate ^d
2002	5,585	315,747,975	56,535	N/A
2003	5,836	332,757,048	57,018	2.90%
2004	5,872	358,785,072	61,101	3.60%
2005	5,920	374,718,240	63,297	3.50%
2006	5,992	409,637,088	68,364	3.50%
2007	6,062	432,220,600	71,300	3.80%
2008	6,049	432,666,823	71,527	3.40%
2009	6,062	413,737,562	68,251	7.80%
2010	6,062 *	413,737,562 *	68,251 **	7.80%
2011	6,062 *	413,737,562 *	68,251 **	7.90%

* - Latest population data available (2009) was used for calculation purposes.

** - Latest Morris County per capita personal income available (2009) was used for calculation purposes.

N/A - Information Unavailable

^a Population information provided by the NJ Dept of Labor and Workforce Development.

^b Personal income has been estimated based upon the municipal population and per capita personal income presented.

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

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development.

Source: School District Reports

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

COUNTY OF MORRIS

2011			2002		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Novartis	4,990	N/A			
Atlantic Health	4,933	N/A			
Picatunny Arsenal	4,442	N/A			
County of Morris	2,675	N/A			
UPS	2,332	N/A			
ADP	1,924	N/A			
AT&T	1,550	N/A			
St. Clare's	1,531	N/A			
BASF	1,400				
Avis Budget Group, Inc.	1,378				
	<u>27,155</u>	<u>N/A</u>			

INFORMATION IS NOT AVAILABLE

N/A - Total amount of employment is not available in order to do the percentage calculation.

Note - Information is for Morris County

Source: Morris County Economic Development Corporation

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SIX FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction:						
Regular	34.0	41.0	41.0	41.0	40.0	40.0
Special Education	10.0	24.0	19.0	14.0	11.0	23.0
Other Instruction	12.0	12.0	12.0	9.0	8.0	1.8
Support Services:						
Student & Instruction Related Services	6.0	7.0	7.0	6.5	6.0	7.0
School Administrative Services	1.5	1.5	3.5	3.5	4.5	4.0
General and Business Administrative Services	1.5	1.5	2.0	2.0	2.0	4.0
Other Administrative Services	3.0	3.0				1.0
Central Services			1.5	2.0	4.0	2.0
Other Support Services	3.0	3.0				
Plant Operations and Maintenance	8.0	10.0	12.0	10.0	7.0	7.0
Pupil Transportation	1.0	1.0	1.0	1.0	0.5	0.5
Total	<u>80.0</u>	<u>104.0</u>	<u>99.0</u>	<u>89.0</u>	<u>83.0</u>	<u>90.3</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: District Personnel Records

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment June 30,</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil^d</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2002	572.0	9,842,544	17,207	-3.49%	86.0	1:8.9	572.0	545.3	8.31%	95.33%
2003	569.0	10,678,161	18,767	9.06%	85.0	1:9.3	562.5	542.3	-1.66%	96.41%
2004	572.0	11,495,080	20,096	7.09%	85.0	1:9.1	567.5	547.3	0.89%	96.44%
2005	572.0	12,157,184	21,254	5.76%	85.0	1:9.1	576.1	553.2	1.52%	96.02%
2006	597.0	12,219,318	20,468	-3.70%	62.0	1:9.1	597.8	576.0	3.77%	96.35%
2007	616.0	12,891,761	20,928	2.25%	77.0	1:9.6	615.9	592.0	3.01%	96.12%
2008	614.0	14,357,789	23,384	11.73%	72.0	1:8.5	621.0	594.4	0.81%	95.72%
2009	646.0	14,001,678	21,674	-7.31%	64.0	1:10.9	648.0	626.1	4.35%	96.62%
2010	644.0	14,766,796	22,930	5.79%	65.0	1:9.9	630.0	607.3	-2.78%	96.40%
2011	634.0	14,476,732	22,834	-0.42%	58.0	1:10.9	633.0	611.4	0.48%	96.59%

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

d The cost per pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from other cost per pupil calculations.

Source: Morris Plains Borough School District records

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SIX FISCAL YEARS
UNAUDITED

<u>District Building</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Mountain Way School						
Square Feet	29,658	29,658	29,658	29,658	29,658	29,658
Capacity (students)	250	250	265	265	265	265
Enrollment as of June 30	235	244	246	258	241	221
Borough School (1972, 1992)						
Square Feet	83,859	90,200	90,200	90,200	90,200	90,200
Capacity (students)	400	400	697	697	697	697
Enrollment as of June 30	362	372	368	388	403	413

Number of Schools at June 30, 2011

 Elementary = 1

 Middle School = 1

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October district count.

Source: Morris Plains Borough School District Facilities Office

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures:
 Required Maintenance for School Facilities
 11-000-261-XXX

<u>School Facilities</u>	<u>Projects #</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Borough	N/A	\$ 212,589	\$ 137,319	\$ 352,285	\$ 260,187	\$ 365,510
Mountain Way	N/A	91,018	52,459	263,608	128,152	128,422
Community Park School	N/A	5,788	6,189			
		<u>\$ 309,395</u>	<u>\$ 195,967</u>	<u>\$ 615,893</u>	<u>\$ 388,339</u>	<u>\$ 493,932</u>
<u>School Facilities (Cont'd)</u>	<u>Projects #</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Borough	N/A	\$ 213,373	\$ 262,094	\$ 176,049	\$ 208,747	\$ 210,884
Mountain Way	N/A	87,355	112,326	75,450	71,808	46,292
Community Park School	N/A					
		<u>\$ 300,728</u>	<u>\$ 374,420</u>	<u>\$ 251,499</u>	<u>\$ 280,555</u>	<u>\$ 257,176</u>

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2011

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Utica Mutual Insurance Company		
Property - Blanket Building and Contents	\$ 32,772,344	\$ 1,000
Comprehensive General Liability	1,000,000	
Comprehensive General Liability Aggregate	3,000,000	
Comprehensive Automotive Liability	1,000,000	
Comprehensive Fire Damage Limit	1,000,000	
Comprehensive Personal and Advertising Injury	1,000,000	
Comprehensive Products/Completed Operations	1,000,000	
Comprehensive Medical Expense Limit	10,000	
 Umbrella Policy - Utica National Insurance Company		
Umbrella Policy	10,000,000	
NJ Cap Program	50,000,000	
 School District Legal Liability - Utica National Insurance Company		
Directors and Officers Policy- Per Occurrence	1,000,000	7,500
Directors and Officers Policy- Aggregate	2,000,000	
 Employee Benefit Programs - Utica National Insurance Company		
-Per Occurrence	1,000,000	1,000
Employee Benefit Programs - Utica National Insurance Company		
-Aggregate	3,000,000	
 Data Processing Coverage		
Blanket Data Processing Equipment	75,000	
Other equipment	Various Limits	
 Selective Insurance:		
School Business Administrator/Board	250,000	
Treasurer of School Monies Bond	250,000	
 Workers' Compensation Insurance	MEIG Pool	

Source: Morris Plains Borough School District records

SINGLE AUDIT SECTION



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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Morris Plains Borough School District, in the County of Morris (the "Board") as of, and for the fiscal year ended, June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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 Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

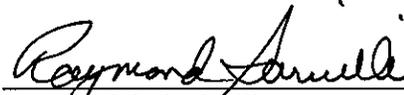
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to the Board in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated September 13, 2011.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

September 13, 2011
Mount Arlington, New Jersey

NISIVOC CIA LLP



Raymond G. Sarinelli
Licensed Public School Accountant #864
Certified Public Accountant



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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Morris Plains Borough School District in the County of Morris (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Board's major state program for the fiscal year ended June 30, 2011. The Board's major state program's are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state program is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04 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 Board'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. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2011.

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

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

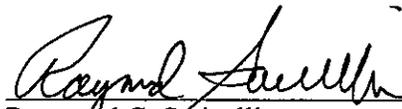
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities, and is not intended to be and should not be, used by anyone other than these specified parties.

September 13, 2011
Mount Arlington, New Jersey

NISIVOC CIA LLP



Raymond G. Sarinelli
Licensed Public School Accountant #864
Certified Public Accountant

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010					Balance at June 30, 2011				
					Budgetary Accounts Receivable	Deferred Revenue	Due to Grantor	Reinstated to Grant	Cash Received	Budgetary Expenditures	Adjustment	Budgetary Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:														
Special Education Cluster:														
I.D.E.A. Part B, Basic	84.027	IDEA338011	9/1/10-8/31/11	\$ 166,786					\$ 122,617	\$(166,786)		\$ 44,169		
I.D.E.A. Part B, Preschool	84.173	IDEA338011	9/1/10-8/31/11	6,245					2,562	(6,245)		3,683		
I.D.E.A. Part B, Basic	84.027	IDEA338010	9/1/09-8/31/10	163,149	\$ 38,020				38,020					
ARRA - I.D.E.A. Part B, Basic	84.391	IDEA338009	9/1/09-8/31/11	175,505	27,865				71,810	(94,087)		50,142		
ARRA - I.D.E.A. Part B, Preschool	84.392	IDEA338009	9/1/09-8/31/11	6,352	451				451					
Total Special Education Cluster					66,336				235,460	(267,118)		97,994		
No Child Left Behind Consolidated Grant:														
Title I	84.010A	NCLB33011	9/1/10-8/31/11	7,845					5,440	(7,591)		2,151		
Title II, Part A	84.367A	NCLB33011	9/1/10-8/31/11	17,547					5,658	(9,981)		4,323		
Title II, Part A	84.367A	NCLB338010	9/1/09-8/31/11	17,361	3,282				7,916	(4,634)				
Title II, Part A	84.367A	NCLB338007	9/1/06-8/31/07	18,893		\$ 1,555	\$ (1,555)							
Title II, Part A	84.367A	NCLB338007	9/1/06-8/31/07	18,893			1,555			(1,555)				
Title II, Part A	84.367A	NCLB338007	9/1/06-8/31/07	18,893		\$ 4,730				(4,730)				
Title IV	84.184	NCLB338009	9/1/08-8/31/09	915			31				\$ (31)			
Title IV	84.184	NCLB338010	9/1/09-8/31/10	917	823				792		31			
Total U.S. Department of Education					70,441	4,761	1,555		255,266	(295,609)		104,468		
U.S. Department of Agriculture:														
Passed-through State Department of Education:														
Child Nutrition Cluster:														
U.S.D.A Commodities Program	10.555	N/A	7/1/09-6/30/10	10,495		1,536				(1,536)				
U.S.D.A Commodities Program	10.555	N/A	7/1/10-6/30/11	8,060					8,060	(7,558)		\$ 502		
National School Lunch Program	10.555	N/A	7/1/09-6/30/10	14,953	1,004				1,004					
National School Lunch Program	10.555	N/A	7/1/10-6/30/11	13,734					13,734	(13,734)				
Total Child Nutrition Cluster - Total U.S. Department of Agriculture					1,004	1,536			22,798	(22,828)		502		
Total Federal Awards					\$ 71,445	\$ 6,297	\$ 1,555	\$ -0-	\$ 278,064	\$(318,437)	\$ -0-	\$ 104,468	\$ 502	\$ -0-

N/A - Not Available

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010		Cash Received	Budgetary Expenditures	Balance at June 30, 2011		MEMO		
				Budgetary Accounts Receivable	Budgetary Deferred Revenue			GAAP Accounts Receivable	Budgetary Deferred Revenue	Budgetary Accounts Receivable	Cumulative Total Expenditures	
New Jersey Department of Education												
General Fund:												
Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	\$ 109,171	\$ 11,840		\$ 11,840					\$ 109,171	
Special Education Aid	10-495-034-5120-089	7/1/09 - 6/30/10	518,912	56,277		56,277					518,912	
Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	49,197	5,335		5,335					49,197	
Adjustment Aid	10-495-034-5120-085	7/1/09 - 6/30/10	92,526	10,035		10,035					92,526	
Extraordinary Aid	10-100-034-5120-473	7/1/09 - 6/30/10	124,154	124,154		124,154					124,154	
Non Public Transportation	10-495-034-5120-014	7/1/09 - 6/30/10	8,183	8,183		8,183					8,183	
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/09 - 6/30/10	275,827	14,475		14,475					275,827	
Special Education Aid	11-495-034-5120-089	7/1/10 - 6/30/11	177,371			169,962	\$ (177,371)			\$ 7,409	177,371	
Extraordinary Aid	11-100-034-5120-473	7/1/10 - 6/30/11	201,400				(201,400)	\$ 201,400		201,400	201,400	
Non Public Transportation	11-495-034-5120-014	7/1/10 - 6/30/11	10,525				(10,525)	10,525		10,525	10,525	
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10 - 6/30/11	288,017			287,603	(288,017)	414		414	288,017	
Total General Fund State Aid				<u>230,299</u>		<u>687,864</u>	<u>(677,313)</u>	<u>212,339</u>		<u>219,748</u>	<u>1,855,283</u>	
Enterprise Fund:												
State School Lunch Program	10-100-010-3350-023	9/1/09 - 6/30/10	1,594	109		109					1,594	
State School Lunch Program	11-100-010-3350-023	9/1/10 - 6/30/11	1,362			1,362	(1,362)				1,362	
Total Enterprise Fund				<u>109</u>		<u>1,471</u>	<u>(1,362)</u>				<u>2,956</u>	
Schools Development Authority:												
Educational Facilities												
Construction and Financing	3380-202-10-GOLI	N/A	17,244				(17,244)	17,244		17,244	17,244	
Total School Development Authority							<u>(17,244)</u>	<u>17,244</u>		<u>17,244</u>	<u>17,244</u>	
Total State Awards				<u>\$ 230,408</u>	<u>\$ -0-</u>	<u>\$ 689,335</u>	<u>\$ (695,919)</u>	<u>\$ 229,583</u>	<u>\$ -0-</u>	<u>\$ 236,992</u>	<u>\$ 1,875,483</u>	

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Morris Plains School District under programs of the federal and state governments for the fiscal year ended June 30, 2011. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general 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 the modified accrual basis with the exception of the revenue recognition of the last two state aid payments for the prior year and for the last two payments of the current budget year, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes, the current year payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year and the final payment for the prior year are recognized in the current year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$76,078 for the general fund and (\$979) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. The schedule of expenditures of state awards does not include the TPAF Non-Contributory Insurance and Post Retirement Medical contributions paid by the State on behalf of the District of \$10,752 and \$228,363, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 992,506	\$ 992,506
Special Revenue Fund	\$ 294,630		294,630
Capital Projects Fund		17,244	17,244
Food Service Fund	<u>22,828</u>	<u>1,362</u>	<u>24,190</u>
	<u>\$ 317,458</u>	<u>\$ 1,011,112</u>	<u>\$ 1,328,570</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Morris Plains Borough School District had no loan balances outstanding at June 30, 2011.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2011. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major State program.
- An unqualified report was issued on the District's compliance for its major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04.
- The District was not subject to the Single Audit provisions of Federal OMB Circular A-133 for the fiscal year ending June 30, 2011 as federal award expenditures were less than the Single Audit threshold of \$500,000 identified in the federal circular.
- The District's major state programs for the current fiscal year consisted of the following state awards:

<u>State:</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Reimbursed TPAF				
Social Security Contributions	11-495-034-5095-002	7/1/10-6/30/11	\$ 288,017	\$ 288,017

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the federal Circular.

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal circular and New Jersey's OMB Circular NJOMB 04-04.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

There were no prior year audit findings.