

**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, 2012**

**Comprehensive Annual
Financial Report**

of the

Morris Plains Borough School District

Morris Plains, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION

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

August 22, 2012

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 for the fiscal year ended June 30, 2012, 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 statements 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 OMB's Circular 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 Governmental 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
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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 2011-2012 fiscal year with an average daily enrollment of 618 students, which is a decrease of 15 students from the prior year. In addition, the district funded 219 students to the Morris School District High School, which reflects an increase of 16 students from prior year.

| <u>Fiscal Year</u> | <u>Average Daily Enrollment</u> | |
|--------------------|---------------------------------|-----------------------|
| | <u>Student Enrollment</u> | <u>Percent Change</u> |
| 2011-12 | 618 | -2.37% |
| 2010-11 | 633 | 0.48% |
| 2009-10 | 630 | -2.78% |
| 2008-09 | 648 | 4.35% |
| 2007-08 | 621 | 0.81% |

2) ECONOMIC CONDITION AND OUTLOOK:

Morris Plains remains financially healthy. The district is currently carrying a 2% unreserved/undersigned budgetary basis fund balance of the net budget to provide funding for the reduction in state aid, emergency funding, and to provide necessary reserves for future contingencies.

In addition, the district has established state tuition and maintenance reserves to help the district manage financially with state restriction tax levy budget cap of 2%. A capital reserve for the local funding portion of future capital projects contained the district's Long Range Facility Plan totals \$542,757.

The Morris Plains community is experiencing the impact of the current economic condition in the United States. A revaluation of property has increased taxes on existing dwellings, but ratable for corporate structures have seen some reductions due to unoccupied corporate buildings. The district has worked very hard to minimize the tax impact to the community.

3) MAJOR INITIATIVES:

The Morris Plains School District offers a superior curricular and instructional program to its students. Our curriculum aligns with the New Jersey Core Curriculum Content Standards in all nine areas, and over the past year we have invested in program improvements to ensure that our students master the skills and content outlined in the New Jersey Core Curriculum Content Standards and the Common Core Standards. Below is a summary of the initiatives included in the subject areas:

Math

Teachers were given ePath assess to assess mastery of math skills in the first and second grade. Practice Path was used to build deficit skills for students. The Math Curriculum was revised to align to the new standards and new textbooks and support materials will be purchased as needed. Math Standards continue to be the focus of professional development plans. The district has continued to approve new district wide math curriculum revision for the subsequent year.

The Honorable President and Members
of the Board of Education
Morris Plains Borough School District
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3) MAJOR INITIATIVES: (Cont'd)

Science

Foss science kits were updated to ensure proper instruction of topics. Science curriculum will be revised, focusing on aligning to the newest version of the standards, addressing any instructional gaps, and eliminating unnecessary overlaps.

Language Arts

The Collins Writing Program was implemented K-8 with appropriate support. Implementation of a reading program was continued and minor update to the curriculum will continue to take place through 2012-2013. Literacy standards continue to be the focus of professional development plans.

Social Studies

At the request of the teachers, support material our current social studies curriculum was purchased. The material was aligned with state standards and supplemented existing textbooks. Social Studies curriculum was reviewed and continues to be aligned to the newest version of the standards.

21st Century Life and Careers

The district continues to provide for career education and resources regarding career choices and the world of work. Speakers, classes, field trips, and projects based learning opportunities may be included as part of the instruction.

Visual & Performing Arts

Musical instruments, recording, and textbooks were added to our collection to support our music program. Supplies and material needed to support our strong art program were purchased. The district accepted a generous donation of new Sound Equipment for the Auditorium to continue to expand the program.

Comprehensive Health & Physical Education

The district supported this program with continued focus on healthy living, including social problem solving and drug awareness. Yoga and Zumba was incorporated into the primary level gym classes.

World Language

Our new gifted and talented teacher collaborated with our school librarian to provide programs and lessons with focus on cultural aspects of World Language Standards.

Technology

The addition of new technology infrastructure and plan to lease computer hardware was continued. A committee was formed to review options and implementation started with the approval of laptops, white boards, classroom audio systems and document cameras during the school year 2011-2012.

The Honorable President and Members
of the Board of Education
Morris Plains Borough School District
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August 22, 2012

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.

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, 2012.

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.

The Honorable President and Members
of the Board of Education
Morris Plains Borough School District
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August 22, 2012

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, 2012, the District had \$4,420,000 in outstanding general obligation bonds in connection with a bond referendum for the construction at both school facilities.

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's 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.

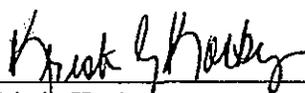
11) ACKNOWLEDGMENTS:

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,

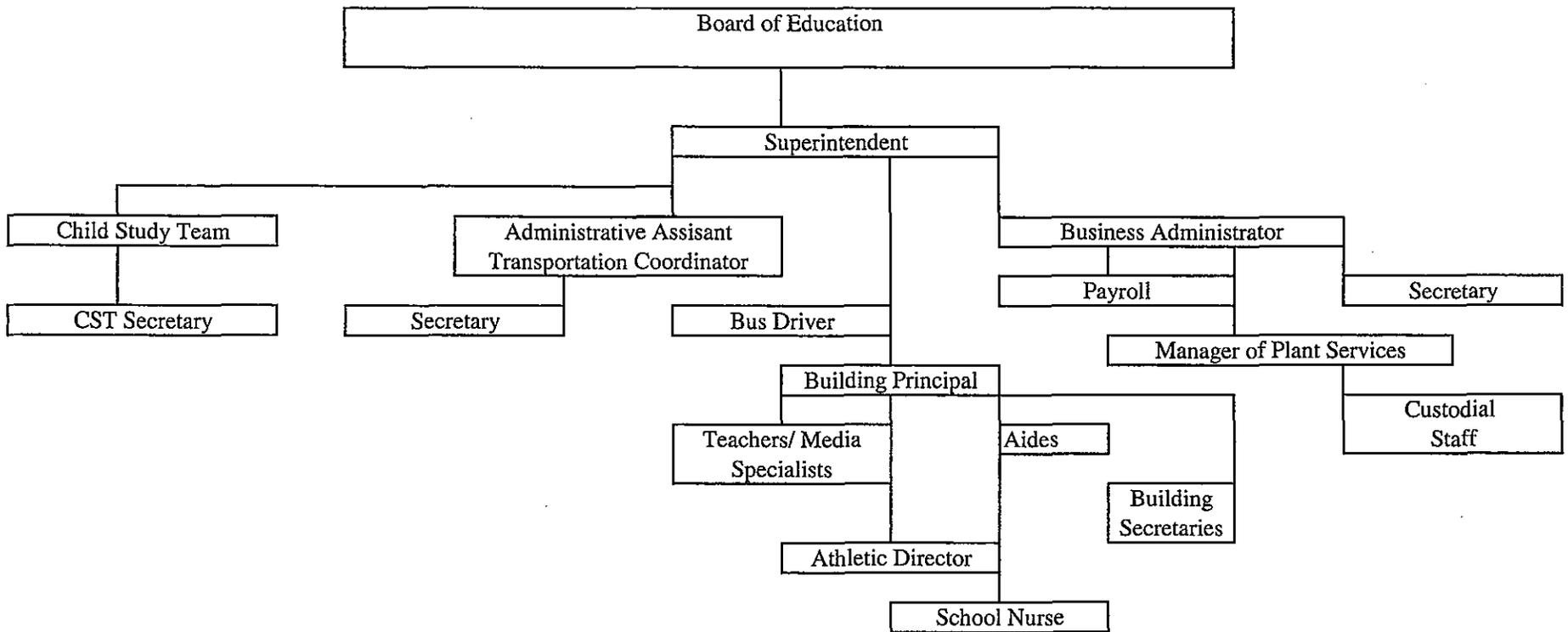


Dr. Ernest Palestis
Interim Superintendent



Kristin Kosky
Business Administrator/Board Secretary

MORRIS PLAINS BOROUGH SCHOOL DISTRICT



Adopted by the Morris Plains Board of Education: February 26, 2003

**MORRIS PLAINS BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2012**

| <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 |

Other OfficialsTitle

Dr. Ernest Palestis
Alice Bresett
Kristin Kosky

Interim Superintendent
Business Administrator/Board Secretary through April 2012
Business Administrator/Board Secretary from May 2012

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

Audit Firm

Nisivoccia LLP, CPAs
200 Valley Road, Suite 300
Mount Arlington, New Jersey 07856
and
11 Lawrence Road
Newton, New Jersey 07860

Attorneys

Anthony Sciarrillo, Esq.
Linabury, McCormic & Eastbrook
P.O. Box 2369
Westfield, New Jersey 07091

Schwartz Simon Edelstein Celso & Kessler LLC
44 Whippany Road Suite 210
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, 2012 which collectively comprise the Board of Education's basic financial statements as listed in the 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 Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 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 June 30, 2012, and the respective changes in financial position and, where applicable, cash flows 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 August 22, 2012, 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.

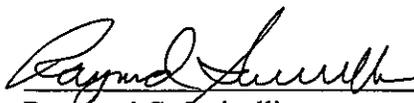
The Honorable President and Members
of the Board of Education
Morris Plains Borough School District
Page 2

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report, and Budgetary Comparison Information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements. The accompanying supplementary information schedules such as the combining and individual nonmajor fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information such as the combining and individual nonmajor fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

August 22, 2012
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, 2012. 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.
- Overall revenue was \$16 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

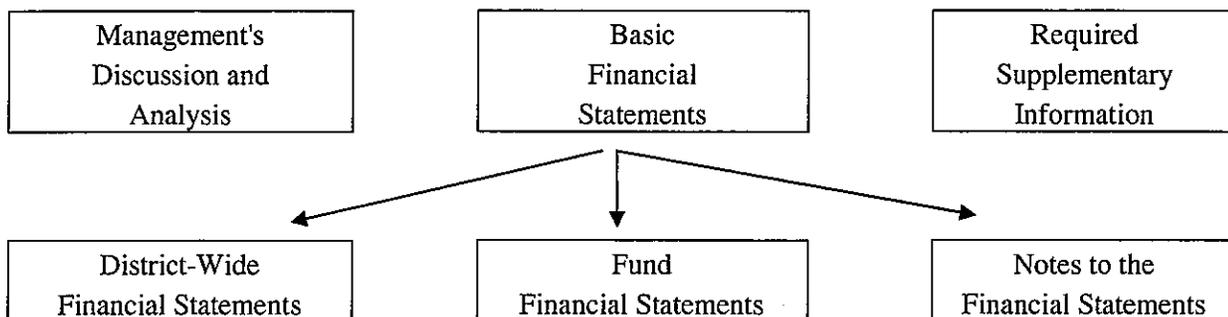
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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
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- *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 \$483,251. Net assets from governmental activities increased by \$484,137 offset by a decrease in net assets from business activities of \$886. Net assets invested in capital assets increased by \$417,707, reserved net assets increased by \$330,051 and unrestricted net assets decreased by \$264,507.

Figure A-3

Condensed Statement of Net Assets

| | Government Activities | | Business-Type Activities | | Total School District | | Total Percentage Change |
|--|-----------------------|---------------|--------------------------|-----------|-----------------------|---------------|-------------------------------|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | |
| Current and Other Assets | \$ 1,985,420 | \$ 1,770,511 | \$ 9,057 | \$ 18,547 | \$ 1,994,477 | \$ 1,789,058 | 11.48% |
| Capital Assets | 15,599,959 | 15,785,202 | 31,471 | 22,767 | 15,631,430 | 15,807,969 | -1.12% |
| Total Assets | 17,585,379 | 17,555,713 | 40,528 | 41,314 | 17,625,907 | 17,597,027 | 0.16% |
| Long-Term Debt Outstanding | 4,300,043 | 4,698,653 | | | 4,300,043 | 4,698,653 | -8.48% |
| Other Liabilities | 619,188 | 675,049 | 602 | 502 | 619,790 | 675,551 | -8.25% |
| Total Liabilities | 4,919,231 | 5,373,702 | 602 | 502 | 4,919,833 | 5,374,204 | -8.45% |
| Net Assets: | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 11,354,205 | 10,945,202 | 31,471 | 22,767 | 11,385,676 | 10,967,969 | 3.81% |
| Reserved | 1,400,007 | 1,069,956 | | | 1,400,007 | 1,069,956 | 30.85% |
| Unrestricted (Deficit) | (88,064) | 166,853 | 8,455 | 18,045 | (79,609) | 184,898 | -143.06% |
| Total Net Assets | \$ 12,666,148 | \$ 12,182,011 | \$ 39,926 | \$ 40,812 | \$ 12,706,074 | \$ 12,222,823 | 3.95% |

Changes in Net Assets. The District's combined net assets were \$12,706,074 on June 30, 2012, or \$483,251 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 |
|--|-------------------------|-------------------|--------------------------|-----------------|-----------------------|-------------------|-------------------------------|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | |
| Revenue: | | | | | | | |
| Program Revenue: | | | | | | | |
| Charges for Services | \$ 52,753 | \$ 54,992 | \$ 104,666 | \$ 98,577 | \$ 157,419 | \$ 153,569 | 2.51% |
| Operating Grants & Contributions | 1,312,184 | 1,061,940 | 24,207 | 24,190 | 1,336,391 | 1,086,130 | 23.04% |
| Capital Grants & Contributions | | 17,244 | | | | 17,244 | 100.00% |
| General Revenue: | | | | | | | |
| Property Taxes | 14,221,603 | 13,956,109 | | | 14,221,603 | 13,956,109 | 1.90% |
| Unrestricted Federal and State Aid | 211,806 | 225,196 | | | 211,806 | 225,196 | -5.95% |
| Other | 81,640 | 205,799 | 45 | 8,625 | 81,685 | 214,424 | -61.90% |
| Total Revenue | 15,879,986 | 15,521,280 | 128,918 | 131,392 | 16,008,904 | 15,652,672 | 2.28% |
| Expenses: | | | | | | | |
| Instruction | 5,976,464 | 5,655,319 | | | 5,976,464 | 5,655,319 | 5.68% |
| Pupil and Instruction Services | 5,853,868 | 5,902,678 | | | 5,853,868 | 5,902,678 | -0.83% |
| Administrative and Business | 1,272,968 | 1,226,849 | | | 1,272,968 | 1,226,849 | 3.76% |
| Maintenance and Operations | 1,053,227 | 1,068,762 | | | 1,053,227 | 1,068,762 | -1.45% |
| Transportation | 639,047 | 603,024 | | | 639,047 | 603,024 | 5.97% |
| Other | 600,275 | 681,039 | 129,804 | 128,083 | 730,079 | 809,122 | -9.77% |
| Total Expenses | 15,395,849 | 15,137,671 | 129,804 | 128,083 | 15,525,653 | 15,265,754 | 1.70% |
| Increase/(Decrease) in Net Assets | \$ 484,137 | \$ 383,609 | \$ (886) | \$ 3,309 | \$ 483,251 | \$ 386,918 | |

Revenue Sources. The District's total revenue for the school year was \$16,008,904, (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting of \$14,221,603 of the total, or 88.84 percent. (See Figure A-5). Approximately 9.67 percent came from state and federal aid and the remainder from miscellaneous sources.

**Figure A-5
Sources of School District Revenue - Fiscal Year 2012**

| | Amount | Percentage |
|--------------------------------------|----------------------|----------------|
| Sources of Income: | | |
| State Formula Aid | \$ 465,716 | 2.91% |
| Property Taxes | 14,221,603 | 88.84% |
| Federal and State Categorical Grants | 1,082,481 | 6.76% |
| Charges for Services | 157,419 | 0.98% |
| Other | 81,685 | 0.51% |
| | \$ 16,008,904 | 100.00% |

The total cost of all programs and services was \$15,525,653. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (80.31 percent). (See Figure A-6). The District's administrative and maintenance and operations costs accounted for 14.98 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 2012**

| Expense Category: | <u>Amount</u> | <u>Percentage</u> |
|--------------------------------|----------------------|-------------------|
| Instruction | \$ 5,976,464 | 38.49% |
| Pupil and Instruction Services | 5,853,868 | 37.70% |
| Administrative and Business | 1,272,968 | 8.20% |
| Maintenance and Operations | 1,053,227 | 6.78% |
| Transportation | 639,047 | 4.12% |
| Other | 730,079 | 4.71% |
| | <u>\$ 15,525,653</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> | |
|--------------------------------|--------------------------------|----------------------|-----------------------------|----------------------|
| | <u>2011/12</u> | <u>2010/11</u> | <u>2011/12</u> | <u>2010/11</u> |
| Instruction | \$ 5,976,464 | \$ 5,655,319 | \$ 4,707,940 | \$ 4,479,703 |
| Pupil and Instruction Services | 5,853,868 | 5,902,678 | 5,801,115 | 6,027,698 |
| Administrative and Business | 1,272,968 | 1,226,849 | 1,229,308 | 1,169,491 |
| Maintenance and Operations | 1,053,227 | 1,068,762 | 1,053,227 | 1,113,391 |
| Transportation | 639,047 | 603,024 | 639,047 | 558,795 |
| Other | 600,275 | 681,039 | 600,275 | 502,846 |
| | <u>\$ 15,395,849</u> | <u>\$ 15,137,671</u> | <u>\$ 14,030,912</u> | <u>\$ 13,851,924</u> |

- The cost of all governmental activities this year was \$15.4 million.
- Approximately \$14.2 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 decreased by \$886, (Refer to Figure A-4). Factors contributing to these results included:

- Food services expenses exceeded revenues by \$886, accounting for all of the decrease 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 |
|--------------------------------------|-------------------------|----------------------|--------------------------|------------------|-----------------------|----------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | Change 2011-2012 |
| Sites | \$ 951,200 | \$ 951,200 | | | \$ 951,200 | \$ 951,200 | 0.00% |
| Site Improvements | 587,041 | 632,870 | | | 587,041 | 632,870 | -7.81% |
| Buildings & Building Improvements | 13,708,377 | 14,051,030 | | | 13,708,377 | 14,051,030 | -2.50% |
| Furniture, Machinery & Equipment | 353,341 | 150,102 | \$ 31,471 | \$ 22,767 | 384,812 | 172,869 | 55.08% |
| Total | \$ 15,599,959 | \$ 15,785,202 | \$ 31,471 | \$ 22,767 | \$ 15,631,430 | \$ 15,807,969 | -1.13% |

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

| <u>ASSETS:</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Cash and Cash Equivalents | \$ 1,104,830 | \$ 2,793 | \$ 1,107,623 |
| Receivables from Other Governments | 239,959 | | 239,959 |
| Interfund Receivable | 11,294 | | 11,294 |
| Internal Balances | (4,361) | 4,361 | |
| Unamortized Bond Issuance Costs | 86,580 | | 86,580 |
| Inventory | | 1,903 | 1,903 |
| Restricted Assets: | | | |
| Capital Reserve Account - Cash and Cash Equivalents | 542,757 | | 542,757 |
| Capital Assets: | | | |
| Sites (Land) | 951,200 | | 951,200 |
| Depreciable Site Improvements, Building and Building Improvements and Furniture, Machinery and Equipment | 14,648,759 | 31,471 | 14,680,230 |
| Total Assets | <u>17,581,018</u> | <u>40,528</u> | <u>17,621,546</u> |
| <u>LIABILITIES:</u> | | | |
| Accounts Payable - Vendors | 64,818 | | 64,818 |
| Interfund Payable | 4,361 | | 4,361 |
| Accrued Interest Payable | 65,033 | | 65,033 |
| Deferred Revenue | 1,400 | 602 | 2,002 |
| Unamortized Bond Premiums | 483,576 | | 483,576 |
| Noncurrent Liabilities: | | | |
| Due Within One Year, Net | 344,160 | | 344,160 |
| Due Beyond One Year, Net | 3,955,883 | | 3,955,883 |
| Total Liabilities | <u>4,919,231</u> | <u>602</u> | <u>4,919,833</u> |
| <u>NET ASSETS</u> | | | |
| Invested in Capital Assets, Net of Related Debt | 11,354,205 | 31,471 | 11,385,676 |
| Reserved for: | | | |
| Capital Projects | 542,757 | | 542,757 |
| Debt Service | 29,630 | | 29,630 |
| Other Purposes | 827,620 | | 827,620 |
| Unrestricted (Deficit) | (88,064) | 8,455 | (79,609) |
| Total Net Assets | <u>\$ 12,666,148</u> | <u>\$ 39,926</u> | <u>\$ 12,706,074</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, 2012

| <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>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| Governmental Activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 4,439,994 | | \$ 492,489 | \$ (3,947,505) | | \$ (3,947,505) |
| Special Education | 1,265,917 | | 747,356 | (518,561) | | (518,561) |
| School -Sponsored/Other Instruction | 270,553 | | 28,679 | (241,874) | | (241,874) |
| Support Services: | | | | | | |
| Tuition | 4,664,999 | \$ 52,753 | | (4,612,246) | | (4,612,246) |
| Student and Instruction Related Services | 1,188,869 | | | (1,188,869) | | (1,188,869) |
| General Administration Services | 493,717 | | | (493,717) | | (493,717) |
| School Administration Services | 405,968 | | 43,660 | (362,308) | | (362,308) |
| Central Services | 279,952 | | | (279,952) | | (279,952) |
| Administration Information Technology | 93,331 | | | (93,331) | | (93,331) |
| Plant Operations and Maintenance | 1,053,227 | | | (1,053,227) | | (1,053,227) |
| Pupil Transportation | 639,047 | | | (639,047) | | (639,047) |
| Interest on Long-Term Debt | 160,090 | | | (160,090) | | (160,090) |
| Unallocated Depreciation | 393,974 | | | (393,974) | | (393,974) |
| Capital Outlay | 11,891 | | | (11,891) | | (11,891) |
| Charter Schools | 34,320 | | | (34,320) | | (34,320) |
| Total Governmental Activities | 15,395,849 | 52,753 | 1,312,184 | (14,030,912) | | (14,030,912) |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| <u>Functions/Programs</u> | <u>Program Revenue</u> | | | <u>Net (Expense) Revenue and Changes in Net Assets</u> | | |
|--------------------------------|------------------------|---------------------------------|---|--|-------------------------------------|-----------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| Business-Type Activities: | | | | | | |
| Food Service | \$ 129,804 | \$ 104,666 | \$ 24,207 | | \$ (931) | \$ (931) |
| Total Business-Type Activities | 129,804 | 104,666 | 24,207 | | (931) | (931) |
| Total Primary Government | \$ 15,525,653 | \$ 157,419 | \$ 1,336,391 | \$ (14,030,912) | \$ (931) | \$ (14,031,843) |
| | | | | | | |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property Taxes, Levied for | | | | | | |
| General Purposes, Net | | | | | | |
| | | | \$ 13,645,244 | | | \$ 13,645,244 |
| | | | 576,359 | | | 576,359 |
| | | | 211,806 | | | 211,806 |
| | | | 388 | | \$ 45 | 433 |
| | | | 81,252 | | | 81,252 |
| | | | | | | |
| | | | Total General Revenue: | 14,515,049 | 45 | 14,515,094 |
| | | | Change in Net Assets | 484,137 | (886) | 483,251 |
| | | | Net Assets - Beginning | 12,182,011 | 40,812 | 12,222,823 |
| | | | Net Assets - Ending | \$ 12,666,148 | \$ 39,926 | \$ 12,706,074 |
| | | | | | 542,757 | |

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, 2012

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| ASSETS: | | | | | |
| Cash and Cash Equivalents | \$ 1,072,937 | \$ 1,722 | \$ 541 | \$ 29,630 | \$ 1,104,830 |
| Interfund Receivables | 11,835 | | | | 11,835 |
| Other Accounts Receivable | 908 | | | | |
| Receivables From Federal Government | 3,066 | 130 | | | 3,196 |
| Receivables From State Government | 225,635 | | | | 225,635 |
| Receivables From Other Governments | 10,220 | | | | 10,220 |
| Restricted Cash and Cash Equivalents | 542,757 | | | | 542,757 |
| Total Assets | <u>\$ 1,867,358</u> | <u>\$ 1,852</u> | <u>\$ 541</u> | <u>\$ 29,630</u> | <u>\$ 1,898,473</u> |
| LIABILITIES AND FUND BALANCES: | | | | | |
| Liabilities: | | | | | |
| Interfund Payable | \$ 4,361 | | \$ 541 | | \$ 4,902 |
| Accounts Payable - Vendors | 64,366 | \$ 452 | | | 64,818 |
| Deferred Revenue | | 1,400 | | | 1,400 |
| Total Liabilities | <u>68,727</u> | <u>1,852</u> | <u>541</u> | | <u>71,120</u> |
| Fund Balances: | | | | | |
| Restricted for: | | | | | |
| Capital Reserve Account | 542,757 | | | | 542,757 |
| Tuition Reserve Designated for: | | | | | |
| 2013-2014 Budget | 110,000 | | | | 110,000 |
| 2012-2013 Budget | 200,000 | | | | 200,000 |
| Maintenance Reserve | 75,000 | | | | 75,000 |
| Excess Surplus | 144,243 | | | | 144,243 |
| Debt Service | | | | \$ 29,630 | 29,630 |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|-----------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| LIABILITIES AND FUND BALANCES: | | | | | |
| Assigned: | | | | | |
| Year-End Encumbrances | \$ 154,205 | | | | \$ 154,205 |
| Designated for Subsequent Year's Expenditures | 144,172 | | | | 144,172 |
| Unassigned | 428,254 | | | | 428,254 |
| Total Fund Balances | 1,798,631 | | | \$ 29,630 | 1,828,261 |
| Total Liabilities and Fund Balances | \$ 1,867,358 | \$ 1,852 | \$ 541 | \$ 29,630 | |

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 \$31,973,796 and the accumulated depreciation is \$16,373,837.

\$ 15,599,959

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

(65,033)

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.

(4,300,043)

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 \$43,961.

(483,576)

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 \$7,871.

86,580

Net Assets of Governmental Activities

\$ 12,666,148

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| REVENUE: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 13,645,244 | | | \$ 576,359 | \$ 14,221,603 |
| Interest Earned on Capital Reserve Funds | 388 | | | | 388 |
| Tuition - Other Lea's within the State | 13,753 | | | | 13,753 |
| Tuition - Individuals | 39,000 | | | | 39,000 |
| Miscellaneous | 81,252 | \$ 2,000 | | | 83,252 |
| Total - Local Sources | 13,779,637 | 2,000 | | 576,359 | 14,357,996 |
| State Sources | 1,282,664 | | | | 1,282,664 |
| Federal Sources | 30,672 | 208,654 | | | 239,326 |
| Total Revenue | 15,092,973 | 210,654 | | 576,359 | 15,879,986 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Regular Instruction | 2,993,235 | 163,903 | | | 3,157,138 |
| Special Education Instruction | 838,829 | 46,751 | | | 885,580 |
| School Sponsored/Other Instruction | 186,422 | | | | 186,422 |
| Support Services and Undistributed Costs: | | | | | |
| Tuition | 4,664,999 | | | | 4,664,999 |
| Student & Instruction Related Services | 1,056,089 | | | | 1,056,089 |
| General Administrative Services | 425,547 | | | | 425,547 |
| School Administrative Services | 279,489 | | | | 279,489 |
| Central Services | 221,484 | | | | 221,484 |
| Administrative Information Technology | 77,861 | | | | 77,861 |
| Plant Operations and Maintenance | 932,852 | | | | 932,852 |
| Pupil Transportation | 630,096 | | | | 630,096 |
| Allocated and Unallocated Benefits | 2,256,047 | | | | 2,256,047 |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

| | <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 | | | | \$ 420,000 | \$ 420,000 |
| Interest and Other Charges | | | | 136,371 | 136,371 |
| Transfer of Funds to Charter Schools | \$ 34,320 | | | | 34,320 |
| Capital Outlay | 237,041 | | | | 237,041 |
| Total Expenditures | <u>14,834,311</u> | <u>\$ 210,654</u> | | <u>556,371</u> | <u>15,601,336</u> |
| Excess/(Deficit) of Revenue over/(under) Expenditures | 258,662 | | | 19,988 | 278,650 |
| Fund Balance—July 1 | <u>1,539,969</u> | | | <u>9,642</u> | <u>1,549,611</u> |
| Fund Balance—June 30 | <u><u>\$ 1,798,631</u></u> | <u><u>\$ - 0 -</u></u> | <u><u>\$ - 0 -</u></u> | <u><u>\$ 29,630</u></u> | <u><u>\$ 1,828,261</u></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, 2012

| | | |
|--|--|-------------------|
| Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) | | \$ 278,650 |
| 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 | (8,600) |
| | Capital Outlays | <u>233,750</u> |
| | | (185,243) |
| 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. | | 420,000 |
| 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 (+) | | (5,550) |
| Also, the governmental funds report the effect of deferred interest costs relative to an advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (-) | | (15,841) |
| Finally, the governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+) | | 43,961 |
| The governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities over the life of the bonds. (-) | | (7,871) |
| 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. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrues interest, the difference is an addition to the reconciliation (+). | | <u>(43,969)</u> |
| Change in Net Assets - Governmental Activities (From Exhibit A-2) | | <u>\$ 484,137</u> |

Exhibit B-4

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF JUNE 30, 2012

ASSETS:

Current Assets:

| | |
|---------------------------|----------|
| Cash and Cash Equivalents | \$ 2,793 |
| Interfund Receivable | 4,361 |
| Inventories | 1,903 |

| | |
|----------------------|--------------|
| Total Current Assets | <u>9,057</u> |
|----------------------|--------------|

Non-Current Assets:

| | |
|-------------------------------------|--------|
| Capital Assets, Net of Depreciation | |
| Depreciable Furniture and Equipment | 31,471 |

| | |
|--------------------------|---------------|
| Total Non-Current Assets | <u>31,471</u> |
|--------------------------|---------------|

| | |
|--------------|---------------|
| Total Assets | <u>40,528</u> |
|--------------|---------------|

LIABILITIES:

Current Liabilities:

| | |
|------------------|-----|
| Deferred Revenue | 602 |
|------------------|-----|

| | |
|---------------------------|------------|
| Total Current Liabilities | <u>602</u> |
|---------------------------|------------|

NET ASSETS:

| | |
|--|--------|
| Investment in Capital Assets Net of Related Debt | 31,471 |
| Unrestricted | 8,455 |

| | |
|------------------|------------------|
| Total Net Assets | <u>\$ 39,926</u> |
|------------------|------------------|

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

Exhibit B-5

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | |
|---|-------------|
| Operating Revenue: | |
| Local Sources: | |
| Daily Sales - Reimbursable Programs | \$ 83,392 |
| Daily Sales - Non-Reimbursable Programs | 21,274 |
| | <hr/> |
| Total Operating Revenue | 104,666 |
| | <hr/> |
| Operating Expenses: | |
| Cost of Sales | 42,622 |
| Salaries, Benefits & Payroll Taxes | 48,854 |
| Supplies, Insurance & Other Costs | 24,782 |
| Management Fee | 10,453 |
| Depreciation Expense | 3,093 |
| | <hr/> |
| Total Operating Expenses | 129,804 |
| | <hr/> |
| Operating Loss | (25,138) |
| Non-Operating Revenue: | |
| Local Sources: | |
| Interest Income | 45 |
| State Sources: | |
| State School Lunch Program | 1,355 |
| Federal Sources: | |
| National School Lunch Program | 14,863 |
| Food Distribution Program | 7,989 |
| | <hr/> |
| Total Non-Operating Revenue | 24,252 |
| | <hr/> |
| Change in Net Assets | (886) |
| Net Assets - Beginning of Year | 40,812 |
| | <hr/> |
| Net Assets - End of Year | \$ 39,926 |
| | <hr/> <hr/> |

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

Exhibit B-6

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | |
|---|--------------------|
| Cash Flows from Operating Activities: | |
| Receipts from Customers | \$ 100,305 |
| Payments to Employees | (48,854) |
| Payments to Food Service Vendor | (45,273) |
| Payments to Suppliers | <u>(24,782)</u> |
| Net Cash Used for Operating Activities | <u>(18,604)</u> |
| Cash Flows Provided for Investing Activities: | |
| Local Sources: | |
| Interest Income | <u>45</u> |
| Net Cash Provided by Investing Activities | <u>45</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Purchase of Capital Assets | <u>(11,797)</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(11,797)</u> |
| Cash Flows from Noncapital Financing Activities: | |
| State Sources: | |
| State School Lunch Program | 1,355 |
| Federal Sources: | |
| National School Lunch Program | <u>14,863</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>16,218</u> |
| Net Decrease in Cash and Cash Equivalents | (14,138) |
| Cash and Cash Equivalents, July 1 | <u>16,931</u> |
| Cash and Cash Equivalents, June 30 | <u>\$ 2,793</u> |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities: | |
| Operating Loss | \$ (25,138) |
| Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities: | |
| Depreciation | 3,093 |
| Food Distribution Program | 7,989 |
| Changes in Assets and Liabilities: | |
| (Increase) in Inventory | (287) |
| (Increase) in Interfund Receivable | (4,361) |
| Increase in Deferred Revenue | <u>100</u> |
| Net Cash Used for Operating Activities | <u>\$ (18,604)</u> |

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities through the Food Distribution Program valued at \$8,089 and Utilized Commodities Valued at \$7,989.

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

Exhibit B-7

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

| | <u>Agency</u> | <u>Unemployment Compensation Fund</u> |
|---------------------------------------|---------------|---|
| ASSETS: | | |
| Cash and Cash Equivalents | \$ 205,857 | \$ 75,602 |
| Interfund Receivable | | 10,406 |
| | <hr/> | <hr/> |
| Total Assets | 205,857 | 86,008 |
| | <hr/> | <hr/> |
| LIABILITIES: | | |
| Payroll Deductions and Withholdings | 1,160 | |
| Accrued Salaries and Wages | 153,925 | |
| Due to Student Groups | 29,072 | |
| Interfund Payable | 21,700 | |
| | <hr/> | <hr/> |
| Total Liabilities | 205,857 | |
| | <hr/> | <hr/> |
| NET ASSETS: | | |
| Held in Trust for Unemployment Claims | | 86,008 |
| | <hr/> | <hr/> |
| Total Net Assets | \$ -0- | \$ 86,008 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

Exhibit B-8

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Unemployment Compensation Fund</u> |
|------------------------------------|---|
| Additions: | |
| Contributions: | |
| Employee Contributions | \$ 10,406 |
| Board Contributions | 91,278 |
| Total Contributions | <u>101,684</u> |
| Investment Earnings: | |
| Interest | 158 |
| Net Investment Earnings | <u>158</u> |
| Total Additions | <u>101,842</u> |
| Deductions | |
| Unemployment Compensation Claims | <u>64,735</u> |
| Total Deductions | <u>64,735</u> |
| Change in Net Assets | 37,107 |
| Net Assets - Beginning of the Year | <u>48,901</u> |
| Net Assets - End of the Year | <u><u>\$ 86,008</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, 2012

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, 2012
(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, 2012
(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, 2012

(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 budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the annual school election on the fourth Wednesday in April 2011. 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 budgetary 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, 2012
(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 | \$ 15,123,220 | \$ 210,654 |
| Differences - Budget to GAAP: | | |
| Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not. | | |
| Prior Year State Aid Payments Recognized for GAAP Statements | 7,409 | |
| Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements | (37,656) | |
| Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | \$ 15,092,973 | \$ 210,654 |
| | | |
| | General Fund | Special Revenue Fund |
| Uses/Outflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule | \$ 14,834,311 | \$ 210,654 |
| Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds | \$ 14,834,311 | \$ 210,654 |

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.

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.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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

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

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.

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.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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

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, 2012.

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, 2012
(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 Capital Projects Fund 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, 2012 the amount earned by these employees but not disbursed was \$153,925.

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, 2012

(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,798,631 General Fund fund balance at June 30, 2012, \$154,205 is assigned for encumbrances; \$542,757 is restricted in the capital reserve account; \$75,000 has been restricted in the maintenance reserve account; \$200,000 has been restricted for tuition adjustment for the fiscal year ended June 30, 2013 and \$110,000 has been restricted for tuition adjustment for the fiscal year ended June 30, 2014 in accordance with N.J.A.C. 6A:23-3.1(F)(8); \$144,243 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) and will be appropriated and included as anticipated revenue for the year ending June 30, 2014; \$144,172 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2013, and \$428,254 is unassigned fund balance, which is \$37,656 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, 2013

Debt Service Fund: The Debt Service Fund has \$29,630 of restricted fund balance at June 30, 2012.

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 \$37,656, 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, 2012
(Continued)

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

R. Deficit/Net Assets:

The District has a deficit in unrestricted net assets from governmental activities in the amount of \$88,064 primarily due to the accrual of Interest Payable of \$65,033; Unamortized Bond issuance Costs of \$86,580; Compensated Absences of \$54,289; and the amortization of Unamortized Bond Premiums of \$483,576. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the prior 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, a maintenance reserve and a debt service.

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, 2012.

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 and amounts designated for subsequent year's expenditures in the General Fund at June 30, 2012.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

T. 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.

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. 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, 2012
(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, 2012
(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, 2012, cash and cash equivalents and investments of the District consisted of the following:

| | Cash and Cash Equivalents | Capital Reserve | Total |
|-----------------------------|---------------------------------|--------------------|--------------|
| Checking & Savings Accounts | \$ 1,400,741 | \$ 542,757 | \$ 1,943,498 |
| | \$ 1,400,741 | \$ 542,757 | \$ 1,943,498 |

During the period ended June 30, 2012, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$1,931,839 and the bank balance was \$3,271,639.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

| | Balance 6/30/ | Increases | Adjustments/ Decreases | Balance 6/30/ |
|---|------------------|--------------|---------------------------|------------------|
| Governmental Activities: | | | | |
| Capital Assets not being Depreciated: | | | | |
| Sites (Land) | \$ 951,200 | | | \$ 951,200 |
| Construction in Progress | | | | |
| Total Capital Assets not Being Depreciated | 951,200 | | | 951,200 |
| Capital Assets Being Depreciated: | | | | |
| Site Improvements | 916,576 | | | 916,576 |
| Buildings and Building Improvements | 29,500,837 | | | 29,500,837 |
| Machinery and Equipment | 380,033 | 233,750 | (8,600) | 605,183 |
| Total Capital Assets Being Depreciated | 30,797,446 | 233,750 | (8,600) | 31,022,596 |
| Governmental Activities Capital Assets | 31,748,646 | 233,750 | (8,600) | 31,973,796 |
| Less Accumulated Depreciation for: | | | | |
| Site Improvements | (283,706) | (45,829) | | (329,535) |
| Buildings and Building Improvements | (15,449,807) | (342,653) | | (15,792,460) |
| Machinery and Equipment | (229,931) | (21,911) | | (251,842) |
| Total Accumulated Depreciation | (15,963,444) | (410,393) | | (16,373,837) |
| Governmental Activities Capital Assets, Net of Accumulated Depreciation | \$ 15,785,202 | \$ (176,643) | \$ (8,600) | \$ 15,599,959 |
| Business Type Activities: | | | | |
| Capital Assets Being Depreciated: | | | | |
| Furniture and Equipment | \$ 46,400 | \$ 11,797 | | \$ 58,197 |
| Less Accumulated Depreciation | (23,633) | (3,093) | | (26,726) |
| Business Type Activities Capital Assets, Net of Accumulated Depreciation | \$ 22,767 | \$ 8,704 | | \$ 31,471 |
| GRAND TOTAL | \$ 15,807,969 | \$ (167,939) | \$ (8,600) | \$ 15,631,430 |

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, 2012

(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, 2011 to June 30, 2012 fiscal year is as follows:

| | | |
|--|----|-----------------------|
| Balance at June 30, 2011 | \$ | 267,915 |
| Interest | | 388 |
| Increased by Board Resolution June 7, 2012 | | <u>274,454</u> |
| Balance at June 30, 2012 | \$ | <u><u>542,757</u></u> |

The balance in the capital reserve account at June 30, 2012 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan ("LRFP").

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2012, the District transferred \$45,957 to capital outlay accounts for equipment for which the County Superintendent's approval is not required.

NOTE 7. LONG-TERM LIABILITIES:

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the district-wide financial statements:

| | <u>Balance</u> <u>6/30/2011</u> | <u>Accrued</u> | <u>Retired</u> | <u>Balance</u> <u>6/30/2012</u> |
|------------------------------|------------------------------------|------------------|-------------------|------------------------------------|
| Bonds Payable | \$ 4,840,000 | | \$ 420,000 | \$ 4,420,000 |
| Deferred Interest | <u>(190,086)</u> | \$ 15,840 | | <u>(174,246)</u> |
| Net Serial Bonds Payable | 4,649,914 | 15,840 | 420,000 | 4,245,754 |
| Compensated Absences Payable | <u>48,739</u> | <u>5,550</u> | | <u>54,289</u> |
| | <u>\$ 4,698,653</u> | <u>\$ 21,390</u> | <u>\$ 420,000</u> | <u>\$ 4,300,043</u> |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012 as follows:

| <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Amount</u> |
|----------------------|----------------------|---------------------|
| 2/15/2023 | 3.00-5.00% | <u>\$ 4,420,000</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> | |
| 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 | 390,000 | 143,350 | 533,350 |
| 2017-2021 | 2,105,000 | 432,000 | 2,537,000 |
| 2022-2023 | 450,000 | 22,500 | 472,500 |
| | <u>\$ 4,420,000</u> | <u>\$ 1,309,150</u> | <u>\$ 5,729,150</u> |

B. Bonds Authorized But Not Issued:

As of June 30, 2012, 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, 2012
(Continued)

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

C. Capital Leases Payable:

The District had no capital leases as of June 30, 2012.

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 \$54,289 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, 2012

(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 TPAF or 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. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS went from 5.5% to 6.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the PERS and TPAF

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 \$98,174, \$85,593 and \$79,449 for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

During the fiscal years ended June 30, 2012, the State of New Jersey contributed \$120,223 to the TPAF for pension benefits on-behalf of the District. During the fiscal years ended June 30, 2011 and June 30, 2010 the State of New Jersey made no contributions to the TPAF for 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, 2011 there were 93,323 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, 2012
(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 \$144.0 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$241,680, \$228,363, and \$248,140 for 2012, 2011, and 2010, 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 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, 2012 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, 2011 is as follows:

| | <u>Morris Essex Insurance Group</u> |
|--|---|
| Total Assets | \$ 7,361,713 |
| Net Assets | \$ 3,049,206 |
| Total Revenue | \$ 2,926,184 |
| Total Expenses | \$ 1,765,941 |
| Change in Net Assets | \$ 1,160,243 |
| Net Assets Distribution to Participating Members | \$ 592,294 |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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> |
|--------------------|-------------------------------|-------------------------------|------------------------|--------------------------|-----------------------|
| 2009-2010 | \$ -0- | \$ 40,372 | \$ 5 | \$ 6,511 | \$ 33,866 |
| 2010-2011 | 75,000 | 8,525 | 87 | 68,577 | 48,901 |
| 2010-2012 | 91,278 | 10,406 | 158 | 64,735 | 86,008 |

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2012.

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-----------------------|-----------------------------|--------------------------|
| General Fund | \$ 11,835 | \$ 4,361 |
| Capital Projects Fund | | 541 |
| Proprietary Fund | 4,361 | |
| Fiduciary Funds | 10,406 | 21,700 |
| | <u>\$ 26,602</u> | <u>\$ 26,602</u> |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

The interfund receivable in the General Fund and the Capital Projects Fund represents cash advanced to the Capital projects fund plus additional interest received on those funds that will be transferred back during fiscal year 2013. The interfund between the General Fund and the Fiduciary funds represents payments made on behalf of the Fiduciary funds. The interfund payable and resulting receivable in the Proprietary fund is a result of Federal and State subsidies received in the General Fund that have not yet been transferred. The interfund receivable and payable in the fiduciary fund represents employee contributions to the State Unemployment account that are currently held in the Agency Account.

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.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 16. CONTINGENT LIABILITIES (Cont' d)

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 \$4,470,000 Refunding Bonds dated June 1, 2011 as the District is considered a small issuer with debt under \$15,000,000.

Encumbrances

At June 30, 2012, 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> |
|---------------------|---------------------------------|----------------------------------|------------------------------|-------------------------------------|
| \$ 154,205 | \$ -0- | \$ -0- | \$ -0- | \$ 154,205 |

BUDGETARY COMPARISON SCHEDULES

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <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 | \$ 13,645,244 | | \$ 13,645,244 | \$ 13,645,244 | |
| Interest on Capital Reserve | 500 | | 500 | 388 | \$ (112) |
| Tuition - Other Lea's within the State | 40,000 | | 40,000 | 39,000 | (1,000) |
| Tuition - Individuals | | | | 13,753 | 13,753 |
| Unrestricted Miscellaneous Revenue | 5,000 | | 5,000 | 81,252 | 76,252 |
| Total - Local Sources | <u>13,690,744</u> | | <u>13,690,744</u> | <u>13,779,637</u> | <u>88,893</u> |
| State Sources: | | | | | |
| Transportation Aid | | | | | |
| Special Education Aid | 321,544 | 144,172 | 465,716 | 465,716 | |
| Security Aid | | | | | |
| Adjustment Aid | | | | | |
| Extraordinary Aid | 20,000 | | 20,000 | 201,932 | 181,932 |
| Non Public Transportation | | 9,874 | 9,874 | 9,874 | |
| On-Behalf TPAF Pension Contributions (Non-Budgeted) | | | | 120,223 | 120,223 |
| On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted) | | | | 241,680 | 241,680 |
| Reimbursed TPAF Social Security Contributions (Non-Budgeted) | | | | 273,486 | 273,486 |
| Total State Sources | <u>341,544</u> | <u>154,046</u> | <u>495,590</u> | <u>1,312,911</u> | <u>817,321</u> |
| Federal Sources: | | | | | |
| Education Jobs Fund | 29,740 | 932 | 30,672 | 30,672 | |
| Total Federal Sources: | <u>29,740</u> | <u>932</u> | <u>30,672</u> | <u>30,672</u> | |
| TOTAL REVENUE | <u>14,062,028</u> | <u>154,978</u> | <u>14,217,006</u> | <u>15,123,220</u> | <u>906,214</u> |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <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 - Instruction: | | | | | |
| Kindergarten - Salaries of Teachers | \$ 247,850 | | \$ 247,850 | \$ 243,651 | \$ 4,199 |
| Grades 1-5 - Salaries of Teachers | 1,384,412 | \$ 25,000 | 1,409,412 | 1,395,176 | 14,236 |
| Grades 6-8 - Salaries of Teachers | 1,047,559 | (7,310) | 1,040,249 | 983,454 | 56,795 |
| Regular Programs - Home Instruction: | | | | | |
| Salaries of Teachers | 1,000 | 3,400 | 4,400 | 2,294 | 2,106 |
| Purchased Professional and Education Services | 1,000 | 740 | 1,740 | 1,674 | 66 |
| Regular Programs - Undistributed Instruction: | | | | | |
| Other Purchased Services (400-500 series) | 196,951 | 21,520 | 218,471 | 209,923 | 8,548 |
| General Supplies | 130,249 | 12,359 | 142,608 | 141,023 | 1,585 |
| Textbooks | 24,889 | 21,197 | 46,086 | 16,040 | 30,046 |
| Total Regular Programs - Instruction | <u>3,033,910</u> | <u>76,906</u> | <u>3,110,816</u> | <u>2,993,235</u> | <u>117,581</u> |
| Special Education - Instruction: | | | | | |
| Visual Impairments: | | | | | |
| Other Salaries for Instruction | 25,980 | 1,000 | 26,980 | 25,730 | 1,250 |
| General Supplies | 500 | | 500 | 108 | 392 |
| Total Visual Impairments | <u>26,480</u> | <u>1,000</u> | <u>27,480</u> | <u>25,838</u> | <u>1,642</u> |
| Special Education - Instruction: | | | | | |
| Multiple Disabilities: | | | | | |
| Salaries of Teachers | 113,287 | (61,147) | 52,140 | 52,140 | |
| Other Salaries for Instruction | 38,171 | (17,442) | 20,729 | 19,623 | 1,106 |
| General Supplies | 1,310 | 50 | 1,360 | 1,255 | 105 |
| Textbooks | 702 | | 702 | 638 | 64 |
| Total Multiple Disabilities | <u>153,470</u> | <u>(78,539)</u> | <u>74,931</u> | <u>73,656</u> | <u>1,275</u> |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <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 | \$ 416,034 | \$ 67,053 | \$ 483,087 | \$ 482,992 | \$ 95 |
| Other Salaries for Instruction | 150,317 | 19,374 | 169,691 | 165,598 | 4,093 |
| General Supplies | 8,724 | 20 | 8,744 | 8,415 | 329 |
| Total Resource Room/Resource Center | 575,075 | 86,447 | 661,522 | 657,005 | 4,517 |
| Preschool Disabilities - Part-Time: | | | | | |
| Salaries of Teachers | 57,492 | | 57,492 | 51,772 | 5,720 |
| Other Salaries for Instruction | 27,836 | 3,000 | 30,836 | 30,321 | 515 |
| General Supplies | 247 | 15,100 | 15,347 | 237 | 15,110 |
| Total Preschool Disabilities - Part-Time | 85,575 | 18,100 | 103,675 | 82,330 | 21,345 |
| Total Special Education - Instruction | 840,600 | 27,008 | 867,608 | 838,829 | 28,779 |
| Basic Skills/Remedial - Instruction: | | | | | |
| Salaries of Teachers | 52,398 | 5,094 | 57,492 | 57,492 | |
| General Supplies | 888 | | 888 | 604 | 284 |
| Total Basic Skills/Remedial - Instruction | 53,286 | 5,094 | 58,380 | 58,096 | 284 |
| Bilingual Education - Instruction: | | | | | |
| Salaries for Teachers | 39,665 | 4,300 | 43,965 | 39,665 | 4,300 |
| General Supplies | 750 | | 750 | 175 | 575 |
| Total Bilingual Education - Instruction | 40,415 | 4,300 | 44,715 | 39,840 | 4,875 |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <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 | \$ 20,685 | | \$ 20,685 | \$ 10,990 | \$ 9,695 |
| Purchased Services (300-500 series) | 1,400 | | 1,400 | 650 | 750 |
| Supplies and Materials | 3,098 | \$ (1,575) | 1,523 | 631 | 892 |
| Total School-Sponsored Cocurricular - Instruction | 25,183 | (1,575) | 23,608 | 12,271 | 11,337 |
| School-Sponsored Cocurricular Athletics - Instruction: | | | | | |
| Salaries | 49,528 | | 49,528 | 42,261 | 7,267 |
| Supplies and Materials | 2,137 | 165 | 2,302 | 2,246 | 56 |
| Other Object | 1,540 | (165) | 1,375 | 1,375 | |
| Transfers to Cover Deficit (Agency Funds) | 3,300 | 1,575 | 4,875 | 4,875 | |
| Total School-Sponsored Cocurricular Athletics - Instruction | 56,505 | 1,575 | 58,080 | 50,757 | 7,323 |
| Summer School - Instruction: | | | | | |
| Salaries for Teachers | 32,000 | (6,542) | 25,458 | 25,458 | |
| Total Summer School - Instruction | 32,000 | (6,542) | 25,458 | 25,458 | |
| Total Instruction | 4,081,899 | 106,766 | 4,188,665 | 4,018,486 | 170,179 |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <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 | \$ 3,165,139 | \$ 7,650 | \$ 3,172,789 | \$ 3,172,789 | |
| Tuition to Other LEAs Within the State - Special | 679,035 | (23,386) | 655,649 | 655,649 | |
| Tuition to Coutny Vocational School District | 54,696 | (6,573) | 48,123 | 47,101 | \$ 1,022 |
| Tuition to Private Schools for the Handicapped - Within State | 832,239 | (34,441) | 797,798 | 789,460 | 8,338 |
| Total Undistributed Expenditures - Instruction | <u>4,731,109</u> | <u>(56,750)</u> | <u>4,674,359</u> | <u>4,664,999</u> | <u>9,360</u> |
| Health Services: | | | | | |
| Salaries | 123,000 | | 123,000 | 119,650 | 3,350 |
| Purchased Professional and Technical Services | 4,300 | 2,075 | 6,375 | 5,533 | 842 |
| Supplies and Materials | 1,582 | 225 | 1,807 | 1,754 | 53 |
| Total Health Services | <u>128,882</u> | <u>2,300</u> | <u>131,182</u> | <u>126,937</u> | <u>4,245</u> |
| Other Support Services - Speech, OT, PT and Related Services: | | | | | |
| Salaries | 52,398 | 9,360 | 61,758 | 58,988 | 2,770 |
| Purchased Professional - Educational Services | 281,500 | 98,302 | 379,802 | 363,837 | 15,965 |
| Supplies and Materials | 6,288 | 500 | 6,788 | 6,613 | 175 |
| Total Other Support Services - Speech, OT, PT and Related Services | <u>340,186</u> | <u>108,162</u> | <u>448,348</u> | <u>429,438</u> | <u>18,910</u> |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <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 | 3,243 | | 3,243 | 924 | \$ 2,319 |
| Other Purchased Services (400 - 500 series) | 5,700 | | 5,700 | 3,243 | 2,457 |
| Supplies and Materials | 3,007 | | 3,007 | 1,638 | 1,369 |
| Total Other Support Services - Students - Guidance | 93,159 | | 93,159 | 87,014 | 6,145 |
| Other Support Services - Students - Child Study Team: | | | | | |
| Salaries of Secretarial and Clerical Assistants | 14,250 | | 14,250 | 14,250 | |
| Purchased Professional - Educational Services | 226,116 | \$ (19,800) | 206,316 | 202,500 | 3,816 |
| Supplies and Materials | 5,000 | (500) | 4,500 | 1,254 | 3,246 |
| Total Other Support Services - Students - Child Study Team | 245,366 | (20,300) | 225,066 | 218,004 | 7,062 |
| Improvement of Instructional Services: | | | | | |
| Salaries of Supervisor of Instruction | 39,742 | 71 | 39,813 | 39,813 | |
| Salaries of Other Professional Staff | 13,163 | (71) | 13,092 | 8,268 | 4,824 |
| Supplies and Materials | 4,500 | | 4,500 | 1,640 | 2,860 |
| Total Improvement of Instructional Services | 57,405 | | 57,405 | 49,721 | 7,684 |
| Educational Media Services/School Library: | | | | | |
| Salaries | 115,554 | | 115,554 | 115,554 | |
| Other Purchased Services (400-500 Series) | 4,274 | | 4,274 | 4,274 | |
| Supplies and Materials | 22,282 | 3,786 | 26,068 | 17,237 | 8,831 |
| Total Educational Media Services/School Library | 142,110 | 3,786 | 145,896 | 137,065 | 8,831 |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|----------------|-----------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE: | | | | | |
| Instructional Staff Training Services: | | | | | |
| Other Purchased Services (400-500 series) | \$ 4,200 | \$ 4,135 | \$ 8,335 | \$ 7,660 | \$ 675 |
| Other Objects | 250 | | 250 | 250 | |
| Total Instructional Staff Training Services | 4,450 | 4,135 | 8,585 | 7,910 | 675 |
| Support Services - General Administration: | | | | | |
| Salaries | 215,740 | 8,836 | 224,576 | 224,214 | 362 |
| Legal Services | 50,000 | 10,668 | 60,668 | 60,668 | |
| Audit Fees | 25,500 | | 25,500 | 25,500 | |
| Architectural/Engineering Fees | 5,000 | 11,180 | 16,180 | 12,930 | 3,250 |
| Other Purchased Services | 11,305 | 6,787 | 18,092 | 18,092 | |
| Communications/Telephone | 36,500 | (2,964) | 33,536 | 31,536 | 2,000 |
| BOE Other Purchased Professional Services | 2,500 | (138) | 2,362 | 2,362 | |
| Other Purchased Services (400-500 series) | 19,600 | (1,526) | 18,074 | 17,703 | 371 |
| General Supplies | 2,500 | (461) | 2,039 | 1,283 | 756 |
| BOE In-House Training/ Meeting Supplies | 2,500 | (66) | 2,434 | 2,434 | |
| Judgements Against School District | 10,000 | 8,570 | 18,570 | 18,570 | |
| Miscellaneous Expenditures | 3,850 | (1,178) | 2,672 | 2,672 | |
| BOE Membership Dues and Fees | 8,000 | (417) | 7,583 | 7,583 | |
| Total Support Services - General Administration | 392,995 | 39,291 | 432,286 | 425,547 | 6,739 |
| Support Services - School Administration: | | | | | |
| Salaries of Principals/Assistant Principals | 174,012 | | 174,012 | 173,719 | 293 |
| Salaries of Secretarial and Clerical Assistants | 98,758 | | 98,758 | 94,012 | 4,746 |
| Other Purchased Services (400-500 series) | 4,508 | | 4,508 | 1,256 | 3,252 |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <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 | \$ 8,756 | \$ 600 | \$ 9,356 | \$ 9,141 | \$ 215 |
| Other Objects | 4,254 | (500) | 3,754 | 1,361 | 2,393 |
| Total Support Services - School Administration | <u>290,288</u> | <u>100</u> | <u>290,388</u> | <u>279,489</u> | <u>10,899</u> |
| Central Services: | | | | | |
| Salaries | 194,567 | 4,000 | 198,567 | 192,749 | 5,818 |
| Purchased Technical Services | 14,900 | 196 | 15,096 | 15,096 | |
| Miscellaneous Purchased Services (400-500 series) | 10,500 | (2,696) | 7,804 | 6,542 | 1,262 |
| Other Objects | 1,500 | | 1,500 | 1,453 | 47 |
| Total Central Services | <u>224,467</u> | <u>4,500</u> | <u>228,967</u> | <u>221,484</u> | <u>7,483</u> |
| Administrative Information Technology: | | | | | |
| Salaries | 47,291 | 3,709 | 51,000 | 51,000 | |
| Purchased Technical Services | 10,600 | 7,200 | 17,800 | 17,631 | 169 |
| Other Purchased Services (400-500 Series) | 7,713 | | 7,713 | 7,706 | 7 |
| Supplies and Materials | 10,000 | (3,200) | 6,800 | 1,524 | 5,276 |
| Total Administrative Information Technology | <u>75,604</u> | <u>7,709</u> | <u>83,313</u> | <u>77,861</u> | <u>5,452</u> |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <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 | \$ 72,407 | | \$ 72,407 | \$ 71,711 | \$ 696 |
| Cleaning, Repair and Maintenance Services | 130,300 | \$ 49,889 | 180,189 | 152,104 | 28,085 |
| General Supplies | 21,000 | (3,901) | 17,099 | 15,500 | 1,599 |
| Other Objects | 2,225 | | 2,225 | 2,200 | 25 |
| Total Required Maintenance of School Facilities | 225,932 | 45,988 | 271,920 | 241,515 | 30,405 |
| Custodial Services: | | | | | |
| Salaries | 308,317 | 10,500 | 318,817 | 309,532 | 9,285 |
| Cleaning, Repairs, and Maintenance Services | 8,572 | 2,042 | 10,614 | 10,368 | 246 |
| Other Purchased Property Services | 5,500 | | 5,500 | 5,035 | 465 |
| Insurance | 56,000 | | 56,000 | 55,175 | 825 |
| Miscellaneous Purchased Services | 40,727 | (1,080) | 39,647 | 38,997 | 650 |
| General Supplies | 41,400 | 14,000 | 55,400 | 53,706 | 1,694 |
| Energy (Natural Gas) | 77,700 | (22,037) | 55,663 | 35,508 | 20,155 |
| Energy (Electricity) | 252,800 | (48,488) | 204,312 | 183,016 | 21,296 |
| Total Custodial Services: | 791,016 | (45,063) | 745,953 | 691,337 | 54,616 |
| Student Transportation Services: | | | | | |
| Salaries: Between Home and School - Regular | 31,005 | 2,500 | 33,505 | 29,509 | 3,996 |
| Cleaning, Repairs, and Maintenance Services | 4,000 | | 4,000 | 3,795 | 205 |
| Lease/Purchase - School Bus | 15,885 | | 15,885 | 15,885 | |
| Contracted Services: Other Between Home and School - Vendors | 22,100 | 589 | 22,689 | 22,688 | 1 |
| Contracted Services: Between Home and School - Joint Agreement | 21,624 | (4,094) | 17,530 | 5,970 | 11,560 |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <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 | \$ 208,782 | \$ 11,505 | \$ 220,287 | \$ 214,141 | \$ 6,146 |
| Contracted Services: Special Education Students - ESCs | 352,920 | (41,525) | 311,395 | 276,182 | 35,213 |
| Contracted Services: Aid in Lieu of Payments - Non Public Schools | 48,620 | | 48,620 | 47,613 | 1,007 |
| Miscellaneous Purchased Services - Transportation | 11,000 | | 11,000 | 7,530 | 3,470 |
| Supplies and Materials | 10,000 | | 10,000 | 6,783 | 3,217 |
| Total Student Transportation Services | <u>725,936</u> | <u>(31,025)</u> | <u>694,911</u> | <u>630,096</u> | <u>64,815</u> |
| Unallocated Benefits: | | | | | |
| Social Security Contribution | 126,730 | 533 | 127,263 | 127,263 | |
| Other Retirement Contributions - PERS | 101,077 | | 101,077 | 98,174 | 2,903 |
| Unemployment Compensation | 91,278 | | 91,278 | 91,278 | |
| Workmen's Compensation | 60,523 | 436 | 60,959 | 60,959 | |
| Health Benefits | 1,331,819 | (139,227) | 1,192,592 | 1,165,481 | 27,111 |
| Tuition Reimbursement | 40,000 | 300 | 40,300 | 39,430 | 870 |
| Other Employee Benefits | 34,421 | 7,100 | 41,521 | 38,073 | 3,448 |
| Total Unallocated Benefits | <u>1,785,848</u> | <u>(130,858)</u> | <u>1,654,990</u> | <u>1,620,658</u> | <u>34,332</u> |
| Unallocated Benefits: | | | | | |
| On-Behalf TPAF Pension Contributions (Non-Budgeted) | | | | 120,223 | (120,223) |
| On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted) | | | | 241,680 | (241,680) |
| Reimbursed TPAF Social Security Contributions (Non-Budgeted) | | | | 273,486 | (273,486) |
| Total Undistributed Expenditures | <u>10,254,753</u> | <u>(68,025)</u> | <u>10,186,728</u> | <u>10,544,464</u> | <u>(357,736)</u> |
| TOTAL CURRENT EXPENSE | <u>14,336,652</u> | <u>38,741</u> | <u>14,375,393</u> | <u>14,562,950</u> | <u>(187,557)</u> |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|-------------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| Equipment: | | | | | |
| Grades 1-5 | \$ 34,470 | | \$ 34,470 | \$ 34,470 | |
| Grades 6-8 | 50,000 | \$ 6,285 | 56,285 | 56,285 | |
| Undistributed Expenditures - Central Services | 20,264 | | 20,264 | 20,264 | |
| Non-Instructional Services | 8,161 | 40,172 | 48,333 | 45,494 | \$ 2,839 |
| Total Equipment | 112,895 | 46,457 | 159,352 | 156,513 | 2,839 |
| Facilities Acquisition and Construction Services: | | | | | |
| Other Purchased Professional and Technical Services | 26,620 | | 26,620 | 26,620 | |
| Construction Services | 57,000 | | 57,000 | 53,908 | 3,092 |
| Total Facilities Acquisition and Construction Services | 83,620 | | 83,620 | 80,528 | 3,092 |
| Total Capital Outlay | 196,515 | 46,457 | 242,972 | 237,041 | 5,931 |
| Transfer Funds to Charter Schools | 45,760 | (11,440) | 34,320 | 34,320 | |
| TOTAL EXPENDITURES | 14,578,927 | 73,758 | 14,652,685 | 14,834,311 | (181,626) |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | (516,899) | 81,220 | (435,679) | 288,909 | 724,588 |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|---------------------|-------------------------------------|
| Fund Balance, July 1 | \$ 1,547,378 | | \$ 1,547,378 | \$ 1,547,378 | |
| Fund Balance, June 30 | <u>\$ 1,030,479</u> | <u>\$ 81,220</u> | <u>\$ 1,111,699</u> | <u>\$ 1,836,287</u> | <u>\$ 724,588</u> |
| <u>Recapitulation:</u> | | | | | |
| Restricted: | | | | | |
| Capital Reserve | | | | \$ 542,757 | |
| Excess Surplus | | | | 144,243 | |
| Tuition Reserve 2013-2014 | | | | 110,000 | |
| Tuition Reserve 2012-2013 | | | | 200,000 | |
| Maintenance Reserve | | | | 75,000 | |
| Assigned: | | | | | |
| Designated for Subsequent Year's Expenditures | | | | 144,172 | |
| Year End Encumbrances | | | | 154,205 | |
| Unassigned Fund Balance | | | | <u>465,910</u> | |
| | | | | 1,836,287 | |
| Reconciliation to Governmental Funds Statements (GAAP): | | | | | |
| Last State Aid Payments not Recognized on GAAP Basis | | | | <u>(37,656)</u> | |
| Fund Balances per Governmental Funds (GAAP) | | | | <u>\$ 1,798,631</u> | |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| Revenue: | | | | | |
| Local Sources | | \$ 3,400 | \$ 3,400 | \$ 2,000 | \$ (1,400) |
| Federal Sources | \$ 163,351 | 45,521 | 208,872 | 208,654 | (218) |
| Total Revenue | <u>163,351</u> | <u>48,921</u> | <u>212,272</u> | <u>210,654</u> | <u>(1,618)</u> |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Salaries | 4,736 | 7,783 | 12,519 | 12,301 | 218 |
| General Supplies | 1,932 | 2,098 | 4,030 | 2,630 | 1,400 |
| Other Purchased Services | 14,915 | (14,915) | | | |
| Total Instruction | <u>21,583</u> | <u>(5,034)</u> | <u>16,549</u> | <u>14,931</u> | <u>1,618</u> |
| Support Services: | | | | | |
| Tuition | 141,768 | 27,893 | 169,661 | 169,661 | |
| Employee Benefits | | 2,234 | 2,234 | 2,234 | |
| Purchased Professional/Technical Services | | 19,250 | 19,250 | 19,250 | |
| Other Purchased Services | | 2,000 | 2,000 | 2,000 | |
| Supplies and Materials | | 2,578 | 2,578 | 2,578 | |
| Total Support Services | <u>141,768</u> | <u>53,955</u> | <u>195,723</u> | <u>195,723</u> | |
| Total Expenditures | <u>163,351</u> | <u>48,921</u> | <u>212,272</u> | <u>210,654</u> | <u>1,618</u> |
| Excess/(Deficiency) of Revenue Over/(Under) Expenditures and Other Financing Sources (Uses) | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

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

| | <u>General Fund</u> | <u>Special Revenue Fund</u> |
|---|-------------------------|-------------------------------------|
| Sources/Inflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule | \$ 15,123,220 | \$ 210,654 |
| Differences - Budget to GAAP: | | |
| Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not. | | |
| Prior Year State Aid Payment Recognized for GAAP Statements | 7,409 | |
| Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements | <u>(37,656)</u> | |
| Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. | <u>\$ 15,092,973</u> | <u>\$ 210,654</u> |
| Uses/Outflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule | \$ 14,834,311 | \$ 210,654 |
| Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds | <u>\$ 14,834,311</u> | <u>\$ 210,654</u> |

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the annual school election on the fourth Wednesday in April 2011. 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)l. 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, 2012

| | Samsung Grant | No Child Left Behind | | | Title IIA Carryover |
|---|------------------|----------------------|----------------------|-----------|------------------------|
| | | Title I | Title I Carryover | Title IIA | |
| REVENUE: | | | | | |
| Local Sources | \$ 2,000 | | | | |
| Federal Sources | | \$ 8,403 | \$ 254 | \$ 15,598 | \$ 7,565 |
| Total Revenue | 2,000 | 8,403 | 254 | 15,598 | 7,565 |
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | | 4,736 | | | 7,565 |
| General Supplies | | 2,630 | | | |
| Total Instruction | | 7,366 | | | 7,565 |
| Support Services: | | | | | |
| Tuition | | | | | |
| Employee Benefits | | 1,037 | 254 | | |
| Purchased Professional/Technical Services | | | | 13,020 | |
| Other Purchased Services | 2,000 | | | | |
| Supplies and Materials | | | | 2,578 | |
| Total Support Services | 2,000 | 1,037 | 254 | 15,598 | |
| Total Expenditures | \$ 2,000 | \$ 8,403 | \$ 254 | \$ 15,598 | \$ 7,565 |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | IDEA | | | Totals |
|---|------------|-----------|----------------|------------|
| | Part B | Preschool | Part B ARRA | |
| REVENUE: | | | | |
| Local Sources | | | | \$ 2,000 |
| Federal Sources | \$ 169,661 | \$ 6,230 | \$ 943 | 208,654 |
| Total Revenue | 169,661 | 6,230 | 943 | 210,654 |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Salaries of Teachers | | | | 12,301 |
| General Supplies | | | | 2,630 |
| Total Instruction | | | | 14,931 |
| Support Services: | | | | |
| Tuition | 169,661 | | | 169,661 |
| Employee Benefits | | | 943 | 2,234 |
| Purchased Professional/Technical Services | | 6,230 | | 19,250 |
| Other Purchased Services | | | | 2,000 |
| Supplies and Materials | | | | 2,578 |
| Total Support Services | 169,661 | 6,230 | 943 | 195,723 |
| Total Expenditures | \$ 169,661 | \$ 6,230 | \$ 943 | \$ 210,654 |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

CAPITAL PROJECTS FUND
NOT APPLICABLE

PROPRIETARY FUNDS

Exhibit G-1

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

ASSETS:

Current Assets:

| | |
|---------------------------|----------|
| Cash and Cash Equivalents | \$ 2,793 |
| Interfund Receivable | 4,361 |
| Inventories | 1,903 |

| | |
|----------------------|--------------|
| Total Current Assets | <u>9,057</u> |
|----------------------|--------------|

Non-Current Assets:

| | |
|-------------------------------------|--------|
| Capital Assets, Net of Depreciation | |
| Depreciable Furniture and Equipment | 31,471 |

| | |
|--------------------------|---------------|
| Total Non-Current Assets | <u>31,471</u> |
|--------------------------|---------------|

| | |
|--------------|---------------|
| Total Assets | <u>40,528</u> |
|--------------|---------------|

LIABILITIES:

Current Liabilities:

| | |
|------------------|-----|
| Deferred Revenue | 602 |
|------------------|-----|

| | |
|---------------------------|------------|
| Total Current Liabilities | <u>602</u> |
|---------------------------|------------|

NET ASSETS:

| | |
|--|--------|
| Investment in Capital Assets Net of Related Debt | 31,471 |
| Unrestricted | 8,455 |

| | |
|------------------|------------------|
| Total Net Assets | <u>\$ 39,926</u> |
|------------------|------------------|

Exhibit G-2

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, 2012

| | |
|---|-------------|
| Operating Revenue: | |
| Local Sources: | |
| Daily Sales - Reimbursable Programs | \$ 83,392 |
| Daily Sales - Non-Reimbursable Programs | 21,274 |
| | <hr/> |
| Total Operating Revenue | 104,666 |
| | <hr/> |
| Operating Expenses: | |
| Cost of Sales | 42,622 |
| Salaries, Benefits & Payroll Taxes | 48,854 |
| Supplies, Insurance & Other Costs | 24,782 |
| Management Fee | 10,453 |
| Depreciation Expense | 3,093 |
| | <hr/> |
| Total Operating Expenses | 129,804 |
| | <hr/> |
| Operating Loss | (25,138) |
| Non-Operating Income: | |
| Local Sources: | |
| Interest Income | 45 |
| State Sources: | |
| State School Lunch Program | 1,355 |
| Federal Sources: | |
| National School Lunch Program | 14,863 |
| Food Distribution Program | 7,989 |
| | <hr/> |
| Total Non-Operating Income | 24,252 |
| | <hr/> |
| Change in Net Assets | (886) |
| Net Assets - Beginning of Year | 40,812 |
| | <hr/> |
| Net Assets - End of Year | \$ 39,926 |
| | <hr/> <hr/> |

Exhibit G-3

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | |
|---|-------------|
| Cash Flows from Operating Activities: | |
| Receipts from Customers | \$ 100,305 |
| Payments to Employees | (48,854) |
| Payments to Food Service Vendor | (45,273) |
| Payments to Suppliers | (24,782) |
| | <hr/> |
| Net Cash Used for Operating Activities | (18,604) |
| | <hr/> |
| Cash Flows Provided for Investing Activities: | |
| Local Sources: | |
| Interest Income | 45 |
| | <hr/> |
| Net Cash Provided by Investing Activities | 45 |
| | <hr/> |
| Cash Flows from Capital and Related Financing Activities | |
| Purchase of Capital Assets | (11,797) |
| | <hr/> |
| Net Cash Used for Capital and Related Financing Activities | (11,797) |
| | <hr/> |
| Cash Flows from Noncapital Financing Activities: | |
| State Sources: | |
| State School Lunch Program | 1,355 |
| Federal Sources: | |
| National School Lunch Program | 14,863 |
| | <hr/> |
| Net Cash Provided by Noncapital Financing Activities | 16,218 |
| | <hr/> |
| Net Decrease in Cash and Cash Equivalents | (14,138) |
| | <hr/> |
| Cash and Cash Equivalents, July 1 | 16,931 |
| | <hr/> |
| Cash and Cash Equivalents, June 30 | \$ 2,793 |
| | <hr/> <hr/> |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities: | |
| Operating Loss | \$ (25,138) |
| Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities: | |
| Depreciation | 3,093 |
| Food Distribution Program | 7,989 |
| Changes in Assets and Liabilities: | |
| (Increase) in Inventory | (287) |
| (Increase) in Interfund Receivable | (4,361) |
| Increase in Deferred Revenue | 100 |
| | <hr/> |
| Net Cash Used for Operating Activities | \$ (18,604) |
| | <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 \$8,089 and Utilized Commodities Valued at \$7,989.

FIDUCIARY FUNDS

Exhibit H-1

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

| | <u>Agency</u> | <u>Unemployment Compensation Fund</u> | <u>Totals</u> |
|---------------------------------------|----------------|---|------------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 205,857 | \$ 75,602 | \$ 281,459 |
| Interfund Receivable | | 10,406 | 10,406 |
| Total Assets | 205,857 | 86,008 | 291,865 |
| LIABILITIES: | | | |
| Payroll Deductions and Withholdings | 1,160 | | 1,160 |
| Accrued Salaries and Wages | 153,925 | | 153,925 |
| Due to Student Groups | 29,072 | | 29,072 |
| Interfund Payable | 21,700 | | 21,700 |
| Total Liabilities | 205,857 | | 205,857 |
| NET ASSETS: | | | |
| Held in Trust for Unemployment Claims | | 86,008 | 86,008 |
| Total Net Assets | \$ -0- | \$ 86,008 | \$ 86,008 |

Exhibit H-2

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Unemployment Compensation Fund | Totals |
|------------------------------------|--------------------------------------|-------------------------|
| Additions: | | |
| Contributions: | | |
| Employee Contributions | \$ 10,406 | \$ 10,406 |
| Board Contributions | 91,278 | 91,278 |
| Total Contributions | <u>101,684</u> | <u>101,684</u> |
| Investment Earnings: | | |
| Interest | 158 | 158 |
| Net Investment Earnings | <u>158</u> | <u>158</u> |
| Total Additions | <u>101,842</u> | <u>101,842</u> |
| Deductions | | |
| Unemployment Compensation Claims | 64,735 | 64,735 |
| Total Deductions | <u>64,735</u> | <u>64,735</u> |
| Change in Net Assets | 37,107 | 37,107 |
| Net Assets - Beginning of the Year | <u>48,901</u> | <u>48,901</u> |
| Net Assets - End of the Year | <u><u>\$ 86,008</u></u> | <u><u>\$ 86,008</u></u> |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Balance</u> <u>July 1, 2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2012</u> |
|---------------------------|---------------------------------------|-------------------|-------------------|--|
| <u>ASSETS:</u> | | | | |
| Cash and Cash Equivalents | \$ 52,025 | \$ 154,086 | \$ 165,745 | \$ 40,366 |
| Total Assets | <u>\$ 52,025</u> | <u>\$ 154,086</u> | <u>\$ 165,745</u> | <u>\$ 40,366</u> |
| <u>LIABILITIES:</u> | | | | |
| Liabilities: | | | | |
| Interfund Payable | | \$ 11,294 | | \$ 11,294 |
| Due to Student Groups | \$ 52,025 | 142,792 | \$ 165,745 | 29,072 |
| Total Liabilities | <u>\$ 52,025</u> | <u>\$ 154,086</u> | <u>\$ 165,745</u> | <u>\$ 40,366</u> |

Exhibit H-4

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Balance</u> <u>July 1, 2011</u> | <u>Cash</u> <u>Receipts</u> | <u>Cash</u> <u>Disbursements</u> | <u>Balance</u> <u>June 30, 2012</u> |
|----------------------------|---------------------------------------|--------------------------------|-------------------------------------|--|
| Student Activities Account | \$ 51,828 | \$ 149,108 | \$ 172,304 | \$ 28,632 |
| Referee Account | 197 | 4,978 | 4,735 | 440 |
| Total All School Accounts | <u>\$ 52,025</u> | <u>\$ 154,086</u> | <u>\$ 177,039</u> | <u>\$ 29,072</u> |

Exhibit H-5

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Balance</u> <u>July 1, 2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2012</u> |
|-------------------------------------|---------------------------------------|---------------------|---------------------|--|
| <u>ASSETS:</u> | | | | |
| Cash and Cash Equivalents | \$ 229,132 | \$ 5,947,007 | \$ 6,010,648 | \$ 165,491 |
| Total Assets | <u>\$ 229,132</u> | <u>\$ 5,947,007</u> | <u>\$ 6,010,648</u> | <u>\$ 165,491</u> |
| <u>LIABILITIES:</u> | | | | |
| Payroll Deductions and Withholdings | \$ 49,862 | \$ 5,782,676 | \$ 5,831,378 | \$ 1,160 |
| Accrued Salaries and Wages | 170,745 | 153,925 | 170,745 | 153,925 |
| Interfund Payable | 8,525 | 10,406 | 8,525 | 10,406 |
| Total Liabilities | <u>\$ 229,132</u> | <u>\$ 5,947,007</u> | <u>\$ 6,010,648</u> | <u>\$ 165,491</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, 2012 | | Interest Rate | Balance June 30, 2011 | Retired or Matured | Balance June 30, 2012 |
|---|---------------|----------------|---|------------|---------------|-----------------------|--------------------|-----------------------|
| | | | Date | Amount | | | | |
| Various Improvements to Borough Schools | 02/27/03 | \$ 7,533,000 | | | 3.250% | \$ 370,000 | \$ 370,000 | |
| Refunding School Bonds | 06/01/11 | 4,470,000 | 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% | | | |
| | | | | | | <u>4,470,000</u> | <u>50,000</u> | <u>\$ 4,420,000</u> |
| | | | | | | <u>\$ 4,840,000</u> | <u>\$ 420,000</u> | <u>\$ 4,420,000</u> |

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

| | <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 | \$ 576,359 | | \$ 576,359 | \$ 576,359 | |
| Total Revenues | <u>576,359</u> | | <u>576,359</u> | <u>576,359</u> | |
| EXPENDITURES: | | | | | |
| Regular Debt Service: | | | | | |
| Interest | 206,359 | \$ (50,000) | 156,359 | 136,371 | \$ 19,988 |
| Redemption of Principal | 370,000 | 50,000 | 420,000 | 420,000 | |
| Total Regular Debt Service | <u>576,359</u> | | <u>576,359</u> | <u>556,371</u> | <u>19,988</u> |
| Total Expenditures | <u>576,359</u> | | <u>576,359</u> | <u>556,371</u> | <u>19,988</u> |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | | | | 19,988 | 19,988 |
| Fund Balance, July 1 | <u>9,642</u> | | <u>9,642</u> | <u>9,642</u> | |
| Fund Balance, June 30 | <u>\$ 9,642</u> | <u>\$ -0-</u> | <u>\$ 9,642</u> | <u>\$ 29,630</u> | <u>\$ 19,988</u> |
| <u>Recapitulation:</u> | | | | | |
| Restricted Fund Balance | | | | <u>\$ 29,630</u> | |

STATISTICAL SECTION
UNAUDITED

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 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 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 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 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 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, 2003.

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

| | Fiscal Year Ending June 30, | | | | | | | | | |
|--|-----------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| 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 | \$ 11,354,205 |
| 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 | 1,400,007 |
| Unrestricted | 584,251 | 688,890 | 335,661 | 272,470 | 263,016 | 436,334 | 281,108 | 115,447 | 166,853 | (88,064) |
| 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 | \$ 12,666,148 |
| Business-Type Activities | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | | | | \$ 24,313 | \$ 21,966 | \$ 24,313 | \$ 19,620 | \$ 17,273 | \$ 22,767 | \$ 31,471 |
| Unrestricted | 4,127 | 5,482 | 4,559 | 6,397 | 8,269 | 13,807 | 17,637 | 20,230 | 18,045 | 8,455 |
| Total Business-Type Activities Net Assets | \$ 4,127 | \$ 5,482 | \$ 4,559 | \$ 30,710 | \$ 30,235 | \$ 38,120 | \$ 37,257 | \$ 37,503 | \$ 40,812 | \$ 39,926 |
| 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 | \$ 11,385,676 |
| 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 | 1,400,007 |
| Unrestricted | 588,378 | 694,372 | 340,220 | 278,867 | 271,285 | 450,141 | 298,745 | 135,677 | 184,898 | (79,609) |
| 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 | \$ 12,706,074 |

Source: School District Financial Reports

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

| | Fiscal Year Ending June 30, | | | | | | | | | |
|---|-----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| 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 | \$ 4,439,994 |
| Special Education | 498,572 | 771,560 | 708,532 | 705,607 | 679,580 | 1,179,653 | 995,243 | 1,125,062 | 1,100,359 | 1,265,917 |
| Other Instruction | 137,468 | 190,043 | 186,498 | 181,891 | 290,000 | 249,882 | 202,323 | 335,936 | 322,630 | 270,553 |
| 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 | 4,664,999 |
| 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 | 1,188,869 |
| General and Business Administrative Services | 1,968,249 | 729,211 | 729,048 | 695,479 | 829,449 | 721,874 | 542,243 | 426,239 | 481,711 | 493,717 |
| School Administrative Services | 157,101 | 233,008 | 300,016 | 292,059 | 316,586 | 517,965 | 367,020 | 444,043 | 370,046 | 405,968 |
| Central Services | | | | | | | 185,678 | 258,281 | 283,960 | 279,952 |
| Administrative Information Technology | | | | | | | 58,657 | 81,384 | 91,132 | 93,331 |
| 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 | 1,053,227 |
| Pupil Transportation | 465,240 | 487,703 | 632,942 | 576,119 | 715,166 | 684,547 | 668,458 | 670,137 | 603,024 | 639,047 |
| Interest On Long-Term Debt | | | 278,544 | 270,094 | 260,994 | 247,344 | 227,126 | 226,002 | 166,676 | 160,090 |
| Unallocated Depreciation | | | | | | | 164,233 | 270,313 | 393,974 | 393,974 |
| Capital Outlay | | | | | | | 46,010 | | 87,518 | 11,891 |
| Charter Schools | | | | | | | | 6,531 | 32,871 | 34,320 |
| Total Governmental Activities Expenses | <u>10,991,294</u> | <u>11,806,886</u> | <u>12,722,963</u> | <u>13,028,149</u> | <u>13,742,223</u> | <u>14,791,242</u> | <u>14,468,646</u> | <u>15,273,671</u> | <u>15,137,671</u> | <u>15,395,849</u> |
| Business-Type Activities: | | | | | | | | | | |
| Food Service | 8,554 | 9,385 | 8,720 | 58,329 | 147,596 | 148,960 | 136,784 | 126,331 | 128,083 | 129,804 |
| Total Business-Type Activities Expense | <u>8,554</u> | <u>9,385</u> | <u>8,720</u> | <u>58,329</u> | <u>147,596</u> | <u>148,960</u> | <u>136,784</u> | <u>126,331</u> | <u>128,083</u> | <u>129,804</u> |
| Total District Expenses | <u>\$ 10,999,848</u> | <u>\$ 11,816,271</u> | <u>\$ 12,731,683</u> | <u>\$ 13,086,478</u> | <u>\$ 13,889,819</u> | <u>\$ 14,940,202</u> | <u>\$ 14,605,430</u> | <u>\$ 15,400,002</u> | <u>\$ 15,265,754</u> | <u>\$ 15,525,653</u> |

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

| | Fiscal Year Ending June 30, | | | | | | | | | |
|---|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Program Revenues: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges For Services: | | | | | | | | | | |
| Instruction (Tuition) | | | | | | | | | \$ 54,992 | \$ 52,753 |
| 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 | 1,312,184 |
| 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 | 1,364,937 |
| 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 | 104,666 |
| Operating Grants and Contributions | 4,618 | 4,871 | 1,859 | 33,523 | 15,536 | 27,476 | 25,663 | 27,042 | 24,190 | 24,207 |
| Total Business Type Activities Program Revenues | 10,092 | 10,740 | 7,797 | 84,480 | 147,121 | 152,130 | 138,251 | 126,547 | 122,767 | 128,873 |
| 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 | \$ 1,493,810 |
| 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) | \$ (14,030,912) |
| Business-Type Activities | 1,538 | 1,355 | (923) | 26,151 | (475) | 3,170 | 1,467 | 216 | (5,316) | (931) |
| 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) | \$ (14,031,843) |

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

| | Fiscal Year Ending June 30, | | | | | | | | | |
|--|-----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| 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 | \$ 13,645,244 |
| Taxes Levied for Debt Service | | | | 550,094 | 560,994 | 323,900 | 580,844 | 579,794 | 578,419 | 576,359 |
| 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 | 211,806 |
| Investment Earnings | | 23,676 | 152,926 | 74,056 | 84,987 | 56,361 | 22,122 | 5,646 | 6,189 | 388 |
| 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 | 81,252 |
| Total Governmental Activities | <u>10,664,098</u> | <u>15,601,957</u> | <u>12,714,031</u> | <u>13,045,368</u> | <u>13,795,293</u> | <u>12,530,555</u> | <u>13,148,493</u> | <u>13,969,463</u> | <u>14,387,104</u> | <u>14,515,049</u> |
| Business-Type Activities: | | | | | | | | | | |
| Investment Earnings | | | | | | 20 | 15 | 30 | 38 | 45 |
| Prior Year Adjustment- Capital Assets | | | | | | 4,695 | | | 8,587 | |
| Total Business-Type Activities | | | | | | <u>4,715</u> | <u>15</u> | <u>30</u> | <u>8,625</u> | <u>45</u> |
| Total District-Wide | <u>\$ 10,664,098</u> | <u>\$ 15,601,957</u> | <u>\$ 12,714,031</u> | <u>\$ 13,045,368</u> | <u>\$ 13,795,293</u> | <u>\$ 12,535,270</u> | <u>\$ 13,148,508</u> | <u>\$ 13,969,493</u> | <u>\$ 14,395,729</u> | <u>\$ 14,515,094</u> |
| 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 | 484,137 |
| Business-Type Activities | 1,538 | 1,355 | (923) | 26,151 | (475) | 7,885 | 1,482 | 246 | 3,309 | (886) |
| Total District | <u>\$ 268,024</u> | <u>\$ 3,944,018</u> | <u>\$ 137,683</u> | <u>\$ 228,007</u> | <u>\$ 232,104</u> | <u>\$ (151,650)</u> | <u>\$ (18,214)</u> | <u>\$ 117,785</u> | <u>\$ 386,918</u> | <u>\$ 483,251</u> |

Source: School District Financial Reports

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

| | Fiscal Year Ending June 30, | | | | | | | | | |
|---|-----------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| 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 | \$ 1,072,000 |
| Assigned | | | | | | | | | 246,627 | 298,377 |
| Unassigned | | | | | | | | | 479,655 | 428,254 |
| Unreserved | 584,251 | 688,890 | 404,210 | 521,874 | 263,016 | 488,979 | 421,216 | 459,203 | | |
| Total General Fund | \$ 1,770,288 | \$ 1,896,046 | \$ 1,942,906 | \$ 1,399,056 | \$ 1,838,620 | \$ 1,466,720 | \$ 1,196,481 | \$ 1,195,131 | \$ 1,539,969 | \$ 1,798,631 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved/Restricted | \$ 454,277 | | \$ 6,117,664 | | | \$ 142,250 | | | \$ 9,642 | \$ 29,630 |
| Unreserved, Reported In: | | | | | | | | | | |
| Special Revenue Fund | (1,180) | | | | | | | | | |
| Capital Projects Fund | 6,595,226 | \$ 10,769,405 | 1,058,690 | \$ 976,509 | \$ 496,917 | 8,605 | \$ 10,703 | \$ 9,641 | | |
| Total All Other Governmental Funds | \$ 7,048,323 | \$ 10,769,405 | \$ 7,176,354 | \$ 976,509 | \$ 496,917 | \$ 150,855 | \$ 10,703 | \$ 9,641 | \$ 9,642 | \$ 29,630 |
| 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 | \$ 1,101,630 |
| Assigned | | | | | | | | | 246,627 | 298,377 |
| Unassigned | | | | | | | | | 479,655 | 428,254 |
| Unreserved | 7,178,297 | 11,458,295 | 1,462,900 | 1,498,383 | 759,933 | 497,584 | 431,919 | 468,844 | | |
| Total Governmental Funds | \$ 8,818,611 | \$ 12,665,451 | \$ 9,119,260 | \$ 2,375,565 | \$ 2,335,537 | \$ 1,617,575 | \$ 1,207,184 | \$ 1,204,772 | \$ 1,549,611 | \$ 1,828,261 |

Source: School District Financial Reports

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

| | Fiscal Year Ending June 30, | | | | | | | | | |
|--|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| 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 | \$ 14,221,603 |
| Tuition Charges | 143,810 | 85,049 | 35,657 | | | | | 92,473 | 54,992 | 52,753 |
| Interest Earned on Capital Reserve Funds | 5,914 | 161,286 | 152,927 | 74,056 | 84,987 | 56,361 | 2,294 | 607 | 53 | 388 |
| Miscellaneous | 143,153 | 8,227 | 121,542 | 47,753 | 92,703 | 244,171 | 119,822 | 153,258 | 205,744 | 83,252 |
| 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 | 1,282,664 |
| Federal Sources | 145,357 | 143,592 | 143,538 | 180,637 | 179,509 | 175,012 | 185,892 | 269,528 | 294,630 | 239,326 |
| 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 | 15,879,986 |
| 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 | 3,157,138 |
| Special Education Instruction | 488,830 | 557,157 | 584,009 | 619,803 | 606,257 | 858,031 | 895,991 | 789,081 | 770,877 | 885,580 |
| School Sponsored/Other Instruction | 137,188 | 144,302 | 160,710 | 165,028 | 176,798 | 175,681 | 143,014 | 234,922 | 225,724 | 186,422 |
| 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 | 4,664,999 |
| 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 | 1,056,089 |
| General And Business Administrative Services | 392,185 | 561,153 | 666,476 | 657,806 | 245,325 | 503,343 | 538,380 | 369,749 | 422,551 | 425,547 |
| School Administrative Services | 155,800 | 170,915 | 228,285 | 243,443 | 650,964 | 422,389 | 299,985 | 314,579 | 260,466 | 279,489 |
| Central Services | | | | | | | 170,678 | 208,588 | 226,259 | 221,484 |
| Administrative Information Technology | | | | | | | 48,657 | 68,039 | 77,263 | 77,861 |
| 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 | 932,852 |
| Pupil Transportation | 465,240 | 474,498 | 612,106 | 557,905 | 702,029 | 663,478 | 668,458 | 665,145 | 593,533 | 630,096 |
| 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 | 2,256,047 |
| Debt Service: | | | | | | | | | | |
| Principal | | 240,000 | 260,000 | 280,000 | 300,000 | 320,000 | 340,000 | 350,000 | 360,000 | 420,000 |
| Interest And Other Charges | | 286,344 | 278,544 | 270,094 | 260,994 | 251,244 | 240,844 | 229,794 | 218,419 | 136,371 |
| Capital Outlay | 705,286 | 567,350 | 3,654,495 | 5,102,508 | 2,052,479 | 420,636 | 276,818 | 47,032 | 121,290 | 237,041 |
| Charter Schools | | | | | | | | 6,531 | 32,871 | 34,320 |
| 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 | 15,601,336 |

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

| | Fiscal Year Ending June 30, | | | | | | | | | |
|--|-----------------------------|--------------|----------------|----------------|----------------|--------------|--------------|------------|------------|------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 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 | \$ 278,650 |
| 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 | \$ 7,258,414 | \$ 3,804,541 | \$ (3,546,191) | \$ (4,951,273) | \$ (1,872,092) | \$ (717,962) | \$ (410,390) | \$ (2,412) | \$ 344,838 | \$ 278,650 |
| 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% | 3.62% |

Source: School District Financial Reports

Exhibit J-5

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 |
|-----------------------------------|----------------------------|-----------|----------|-----------------------|-----------|-----------|
| 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 |
| 2012 | 6,309 | 52,753 | | 60,252 | 15,079 | 134,393 |

Source: Morris Plains Borough School District records

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST NINE 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 |
| 2011 | 9,854,500 | 851,279,500 | 471,785,300 | 95,040,000 | 21,950,000 | 1,449,909,300 | 2,179,649 | 1,452,088,949 | 0.970 | 1,562,806,186 |

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 | | | Overlapping Rates | | Total Direct and Overlapping Tax Rate |
|----------------------------|---------------------------------------|--|-----------------|-------------------|------------------|--|
| | Direct Rate | | Total Direct | Municipality | Morris County | |
| | Basic Rate ^a | General Obligation Debt Service ^b | | | | |
| 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 |
| 2011 | 0.930 | 0.040 | 0.970 | 0.662 | 0.255 | 1.887 |

* 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

| Taxpayer | 2012 | | Taxpayer | 2003 | |
|--------------------------------|------------------------|--|----------|------------------------|--|
| | Taxable Assessed Value | % of Total District Net Assessed Value | | Taxable Assessed Value | % of Total District Net Assessed Value |
| Mc Neil - PPC Inc. | \$ 182,500,000 | 12.35% | | | |
| Pfizer Inc. | 79,000,000 | 5.35% | | | |
| PMW Partnership | 49,700,000 | 3.36% | | | |
| Vorando Realty Trust | 34,500,000 | 2.34% | | NOT AVAILABLE | |
| 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% | | | |

Source: Municipal Tax Assessor

Exhibit J-9

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

| <u>Fiscal Year</u> <u>Ended June 30,</u> | <u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u> | <u>Collected within the Fiscal</u> <u>Year of the Levy ^a</u> | | <u>Collections in</u> <u>Subsequent</u> <u>Years</u> |
|---|---|--|-------------------------------------|--|
| | | <u>Amount</u> | <u>Percentage</u> <u>of Levy</u> | |
| 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- |
| 2012 | 14,221,603 | 14,221,603 | 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 | | | |
| 2003 | \$ 7,533,000 | \$ 79,432 | \$ 7,612,432 | 2.30% | \$ 1,286 |
| 2004 | 7,293,000 | 55,623 | 7,348,623 | 2.06% | 1,226 |
| 2005 | 7,033,000 | 31,814 | 7,064,814 | 1.90% | 1,174 |
| 2006 | 6,753,000 | 8,005 | 6,761,005 | 1.66% | 1,114 |
| 2007 | 6,453,000 | | 6,453,000 | 1.50% | 1,067 |
| 2008 | 6,133,000 | | 6,133,000 | 1.37% | 1,012 |
| 2009 | 5,793,000 | | 5,793,000 | 1.41% | 1,046 |
| 2010 | 5,443,000 | | 5,443,000 | 1.41% | 983 |
| 2011 | 4,840,000 | | 4,840,000 | 1.25% | 874 |
| 2012 | 4,420,000 | | 4,420,000 | 1.14% | 795 |

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

Exhibit J-11

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST EIGHT 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% | \$ 1,174 |
| 2006 | 6,753,000 | -0- | 6,753,000 | 0.87% | 1,114 |
| 2007 | 6,453,000 | -0- | 6,453,000 | 0.83% | 1,067 |
| 2008 | 6,133,000 | -0- | 6,133,000 | 0.79% | 1,012 |
| 2009 | 5,793,000 | -0- | 5,793,000 | 0.75% | 1,046 |
| 2010 | 5,443,000 | -0- | 5,443,000 | 0.70% | 983 |
| 2011 | 4,840,000 | -0- | 4,840,000 | 0.62% | 874 |
| 2012 | 4,420,000 | -0- | 4,420,000 | 0.30% | 795 |

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

Exhibit J-12

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
UNAUDITED
AS OF DECEMBER 31, 2011

| <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 | \$ 8,150,095 | 100.00% | \$ 8,150,095 |
| Morris County General Obligation Debt | 269,247,125 | 1.92% ^a | <u>5,167,796</u> |
| Subtotal, Overlapping Debt | | | 13,317,891 |
| Morris Plains School District Direct Debt | | | <u>4,420,000</u> |
| Total Direct And Overlapping Debt | | | <u><u>\$ 17,737,891</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 TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2012

| Equalized valuation basis | Morris Plains Borough |
|--|--------------------------|
| 2011 | \$ 1,560,048,741 |
| 2010 | 1,572,942,312 |
| 2009 | 1,596,113,573 |
| | <u>\$ 4,729,104,626</u> |
| Average Equalized Valuation of Taxable Property | <u>\$ 1,576,368,209</u> |
| Debt Limit (3% of average equalization value) ^a | <u>\$ 47,291,046</u> |
| Net Bonded School Debt as of June 30, 2012 | <u>4,420,000</u> |
| Legal Debt Margin | <u>\$ 42,871,046</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> | <u>2012</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 | \$ 47,291,046 |
| 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> | <u>4,420,000</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> | <u>\$ 42,871,046</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% | 9.35% |

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 |
|------|-------------------------|---------------------------------|--|-----------------------------------|
| 2003 | 5,836 | \$ 331,508,144 | \$ 56,804 | N/A |
| 2004 | 5,872 | 356,900,160 | 60,780 | 2.90% |
| 2005 | 5,920 | 372,545,600 | 62,930 | 3.60% |
| 2006 | 5,992 | 406,964,656 | 67,918 | 3.50% |
| 2007 | 6,062 | 431,559,842 | 71,191 | 3.50% |
| 2008 | 6,049 | 447,777,225 | 74,025 | 3.80% |
| 2009 | 6,062 | 409,876,068 | 67,614 | 3.40% |
| 2010 | 5,537 | 386,543,507 | 69,811 | 7.80% |
| 2011 | 5,561 | 388,218,971 | 69,811 ** | 7.80% |
| 2012 | 5,561 * | 388,218,971 * | 69,811 ** | 7.60% |

* - Latest population data available (2011) was used for calculation purposes.

** - Latest Morris County per capita personal income available (2010) 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 MORRIS COUNTY
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

COUNTY OF MORRIS

| 2012 | | | 2003 | | |
|-------------------------|---------------|--------------------------------------|----------|-----------|--------------------------------------|
| Employer | Employees | Percentage of Total Employment | Employer | Employees | Percentage of Total Employment |
| Novartis | 4,990 | N/A | | | |
| Atlantic Health | 4,933 | N/A | | | |
| Picatinny 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 | N/A | | | |
| Avis Budget Group, Inc. | 1,378 | N/A | | | |
| | <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 SEVEN 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> | <u>2012</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 | 80.0 | 104.0 | 99.0 | 89.0 | 83.0 | 90.3 | |

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

| Fiscal Year | Enrollment June 30, | Operating Expenditures ^a | Cost Per Pupil ^d | Percentage Change | Teaching Staff ^b | Pupil/Teacher Ratio Elementary | Average Daily Enrollment (ADE) ^c | Average Daily Attendance (ADA) ^c | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|---------------------|-------------------------------------|-----------------------------|-------------------|-----------------------------|--------------------------------|---|---|--------------------------------------|-------------------------------|
| 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% |
| 2012 | | 14,807,924 | | -100.00% | | | | | -100.00% | #DIV/0! |

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 SEVEN 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> | <u>2012</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Mountain Way School | | | | | | | |
| Square Feet | 29,658 | 29,658 | 29,658 | 29,658 | 29,658 | 29,658 | 29,658 |
| Capacity (students) | 250 | 250 | 265 | 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 | 90,200 |
| Capacity (students) | 400 | 400 | 697 | 697 | 697 | 697 | 697 |
| Enrollment as of June 30 | 362 | 372 | 368 | 388 | 403 | 413 | |

Number of Schools at June 30, 2012

 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>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Borough | N/A | \$ 137,319 | \$ 352,285 | \$ 260,187 | \$ 365,510 | \$ 213,373 |
| Mountain Way | N/A | 52,459 | 263,608 | 128,152 | 128,422 | 87,355 |
| Community Park School | N/A | 6,189 | | | | |
| | | <u>\$ 195,967</u> | <u>\$ 615,893</u> | <u>\$ 388,339</u> | <u>\$ 493,932</u> | <u>\$ 300,728</u> |
| <u>School Facilities (Cont'd)</u> | <u>Projects #</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| Borough | N/A | \$ 262,094 | \$ 176,049 | \$ 208,747 | \$ 210,884 | \$ 198,042 |
| Mountain Way | N/A | 112,326 | 75,450 | 71,808 | 46,292 | 43,473 |
| Community Park School | N/A | | | | | |
| | | <u>\$ 374,420</u> | <u>\$ 251,499</u> | <u>\$ 280,555</u> | <u>\$ 257,176</u> | <u>\$ 241,515</u> |

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

N/A - Not Applicable

Source: Morris Plains Borough School District records

Exhibit J-20

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012

| | <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



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 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, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Office of School Finance, 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

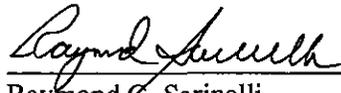
Compliance and Other Matters

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 Office of Finance, 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 August 22, 2012.

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.

August 22, 2012
Mount Arlington, New Jersey

NISIVOCCIA LLP



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



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 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 OMB's Circular 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, 2012. The Board's major state program is 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 Office of School Finance, 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 OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 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, 2012.

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.

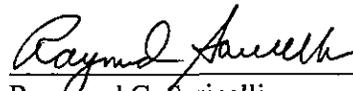
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

August 22, 2012
Mount Arlington, New Jersey

NISIVOCCIA 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, 2012

| Federal Grantor/Pass Through Grantor Program/Cluster Title | Federal CFDA Number | Grant or State Project Number | Grant Period | Award Amount | Balance at June 30, 2011 | | | Reinstated to Grant | Cash Received | Budgetary Expenditures | Adjustment | Balance at June 30, 2012 | | |
|--|---------------------------|-------------------------------------|-----------------|-----------------|-------------------------------------|---------------------|-------------------|------------------------|------------------|---------------------------|------------|-------------------------------------|---------------------|-------------------|
| | | | | | Budgetary Accounts Receivable | Deferred Revenue | Due to Grantor | | | | | Budgetary Accounts Receivable | Deferred Revenue | Due to Grantor |
| U.S. Department of Education Passed-through State Department of Education: | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Education Jobs Grant | 84.410A | N/A | 8/1/10-9/30/12 | \$ 30,672 | | | | | \$ 27,606 | \$ (30,672) | | \$ 3,066 | | |
| Special Education Cluster: | | | | | | | | | | | | | | |
| I.D.E.A. Part B, Basic | 84.027 | IDEA338012 | 9/1/11-8/31/12 | 169,661 | | | | | 169,661 | (169,661) | | | | |
| I.D.E.A. Part B, Preschool | 84.173 | IDEA338012 | 9/1/11-8/31/13 | 6,230 | | | | | 6,230 | (6,230) | | | | |
| I.D.E.A. Part B, Basic | 84.027 | IDEA338011 | 9/1/10-8/31/11 | 166,786 | \$ 44,169 | | | | 44,169 | | | | | |
| I.D.E.A. Part B, Preschool | 84.173 | IDEA338011 | 9/1/10-8/31/11 | 6,245 | 3,683 | | | | 3,683 | | | | | |
| ARRA - I.D.E.A. Part B, Basic | 84.391 | IDEA338009 | 9/1/09-8/31/11 | 175,505 | 50,142 | | | | 51,085 | (943) | | | | |
| Total Special Education Cluster | | | | | 97,994 | | | | 302,434 | (207,506) | | 3,066 | | |
| No Child Left Behind Consolidated Grant: | | | | | | | | | | | | | | |
| Title I | 84.010A | NCLB338012 | 9/1/11-8/31/12 | 8,403 | | | | | 8,403 | (8,403) | | | | |
| Title I | 84.010A | NCLB338011 | 9/1/10-8/31/11 | 7,845 | 2,151 | | | | 2,405 | (254) | | | | |
| Title II, Part A | 84.367A | NCLB338012 | 9/1/11-8/31/12 | 15,598 | | | | | 15,468 | (15,598) | | 130 | | |
| Title II, Part A | 84.367A | NCLB338011 | 9/1/10-8/31/11 | 17,547 | 4,323 | | | | 11,888 | (7,565) | | | | |
| Total U.S. Department of Education | | | | | 104,468 | | | | 359,801 | (261,595) | | 6,262 | | |
| U.S. Department of Agriculture: | | | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | | | | | | | |
| U.S.D.A Commodities Program | 10.555 | N/A | 7/1/10-6/30/11 | 8,060 | | 502 | | | | (502) | | | | |
| U.S.D.A Commodities Program | 10.555 | N/A | 7/1/11-6/30/12 | 8,089 | | | | | 8,089 | (7,487) | | \$ 602 | | |
| National School Lunch Program | 10.555 | N/A | 7/1/11-6/30/12 | 14,863 | | | | | 14,863 | (14,863) | | | | |
| Total Child Nutrition Cluster - Total U.S. Department of Agriculture | | | | | | 502 | | | 22,952 | (22,852) | | 602 | | |
| Total Federal Awards | | | | | \$ 104,468 | \$ 502 | \$ -0- | \$ -0- | \$ 382,753 | \$ (284,447) | \$ -0- | \$ 6,262 | \$ 602 | \$ -0- |

N/A - Not Available/Applicable

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, 2012

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance at June 30, 2011 | | Cash Received | Budgetary Expenditures | Balance at June 30, 2012 | | 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: | | | | | | | | | | | |
| Special Education Aid | 11-495-034-5120-089 | 7/1/10- 6/30/11 | \$ 177,371 | \$ 7,409 | | \$ 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 |
| Non Public Transportation Reimbursed TPAF Social Security Contributions | 11-495-034-5120-014 | 7/1/10- 6/30/11 | 10,525 | 10,525 | | 10,525 | | | | | 10,525 |
| Special Education Aid | 11-495-034-5095-002 | 7/1/10- 6/30/11 | 288,017 | 414 | | 414 | | | | | 288,017 |
| Special Education Aid | 12-495-034-5120-089 | 7/1/11-6/30/12 | 465,716 | | | 428,060 | \$ (465,716) | | | \$ 37,656 | 465,716 |
| Extraordinary Aid | 12-100-034-5120-473 | 7/1/11-6/30/12 | 201,932 | | | | (201,932) | \$ 201,932 | | 201,932 | 201,932 |
| Non Public Transportation Reimbursed TPAF Social Security Contributions | 12-495-034-5120-014 | 7/1/11-6/30/12 | 9,874 | | | | (9,874) | 9,874 | | 9,874 | 9,874 |
| | 12-495-034-5095-002 | 7/1/11-6/30/12 | 273,486 | | | 259,657 | (273,486) | 13,829 | | 13,829 | 273,486 |
| Total General Fund State Aid | | | | 219,748 | | 907,465 | (951,008) | 225,635 | | 263,291 | 1,628,321 |
| Enterprise Fund: | | | | | | | | | | | |
| State School Lunch Program | 12-100-010-3350-023 | 9/1/11-6/30/12 | 1,355 | | | 1,355 | (1,355) | | | | 1,355 |
| Total Enterprise Fund | | | | | | 1,355 | (1,355) | | | | 2,717 |
| Total State Awards | | | | \$ 219,748 | \$ -0- | \$ 908,820 | \$ (952,363) | \$ 225,635 | \$ -0- | \$ 263,291 | \$ 1,631,038 |

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

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012. 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 (\$30,247) for the general fund and \$0 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 Pension Contributions and Post Retirement Medical contributions paid by the State on behalf of the District of \$120,223 and \$241,680, 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, 2012

(Continued)

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

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|----------------------|-------------------|---------------------|---------------------|
| General Fund | \$ 30,672 | \$ 1,282,664 | \$ 1,313,336 |
| Special Revenue Fund | 208,654 | | 208,654 |
| Food Service Fund | <u>14,863</u> | <u>1,355</u> | <u>16,218</u> |
| | <u>\$ 254,189</u> | <u>\$ 1,284,019</u> | <u>\$ 1,538,208</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, 2012.

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, 2012. 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, 2012

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 OMB's Circular 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, 2012 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> |
|-----------------------|---------------------|---------------------|---------------------|-------------------------------|
| General State Aid | | | | |
| Special Education Aid | 12-495-034-5120-089 | 7/1/11-6/30/12 | \$ 465,716 | \$ 465,716 |

- The threshold for distinguishing State Type A and Type B programs was \$300,000.
- The District qualified as a "low-risk" auditee for state programs 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 OMB's Circular 04-04.

MORRIS PLAINS BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

There were no prior year audit findings.