

# Parsippany-Troy Hills School District

Parsippany  
County of Morris  
New Jersey

Comprehensive Annual Financial Report  
For the Year Ended  
June 30, 2012

**Parsippany-Troy Hills School District**

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2012

**Parsippany-Troy Hills School District**  
**Parsippany, New Jersey**

Prepared by Parsippany-Troy Hills  
Business Office

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# Introductory Section

# *Parsippany-Troy Hills Township Schools*

*Mark Resnick  
Interim Business Administrator/  
Board Secretary*

*292 Parsippany Road, P.O. Box 52  
Parsippany, NJ 07054-0052  
973-263-7200 ext. 7209  
[badministrator@pthsd.k12.nj.us](mailto:badministrator@pthsd.k12.nj.us)*

December 4, 2012

The Honorable President and Members of  
the Board of Education  
Parsippany-Troy Hills School District  
County of Morris, New Jersey

Dear Board Members and Constituents:

The Comprehensive Annual Financial Report of the Parsippany-Troy Hills School District (the "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 (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart, a roster of officials and a list of principal 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 District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control over compliance and compliance with applicable laws, regulations, contracts and grants along with any findings and questioned costs, are included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** The Parsippany-Troy Hills School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds and the government-wide financial statements of the District are included in this report. The Parsippany-Troy Hills School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre K through 12. These include general as well as special education for handicapped children. Considerable emphasis is placed on an ESL program serving appropriate students, while both a basic skills and a gifted and talented program are in place to meet students' needs. The District completed the 2011-2012 fiscal year with an enrollment of 7,267 students, which is an increase of 73 students from the previous year's enrollment (Please see Exhibit A following this transmittal letter).

The following details the changes in the student enrollment of the District over the past five years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2011-2012	7,267	1.10%
2010-2011	7,194	-1.10%
2009-2010	7,274	1.63%
2008-2009	7,157	-1.31%
2007-2008	7,252	1.00%

**2) ECONOMIC CONDITION AND OUTLOOK:** In 2010 the Parsippany-Troy Hills School District completed a \$47.6 million referendum for the expansion of three elementary schools and expansion and renovation of two middle schools and two high schools with a remaining fund balance of approximately \$1 million. These funds are being used over a 3 year period to reduce the principal payments and burden on the taxpayers.

The Board of Education has had a re-evaluation of its enrollment projects for the next 5 years. It clearly indicates a stabilization in the student population showing only minimal growth throughout that period.

Over the past several years, the Board of Education has taken steps to address some key budgetary issues by creating additional Special Education programs within district to help slow the ever increasing out of district tuition costs, and controlling salary and healthcare costs through extensive negotiations and adjustments to program plans. The average health benefit increase over the past 5 years has been approximately 32%. As students are presented with greater needs the costs for providing required services are escalating with less support from the State of New Jersey. The failure of the State to provide for special education costs as required under CEIFA has placed an additional burden on the local taxpayer. This is coupled with a reduction in State Aid over a 2 year period of almost \$9 million. That has seriously impacted our staff and programs. The shift is also expanding by the State's failure to make its 20<sup>th</sup> state aid payment for the seventh year in a row, and the added deferral on the 19<sup>th</sup> payment for the second year along with a substantial reduction in our state aid at the end of the fiscal year, which creates an additional burden for the local property taxpayer.

**3) MAJOR INITIATIVES:** The space provided by the referendum, along with the ability to return and retain Special Education students within the District, has made it possible for the Board of Education to maintain current class size and an instructional environment conducive to the effective delivery of the curriculum.

The Parsippany-Troy Hills School District continues a regular and on-going program of curriculum development and revision. The curriculum is directly aligned with the New Jersey Core Curriculum Content Standards with proficiencies designed to enhance student performance and enable each student to achieve growth within each content area.

In order to provide students with an instructional environment in which they can thrive, the District has developed a program for professional staff development that encourages self-directed professional growth in specifically targeted areas of instruction. The success of any professional development activity in public education can only be measured in terms of the accomplishments of students. It is with this in mind that the district continues its initiatives in differentiating instruction based on the aptitudes and abilities of the students in the classroom while providing students with opportunities to demonstrate, through authentic assessment, their capacities in each content area.

It is in the cultural, social, and economic diversity of the Parsippany-Troy Hills School District that the District finds its strengths and its challenges. To accommodate individual student needs programs such as English as a Second Language and support activities in basic skills and assistance to those children with special needs are an ongoing focus. In order to address the cost of special education out-of-district tuitions the school district has developed a plan to return students to the school district when the return is feasible under the requirements of the child's Individual Education Plan (IEP). It is envisioned that this decision will save the District considerable funds in restricting the growth in the out-of-district tuition account and will enhance the instructional opportunities for those children who will now be able to be educated in the community where they live. The district continues to

be challenged by the No Child Left Behind mandates of Adequate Yearly Progress (AYP) in some of the disaggregated sub groupings. The District is choosing a multi-pronged approach to addressing the problems identified in a review of the testing data for each sub group. Each school in the District has directed its school-based objectives toward the issue of overall student performance and increasing the number of students scoring "advanced proficient" on the state assessments of grades four, eight, and eleven. Additionally, the building level objectives at the secondary schools are focusing their attention on the performance of students in disaggregated sub-groups whose performance has not met AYP.

**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 environment 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 over compliance 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 grants.

**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. Annual appropriated budgets are adopted for the general fund, 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2012.

The District also requires internal audits of all student activity accounts.

**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) DEBT ADMINISTRATION:** As of June 30, 2012, the District's outstanding debt totals \$42,583,000 of serial bonds.

**8) 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.

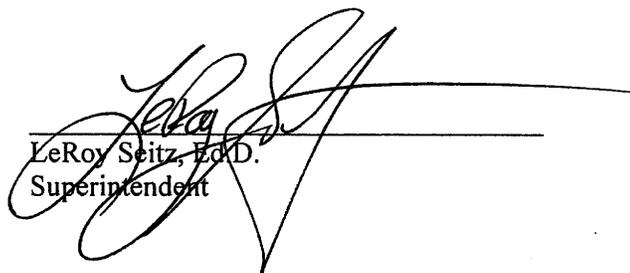
**9) RISK MANAGEMENT:** The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board oversees Risk Management for the District. A schedule of insurance coverage is found in J-20.

and contents, and fidelity bonds. The Board oversees Risk Management for the District. A schedule of insurance coverage is found in J-20.

10) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Wiss & Co. LLP, was selected by the Board's audit committee. 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 New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and 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 Parsippany-Troy Hills School District Board 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. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,



LeRoy Seitz, Ed.D.  
Superintendent

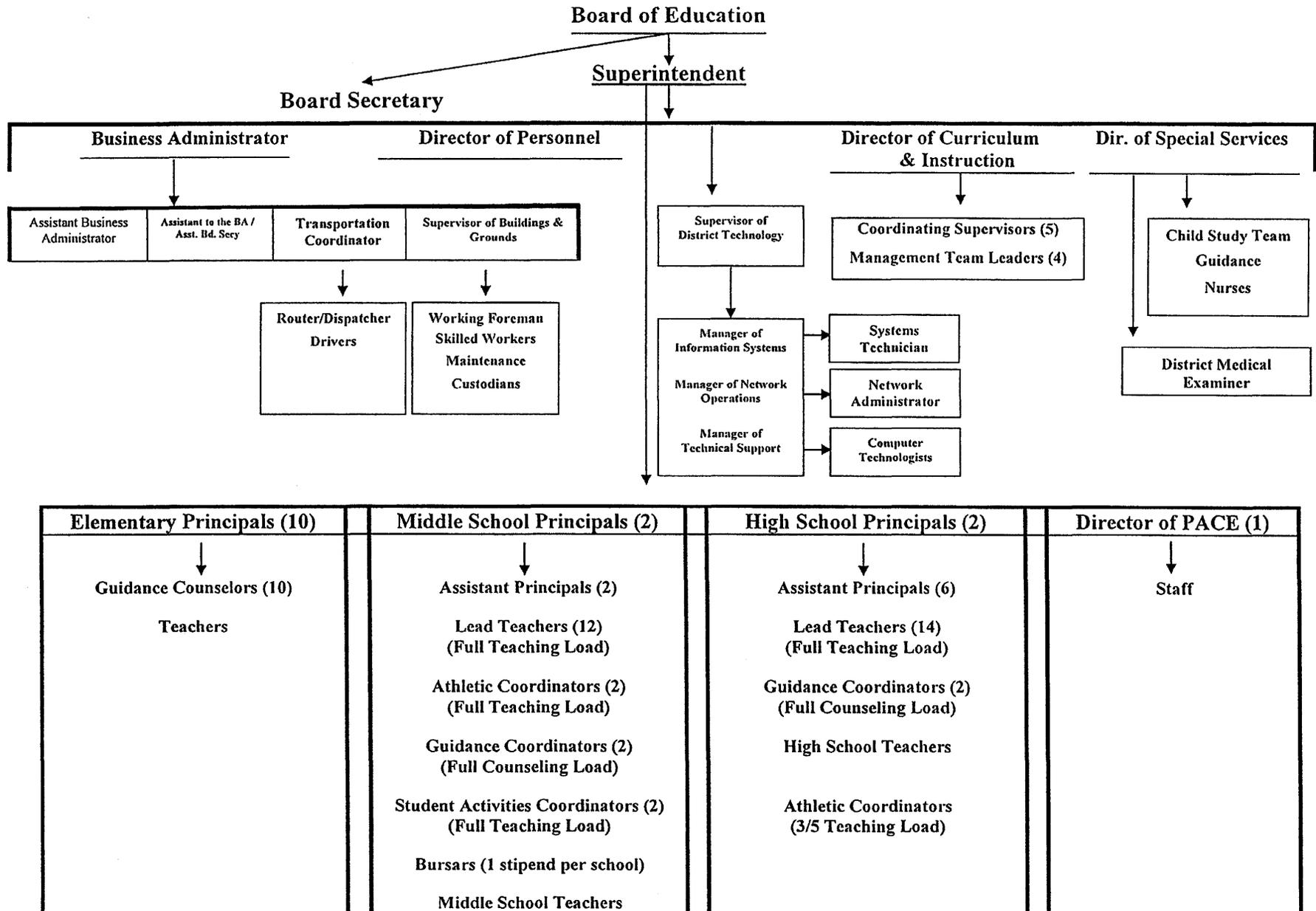


Mark Resnick  
Interim Business Administrator/Board Secretary

**PARSIPPANY-TROY HILLS TOWNSHIP SCHOOLS  
ENROLLMENT COMPARISON  
JUNE 30, 2012**

<b>GRADE</b>	<b>OCT 2010</b>	<b>OCT 2011</b>	<b>MAY 2012</b>	<b>JUNE 2012</b>
K	532	512	504	504
1	544	540	525	524
2	542	540	540	540
3	520	540	536	535
4	525	537	539	538
5	518	514	513	514
K-5 SPECIAL ED	188	180	310	306
<b>K-5</b>	<b>3369</b>	<b>3363</b>	<b>3467</b>	<b>3461</b>
6	566	523	524	523
7	518	562	554	555
8	516	510	515	516
6-8 SPECIAL ED	55	65	63	64
<b>6-8</b>	<b>1655</b>	<b>1660</b>	<b>1656</b>	<b>1658</b>
9	524	502	503	502
10	526	528	533	533
11	572	519	512	518
12	536	565	557	562
9-12 SPECIAL ED	35	38	42	33
<b>9-12</b>	<b>2193</b>	<b>2152</b>	<b>2147</b>	<b>2148</b>
<b>TOTAL</b>	<b>7217</b>	<b>7175</b>	<b>7270</b>	<b>7267</b>
(change from OCT 2010)		-42	53	50
<b>OUT OF DISTRICT PLACEMENTS:</b>			<b>TOTAL</b>	<b>119</b>
			<b>GRAND TOTAL</b>	<b>7386</b>

ORGANIZATIONAL CHART



**PARSIPPANY-TROY HILLS SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Frank A. Calabria, Ed.D., President	2012
Frank Neglia, Vice President	2012
Susy Golderer	2014
Anthony Mancuso	2013
Gary R. Martin	2014
Debbie Orme	2012
Fran Orthwein	2013
Sharif Shamsudin	2014
Michael Strumolo	2013

<u>Other Officers</u>	<u>Title</u>
LeRoy Seitz, Ed.D.	Superintendent of Schools
Mark Resnick	Interim Business Administrator/Board Secretary
Paul J. Saxton	Interim Director of Personnel
Ruth Anne Estler	Interim Director of Curriculum
Suzanne Olimpio	Director of Special Services
Robin Tedesco	Assistant Business Administrator
Susan Tindal, RSBS	Asst. to the Business Administrator/Asst. Bd. Secretary

**PARSIPPANY-TROY HILLS SCHOOL DISTRICT**  
Independent Auditors and Advisors

**Attorney**

Weiner Lesniak LLP  
629 Parsippany Road  
Parsippany, New Jersey 07054

**Audit Firm**

Wiss & Company LLP  
485 C Route 1 South, Suite 250  
Iselin, New Jersey 08830

**Official Depository**

Provident Bank  
401 Smith Road  
Parsippany, New Jersey 07054

## Financial Section



## Independent Auditors' Report

Honorable President and Members  
of the Board of Education  
Parsippany-Troy Hills School District  
Parsippany, New Jersey  
County of Morris

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 Parsippany-Troy Hills School District, County of Morris, New Jersey (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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 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 previously 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 District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the 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 December 4, 2012 on our consideration of the 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress – post employment healthcare benefit plan, the schedule of employer contributions - post-employment health care benefit plan and budgetary comparison information as found in the table of contents 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 District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal awards and state financial assistance, 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 basic financial statements. Such information is the responsibility of management and was derived 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other information, which consists of the introductory and statistical sections are presented for purposes of additional analysis and are 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.

*Scott A. Clelland*

Scott A. Clelland  
Licensed Public School Accountant  
No. 1049

*Wiss & Company*

WISS & COMPANY, LLP

December 4, 2012  
Iselin, New Jersey

Required Supplementary Information  
Part I

Management's Discussion and Analysis

# **Parsippany-Troy Hills School District Management's Discussion and Analysis**

Year ended June 30, 2012  
(Unaudited)

As management of the Parsippany-Troy Hills School District, we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the year ended June 30, 2012. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A as required by GASB Statement No. 34.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave).

The government-wide financial statements can be found on pages 22-23 of this report.

**Fund financial statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, capital projects fund and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24-26 of this report.

**Proprietary funds.** The District maintains one proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of its food service program.

The basic enterprise fund financial statements can be found on pages 27-29 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses trust funds to account for the activity of the private-purpose scholarship fund and unemployment compensation trust fund.

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 32-64 of this report.

**Other information.** The combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 67-105 of this report.

## Financial Highlights

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$33,117,236 (net assets) for the fiscal year ended June 30, 2012 and our overall financial position has improved in the current year. The following table provides a summary of net assets relating to the District's governmental and business-type activities at June 30, 2012 and 2011:

**Parsippany-Troy Hills School District**  
**Parsippany, New Jersey**  
**Net Assets**

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities (as restated)	Business-type Activities	Total
Current and other assets	\$ 13,776,317	\$ 244,526	\$ 14,020,843	\$ 13,268,468	\$ 293,769	\$ 13,562,237
Capital assets, net	71,929,717	244,661	72,174,378	71,932,547	179,208	72,111,755
Total assets	85,706,034	489,187	86,195,221	85,201,015	472,977	85,673,992
Current liabilities	6,858,269	8,639	6,866,908	4,119,563	47,604	4,167,167
Long-term liabilities outstanding	46,211,077		46,211,077	48,175,672		48,175,672
Total liabilities	53,069,346	8,639	53,077,985	52,295,235	47,604	52,342,839
Net assets:						
Invested in capital assets, net of related debt	27,005,258	244,661	27,249,919	26,048,380	179,208	26,227,588
Restricted	6,719,424		6,719,424	8,939,059		8,939,059
Unrestricted (deficit)	(1,087,994)	235,887	(852,107)	(2,081,659)	246,165	(1,835,494)
Total net assets	\$ 32,636,688	\$ 480,548	\$ 33,117,236	\$ 32,905,780	\$ 425,373	\$ 33,331,153

### *Governmental activities*

The increase in current and other assets is mainly attributable to the increase in cash from the prior year, which is mostly the result of the District's operating performance during the year.

Current liabilities increased due to accrued interest being recorded in the current year as well as an estimated payroll liability for retroactive salary payments.

Long-term liabilities decreased mainly due to the payment of principal on bonds and capital leases outstanding.

The largest portion of the District's net assets is its net assets invested in capital assets net of related debt. Restricted net assets include those that are subject to restrictions (e.g., for capital projects and debt service, adult education, capital reserve, emergency reserve and excess fund balance in the general fund).

Restricted net assets decreased during the year ended June 30, 2012 resulting from the decreases in funds available in the capital projects fund due to completion of the projects, the capital reserve account and excess surplus.

The increase in unrestricted net assets of the District is mainly attributable to the result of general fund operations and the decrease in encumbrances outstanding at the end of the 2012 fiscal year as compared to 2011.

### *Business-type activities*

There was no substantial change in business-type activity assets, liabilities and net assets for the year ended June 30, 2012. Net assets increased \$55,175 from the prior year.

**Government-wide activities.** The key elements of the District's net assets for the years ended June 30, 2012 and 2011 are as follows:

**Parsippany-Troy Hills School District  
Parsippany, New Jersey**

**Changes in Net Assets**

	2012			2011		
	Governmental Activities	Business- type Activities	Total	Governmental Activities (as restated)	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,288,300	\$ 1,820,456	\$ 4,108,756	\$ 1,902,711	\$ 1,815,329	\$ 3,718,040
Operating grants and contributions	2,309,757	574,150	2,883,907	2,449,425	514,526	2,963,951
Capital grants and contributions	404,041		404,041	1,144,458		1,144,458
General revenues:						
Property taxes	117,186,684		117,186,684	117,822,763		117,822,763
Federal and state aid not restricted to specific purposes	13,765,153		13,765,153	12,824,834		12,824,834
Miscellaneous	142,307	761	143,068	447,052	(76,268)	370,784
Total revenues	136,096,242	2,395,367	138,491,609	136,591,243	2,253,587	138,844,830
Expenses:						
Instructional	73,137,925		73,137,925	71,918,573		71,918,573
Support services	59,399,027	2,326,674	61,725,701	55,842,357	2,211,868	58,054,225
Charter school	285,780		285,780	160,727		160,727
Special schools	1,805,198		1,805,198	1,673,357		1,673,357
Interest on long-term debt	1,750,922		1,750,922	2,974,627		2,974,627
Unallocated depreciation				1,369,785		1,369,785
Total expenses	136,378,852	2,326,674	138,705,526	133,939,426	2,211,868	136,151,294
(Decrease) Increase in net assets	(282,610)	68,693	(213,917)	2,651,817	41,719	2,693,536
Transfers	13,518	(13,518)	-	-	-	-
Net assets – beginning of year (as restated)	32,905,780	425,373	33,331,153	30,253,963	383,654	30,637,617
Net assets – end of year	\$ 32,636,688	\$ 480,548	\$ 33,117,236	\$ 32,905,780	\$ 425,373	\$ 33,331,153

*Governmental activities*

Capital grants and contributions decreased mainly due to the completion of SDA capital projects in the prior year within the capital projects fund.

The increase in unrestricted federal and state aid is mainly the result of receiving additional state aid in 2012 as compared to the prior year.

Instructional expenses increased mainly due to the depreciation expense allocated in the current year that was not done in the prior year - see unallocated depreciation line above in the prior year.

Support services increased mainly due to an increase in purchased professional educational services in other support services-students-extra services, as well as depreciation allocated in the current year. Support services also increased due to increased transportation costs mainly for non-instructional aides, contract services and general supplies.

The prior year financial statements presented unallocated depreciation on the statement of activities, however the current year allocates depreciation amongst the various applicable functions/programs.

*Business-type activities*

Overall, the net assets of the business-type activities did not change significantly. The District continued to utilize the services of an outside food service management company instead of running the food service operations in-house.

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2012, and the increases and decreases in relation to prior year. The Capital Projects Fund has been excluded as amounts vary substantially from year to year.

<b>Revenue</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2011</b>	<b>Percent of Increase (Decrease)</b>
Local sources	\$119,668,479	88.2%	\$ (458,949)	(0.4)%
State sources	13,589,383	10.0	2,386,928	21.3
Federal sources	2,443,038	1.8	(1,593,956)	(39.5)
<b>Total</b>	<b>\$135,700,900</b>	<b>100.0%</b>	<b>\$ 334,023</b>	<b>(18.6)%</b>

The decrease in local sources is mainly attributable to the decrease in the tax levy offset by an increase in tuition revenue.

The increase in state sources is mainly attributable to an increase in general state aid during the current year as compared with the prior year.

The decrease in federal sources is mainly attributable to the decrease in ARRA funds expended in the prior year as the ARRA funds are no longer available.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2012, and the increases and decreases related to the prior year. The Capital Projects Fund has been excluded as amounts vary substantially from year to year.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2011</u>	<u>Percent of Increase (Decrease)</u>
Current expenditures:				
Instruction	\$ 52,456,169	38.0%	\$ (2,131,922)	(3.9)%
Undistributed	76,923,720	55.7	4,108,443	5.6
Capital outlay	3,376,966	2.4	818,467	32.0
Charter schools	285,780	0.2	125,053	77.8
Special schools	1,805,199	1.3	130,645	7.8
Debt service:				
Principal	1,350,000	1.0	100,000	8.0
Interest	1,916,166	1.4	(56,875)	(2.9)
<b>Total</b>	<b>\$138,114,000</b>	<b>100.0%</b>	<b>\$ 3,093,811</b>	<b>2.3%</b>

The decrease in instruction is attributable mainly to the decrease in general supplies for regular programs-instruction and decrease in special education expenses due to the decreased ARRA funding.

The increase in undistributed expenditures is attributable mainly to the increase in purchased professional educational services in other support services-students-extra services; increase in pupil transportation costs mainly for non-instructional aides, contract services and general supplies; and increase in health benefits and on-behalf post-retirement benefit contributions.

The increase in capital outlay is attributable mainly to increased construction services in the current year including a new genesis student information system and partial roof replacement at the high school.

### **General Fund Budgetary Highlights**

Overall there were no additional appropriations made to the original budget as compared to the final budget. During the year, revenues exceeded budgetary estimates and expenditures were under budgetary estimates, thus eliminating the need to draw upon any additional existing fund balance.

Budgetary transfers were made between budgetary line items and approved by the Board for various reasons including:

- Special education - learning &/or language disabilities - an increase of \$151,046 is due to an increase of OT and PT services to run programs as well as the retroactive salary payout due to the settlement of the Paraprofessional contract after four-years.
- Special education - multiple disabilities - a decrease of \$136,469 is due to a decrease in staff.

- Total instruction - a decrease of \$259,053 is mainly due to a decrease in basic skills/remedial instruction and decrease in vocational programs.
- Total undistributed instruction - an increase of \$809,629 is due to the increase in enrollment and tuition costs of special education students in the 2012 fiscal year.
- Other support services - students - extra services - an increase of \$778,819 is due to an increase in instructional staff employees for activities associated with assisting instructional staff with the content and process of providing learning experiences for students and the settlement of the Paraprofessional contract in the 2011-2012 school year and retroactive payout of the salary increase.
- Child study teams - a decrease of \$155,472 is due to a decrease in staff.
- Unallocated benefits - a decrease of \$521,854 is mainly attributable to the decrease in health benefits premiums as a result of board negotiations to eliminate the Traditional plan, the movement of Local 1 from the PPO to the POS plan and savings in health benefits costs with the newly implemented staffing contribution of 1.5% of gross salaries to pay to offset the cost of health benefits.
- Capital outlay – an increase of \$144,296 largely attributable to additional equipment and construction purchases needed in the current year.

### Capital Assets

At the end of the fiscal years ended June 30, 2012 and 2011, the District had \$72,174,378 and \$72,111,755, respectively, net invested in land, construction in progress, building and building improvements and machinery and equipment, net of accumulated depreciation or amortization.

	<b>Capital Assets (Net of Depreciation)</b>			
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Land	\$ 3,956,475	\$ 3,956,475		
Construction in progress	-	46,430,605		
Building and building improvements	65,889,106	19,766,115		
Machinery and equipment	2,084,136	1,779,352	\$ 244,661	\$ 179,208
<b>Total</b>	<b>\$ 71,929,717</b>	<b>\$ 71,932,547</b>	<b>\$ 244,661</b>	<b>\$ 179,208</b>

The decrease in construction in progress and increase in building and building improvements is due to capitalizing all of the projects that were completed in the capital projects fund. The increase in machinery and equipment is due to new additions over depreciation during the 2012 fiscal year. For more detailed information, please refer to Note 4 to the basic financial statements.

## **Debt Administration**

At June 30, 2012, the District had \$49,614,870 of outstanding long-term liabilities. Of this amount, \$3,030,670 is for compensated absences; \$42,583,000 of serial bonds for school construction; \$198,337 is for a legal settlement; \$757,738 is for other post-employment retirement benefit payable; and \$3,045,125 is for capital leases. For more detailed information, refer to Note 5 of the basic financial statements.

## **Economic Factors and Next Year's Budget**

The fiscal outlook in the near term is a concern for most school districts and municipalities, including this one. Top-down changes in funding will require flexibility and very careful planning at the local level. With the continued uncertainty from the State of New Jersey's budget crisis, the adoption of a budget that maintains educational services at a higher level becomes more and more difficult. The District will continue to employ prudent and responsible fiscal practices to maintain its sound financial condition.

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect the financial health in the future:

1. The District has successfully negotiated a contract with the paraprofessionals association in the 2011-2012 school year. The Board is currently negotiating with Local 32 (custodian, maintenance and bus drivers union) during the 2011-2012 school year. The Board entered into negotiations with PTHEA (teacher's union) and ESAPTH (secretary's union) during the 2010-2011 school year and negotiations with APSA (administrator's union) began in the 2011-2012 school year. The outcome of those negotiations will impact the financial position of the District for the next few years.
2. The Board is planning to have a Bond Referendum vote during the 2012-2013 school year to upgrade the current athletic fields at Parsippany High School and Parsippany Hills High School to turf fields. The outcome of this vote will impact the tax levy over the next ten years in the school district.
3. The District is entering into a Local Government Energy Audit Program to assess evaluating potential energy conservation measures (ECMs) and cost reduction opportunities. As the District continues with the assessments, there is potential to realize energy cost savings.
4. The Board continues its focus on technological upgrades and advancements in instructional opportunities for students and staff. There are increased budgetary allocations through lease purchase to upgrade computers and technology on all educational levels in the District. The District hopes to infuse technological instructional tools and continue to transition to wireless connectivity within the District.

All of the above factors were considered in preparing the District's 2012-13 fiscal year budget.

## **Requests for Information**

This financial report is designed to provide a general overview of the Parsippany-Troy Hills School District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Education Office, PO Box 52, Parsippany, New Jersey 07054.

# Basic Financial Statements

# Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2012.

## Parsippany-Troy Hills School District

## Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 11,172,491	\$ 178,604	\$ 11,351,095
Accounts receivable	905,715	43,391	949,106
Inventories		22,531	22,531
Restricted assets:			
Cash and cash equivalents	1,698,111		1,698,111
Capital assets, non-depreciable	3,956,475		3,956,475
Capital assets, depreciable, net	67,973,242	244,661	68,217,903
Total assets	<u>85,706,034</u>	<u>489,187</u>	<u>86,195,221</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	2,167,796	8,639	2,176,435
Accrued interest payable	743,444		743,444
Payable to state government	29,198		29,198
Unearned revenue	514,038		514,038
Current portion of long-term obligations	3,403,793		3,403,793
Noncurrent portion of long-term obligations	46,211,077		46,211,077
Total liabilities	<u>53,069,346</u>	<u>8,639</u>	<u>53,077,985</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	27,005,258	244,661	27,249,919
Restricted for:			
Capital projects	153,476		153,476
Debt service	4,003		4,003
Other purposes	6,561,945		6,561,945
Unrestricted (deficit)	<u>(1,087,994)</u>	<u>235,887</u>	<u>(852,107)</u>
Total net assets	<u>\$ 32,636,688</u>	<u>\$ 480,548</u>	<u>\$ 33,117,236</u>

See independent auditors' report and accompanying notes to the basic financial statements.

Parsippany-Troy Hills School District

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities</b>							
Instruction							
Regular	\$ 53,320,040				\$ (53,320,040)		\$ (53,320,040)
Special education	12,830,312		\$ 723,023		(12,107,289)		(12,107,289)
Other instruction	4,359,857				(4,359,857)		(4,359,857)
School sponsored instruction	2,627,716				(2,627,716)		(2,627,716)
Support services:							
Tuition	9,157,295	\$ 336,014	1,586,734		(7,234,547)		(7,234,547)
Student activities	17,018,462				(17,018,462)		(17,018,462)
Instruction services	4,509,180				(4,509,180)		(4,509,180)
General administration services	1,207,241				(1,207,241)		(1,207,241)
School administration services	6,496,651				(6,496,651)		(6,496,651)
Central services	2,107,571				(2,107,571)		(2,107,571)
Admin information technology	797,503				(797,503)		(797,503)
Plant operations and maintenance	10,921,748			\$ 404,041	(10,517,707)		(10,517,707)
Pupil transportation	7,183,376				(7,183,376)		(7,183,376)
Interest on long-term debt	1,750,922				(1,750,922)		(1,750,922)
Charter schools	285,780				(285,780)		(285,780)
Special schools	1,805,198	1,952,286			147,088		147,088
Total governmental activities	136,378,852	2,288,300	2,309,757	404,041	(131,376,754)		(131,376,754)
<b>Business-type activities</b>							
Food service	2,326,674	1,820,456	574,150			\$ 67,932	67,932
Total business-type activities	2,326,674	1,820,456	574,150	-	-	67,932	67,932
Total primary government	\$ 138,705,526	\$ 4,108,756	\$ 2,883,907	\$ 404,041	(131,376,754)	67,932	(131,308,822)
<b>General revenues and transfers</b>							
Property taxes, levied for general purposes					114,831,204		114,831,204
Property taxes, levied for debt service					2,355,480		2,355,480
State aid not restricted					13,485,106		13,485,106
Federal aid not restricted					280,047		280,047
Investment earnings					44,098	761	44,859
Miscellaneous income					96,908		96,908
Transfers					13,518	(13,518)	-
Total general revenues and transfers					131,106,361	(12,757)	131,093,604
Change in net assets					(270,393)	55,175	(215,218)
Net assets—beginning (as restated)					32,905,780	425,373	33,331,153
Net assets—ending					\$ 32,635,387	\$ 480,548	\$ 33,115,935

See independent auditors' report and accompanying notes to the basic financial statements.

# Fund Financial Statements

# Governmental Funds

Parsippany-Troy Hills School District  
Governmental Funds

Balance Sheet

June 30, 2012

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>Assets</b>					
Cash and cash equivalents	\$ 10,311,346		\$ 858,443	\$ 2,702	\$ 11,172,491
Accounts receivable:					
State	59,790				59,790
Federal	212,788	\$ 581,148			793,936
Interfund	427,961			1,301	429,262
Other	29,000				29,000
Restricted cash and cash equivalents	1,698,111				1,698,111
<b>Total assets</b>	<u>\$ 12,738,996</u>	<u>\$ 581,148</u>	<u>\$ 858,443</u>	<u>\$ 4,003</u>	<u>\$ 14,182,590</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 2,109,954	\$ 46,770			\$ 2,156,724
Intergovernmental payables:					
State		29,198			29,198
Interfunds payable	11,072	404,972	\$ 1,301		417,345
Deferred revenue	413,830	100,208			514,038
<b>Total liabilities</b>	<u>2,534,856</u>	<u>581,148</u>	<u>1,301</u>		<u>3,117,305</u>
<b>Fund balances:</b>					
Restricted for:					
Capital reserve	716,740				716,740
Emergency reserve	262,796				262,796
Adult education program	718,575				718,575
Capital projects			857,142		857,142
Debt service				\$ 4,003	4,003
Excess surplus-current year	2,227,589				2,227,589
Excess surplus-prior year	2,636,245				2,636,245
Assigned to:					
Designated for subsequent year expenditures	581,892				581,892
Other purposes	882,437				882,437
Unassigned	2,177,866				2,177,866
<b>Total fund balances</b>	<u>10,204,140</u>		<u>857,142</u>	<u>4,003</u>	<u>11,065,285</u>
<b>Total liabilities and fund balances</b>	<u>\$ 12,738,996</u>	<u>\$ 581,148</u>	<u>\$ 858,443</u>	<u>\$ 4,003</u>	

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 \$102,999,154 and the accumulated depreciation is \$31,069,437.	71,929,717
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(743,444)
Long-term liabilities, including bonds payable, capital leases, legal settlement, other post employment benefits payable liabilities and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(49,614,870)</u>

Net assets of governmental activities \$ 32,636,688

See independent auditors' report and accompanying notes to the basic financial statements.

Parsippany-Troy Hills School District  
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2012

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>Revenues:</b>					
Local sources:					
Local tax levy	\$ 114,831,204			\$ 2,355,480	\$ 117,186,684
Tuition from individuals	336,014				336,014
Interest	41,812		\$ 1,301		43,113
Interest on capital reserve	1,490				1,490
Interest on maintenance reserve	796				796
Miscellaneous	2,049,194	\$ 52,489			2,101,683
Total local sources	117,260,510	52,489	1,301	2,355,480	119,669,780
State sources	12,931,730	104,277	394,041	553,376	13,983,424
Federal sources	280,047	2,162,991			2,443,038
Total revenues	130,472,287	2,319,757	395,342	2,908,856	136,096,242
<b>Expenditures:</b>					
Current:					
Regular instruction	38,093,643				38,093,643
Special education instruction	8,559,012	723,023			9,282,035
Other instruction	3,087,861				3,087,861
School sponsored instruction	1,992,630				1,992,630
Support services & undist costs:					
Tuition	7,372,224	1,586,734			8,958,958
Student services	12,107,814				12,107,814
Instruction services	3,799,859				3,799,859
General administration	1,085,949				1,085,949
School administration	4,694,512				4,694,512
Central services	1,573,062				1,573,062
Admin info technology	640,210				640,210
Plant oper. & maintenance	8,313,218				8,313,218
Pupil transportation	6,600,429				6,600,429
Unallocated benefits	29,149,709				29,149,709
Capital outlay	3,366,966	10,000	307,852		3,684,818
Charter school	285,780				285,780
Special schools	1,805,199				1,805,199
Debt service:					
Principal				1,350,000	1,350,000
Interest				1,916,166	1,916,166
Total expenditures	132,528,077	2,319,757	307,852	3,266,166	138,421,852
(Deficiency) excess of revenues (under) over expenditures	(2,055,790)	-	87,490	(357,310)	(2,325,610)
Other financing sources (uses):					
Capital leases (non-budgeted)	1,005,000				1,005,000
Transfers in	13,518		108,300	351,301	473,119
Transfers out	(108,300)		(351,301)		(459,601)
Total other financing sources (uses)	910,218	-	(243,001)	351,301	1,018,518
Net change in fund balances	(1,145,572)	-	(155,511)	(6,009)	(1,307,092)
Fund balances, July 1	11,349,712		1,012,653	10,012	12,372,377
Fund balances, June 30	\$ 10,204,140	-	\$ 857,142	\$ 4,003	\$ 11,065,285

The reconciliation of the fund balances of governmental funds to the net assets of governmental activities in the statement of activities is presented in an accompanying schedule (B-3).

See independent auditors' report and accompanying notes to the basic financial statements.

Parsippany-Troy Hills School District  
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2012

**Total net change in fund balances - governmental funds (from B-2)** \$ (1,307,092)

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is  
allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital additions  
in the period.

Capital additions	\$ 2,173,458	
Depreciation expense	<u>(2,176,288)</u>	(2,830)

In the statement of activities, interest on long-term debt/capital leases is  
accrued, regardless of when due. In the governmental funds, interest is  
reported when due. The amount presented is the change from prior year. 24,320

Legal settlement payable that is reported in the Statement of Net Assets  
but does not require the use of current financial resources and therefore  
is not reported in the Governmental Funds. (198,337)

Repayments of bond principal are expenditures 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. 1,350,000

Other Postemployment Benefit (OPEB) payable is reported in the  
Statement of Net Assets but does not require the use of current  
financial resources and therefore is not reported in the Governmental  
Funds. 21,763

Arbitrage Rebate is reported in the Statement of Net Assets  
but does not require the use of current financial resources and therefore  
is not reported in the Governmental Funds. 140,924

Capital Leases entered into by the district are other financing sources in  
the Governmental Funds, but the acquisition increases Long-Term  
Liabilities in the Statement of Net Assets and is not reported in the  
the Statement of Activities (1,005,000)

Repayment of capital leases 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. 964,710

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). (257,550)

**Change in net assets of governmental activities (A-2)** \$ (269,092)

*See independent auditors' report and accompanying notes to the basic financial statements.*

# Enterprise Fund

Parsippany-Troy Hills School District  
Enterprise Fund

Statement of Net Assets

June 30, 2012

	<b>Major Fund</b>
	<b>Food</b>
	<b>Service</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 178,604
Accounts receivable:	
State	1,377
Federal	26,009
Other	16,005
Inventories	22,531
Total current assets	244,526
Non-current assets:	
Capital assets:	
Equipment	396,589
Accumulated depreciation	(151,928)
Total capital assets, net	244,661
Total assets	489,187
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	8,639
Total current liabilities	8,639
<b>Net assets</b>	
Invested in capital assets	244,661
Unrestricted	235,887
Total net assets	\$ 480,548

*See independent auditors' report and accompanying notes to the basic financial statements.*

Parsippany-Troy Hills School District  
Enterprise Fund

Statement of Revenues, Expenses and  
Changes in Fund Net Assets

Year ended June 30, 2012

	<b>Major Fund Food Service</b>
Operating revenues:	
Local sources:	
Daily food sales-reimbursable programs	\$ 1,573,448
Special event income	247,008
Total operating revenues	1,820,456
Operating expenses:	
Cost of sales	1,019,648
Salaries, benefits and payroll	907,077
Supplies, insurance & other costs	216,182
Depreciation expense	23,254
Management fee	98,165
Miscellaneous expense	62,348
Total operating expenses	2,326,674
Operating loss	(506,218)
Nonoperating revenues:	
State sources:	
State school lunch program	22,596
Federal sources:	
National school lunch program	420,816
Food donation program	130,738
Local sources:	
Interest	761
Total nonoperating revenues	574,911
Change in net assets before operating transfers	68,693
Transfers out - general fund	(13,518)
Change in net assets	55,175
Total net assets-beginning	425,373
Total net assets-ending	\$ 480,548

*See independent auditors' report and accompanying notes to the basic financial statements.*

Parsippany-Troy Hills School District  
Enterprise Fund

Statement of Cash Flows

Year ended June 30, 2012

	<b>Major Fund</b>
	<b>Food</b>
	<b>Service</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 1,876,036
Payments for employees and employee benefits	(907,077)
Payments to suppliers	(1,433,490)
Net cash used in operating activities	(464,531)
<b>Cash flows from noncapital financing activities</b>	
State school lunch program	24,307
National school lunch program	423,045
Receipts from food donation program	130,738
Transfers out	(13,518)
Net cash provided by noncapital financing activities	564,572
<b>Cash flows from capital and related financing activities</b>	
Acquisition of capital assets	(88,707)
Net cash used for capital and related financing activities	(88,707)
<b>Cash flows from investing activities</b>	
Interest received	761
Net cash provided by investing activities	761
Net increase in cash and cash equivalents	12,095
Cash and cash equivalents, beginning of year	166,509
Cash and cash equivalents, end of year	\$ 178,604
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (506,218)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	23,254
Change in assets and liabilities:	
Decrease in accounts receivable	55,580
Decrease in inventory	1,818
Decrease in accounts payable	(38,965)
Net cash used in operating activities	\$ (464,531)

**Noncash noncapital financing activities:**

The District received \$130,738 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2012.

*See independent auditors' report and accompanying notes to the basic financial statements.*

# Fiduciary Funds

Parsippany-Troy Hills School District  
Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2012

	<b>Agency Fund</b>	<b>Unemployment Compensation Trust Fund</b>	<b>Private Purpose Scholarship Trust Funds</b>
	<hr/>	<hr/>	<hr/>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,994,387	\$ 1,818,239	\$ 37,861
Interfund receivable		11,072	
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,994,387</u>	<u>1,829,311</u>	<u>37,861</u>
<b>Liabilities</b>			
Interfund payable	\$ 22,989		
Accounts payable		60,702	
Due to student groups	484,047		
Payroll deductions and withholdings payable	606,342		
Summer escrow payable	881,009		
	<hr/>	<hr/>	
Total liabilities	<u>\$ 1,994,387</u>	<u>60,702</u>	
<b>Net assets:</b>			
Held in trust for:			
Unemployment compensation claims		1,768,609	
Scholarships			37,861
		<hr/>	<hr/>
Total net assets		<u>\$ 1,768,609</u>	<u>\$ 37,861</u>

*See independent auditors' report and accompanying notes to the basic financial statements.*

Parsippany-Troy Hills School District  
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2012

	<b>Unemployment Compensation Trust Fund</b>	<b>Private Purpose Scholarship Trust Funds</b>
	<u>                    </u>	<u>                    </u>
Additions:		
Plan contributions	\$ 323,279	
Donations		\$ 46,972
	<u>                    </u>	<u>                    </u>
Total Contributions	323,279	46,972
	<u>                    </u>	<u>                    </u>
Interest	5,696	100
	<u>                    </u>	<u>                    </u>
Total Additions	328,975	47,072
	<u>                    </u>	<u>                    </u>
Deductions:		
Unemployment compensation claims	534,161	
Scholarships awarded		37,327
	<u>                    </u>	<u>                    </u>
Total deductions	534,161	37,327
	<u>                    </u>	<u>                    </u>
Change in net assets	(205,186)	9,745
Net assets, beginning	1,973,795	28,116
	<u>                    </u>	<u>                    </u>
Net assets, ending	<u>\$ 1,768,609</u>	<u>\$ 37,861</u>

*See independent auditors' report and accompanying notes to the basic financial statements.*

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies

The financial statements of the Parsippany-Troy Hills School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental 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 financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Parsippany-Troy Hills School District in Parsippany, New Jersey. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards as noted on the following page.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

- the organization is legally separate (can sue or be sued on their own name);
- the District holds the corporate powers of the organization;
- the District appoints a voting majority of the organization's board;
- the District is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the District; or
- there is a fiscal dependency by the organization on the District

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires all funds be reported as major to promote consistency among school districts in the State of New Jersey.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, capital leases and other post-employment benefits, are recorded only when payment is due.

Property taxes, interest, and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year.

The District has reported the following major governmental funds:

*General Fund:* The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment, which are classified in the capital outlay sub-fund.

*Special Revenue Fund:* The District maintains one special revenue fund, which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

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

*Debt Service Fund:* The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary fund:

*Food Service Enterprise Fund:* The food service enterprise fund accounts for all revenues and expenses pertaining to 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 types:

Fiduciary funds of the District include the unemployment compensation and private purpose scholarship trust funds and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District.

*Trust and Agency Funds:* The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

*Trust Funds:* These unemployment compensation and private purpose scholarship funds are accounted for in essentially the same manner as governmental funds. The unemployment compensation fund is used to account for contributions from employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. The private purpose scholarship fund is utilized to provide scholarships to students and to account for the related transactions.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

*Agency Funds (Payroll and Student Activity Fund):* Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

In its accounting and financial reporting, the District follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's enterprise fund and business-type activities have elected not to apply the standards issued by the FASB after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The District reports deferred (unearned) revenue on its balance sheet. Deferred (unearned) revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred (unearned) revenue also arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred (unearned) revenue is removed from the balance sheet and revenue is recognized.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **1. Summary of Significant Accounting Policies (continued)**

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable." The County Board of Taxation is responsible for the assessment of properties and the Township Tax Collector is responsible for collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

### **D. Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office for review and approval and are approved by the Board of Education members. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). 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 referred in N.J.A.C. 6A:23. The over expenditure in the general fund is due to the inclusion of the non-budgeted on behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over expenditures. All budget amendments must be approved by School Board resolution. Budget amendments were made during the year ended June 30, 2012 and were not significant.

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

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **1. Summary of Significant Accounting Policies (continued)**

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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

#### **E. Cash, Cash Equivalents and Investments**

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

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." 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 and are stated at cost. All other investments are stated at fair value.

#### **F. Interfund Receivables/Payables**

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.

#### **G. Inventories**

Inventories, 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.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**1. Summary of Significant Accounting Policies (continued)**

**H. Capital Assets**

Capital assets, which include property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Capital assets, being depreciated, of the District is depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

	<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

**I. Accrued Salaries and Wages**

Certain District employees who provided services to the District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but not disbursed amounts be retained in a separate bank account. As of June 30, 2012, the amount earned by these employees but not disbursed was \$881,009 and is included in liabilities – summer escrow payable in the fiduciary fund.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

#### J. Compensated Absences

The District accounts for compensated absences (i.e., 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. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the government-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. The liability for vested compensated absences of the District is recorded in the government-wide financial statements amounted to \$3,030,670 at June 30, 2012. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### K. Deferred Revenue

Deferred revenue in the general fund represents cash received in advance of the providing of adult education programs. Deferred revenue in the special revenue fund represents cash received from federal, state and local grants, which has been received but not yet earned and outstanding encumbrances.

#### L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and unamortized loss on a refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

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

#### M. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. 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 long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

#### N. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

- 3) Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- 4) Assigned - amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the \$10,204,140 of fund balances in the General Fund at June 30, 2012, \$716,740 has been restricted in the capital reserve account, \$262,796 has been restricted in the emergency reserve account, \$718,575 has been restricted in the adult education program, \$2,227,589 has been restricted for excess surplus-current year, \$2,636,245 has been restricted for excess surplus-prior year, \$581,892 has been classified as assigned fund balance designated for subsequent years expenditures, \$882,437 of encumbrances is assigned to other purposes and \$2,177,866 is classified as unassigned.

The Capital Projects Fund has \$857,142 of fund balances at June 30, 2012 that has been restricted for capital projects.

The Debt Service Fund has \$4,003 of restricted fund balance at June 30, 2012.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **1. Summary of Significant Accounting Policies (continued)**

#### **O. Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### **P. On-Behalf Payments**

Revenues and expenditures of the general fund include payments made by the State of New Jersey social security and post-retirement medical pension contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the District's annual budget.

#### **Q. Calculation of Excess Surplus**

The designation for restricted fund balance -- excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve 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 years' budget. The excess fund balance at June 30, 2012 is \$2,227,589 and will be utilized in its 2013-14 fiscal year budget.

#### **R. Subsequent Events**

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2012 and December 4, 2012, the date that the financial statements were issued, for possible disclosure and recognition in the financial statement, and no items have come to the attention of the District that would require disclosure.

#### **S. Net Assets Deficit**

The District has a deficit in unrestricted net assets from governmental activities on the government-wide statement of net assets in the amount of \$1,087,994 primarily due to the accrual of compensated absences of \$3,030,670 and post-employment benefit payable of \$757,738.

This deficit does not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**1. Summary of Significant Accounting Policies (continued)**

**T. Restatement of Beginning Balances**

The District has restated its June 30, 2011 government-wide net assets related to governmental activities (A-2) as the prior year financial statements did not include accrued interest relating to the District's outstanding bonds and capital leases. The following presents the effects of the restatement of net assets:

Beginning net assets at June 30, 2011	\$33,673,544
Less: Adjustment for accrued interest payable	(767,764)
Beginning net assets, as restated	<u>\$32,905,780</u>

**2. Reconciliation of Government-Wide and Fund Financial Statements**

**Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, other post-employment benefit, capital leases, legal liability and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. The details of this \$49,614,870 difference are as follows:

Bonds payable	\$ 42,583,000
Other post-employment benefit payable	757,738
Legal liability	198,337
Capital leases payable	3,045,125
Compensated absences	<u>3,030,670</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities	<u>\$ 49,614,870</u>

## Parsippany-Troy Hills School District

### Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

#### **3. Deposits and Investments**

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public 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 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 other public depositories, is available to pay the full amount of their deposits to the governmental units.

#### **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, 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 (NJCMF), New Jersey Asset and Rebate Management Fund (NJARM) and M.B.I.A. Class.

New Jersey statutes (GUDPA) 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.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 3. Deposits and Investments (continued)

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.

At June 30, 2012 the carrying amount of the District's deposits was \$16,225,475 and the bank balance was \$19,654,150. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2012 was secured by federal depository insurance. The New Jersey GUDPA covered the remaining bank balance of \$19,404,150.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the District's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

#### Investments

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

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**3. Deposits and Investments (continued)**

- c. Bonds or other obligations of the School District.
- d. New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and MBIA CLASS.

**New Jersey Asset and Rebate Management Fund**

In order to maximize liquidity, the District utilizes the New Jersey Asset and Rebate Management Fund ("NJARM") as its sole investment. The NJARM, which is an investment pool managed by Public Financial Management Company. NJARM allows governments within the state to pool their funds for investment purposes and the Security and Exchange Commission (SEC) does not restrict the pool. Earnings are allocated to all participants based upon shares held in the pool and distributed on the last day of each month. In addition, the fair value of the District's portion of the pool is the same as the value of its shares. Agencies that participate in the NJARM typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJARM on a daily basis without penalty. At June 30, 2012, the District's balance was \$674,218.

*Custodial Credit Risk:* Pursuant to GASB 40, the NJARM, which is a pooled investment, is exempt from custodial credit risk exposure. The District does not have a policy for custodial credit risk.

*Credit Risk:* The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJARM is not rated by a rating agency.

*Concentration of Credit Risk:* The District places no limit on the amount the District may invest in any one issuer. At June 30, 2012, all of the District's investments were invested in the NJARM.

*Interest Rate Risk:* The District does not have a policy to limit interest rate risk. The average maturity of the District's investments in the NJARM are less than one year.

All of the District's investments are classified as cash equivalents at June 30, 2012.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**4. Capital Assets**

The following is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,956,475			\$ 3,956,475
Construction in progress	46,430,605	\$ 307,852	\$ (46,738,457)	-
Total capital assets, not being depreciated	50,387,080	307,852	(46,738,457)	3,956,475
Capital assets, being depreciated:				
Buildings and building improvements	43,776,003	1,217,007	46,738,457	91,731,467
Machinery, equipment and vehicles	6,690,904	648,599	(28,291)	7,311,212
Total capital assets being depreciated	50,466,907	1,865,606	46,710,166	99,042,679
Less accumulated depreciation for:				
Buildings and building improvements	(24,009,888)	(1,832,473)		(25,842,361)
Machinery, equipment and vehicles	(4,911,552)	(343,815)	28,291	(5,227,076)
Total accumulated depreciation	(28,921,440)	(2,176,288)	28,291	(31,069,437)
Total capital assets, being depreciated, net	(21,545,467)	(310,682)	46,738,457	67,973,242
Governmental activities capital assets, net	\$ 71,932,547	\$ (2,830)	\$ -	\$ 71,929,717

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

Instruction	\$ 1,345,421
Student activities	342,459
Instruction services	65,549
Central services	40,347
Plant operations and maintenance	213,221
Pupil transportation	169,291
Total depreciation expense – governmental activities	<u>\$ 2,176,288</u>

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**4. Capital Assets (Continued)**

The following is a summarization of the business-type activities changes in capital assets for the fiscal year ended June 30, 2012:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Equipment and vehicles	\$748,554	\$88,707	\$(440,672)	\$396,589
Less accumulated depreciation for:				
Equipment and vehicles	(569,346)	(23,254)	440,672	(151,928)
Total business-type activities capital assets, net	<u>\$179,208</u>	<u>\$65,453</u>	<u>\$ -</u>	<u>\$244,661</u>

**5. Long-Term Liabilities**

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Compensated absences payable	\$ 2,773,120	\$ 864,863	\$ 607,313	\$ 3,030,670	\$ 782,255
Bonds payable	43,933,000		1,350,000	42,583,000	1,500,000
Legal liability		325,000	126,663	198,337	114,000
Arbitrage rebate payable	140,924		140,924		
Other postemployment benefit payable	779,501	175,334	197,097	757,738	
Obligations under capital leases	3,004,835	1,005,000	964,710	3,045,125	1,007,538
Governmental activity long-term liabilities	<u>\$50,631,380</u>	<u>\$2,194,863</u>	<u>\$3,211,373</u>	<u>\$49,614,870</u>	<u>\$3,403,793</u>

The District expects to liquidate the balance in its legal liability, other postemployment retirement benefit liability, compensated absences payable and capital leases with payments made from the District's general fund. Bonds payable will be liquidated with payments from the debt service fund.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**5. Long-Term Liabilities (continued)**

**Bonds Payable**

Bonds are authorized in accordance with State law or 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 District are general obligation bonds. The principal and interest of these bonds will be paid from the debt service fund as required by New Jersey statutes.

In August of 2006, the District issued \$47,633,000 of School District Bonds in order to fund the Board's renovation of various schools within the school district. The bonds are due to mature annually through the 2031 fiscal year at annual interest rates ranging from 4.375% to 4.500%.

Principal and interest due on the outstanding bond are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30:			
2013	\$ 1,500,000	\$ 1,853,823	\$ 3,353,823
2014	1,600,000	1,786,010	3,386,010
2015	1,700,000	1,713,823	4,413,823
2016	1,800,000	1,637,260	3,437,260
2017	1,900,000	1,556,323	3,456,323
2018-2022	10,950,000	6,415,520	17,365,520
2023-2027	11,750,000	3,878,056	15,628,056
2028-2032	11,383,000	1,247,558	12,630,558
	<u>\$42,583,000</u>	<u>\$20,088,373</u>	<u>\$62,671,373</u>

**Bonds Authorized But Not Issued**

As of June 30, 2012, the District had no authorized but not issued bonds.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**5. Long-Term Liabilities (Continued)**

**Capital Leases Payable**

The District has capital leases outstanding for various purposes (phone system, several buses and various equipment) with rates ranging from 2.75% to 4.29%. The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net future minimum lease payments at June 30, 2012:

	<u>Amount</u>
Fiscal year ending June 30:	
2013	\$ 1,078,691
2014	854,412
2015	636,580
2016	421,573
2017	209,367
Total minimum lease payment	<u>3,200,623</u>
Less amount representing interest	<u>(155,498)</u>
Present value of net future minimum lease payments	<u>\$ 3,045,125</u>

**6. Pension Plans**

**Description of Systems**

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Plan (DCRP). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System 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 related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **6. Pension Plans (continued)**

#### **Teachers' Pension and Annuity Fund**

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

#### **Public Employee's Retirement System**

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 6. Pension Plans (continued)

#### Defined Contribution Retirement Plan

DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

#### Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

The District's actuarially determined contributions to PERS amounted to \$1,637,873, \$1,591,808 and \$1,216,633 for the fiscal years ended June 30, 2012, 2011 and 2010, respectively. During the year ended June 30, 2012, the State of New Jersey contributed \$5,294,413 to the TPAF for post-retirement medical benefits and other pension costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$4,077,645 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

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.

The employee and employer contributions for the DCRP for the year ended June 30, 2012 were \$23,953 and \$9,327, respectively. For the year ended June 30, 2011 employee and employer contributions for the DCRP were \$3,250 and \$1,704, respectively. There were no contributions in 2010.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 7. Post-Retirement Benefits

#### Funding Policy

P.L. 1987, chapter 384 and P.L. 1990, chapter 6 required Teachers' Pension and Annuity Fund (TPAF) and 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, chapter 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.

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 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2012, 2011 and 2010 were \$5,470,533, \$3,855,093 and \$3,542,960, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

## Parsippany-Troy Hills School District

### Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

#### **7. Post-Retirement Benefits (continued)**

The District follows the accounting provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in accounting for its self-administered post-retirement benefit plan. This statement established guidelines for reporting costs associated with "other postemployment benefits" (OPEB). OPEB costs are calculated based on plan benefits (other than pensions), that the retired employees and their spouses have accrued as a result of their respective years of employment service. Statement No. 45 requires governments to account for other post-employment benefits, primarily health care, on an accrual rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the government-wide statement of activities when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the government-wide Statement of net assets over time. The requirements of this statement are being implemented prospectively, with the actuarially accrued liability for the benefits at June 30, 2009 (date of transition) being amortized over 30 years. Accordingly, for financial reporting purposes, no liability was reported for the postemployment health care benefits liability at the date of transition.

#### **Plan Description**

The District provides postemployment medical benefits, including prescription drug coverage, and vision and dental care, in accordance with state statute, participating retirees and their beneficiaries. As of June 30, 2010, 2011 and 2012, the valuation date, approximately 6 retirees and 2 deceased (for surviving spouses) meet the eligibility requirements put forth in P.L. 1992, c126. The District sponsors and participates in a single-employer defined benefit OPEB plan. The OPEB plan is administered by the District and does not issue a stand-alone financial statement.

Individuals with a minimum of twenty years of service with the District and less than twenty-five years of service with the state of New Jersey are eligible for subsidized medical coverage. A minimum of twenty years of service is required for subsidized dental coverage with no migration to the state plan if exceeding twenty-five years of service.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**7. Post-Retirement Benefits (continued)**

**Funding Policy**

The obligations of the plan members and the District are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and members vary depending on the applicable agreement.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The District has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. An updated valuation was prepared for the 2012 fiscal year the following table presents the components of the District's annual OPEB cost for the last three years, the amount actually contributed to the Plan and changes in the District's net OPEB obligation to the Plan at June 30, 2010, 2011 and 2012:

**Benefit Obligations and Normal Cost**

	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2012</u>
Actuarial accrued liability (AAL)	\$4,553,604	\$4,553,604	\$2,321,680
Unfunded actuarial accrued liability (UAAL)	\$4,553,604	\$4,553,604	\$2,321,680
Normal cost at beginning of year	\$181,880	\$182,954	\$193,802
Amortization factor based on 30 years	\$244,457	\$251,911	(\$6,220)
Annual covered payroll	\$77,527,291	\$77,527,291	\$0
UAAL as a percentage of covered payroll	5.87%	5.87%	0%

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**7. Post-Retirement Benefits (continued)**

**Level Dollar Amortization**  
Calculation of ARC under Entry Age Method

	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2012</u>
ARC normal cost with interest to end of year	\$181,880	\$182,954	\$193,802
Amortization of unfunded actuarial accrued liability (UAAL) over 30 years with interest at year end	<u>244,457</u>	<u>251,911</u>	<u>(6,220)</u>
Total	426,337	434,865	187,582
Interest on net OPEB obligation	6,298	10,914	15,591
Adjustment to OPEB	<u>(11,246)</u>	<u>(19,489)</u>	<u>(27,839)</u>
Pay as you go benefits	-	-	-
Annual OPEB cost (expense)	421,389	426,290	175,334
Age adjusted contributions	(190,598)	(192,468)	(197,097)
Net OPEB obligation - beginning of year	<u>314,888</u>	<u>545,679</u>	<u>779,501</u>
Net OPEB obligation - end of year	<u>\$ 545,679</u>	<u>\$779,501</u>	<u>\$757,738</u>

**Funded Status and Funding Progress**

As of June 30, 2010, 2011 and 2012, the actuarial accrued liability for benefits was \$4,553,604, \$4,553,604 and \$2,321,680, respectively, all of which was unfunded.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

**Actuarial Valuations**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the District and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**7. Post-Retirement Benefits (continued)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the District and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010, 2011 and 2012 actuarial valuations, the liabilities were computed using the entry age method and level dollar amortization over 30 years of which there are 28 years remaining. The actuarial assumptions include a 2.0% discount rate and an initial healthcare cost trend rate of 9% leveling off to 5% with 1% annual increments for health care and pharmacy benefits and 4% and 3% for dental and vision leveling off to 3%.

**8. Interfund Receivables and Payables**

The total interfund accounts receivable and payable for the District at June 30, 2012 amounted to \$440,334 analyzed as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 427,961	\$ 11,072
Special Revenue Fund		404,972
Capital Projects Fund		1,301
Debt Service Fund	1,301	
Payroll Agency		22,989
Trust Fund – Unemployment	11,072	
	<u>\$ 440,334</u>	<u>\$ 440,334</u>

The interfunds between the debt service fund and capital projects fund represents interest earned on investments in the capital projects fund that must be transferred to either the general fund or debt service fund by statute. The interfund between the general fund and special revenue fund represents an allocation of internally pooled cash from the general fund to liquidate an overdraft. The interfund between general fund, the unemployment fund and the payroll agency fund represents a loan between the funds.

All interfunds are expected to be liquidated within one year.

## Parsippany-Troy Hills School District

### Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

#### **9. Economic Dependency**

The District 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, could have an effect on the District's programs and activities.

#### **10. Contingent Liabilities**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012 may be impaired. In addition, the District is receiving funding from the New Jersey Schools Development Authority (NJSDA), in connection with its approved referendum projects. The costs associated with the funding received from the NJSDA are subject to a final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible costs requirements, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

The District is also involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Board.

The District has unsettled contracts with the Education Association (Teachers) for the years 2008-2011 and Educational Secretaries Association (Secretaries) for the years 2007-2011. The District anticipates a minimal settlement during a recessionary period, and has recorded a liability of for a potential settlement at June 30, 2012. Since the negotiations have continued for an extended period of time, it is possible that a higher settlement amount could be possible. If a settlement is agreed upon with the requirement to pay retroactive salaries that exceeds the amount recorded in the financial statements, the District would have to fund the additional amount from the current year budget or apply for approval from the Department of Education for a withdrawal from the District's Emergency Reserve, if allowed.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **10. Contingent Liabilities (continued)**

The District also settled two legal matters during the 2012 fiscal year with a total amount of \$325,000 payable. A portion of the amount is recorded as a liability at June 30, 2012 with the remaining amounts to be paid from funds in the District's 2012-13 and 2013-14 budgets.

### **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 and dental coverage through Horizon Blue Cross Blue Shield and Delta Dental, respectively.

#### **Property and Liability Insurance**

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds and does not retain risk of loss. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years. A complete schedule of insurance coverage can be found in the statistical section of this report.

The District is a member of the Pooled Insurance Program of New Jersey (the "Fund"). The public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. However, the District receives only workers' compensation coverage from the Fund. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep 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 Fund are elected.

As a member of this Fund, 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 Fund's liabilities. The Fund 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. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**11. Risk Management (continued)**

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>Pooled Insurance Program of New Jersey</u>
Total Assets	<u>\$ 20,051,565</u>
Net Assets	<u>\$ 4,980,116</u>
Total Revenue	<u>\$ 7,886,927</u>
Total Expense	<u>\$ 6,116,398</u>
Change in Net Assets	<u>\$ 1,770,529</u>
Net Assets Distribution to Participating Members	<u>\$ 1,184,665</u>

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

The Burton Agency  
 44 Bergen Street  
 P.O. 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.

	<u>Beginning Balance</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ 1,973,795	\$ 5,696	\$ 323,279	\$ 534,161	\$ 1,768,609
2010-2011	2,319,054	8,265	455,946	809,470	1,973,795
2009-2010	2,328,273	8,006	207,529	224,754	2,319,054

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**12. Transfers**

The following presents a reconciliation of transfers during the 2012 fiscal year:

	<u>In</u>	<u>Out</u>
Food Service Enterprise Fund		\$ 13,518
General Fund	\$ 13,518	108,300
Capital Projects Fund	108,300	351,301
Debt Service Fund	351,301	
	<u>\$ 473,119</u>	<u>\$ 473,119</u>

The transfer from the general fund to the capital projects fund represents an additional amount required to fund the local share portion for a project that has received funding from the New Jersey Schools Development Authority. The transfer from the food service enterprise fund to the general fund represents net profits which exceeded Board contributions to the fund during the school year and were turned over to the general fund. The transfer from the capital projects fund to debt service fund represents board approval of monies to pay down debt obligations.

**13. Deferred Compensation Plans**

The Board offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. 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:

403(b) Plan Administrators

ASP  
 AXA Equitable  
 Great West Insurance Company  
 Lincoln Investments Planning  
 Lincoln National Insurance Company  
 Metropolitan Insurance Company  
 Security Benefit/NEA Value Builder  
 Travelers Insurance

457 Plan Administrators

AXA Equitable  
 Great West Insurance Company  
 Lincoln Investments Planning  
 Lincoln National Insurance Company  
 Metropolitan Insurance Company  
 Security Benefit/NEA Value Builder

Roth 403(b) Plan Administrators

Lincoln Investments Planning

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**14. Capital Reserve Account**

A capital reserve account was established by the District by inclusion of \$150,000 on July 1, 1996 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 State Department of Education, 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 (June 1 to June 30) of any unanticipated revenue or unexpended line – item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), 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:

Beginning balance, July 1, 2011	\$	823,550
Interest earnings		1,490
Transferred to Capital Projects Fund - Board resolution		(108,300)
Ending balance, June 30, 2012	\$	<u>716,740</u>

The balance in the capital reserve at June 30, 2012 did not exceed the balance of the local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawals from the capital reserve account for use in a DOE approved facilities project, consistent with the District's Long Range Facilities Plan.

**15. Emergency Reserve Account**

An emergency reserve account was established by the District by inclusion of \$322,000 on June 28, 2010 for the accumulation of funds for use as unanticipated general fund expenditures in subsequent fiscal years. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

# Parsippany-Troy Hills School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 15. Emergency Reserve Account (continued)

The emergency reserve account is restricted to be used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. The department has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the District board of education between June 1<sup>st</sup> and June 30<sup>th</sup>. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent.

The activity of the emergency reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning balance, July 1, 2011	\$	262,000
Interest earnings		796
Ending balance, June 30, 2012	\$	<u>262,796</u>

### 16. Commitments

The District has contractual commitments at June 30, 2012 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$882,437.

Required Supplementary Information  
Part II

Post-Employment Healthcare benefit Plan

Schedule of Funding Progress

Schedule of Employer Contributions

Parsippany-Troy Hills School District

Schedule of Funding Progress

Post-Employment Healthcare Benefit Plan

Year ended June 30, 2012

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial* Accrued Liability (AAL) Level Dollar (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>Accrued Percentage of Covered Payroll (b-a)/c</b>
June 30, 2010	-	\$4,553,604	\$4,553,604	0%	\$77,527,291	5.87%
June 30, 2011	-	\$4,553,604	\$4,553,604	0%	\$77,527,291	5.87%
June 30, 2012	-	\$2,321,680	\$2,321,680	0%	\$0**	0%

\* The Actuarial Accrued Liability was calculated using the *Alternative Measurement Method* as permitted under GASB 45.

\*\* Since there are no active employees of the District that are eligible to participate in the plan in fiscal year 2012, as it relates solely to retirees and the enrollment period has expired, the covered payroll is \$0.

Parsippany-Troy Hills School District

Schedule of Employer Contributions

Post-Employment Healthcare Benefit Plan

Year ended June 30, 2012

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>
6/30/2010	\$421,389
6/30/2011	426,290
6/30/2012	175,334

Required Supplementary Information  
Part III

Budgetary Comparison Schedules

Parsippany-Troy Hills School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
<b>Local sources:</b>					
Local tax levy	\$ 114,831,204		\$ 114,831,204	\$ 114,831,204	
Tuition from individuals	303,800		303,800	336,014	\$ 32,214
Interest				41,812	41,812
Interest on capital reserve funds	5,000		5,000	1,490	(3,510)
Interest on emergency reserve funds				796	796
Miscellaneous	1,968,686		1,968,686	2,049,194	80,508
<b>Total revenues - local sources</b>	<b>117,108,690</b>		<b>117,108,690</b>	<b>117,260,510</b>	<b>151,820</b>
<b>State sources:</b>					
Special education categorical aid	3,580,489		3,580,489	3,580,489	
Extraordinary aid	190,114		190,114		(190,114)
Other state aids				59,790	59,790
On-behalf TPAF noncontributory insurance (non-budgeted)				176,120	176,120
On-behalf TPAF post retirement benefit contributions (non-budgeted)				5,294,413	5,294,413
Reimbursed TPAF social security contributions (non-budgeted)				4,077,645	4,077,645
<b>Total - state sources</b>	<b>3,770,603</b>		<b>3,770,603</b>	<b>13,188,457</b>	<b>9,417,854</b>
<b>Federal sources:</b>					
Education jobs fund	221,850		221,850	216,906	(4,944)
Medicaid reimbursement	57,852		57,852	63,141	5,289
<b>Total - Federal sources</b>	<b>279,702</b>		<b>279,702</b>	<b>280,047</b>	<b>345</b>
<b>Total revenues</b>	<b>121,158,995</b>		<b>121,158,995</b>	<b>130,729,014</b>	<b>9,570,019</b>
<b>Expenditures</b>					
<b>Current Expenditures:</b>					
<b>Instruction - regular programs:</b>					
<b>Salaries of teachers:</b>					
Preschool	691,520	\$ (7,172)	684,348	684,348	
Kindergarten	1,705,037	(223,633)	1,481,404	1,481,404	
Grades 1-5	11,559,259	180,962	11,740,221	11,715,119	25,102
Grades 6-8	10,003,394	(146,816)	9,856,578	9,856,578	
Grades 9-12	12,166,966	54,957	12,221,923	11,787,747	434,176
<b>Home Instruction:</b>					
Salaries of teachers	200,000	14,331	214,331	136,856	77,475
<b>Undistributed Instruction:</b>					
Other salaries for instruction	932,369	116,715	1,049,084	1,037,923	11,161
Other purchased services	30,200	13,267	43,467	29,975	13,492
General supplies	1,058,854	(116,282)	942,572	854,564	88,008
Textbooks	449,409	36,498	485,907	443,879	42,028
Other objects	77,568	345	77,913	65,250	12,663
<b>Total instruction - regular programs</b>	<b>38,874,576</b>	<b>(76,828)</b>	<b>38,797,748</b>	<b>38,093,643</b>	<b>704,105</b>
<b>Special Education: Learning &amp;/or Language Disabilities:</b>					
Salaries of teachers	1,479,947	(156,122)	1,323,825	1,323,825	
Other salaries for instruction	380,410	308,437	688,847	670,416	18,431
Purchase professional - educational services	1,000		1,000	777	223
General supplies	9,785	(1,269)	8,516	7,317	1,199
<b>Total learning/language disabilities</b>	<b>1,871,142</b>	<b>151,046</b>	<b>2,022,188</b>	<b>2,002,335</b>	<b>19,853</b>
<b>Special Education Instruction - Auditory Impairments:</b>					
Salaries of teachers	84,837	3,151	87,988	87,988	
General supplies	3,500	(3,286)	214		214
<b>Total auditory impairments</b>	<b>88,337</b>	<b>(135)</b>	<b>88,202</b>	<b>87,988</b>	<b>214</b>

Parsippany-Troy Hills School District  
General Fund

Budgetary Comparison Schedule

(Budgetary Basis)  
Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
<b>Current expenditures (continued):</b>					
<b>Special Education - Behavioral Disabilities:</b>					
Salaries of teachers	\$ 149,950	\$ 8,310	\$ 158,260	\$ 158,260	
Other salaries for instruction	50,588	10,023	60,611	58,175	\$ 2,436
General supplies	1,030	(150)	880	729	151
Total behavioral disabilities	201,568	18,183	219,751	217,164	2,587
<b>Special Education - Multiple Disabilities:</b>					
Salaries of teachers	723,049	(133,128)	589,921	585,518	4,403
Other salaries for instruction	75,882	(2,059)	73,823	71,314	2,509
General supplies	6,235	(1,282)	4,953	4,136	817
Textbooks	2,400		2,400	769	1,631
Total multiple disabilities	807,566	(136,469)	671,097	661,737	9,360
<b>Resource Room/Center:</b>					
Salaries of teachers	4,742,154	29,890	4,772,044	4,772,044	
Other salaries for instruction	108,300	(108,300)			
General supplies	25,600	(10,372)	15,228	12,377	2,851
Total resource room/center	4,876,054	(88,782)	4,787,272	4,784,421	2,851
<b>Special Education - Autism:</b>					
Salaries of teachers	287,645	57,673	345,318	345,318	
Other salaries for instruction	131,148	4,672	135,820	135,820	
General supplies	2,860	(754)	2,106	2,106	
Total preschool disabilities - part time	421,653	61,591	483,244	483,244	
<b>Special Education - Preschool Disabilities - Part Time:</b>					
Salaries of teachers	50,516	(27,631)	22,885	22,885	
Other salaries for instruction	227,975	77,677	305,652	294,052	11,600
General supplies	5,720	(240)	5,480	5,186	294
Total preschool disabilities - part time	284,211	49,806	334,017	322,123	11,894
<b>Total Special Education - Instruction:</b>					
	8,550,531	55,240	8,605,771	8,559,012	46,759
<b>Basic Skills/Remedial Instruction:</b>					
Salaries of teachers	1,937,700	(98,851)	1,838,849	1,838,849	
General supplies	2,760	(2,760)			
Total basic skills/remedial instruction	1,940,460	(101,611)	1,838,849	1,838,849	
<b>Bilingual Education - Instruction:</b>					
Salaries of teachers	1,094,105	(19,446)	1,074,659	1,074,659	
Other salaries for instruction	8,510	(2,747)	5,763	5,763	
General supplies	2,490	(561)	1,929	1,075	854
Total bilingual education - instruction	1,105,105	(22,754)	1,082,351	1,081,497	854
<b>Vocational Programs - Local - Instruction:</b>					
Salaries of teachers	223,487	(70,171)	153,316	151,891	1,425
Other salaries for instruction	11,750	(9,048)	2,702	952	1,750
General supplies	25,500	(6,424)	19,076	14,672	4,404
Total vocational programs - local	260,737	(85,643)	175,094	167,515	7,579
<b>School-Sponsored Cocurricular Activities:</b>					
Salaries	396,073	(32,003)	364,070	352,481	11,589
Purchased services	9,840	1,900	11,740	7,646	4,094
Supplies and materials	27,343	(10,851)	16,492	13,105	3,387
Other objects	66,000	25,108	91,108	91,108	
Total school-sponsored cocurricular activities	499,256	(15,846)	483,410	464,340	19,070

Parsippany-Troy Hills School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
<b>School-Sponsored Athletics - Instruction:</b>					
Salaries	\$ 1,193,740		\$ 1,193,740	\$ 1,151,587	\$ 42,153
Purchased services	135,200	\$ (7,437)	127,763	102,351	25,412
Supplies and materials	158,000	(25,947)	132,053	125,479	6,574
Other objects	63,300	17,523	80,823	75,049	5,774
Transfers to cover deficit (Agency funds)	70,000	4,250	74,250	73,824	426
Total school-sponsored athletics - instruction	1,620,240	(11,611)	1,608,629	1,528,290	80,339
Total Instruction	52,850,905	(259,053)	52,591,852	51,733,146	858,706
<b>Undistributed Instruction Expenditures:</b>					
Tuition to other LEAs within the state-special	1,784,045	(262,366)	1,521,679	1,521,679	
Tuition to county voc. school dist.-regular	1,075,698	224,381	1,300,079	1,300,079	
Tuition to county voc. school dist.-special	9,832	20,628	30,460	30,460	
Tuition to CSSD and regional day schools	633,448	(47,921)	585,527	583,607	1,920
Tuition to private school for the disabled - within state	2,944,728	927,925	3,872,653	3,845,917	26,736
Tuition - state facilities	43,500	46,982	90,482	90,482	
Tuition - other	100,000	(100,000)			
Total undistributed instruction	6,591,251	809,629	7,400,880	7,372,224	28,656
<b>Health Services:</b>					
Salaries	1,393,531	97,527	1,491,058	1,491,058	
Purchased professional and technical services	5,000	3,858	8,858	5,301	3,557
Other purchased services	2,000		2,000	781	1,219
Supplies and materials	13,350	2,510	15,860	14,622	1,238
Other objects	3,500	2,000	5,500	5,487	13
Total health services	1,417,381	105,895	1,523,276	1,517,249	6,027
<b>Other Support Services-Speech, OT, PT &amp; Related Services:</b>					
Salaries	716,120	47,449	763,569	761,728	1,841
Purchased professional - educational services		13,500	13,500	10,119	3,381
Supplies and materials	3,500	(182)	3,318	3,137	181
Other objects	5,000	(5,000)			
Total other support services-speech, OT, PT & related services	724,620	55,767	780,387	774,984	5,403

Parsippany-Troy Hills School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
<b>Undistributed Expenditures (continued):</b>					
<b>Other support services - students - extra services:</b>					
Salaries	\$ 2,127,680	\$ 530,665	\$ 2,658,345	\$ 2,635,086	\$ 23,259
Purchased professional - educational services	1,155,000	402,430	1,557,430	1,383,083	174,347
Total other support services - students - extra services	3,282,680	933,095	4,215,775	4,018,169	197,606
<b>Guidance:</b>					
Salaries of other professional staff	2,849,869	55,090	2,904,959	2,789,181	115,778
Salaries of secretarial and clerical assistants	377,071	10,344	387,415	377,321	10,094
Other salaries	7,033		7,033	556	6,477
Purchased professional - educational services	7,500		7,500	5,544	1,956
Supplies and materials	5,140	(1,217)	3,923	2,631	1,292
Other objects	800		800	325	475
Total guidance	3,247,413	64,217	3,311,630	3,175,558	136,072
<b>Child Study Teams:</b>					
Salaries of other professional staff	2,754,937	(144,962)	2,609,975	2,591,917	18,058
Other purchased prof. and tech. services	6,000		6,000	4,825	1,175
Miscellaneous purchased services	11,500	203	11,703	6,446	5,257
Supplies and materials	32,293	(10,713)	21,580	18,666	2,914
Total child study teams	2,804,730	(155,472)	2,649,258	2,621,854	27,404
<b>Improvement of Instructional Services:</b>					
Salaries of supervisor of instruction	867,567	59,626	927,193	927,193	
Sal of secr & clerical assist.	232,025	36,044	268,069	268,069	
Other salaries	4,680	1,018	5,698	5,698	
Other purch services	20,300	1,420	21,720	4,453	17,267
Supplies & materials	6,000	(3,395)	2,605	2,525	80
Other objects	44,250	(7,543)	36,707	36,265	442
Total improvement of instructional services	1,174,822	87,170	1,261,992	1,244,203	17,789
<b>Educational Media Services/School Library:</b>					
Salaries	1,402,577	(28,949)	1,373,628	1,348,234	25,394
Purchased professional and technical services	55,330		55,330	48,009	7,321
Other purchased services	714,456	83,522	797,978	741,463	56,515
Supplies and materials	205,560	(41,324)	164,236	142,733	21,503
Other objects	24,000	2,500	26,500	23,624	2,876
Total educational media services/school library	2,401,923	15,749	2,417,672	2,304,063	113,609

Parsippany-Troy Hills School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
<b>Instructional Staff Training Services:</b>					
Salaries of supervisors of instruction	\$ 154,498		\$ 154,498	\$ 154,498	
Salaries of other professional staff	25,000	\$ 22,367	47,367	47,367	
Salaries of secretarial and clerical assist.	25,781		25,781	25,781	
Other purchased services	3,000	(532)	2,468	483	\$ 1,985
Supplies and materials	5,500	(1,154)	4,346	3,316	1,030
Other objects	71,360	(49,806)	21,554	20,148	1,406
Total instructional staff training services	285,139	(29,125)	256,014	251,593	4,421
<b>Support Services-General Administration:</b>					
Salaries	311,299	1,095	312,394	312,394	
Other purchased professional services	277,000	107,283	384,283	341,145	43,138
Communications / telephone	185,000	(22,095)	162,905	157,256	5,649
BOE other purchased services	17,300	780	18,080	3,742	14,338
Misc. purch serv	20,000	(20,000)			
General supplies	6,000	20,657	26,657	26,431	226
BOE in-house training/meeting supplies	11,316	(11,316)			
Judgements against the school district	265,114	(69,312)	195,802	195,802	
Miscellaneous expenditures	63,801	(14,622)	49,179	49,179	
Total support services-general administration	1,156,830	(7,530)	1,149,300	1,085,949	63,351
<b>Support Services-School Administration:</b>					
Salaries of principals/ assistant principals	2,715,694	(9,473)	2,706,221	2,706,221	
Salaries of secretarial and clerical assistants	1,868,899	28,621	1,897,520	1,897,520	
Other salaries	36,400	2,729	39,129	37,764	1,365
Other purchased services	69,350	(14,521)	54,829	31,282	23,547
Supplies and materials	40,595	(16,956)	23,639	21,725	1,914
Total support services-school administration	4,730,938	(9,600)	4,721,338	4,694,512	26,826
<b>Support Services - Central Services:</b>					
Salaries	1,289,622	(16,881)	1,272,741	1,272,741	
Purchased professional services	73,500	(45,946)	27,554	27,554	
Purchased technical services		81,191	81,191	45,000	36,191
Miscellaneous purchased services	52,100	671	52,771	24,074	28,697
Supplies and materials	145,000	(5,474)	139,526	116,133	23,393
Interest on lease purchase agreements	94,492	(8,721)	85,771	82,509	3,262
Miscellaneous expenditures	7,000		7,000	5,051	1,949
Total support services-central services	1,661,714	4,840	1,666,554	1,573,062	93,492
<b>Support Services - Administration Information Technology:</b>					
Salaries	415,806		415,806	405,116	10,690
Purchased technical services	10,600	2,868	13,468	8,262	5,206
Other purchased services	327,640	29,903	357,543	221,934	135,609
Supplies and materials	60,700	(59,210)	1,490		1,490
Other objects	12,780	2,875	15,655	4,898	10,757
Total support services-administration information technology	827,526	(23,564)	803,962	640,210	163,752
<b>Required Maintenance for School Facilities:</b>					
Salaries	1,417,619	(44,725)	1,372,894	1,271,653	101,241
Purchased technical services		288,073	288,073	227,374	60,699
Cleaning, repair and maintenance services	599,678	(243,192)	356,486	316,402	40,084
Other purchased services		2,000	2,000		2,000
General supplies	337,893	(35,544)	302,349	272,614	29,735
Other objects	10,000	14,475	24,475	19,669	4,806
Total required maintenance for school facilities	2,365,190	(18,913)	2,346,277	2,107,712	238,565

Parsippany-Troy Hills School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
<b>Custodial Services:</b>					
Salaries	\$ 3,326,084	\$ 52,272	\$ 3,378,356	\$ 3,328,314	\$ 50,042
Purchased professional and technical services	5,500	160	5,660	1,929	3,731
Cleaning, repair and maintenance services	15,000	(1)	14,999	3,849	11,150
Insurance	434,559	(8,700)	425,859	416,555	9,304
Miscellaneous purchased services	260,000	54,262	314,262	279,262	35,000
General supplies	260,000	(30,832)	229,168	224,703	4,465
Energy (electricity and gas)	2,800,000	(32,145)	2,767,855	1,789,542	978,313
<b>Total custodial services</b>	<b>7,101,143</b>	<b>35,016</b>	<b>7,136,159</b>	<b>6,044,154</b>	<b>1,092,005</b>
<b>Security:</b>					
Salaries	145,086	16,896	161,982	161,352	630
<b>Total security</b>	<b>145,086</b>	<b>16,896</b>	<b>161,982</b>	<b>161,352</b>	<b>630</b>
<b>Total operation of plant</b>	<b>9,611,419</b>	<b>32,999</b>	<b>9,644,418</b>	<b>8,313,218</b>	<b>1,331,200</b>
<b>Total Undist. Expend</b>	<b>39,918,386</b>	<b>1,884,070</b>	<b>41,802,456</b>	<b>39,586,848</b>	<b>2,215,608</b>
<b>Student Transportation Services:</b>					
Salaries of non-instructional aides	176,660		176,660	175,057	1,603
Salaries for pupil transportation:					
Between home and school - regular	104,185	8,224	112,409	112,409	
Between home and school - special	679,442	104,666	784,108	777,928	6,180
Management fee - ESC & CTSA trans.	59,900	(59,900)			
Other purchased prof. and technical services		53,757	53,757	49,389	4,368
Cleaning repair and maintenance services	190,000	13,198	203,198	187,099	16,099
Contr serv (bet. Home & Sch) - vendors	2,547,180	136,926	2,684,106	2,677,886	6,220
Contr serv oth (bet. Home & Sch) - vendors	144,146	(25,487)	118,659	78,100	40,559
Contr serv (bet. Home & Sch) - joint agrmnts	232,798	67,270	300,068	254,179	45,889
Contract. Serv. (sp ed stds) vendors	2,510		2,510	2,186	324
Contract. Serv. (reg. students) - ESCs & CTSAAs	13,490	3,332	16,822	9,272	7,550
Contract. Serv. (spl. Ed. Students) - ECSs & CTSAAs	2,035,745	(214,967)	1,820,778	1,820,778	
Contract. Serv. - aid in lieu pymts -non pub sch	308,750	25,931	334,681	330,552	4,129
Miscellaneous purchased services	34,174	(34,174)			
General supplies	131,718	(4,909)	126,809	124,554	2,255
Other objects	9,800	(8,760)	1,040	1,040	
<b>Total student transportation services</b>	<b>6,670,498</b>	<b>65,107</b>	<b>6,735,605</b>	<b>6,600,429</b>	<b>135,176</b>

Parsippany-Troy Hills School District  
General Fund

Budgetary Comparison Schedule

(Budgetary Basis)  
Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
<b>Unallocated Benefits - Employee Benefits:</b>					
Social security contributions	\$ 1,499,784	\$ 62,702	\$ 1,562,486	\$ 1,523,674	\$ 38,812
Other retirement contributions - regular	1,702,911	(31,395)	1,671,516	1,671,516	
Other retirement contributions - DCRP		13,321	13,321	10,980	2,341
Workers' compensation	560,293	101,800	662,093	590,956	71,137
Health benefits	16,405,000	(712,614)	15,692,386	15,432,544	259,842
Tuition reimbursement	220,000	33,596	253,596	207,569	46,027
Other employee benefits	146,250	(82,656)	63,594	46,080	17,514
Purchased technical services		120,315	120,315	118,212	2,103
Other		1,586	1,586		1,586
<b>Total unallocated benefits</b>	<b>20,534,238</b>	<b>(493,345)</b>	<b>20,040,893</b>	<b>19,601,531</b>	<b>439,362</b>
<b>On-Behalf Contributions</b>					
On-behalf TPAF Noncontributory Insurance (non-budgeted)				176,120	(176,120)
On-behalf TPAF Post Retirement Benefit Contributions (non-budgeted)				5,294,413	(5,294,413)
Reimbursed TPAF social security contributions (non-budgeted)				4,077,645	(4,077,645)
<b>Total on-behalf contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,548,178</b>	<b>(9,548,178)</b>
<b>Total Personal Services - Employee Benefits:</b>	<b>20,534,238</b>	<b>(493,345)</b>	<b>20,040,893</b>	<b>29,149,709</b>	<b>(9,108,816)</b>
<b>Capital Outlay:</b>					
Interest Deposit to Capital Reserve	5,000	(5,000)			
<b>Equipment:</b>					
Undistributed expenditures - instruction	42,000	6,296	48,296	48,294	2
Undist. Expend. -supp serv. - related & extra	17,200	5	17,205	4,198	13,007
Support services - instructional staff		13,185	13,185	13,185	
Required maintenance		34,738	34,738	34,622	116
Bus/other support services		5,000	5,000		5,000
Undistributed expenditures - non-inst. Serv		74,800	74,800		74,800
<b>Total equipment</b>	<b>59,200</b>	<b>134,024</b>	<b>193,224</b>	<b>100,299</b>	<b>92,925</b>
<b>Facilities Acquisition and Construction Services:</b>					
Architectural/engineering services	90,000		90,000	50,834	39,166
Construction services	1,238,955	15,272	1,254,227	1,217,451	36,776
Non-budgeted - capital leases				1,005,000	(1,005,000)
Lease purchase agreements - principal	964,886		964,886	963,659	1,227
Other objects - debt service assessment	29,723		29,723	29,723	
<b>Total facilities and construction services</b>	<b>2,323,564</b>	<b>15,272</b>	<b>2,338,836</b>	<b>3,266,667</b>	<b>(927,831)</b>
<b>Total Expenditures - Capital Outlay</b>	<b>2,387,764</b>	<b>144,296</b>	<b>2,532,060</b>	<b>3,366,966</b>	<b>(834,906)</b>

Parsippany-Troy Hills School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
<b>Adult Education - Local - Instruction:</b>					
Salaries of teachers	\$ 355,127	\$ 17,222	\$ 372,349	\$ 372,349	
Other salaries for instruction	529,452	59,574	589,026	589,026	
Purchased professional & technical services	64,940	(25,708)	39,232	38,797	\$ 435
General supplies	233,622	(28,764)	204,858	200,300	4,558
Other objects	24,000	(4,609)	19,391	19,391	
<b>Total adult education -local-instruction</b>	<b>1,207,141</b>	<b>17,715</b>	<b>1,224,856</b>	<b>1,219,863</b>	<b>4,993</b>
<b>Adult Education - Local - Support Services:</b>					
Salaries	260,556	(15,208)	245,348	245,348	
Personal services - employee benefits	244,108	(18,693)	225,415	225,415	
Purchased professional & technical services		4,360	4,360	4,360	
Other purchased services	72,662	37,324	109,986	108,245	1,741
Supplies and materials	3,000	(632)	2,368	1,968	400
<b>Total adult education-local-support serv.</b>	<b>580,326</b>	<b>7,151</b>	<b>587,477</b>	<b>585,336</b>	<b>2,141</b>
<b>Total Adult Education - Local</b>	<b>1,787,467</b>	<b>24,866</b>	<b>1,812,333</b>	<b>1,805,199</b>	<b>7,134</b>
<b>General Fund:</b>					
Transfer of funds to charter schools	176,839	118,091	294,930	285,780	9,150
<b>Total Expenditures</b>	<b>124,326,097</b>	<b>1,484,032</b>	<b>125,810,129</b>	<b>132,528,077</b>	<b>(6,717,948)</b>
(Deficiency) of revenues (under) expenditures	(3,167,102)	(1,484,032)	(4,651,134)	(1,799,063)	(2,852,071)
<b>Other financing sources (uses):</b>					
Assets acquired under capital lease (non-budgeted)				1,005,000	1,005,000
Transfer from food service fund		(15,240)	(15,240)	13,518	28,758
Transfer to capital projects fund - from capital reserve				(108,300)	(108,300)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(15,240)</b>	<b>(15,240)</b>	<b>910,218</b>	<b>925,458</b>
(Deficiency) excess of revenues (under) over expenditures and other financing sources (uses)	(3,167,102)	(1,499,272)	(4,666,374)	(888,845)	3,777,529
Fund balances, July 1	11,416,573		11,416,573	11,416,573	
Fund balances, June 30	\$ 8,249,471	\$ (1,499,272)	\$ 6,750,199	\$ 10,527,728	\$ 3,777,529
<b>Recapitulation of (deficiency) excess of revenues (under) over expenditures</b>					
Budgeted fund balance	\$ (3,167,102)		\$ (3,167,102)	\$ 716,441	\$ 3,883,543
Net increase in capital reserve				1,490	1,490
Adjustment for prior year encumbrances		(1,499,272)	(1,499,272)	(1,499,272)	
Net decrease in capital reserve				(108,300)	(108,300)
Net decrease in maintenance reserve				796	796
<b>Total</b>	<b>\$ (3,167,102)</b>	<b>\$ (1,499,272)</b>	<b>\$ (4,666,374)</b>	<b>\$ (888,845)</b>	<b>\$ 3,777,529</b>
<b>Recapitulation of fund balance:</b>					
Capital reserve account - restricted				\$ 716,740	
Emergency reserve account - restricted				262,796	
Adult Education Program - restricted				718,575	
Excess surplus - current year - restricted				2,227,589	
Excess surplus designated for subsequent years - restricted				2,636,245	
Designated for subsequent year's expenditures - assigned				581,892	
Year end encumbrances - assigned				882,437	
Unassigned				2,501,454	
				<u>10,527,728</u>	
<b>Reconciliation to Government Funds statements (GAAP):</b>					
Last state aid payments not recognized on GAAP basis				(323,588)	
<b>Fund balance per Governmental Funds (GAAP)</b>				<u>\$ 10,204,140</u>	

Parsippany-Troy Hills School District  
General Fund

Education Jobs Fund Program - Budget and Actual  
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues:</b>					
Federal sources:					
Education jobs fund	\$ 221,850		\$ 221,850	\$ 216,906	\$ 4,944
Total revenues	221,850		221,850	216,906	4,944
<b>Expenditures:</b>					
Undistributed expenditures:					
Other support services - student extra services					
Salaries	154,276		154,276	154,276	
Total other support services - student extra services	154,276		154,276	154,276	
Other support services - instructional staff					
Salaries of secretarial and clerical assistance	39,065		39,065	34,473	4,592
Total other support service - salaries of secretarial and clerical assistance	39,065		39,065	34,473	4,592
Unallocated benefits					
Personal services - employee benefits	28,509		28,509	28,157	352
Total unallocated benefits	28,509		28,509	28,157	352
Total undistributed expenditures	28,509		28,509	28,157	352
Total expenditures	221,850		221,850	216,906	4,944
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Parsippany-Troy Hills School District  
Special Revenue Fund

Budgetary Comparison Schedule  
(Budgetary Basis)  
Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
State sources	\$ 162,558	\$ (23,979)	\$ 138,579	\$ 103,060	\$ (35,519)
Federal sources	2,050,010	397,247	2,447,257	2,171,490	(275,767)
Local sources		73,825	73,825	58,094	(15,731)
Total revenues	<u>2,212,568</u>	<u>447,093</u>	<u>2,659,661</u>	<u>2,332,644</u>	<u>(327,017)</u>
<b>Expenditures:</b>					
Instruction:					
Salaries of teachers	293,586	74,063	367,649	362,622	5,027
Other Salaries for Instruction		955	955		955
Purchased Professional & Technical Services	166,702	(74,664)	92,038	73,377	18,661
Tuition	1,600,000	54,938	1,654,938	1,586,734	68,204
General supplies		190,550	190,550	144,080	46,470
Textbooks	31,118	5,377	36,495	16,815	19,680
Other Objects		2,400	2,400	2,400	
Total instruction	<u>2,091,406</u>	<u>253,619</u>	<u>2,345,025</u>	<u>2,186,028</u>	<u>158,997</u>
Undistributed:					
Support services:					
Salaries of other professional staff		53,580	53,580	199	53,381
Personal services—employee benefits	84,260	(30,611)	53,649	53,583	66
Purchased professional educational services		116,093	116,093	42,692	73,401
Other purchased professional services	36,902	17,463	54,365	24,018	30,347
Other purchased services		22,442	22,442	14,043	8,399
Supplies and materials		4,507	4,507	2,081	2,426
Total support services	<u>121,162</u>	<u>183,474</u>	<u>304,636</u>	<u>136,616</u>	<u>168,020</u>
Capital outlay:					
Facilities acquisition and construction services:					
Instructional equipment		10,000	10,000	10,000	
Total capital outlay	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total expenditures	<u>2,212,568</u>	<u>447,093</u>	<u>2,659,661</u>	<u>2,332,644</u>	<u>327,017</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Parsippany-Troy Hills School District  
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-1, C-2)	\$ 130,729,014	\$ 2,332,644
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior year		72,240
Current year		(85,127)
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	66,861	
Current year	(323,588)	
<hr/>		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 130,472,287</u>	<u>\$ 2,319,757</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 132,528,077	\$ 2,332,644
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Prior year		72,240
Current year		(85,127)
<hr/>		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 132,528,077</u>	<u>\$ 2,319,757</u>

## Supplementary Information

# Special Revenue Fund

Parsippany-Troy Hills School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2012

	Nonpublic Aid				Auxiliary Services Compensatory Education
	Local Grants	Corrective Speech	Examination & Classification	Supplementary Instruction	
Revenues:					
State sources		\$ 19,825	\$ 16,426	\$ 7,717	\$ 18,259
Federal sources					
Local sources	\$ 58,094				
Total revenues	\$ 58,094	\$ 19,825	\$ 16,426	\$ 7,717	\$ 18,259
Expenditures:					
Instruction:					
Salaries of teachers	\$ 1,000				
Purchased professional & technical services	11,150	\$ 19,825	\$ 16,426	\$ 7,717	\$ 18,259
Tuition					
General supplies	32,544				
Textbooks					
Other objects	2,400				
Total instruction	47,094	19,825	16,426	7,717	18,259
Undistributed:					
Support services:					
Salaries of other professional staff					
Personal services—employee benefits					
Purchased professional educational services					
Other purchased professional services					
Other purchased services	500				
Supplies and materials	500				
Total support services	1,000				
Capital outlay:					
Facilities acquisition and construction services:					
Instructional equipment	10,000				
Total capital outlay	10,000				
Total expenditures	\$ 58,094	\$ 19,825	\$ 16,426	\$ 7,717	\$ 18,259

Parsippany-Troy Hills School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2012

	Nonpublic Aid		Title I, Part A		TitleII, Part A
	Nursing Aid	Textbook Aid	Current	Carryover	Current
<b>Revenues:</b>					
State sources	\$ 24,018	\$ 16,815			
Federal sources			\$ 235,842	\$ 29,832	\$ 87,379
Local sources					
<b>Total revenues</b>	<b>\$ 24,018</b>	<b>\$ 16,815</b>	<b>\$ 235,842</b>	<b>\$ 29,832</b>	<b>\$ 87,379</b>
<b>Expenditures:</b>					
<b>Instruction:</b>					
Salaries of teachers			\$ 190,000	\$ 25,065	\$ 78,987
Purchased professional & technical services					
Tuition			12,333		
General supplies					
Textbooks		\$ 16,815			
Other objects					
<b>Total instruction</b>		<b>16,815</b>	<b>202,333</b>	<b>25,065</b>	<b>78,987</b>
<b>Undistributed:</b>					
<b>Support services:</b>					
Salaries of other professional staff					
Personal services—employee benefits			32,680	4,122	6,043
Purchased professional educational services				390	
Other purchased professional services	\$ 24,018				
Other purchased services			139		2,349
Supplies and materials			690	255	
<b>Total support services</b>	<b>24,018</b>		<b>33,509</b>	<b>4,767</b>	<b>8,392</b>
<b>Capital outlay:</b>					
Facilities acquisition and construction services:					
Instructional equipment					
<b>Total capital outlay</b>					
<b>Total expenditures</b>	<b>\$ 24,018</b>	<b>\$ 16,815</b>	<b>\$ 235,842</b>	<b>\$ 29,832</b>	<b>\$ 87,379</b>

Parsippany-Troy Hills School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2012

	Title II, Part A		Title III		I.D.E.A.	
	Carryover	Current	Carryover	Part B Basic	Part B Basic Carryover	
<b>Revenues:</b>						
State sources						
Federal sources	\$ 5,160	\$ 96,870	\$ 38,426	\$ 1,496,497	\$ 59,192	
Local sources						
<b>Total revenues</b>	<b>\$ 5,160</b>	<b>\$ 96,870</b>	<b>\$ 38,426</b>	<b>\$ 1,496,497</b>	<b>\$ 59,192</b>	
<b>Expenditures:</b>						
<b>Instruction:</b>						
Salaries of teachers		\$ 58,830				
Purchased professional & technical services				\$ 1,489,725	\$ 24,528	
Tuition			\$ 37,576			
General supplies		24,814				
Textbooks						
Other objects						
<b>Total instruction</b>		<b>83,644</b>	<b>37,576</b>	<b>1,489,725</b>	<b>24,528</b>	
<b>Undistributed:</b>						
<b>Support services:</b>						
Salaries of other professional staff			199			
Personal services—employee benefits		10,119	15			
Purchased professional educational services	\$ 800			6,772	34,664	
Other purchased professional services						
Other purchased services	4,360	3,107				
Supplies and materials			636			
<b>Total support services</b>	<b>5,160</b>	<b>13,226</b>	<b>850</b>	<b>6,772</b>	<b>34,664</b>	
<b>Capital outlay:</b>						
Facilities acquisition and construction services:						
Instructional equipment						
<b>Total capital outlay</b>						
<b>Total expenditures</b>	<b>\$ 5,160</b>	<b>\$ 96,870</b>	<b>\$ 38,426</b>	<b>\$ 1,496,497</b>	<b>\$ 59,192</b>	

Parsippany-Troy Hills School District  
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures  
Budgetary Basis

Year ended June 30, 2012

	I.D.E.A.			Total
	Preschool	ARRA Part B Basic Carryover	ARRA Preschool	
<b>Revenues:</b>				
State sources				\$ 103,060
Federal sources	\$ 60,148	\$ 60,572	\$ 1,572	2,171,490
Local sources				58,094
<b>Total revenues</b>	<u>\$ 60,148</u>	<u>\$ 60,572</u>	<u>\$ 1,572</u>	<u>\$ 2,332,644</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Salaries of teachers		\$ 7,220	\$ 1,520	\$ 362,622
Purchased professional & technical services				73,377
Tuition	\$ 60,148			1,586,734
General supplies		49,146		144,080
Textbooks				16,815
Other objects				2,400
<b>Total instruction</b>	<u>60,148</u>	<u>56,366</u>	<u>1,520</u>	<u>2,186,028</u>
<b>Undistributed:</b>				
<b>Support services:</b>				
Salaries of other professional staff				199
Personal services—employee benefits		552	52	53,583
Purchased professional educational services		66		42,692
Other purchased professional services				24,018
Other purchased services		3,588		14,043
Supplies and materials				2,081
<b>Total support services</b>		<u>4,206</u>	<u>52</u>	<u>136,616</u>
<b>Capital outlay:</b>				
<b>Facilities acquisition and construction services:</b>				
Instructional equipment				10,000
<b>Total capital outlay</b>				<u>10,000</u>
<b>Total expenditures</b>	<u>\$ 60,148</u>	<u>\$ 60,572</u>	<u>\$ 1,572</u>	<u>\$ 2,332,644</u>

# Capital Projects Fund

Parsippany-Troy Hills School District  
Capital Projects Fund

Summary Schedule of Project Revenues, Expenditures, and  
Changes in Fund Balance

(Budgetary Basis)

Year ended June 30, 2012

	<b>Current Year</b>
<b>Revenues and other financing sources</b>	
Bond proceeds	
State sources - SDA	\$ (29,465)
Contribution from private sources	
Transfer from capital reserve	108,300
Transfer from capital outlay	
Interest Earned	1,301
Total revenues and other financing sources	80,136
<b>Expenditures and other financing uses</b>	
Purchased professional and technical services	1,084
Construction services	306,768
Contingency	
Other Objects	
Transfer to Debt Service Fund	351,301
Transfer to Capital Reserve	
Total expenditures and other financing uses	659,153
Deficiency of revenues under expenditures	(579,017)
Fund Balance, July 1	1,436,159
Fund Balance, June 30	\$ 857,142

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Bond Referendum - Various School Renovations

From Inception and for the year ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and other financing sources</b>				
Bond proceeds	\$ 47,633,000		\$ 47,633,000	\$ 47,633,000
State sources - SDA				
Contribution from private sources				
Transfer from capital reserve				
Transfer from capital outlay				
Total revenues and other financing sources	<u>47,633,000</u>		<u>47,633,000</u>	<u>47,633,000</u>
<b>Expenditures and other financing uses</b>				
Purchased professional and technical services	4,388,811		4,388,811	4,424,765
Construction services	38,550,664		38,550,664	39,385,398
Contingency	899,952		899,952	932,210
Other Objects	1,914,907		1,914,907	2,065,627
Transfer to Debt Service Fund	825,000	\$ 350,000	1,175,000	825,000
Total expenditures and other financing uses	<u>46,579,334</u>	<u>350,000</u>	<u>46,929,334</u>	<u>47,633,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,053,666</u>	<u>\$ (350,000)</u>	<u>\$ 703,666</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	9/2005			
Bond Authorized	\$ 47,633,000			
Bonds Issued	47,633,000			
Original Authorized Cost	<u>47,633,000</u>			
Revised Authorized Cost	<u>\$ 47,633,000</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	9/2007			
Revised Target Completion Date	Completed			

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Central Middle School Fire Doors

From Inception and for the year ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA	\$ 46,400		\$ 46,400	\$ 46,400
Contribution from private sources				
Transfer from capital reserve	71,205		71,205	71,205
Transfer from capital outlay				
Total revenues and other financing sources	<u>117,605</u>		<u>117,605</u>	<u>117,605</u>
<b>Expenditures and other financing uses</b>				
Purchased professional and technical services	10,455		10,455	10,455
Construction services	107,150		107,150	107,150
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>117,605</u>		<u>117,605</u>	<u>117,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	3950-060-09-1004			
Grant Date	1/15/2009			
Bond Authorization	N/A			
Original Authorized Cost	\$ 130,400			
Reduced Authorization - SDA Grant	(5,760)			
Reduced Authorization - Capital Reserve	(7,035)			
Revised Authorized Cost	<u>\$ 117,605</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	12/2009			
Revised Target Completion Date	Completed			

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Brooklawn Middle School Boiler Replacement

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA	\$ 242,757		\$ 242,757	\$ 242,757
Contribution from private sources				
Transfer from capital reserve	318,924		318,924	318,924
Transfer from capital outlay				
Total revenues and other financing sources	<u>561,681</u>		<u>561,681</u>	<u>561,681</u>
<b>Expenditures and other financing uses</b>				
Purchased professional and technical services	72,305		72,305	72,305
Construction services	489,376		489,376	489,376
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>561,681</u>		<u>561,681</u>	<u>561,681</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	3950-055-09-1003			
Grant Date	1/15/2009			
Bond Authorization	N/A			
Original Authorized Cost	\$ 629,600			
Reduced Authorization - SDA Grant	(9,083)			
Reduced Authorization - Capital Reserve	(58,836)			
Revised Authorized Cost	<u>\$ 561,681</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	12/2009			
Revised Target Completion Date	Completed			

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Rockaway Meadow Elementary School Window and Door Replacement

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA	\$ 158,335		\$ 158,335	\$ 158,335
Contribution from private sources				
Transfer from capital reserve	230,319		230,319	230,319
Transfer from capital outlay				
Total revenues and other financing sources	<u>388,654</u>		<u>388,654</u>	<u>388,654</u>
<b>Expenditures and other financing uses</b>				
Purchased professional and technical services	59,654		59,654	59,654
Construction services	329,000		329,000	329,000
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>388,654</u>		<u>388,654</u>	<u>388,654</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	3950-107-09-1001			
Grant Date	1/15/2009			
Bond Authorization	N/A			
Original Authorized Cost	\$ 464,600			
Reduced Authorization - SDA Grant	(27,505)			
Reduced Authorization - Capital Reserve	(48,441)			
Revised Authorized Cost	<u>\$ 388,654</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	12/2009			
Revised Target Completion Date	Completed			

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Parsippany Hills High School Boiler Replacement

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA	\$ 395,051		\$ 395,051	\$ 395,051
Contribution from private sources				
Transfer from capital reserve	467,867		467,867	467,867
Transfer from capital outlay				
Total revenues and other financing sources	<u>862,918</u>		<u>862,918</u>	<u>862,918</u>
<b>Expenditures and other financing uses</b>				
Purchased professional and technical services	101,915		101,915	101,915
Construction services	761,003		761,003	761,003
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>862,918</u>		<u>862,918</u>	<u>862,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	3950-053-09-1002			
Grant Date	1/15/2009			
Bond Authorization	N/A			
Original Authorized Cost	\$ 971,400			
Reduced Authorization - SDA Grant	6,491			
Reduced Authorization - Capital Reserve	(114,973)			
Revised Authorized Cost	<u>\$ 862,918</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	12/2009			
Revised Target Completion Date	Completed			

**Parsippany-Troy Hills School District  
Capital Projects Fund**

**Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)**

**Parsippany Hills High School ADA Ramp**

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA	\$ 28,987		\$ 28,987	\$ 28,987
Contribution from private sources				
Transfer from capital reserve	42,411		42,411	42,411
Transfer from capital outlay				
Total revenues and other financing sources	<u>71,398</u>		<u>71,398</u>	<u>71,398</u>
<b>Expenditures and other financing uses</b>				
Purchased professional and technical services	8,238		8,238	8,238
Construction services	63,160		63,160	63,160
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>71,398</u>		<u>71,398</u>	<u>71,398</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	3950-053-09-1005			
Grant Date	1/15/2009			
Bond Authorization	N/A			
Original Authorized Cost	\$ 73,750			
Reduced Authorization - SDA Grant	(513)			
Reduced Authorization - Capital Reserve	(1,839)			
Revised Authorized Cost	<u>\$ 71,398</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	12/2009			
Revised Target Completion Date	Completed			

**Parsippany-Troy Hills School District  
Capital Projects Fund**

**Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)**

**Knollwood Elementary School Emergency Generators**

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA	\$ 70,304		\$ 70,304	\$ 70,304
Contribution from private sources				
Transfer from capital reserve	108,084		108,084	108,084
Transfer from capital outlay				
Total revenues and other financing sources	<u>178,388</u>		<u>178,388</u>	<u>178,388</u>
<b>Expenditures and other financing uses</b>				
Purchased professional and technical services				
Construction services	178,388		178,388	178,388
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>178,388</u>		<u>178,388</u>	<u>178,388</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	3950-065-09-1006			
Grant Date	5/20/2009			
Bond Authorization	N/A			
Original Authorized Cost	\$ 159,450			
Reduced Authorization - SDA Grant	6,524			
Reduced Authorization - Capital Reserve	12,414			
Revised Authorized Cost	<u>\$ 178,388</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	12/2009			
Revised Target Completion Date	Completed			

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Lake Hiawatha Elementary School Emergency Generators

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA	\$ 66,448		\$ 66,448	\$ 66,448
Contribution from private sources				
Transfer from capital reserve	99,671		99,671	99,671
Transfer from capital outlay				
Total revenues and other financing sources	<u>166,119</u>		<u>166,119</u>	<u>166,119</u>
<b>Transfer from capital reserve</b>				
Purchased professional and technical services				
Construction services	166,119		166,119	166,119
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>166,119</u>		<u>166,119</u>	<u>166,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	3950-070-09-1007			
Grant Date	5/20/2009			
Bond Authorization	N/A			
Original Authorized Cost	\$ 145,250			
Reduced Authorization - SDA Grant	11,729			
Reduced Authorization - Capital Reserve	9,140			
Revised Authroized Cost	<u>\$ 166,119</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Taget Completion Date	12/2009			
Revised Target Completion Date	Completed			

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Littleton Elementary School Emergency Generators

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA	\$ 76,152		\$ 76,152	\$ 76,152
Contribution from private sources				
Transfer from capital reserve	112,121		112,121	112,121
Transfer from fund balance				
Total revenues and other financing sources	<u>188,273</u>		<u>188,273</u>	<u>188,273</u>
<b>Transfer from capital reserve</b>				
Purchased professional and technical services				
Construction services	188,273		188,273	188,273
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>188,273</u>		<u>188,273</u>	<u>188,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	3950-100-09-1008			
Grant Date	5/20/2009			
Bond Authorization	N/A			
Original Authorized Cost	\$ 163,600			
Reduced Authorization - SDA Grant	10,712			
Reduced Authorization - Capital Reserve	13,961			
Revised Authorized Cost	<u>\$ 188,273</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	12/2009			
Revised Target Completion Date	Completed			

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Mount Tabor Elementary School Emergency Generators

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA	\$ 56,642		\$ 56,642	\$ 56,642
Contribution from private sources				
Transfer from capital reserve	69,058		69,058	69,058
Transfer from capital outlay				
Total revenues and other financing sources	<u>125,700</u>		<u>125,700</u>	<u>125,700</u>
<b>Transfer from capital reserve</b>				
Purchased professional and technical services				
Construction services	125,700		125,700	125,700
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>125,700</u>		<u>125,700</u>	<u>125,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	3950-100-09-1009			
Grant Date	5/20/2009			
Bond Authorization	N/A			
Original Authorized Cost	\$ 125,700			
Reduced Authorization - SDA Grant	6,362			
Reduced Authorization - Capital Reserve	(6,362)			
Revised Authorized Cost	<u>\$ 125,700</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	12/2009			
Revised Target Completion Date	Completed			

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Knollwood Elementary School Boiler Replacement

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA	\$ 159,390	\$ (9,101)	\$ 150,289	\$ 150,289
Contribution from private sources				
Transfer from capital reserve	239,085		239,085	239,085
Transfer from capital outlay				
Total revenues and other financing sources	<u>398,475</u>	<u>(9,101)</u>	<u>389,374</u>	<u>389,374</u>
<b>Transfer from capital reserve</b>				
Purchased professional and technical services	33,233	1,084	34,317	45,000
Construction services	147,614	175,860	323,474	344,374
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>180,847</u>	<u>176,944</u>	<u>357,791</u>	<u>389,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 217,628</u>	<u>\$ (186,045)</u>	<u>\$ 31,583</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	3950-100-10-1002			
Grant Date	9/8/2010			
Bond Authorization	N/A			
Original Authorized Cost	\$ 398,475			
Reduced Authorization - SDA Grant	-			
Reduced Authorization - Capital Reserve	-			
Revised Authorized Cost	<u>\$ 398,475</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	12/2011			
Revised Target Completion Date	Completed			

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Lake Hiawatha Elementary School Heat Exchanger

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA				
Contribution from private sources				
Transfer from capital reserve	\$ 106,802		\$ 106,802	\$ 106,802
Transfer from capital outlay				
Total revenues and other financing sources	<u>106,802</u>		<u>106,802</u>	<u>106,802</u>
<b>Transfer from capital reserve</b>				
Purchased professional and technical services	11,902		11,902	11,902
Construction services	94,900		94,900	94,900
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>106,802</u>		<u>106,802</u>	<u>106,802</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number		N/A		
Grant Date		N/A		
Bond Authorization		N/A		
Original Authorized Cost	\$ 106,802			
Reduced Authorization - SDA Grant	-			
Reduced Authorization - Capital Reserve	-			
Revised Authorized Cost	<u>\$ 106,802</u>			
Percentage Increase over Original Authorized		0%		
Percentage Completion		100%		
Original Target Completion Date		12/2010		
Revised Target Completion Date		Completed		

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Mt. Tabor Elementary School Window and Door Replacement

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA	\$ 264,116	\$ (20,365)	\$ 243,751	\$ 243,751
Contribution from private sources				
Transfer from capital reserve	396,174		396,174	396,174
Transfer from capital outlay				
Total revenues and other financing sources	<u>660,290</u>	<u>(20,365)</u>	<u>639,925</u>	<u>639,925</u>
<b>Transfer from capital reserve</b>				
Purchased professional and technical services				29,859
Construction services	495,425	52,575	548,000	610,066
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>495,425</u>	<u>52,575</u>	<u>548,000</u>	<u>639,925</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 164,865</u>	<u>\$ (72,940)</u>	<u>\$ 91,925</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	3950-100-10-1001			
Grant Date	9/28/2010			
Bond Authorization	N/A			
Original Authorized Cost	\$ 660,290			
Reduced Authorization - SDA Grant	-			
Reduced Authorization - Capital Reserve	-			
Revised Authorized Cost	<u>\$ 660,290</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	12/2011			
Revised Target Completion Date	Completed			

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Troy Hills Elementary School Boiler Replacement

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA				
Contribution from private sources				
Transfer from capital reserve	\$ 44,055		\$ 44,055	\$ 44,055
Transfer from capital outlay				
Total revenues and other financing sources	<u>44,055</u>		<u>44,055</u>	<u>44,055</u>
<b>Transfer from capital reserve</b>				
Purchased professional and technical services				
Construction services	44,055		44,055	44,055
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses	<u>44,055</u>		<u>44,055</u>	<u>44,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization	N/A			
Original Authorized Cost	\$ 44,055			
Reduced Authorization - SDA Grant	-			
Reduced Authorization - Capital Reserve	-			
Revised Authorized Cost	<u>\$ 44,055</u>			
Percentage Increase over Original Authorized	0%			
Percentage Completion	100%			
Original Target Completion Date	12/2010			
Revised Target Completion Date	Completed			

Parsippany-Troy Hills School District  
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status  
(Budgetary Basis)

Parsippany High School Partial Roof Replacement

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and other financing sources</b>				
Bond proceeds				
State sources - SDA				
Contribution from private sources				
Transfer from capital reserve		\$ 108,300	\$ 108,300	\$ 108,300
Transfer from capital outlay				
Total revenues and other financing sources		<u>108,300</u>	<u>108,300</u>	<u>108,300</u>
<b>Transfer from capital reserve</b>				
Purchased professional and technical services				
Construction services		78,332	78,332	108,300
Contingency				
Other Objects				
Transfer to Debt Service Fund				
Total expenditures and other financing uses		<u>78,332</u>	<u>78,332</u>	<u>108,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 29,968</u>	<u>\$ 29,968</u>	<u>\$ -</u>

**Additional Project Information:**

Project Number	N/A
Grant Date	N/A
Bond Authorization	N/A
Original Authorized Cost	\$ 108,300
Reduced Authorization - SDA Grant	-
Reduced Authorization - Capital Reserve	-
Revised Authorized Cost	<u>\$ 108,300</u>

Percentage Increase over Original Authorized	0%
Percentage Completion	72%
Original Target Completion Date	12/2011
Revised Target Completion Date	Completed

# Fiduciary Funds

Parsippany-Troy Hills School District  
Trust and Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2012

	<u>Agency</u>			<u>Trust</u>		
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency</u>	<u>Unemployment Compensation</u>	<u>Private Purpose Scholarship</u>	<u>Total Trust</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 507,036	\$ 1,487,351	\$ 1,994,387	\$ 1,818,239	\$ 37,861	\$ 1,856,100
Interfund receivable				11,072		11,072
Total assets	<u>\$ 507,036</u>	<u>\$ 1,487,351</u>	<u>\$ 1,994,387</u>	<u>1,829,311</u>	<u>37,861</u>	<u>1,867,172</u>
<b>Liabilities</b>						
Interfund payable	\$ 22,989		\$ 22,989			
Accounts payable				60,702		60,702
Due to student groups	484,047		484,047			
Payroll deductions and withholdings payable		\$ 606,342	606,342			
Summer escrow payable		881,009	881,009			
Total liabilities	<u>\$ 507,036</u>	<u>\$ 1,487,351</u>	<u>\$ 1,994,387</u>	<u>60,702</u>		<u>60,702</u>
<b>Net assets:</b>						
Held in trust for:						
Unemployment compensation claims				1,768,609		1,768,609
Scholarships					37,861	37,861
Total net assets				<u>\$ 1,768,609</u>	<u>\$ 37,861</u>	<u>\$ 1,806,470</u>

Parsippany-Troy Hills School District  
Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2012

	<b>Unemployment Compensation Trust Fund</b>	<b>Private Purpose Scholarship Trust Fund</b>	<b>Total Trust Funds</b>
Additions:			
Contributions:			
Plan contributions	\$ 323,279		\$ 323,279
Donations		\$ 46,972	46,972
Total contributions	<u>323,279</u>	<u>46,972</u>	<u>370,251</u>
Interest	<u>5,696</u>	<u>100</u>	<u>5,796</u>
Total additions	<u>328,975</u>	<u>47,072</u>	<u>376,047</u>
Deductions:			
Unemployment compensation	534,161		534,161
Scholarships awarded		37,327	37,327
Total deductions	<u>534,161</u>	<u>37,327</u>	<u>571,488</u>
Change in net assets	(205,186)	9,745	(195,441)
Net assets, beginning	<u>1,973,795</u>	<u>28,116</u>	<u>2,001,911</u>
Net assets, ending	<u>\$ 1,768,609</u>	<u>\$ 37,861</u>	<u>\$ 1,806,470</u>

Parsippany-Troy Hills School District  
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2012

	Balance July 1, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
<b>Assets</b>				
Cash and equivalents	\$ 516,816	\$ 861,641	\$ 871,421	\$ 507,036
Total assets	<u>\$ 516,816</u>	<u>\$ 861,641</u>	<u>\$ 871,421</u>	<u>\$ 507,036</u>
<b>Liabilities</b>				
Interfund payable	\$ 19,302	\$ 22,989	\$ 19,302	\$ 22,989
Due to student groups	497,514	838,652	852,119	484,047
Total liabilities	<u>\$ 516,816</u>	<u>\$ 861,641</u>	<u>\$ 871,421</u>	<u>\$ 507,036</u>

Parsippany-Troy Hills School District  
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
<b>Elementary Schools:</b>				
Eastlake	\$ 2,762	\$ 6,590	\$ 4,759	\$ 4,593
Intervale	3,703	3,741	2,860	4,584
Knollwood	6,735	5,607	6,655	5,687
Lake Hiawatha	4,359	996	207	5,148
Lake Parsippany	3,577	10,012	8,373	5,216
Littleton	1,394	5,348	5,443	1,299
Mt. Tabor	1,585	5,152	3,288	3,449
Northvail	4,243	810	426	4,627
Rockaway Meadow	7,118	2,717	2,489	7,346
Troy Hills	11,424	2,358	2,312	11,470
<b>Total Elementary Schools</b>	<u>46,900</u>	<u>43,331</u>	<u>36,812</u>	<u>53,419</u>
<b>Middle Schools:</b>				
Brooklawn	71,505	155,918	149,437	77,986
Central	53,169	128,945	139,862	42,252
<b>Total Middle Schools</b>	<u>124,674</u>	<u>284,863</u>	<u>289,299</u>	<u>120,238</u>
<b>High Schools:</b>				
Parsippany High	106,415	157,497	175,084	88,828
Parsippany Hills High	154,558	248,714	258,512	144,760
<b>Total High Schools</b>	<u>260,973</u>	<u>406,211</u>	<u>433,596</u>	<u>233,588</u>
<b>Accounts:</b>				
Parsippany High	17	45,456	42,291	3,182
Parsippany Hills High	3	56,125	49,399	6,729
<b>Total Athletic Accounts</b>	<u>20</u>	<u>101,581</u>	<u>91,690</u>	<u>9,911</u>
<b>Total Other Accounts</b>	<u>64,947</u>	<u>2,666</u>	<u>722</u>	<u>66,891</u>
<b>Total All Schools</b>	<u>\$ 497,514</u>	<u>\$ 838,652</u>	<u>\$ 852,119</u>	<u>\$ 484,047</u>

Parsippany-Troy Hills School District  
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2012

	Balance July 1, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
<b>Assets</b>				
Cash and equivalents	\$ 2,172,028	\$ 85,914,087	\$ 86,598,764	\$ 1,487,351
Total assets	<u>\$ 2,172,028</u>	<u>\$ 85,914,087</u>	<u>\$ 86,598,764</u>	<u>\$ 1,487,351</u>
<b>Liabilities</b>				
Payroll deductions and withholdings	\$ 570,175	\$ 83,287,769	\$ 83,251,602	\$ 606,342
Summer savings payable	1,601,853	2,626,318	3,347,162	881,009
Total liabilities	<u>\$ 2,172,028</u>	<u>\$ 85,914,087</u>	<u>\$ 86,598,764</u>	<u>\$ 1,487,351</u>

## Long-Term Debt

Parsippany-Troy Hills School District  
Long-Term Debt

Schedule of Serial Bonds Payable

Year Ended June 30, 2012

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2011	Retired	Balance June 30, 2012
			Date	Amount				
School Improvements	8/15/06	\$ 47,633,000	8/15/12	\$ 1,500,000	4.375%			
			8/15/13	1,600,000	4.375%			
			8/15/14	1,700,000	4.375%			
			8/15/15	1,800,000	4.375%			
			8/15/16	1,900,000	4.375%			
			8/15/17	2,000,000	4.375%			
			8/15/18	2,100,000	4.375%			
			8/15/19	2,200,000	4.375%			
			8/15/20	2,300,000	4.375%			
			8/15/21	2,350,000	4.375%			
			8/15/22	2,350,000	4.375%			
			8/15/23	2,350,000	4.400%			
			8/15/24	2,350,000	4.500%			
			8/15/25	2,350,000	4.500%			
			8/15/26	2,350,000	4.500%			
			8/15/27	2,350,000	4.500%			
			8/15/28	2,350,000	4.500%			
			8/15/29	2,350,000	4.500%			
			8/15/30	2,350,000	4.500%			
			8/15/31	1,983,000	4.500%			
						\$ 43,933,000	\$ 1,350,000	\$ 42,583,000
						<u>\$ 43,933,000</u>	<u>\$ 1,350,000</u>	<u>\$ 42,583,000</u>

Parsippany-Troy Hills School District  
Long-Term Debt

Schedule of Obligations Under Capital Leases

Year ended June 30, 2012

Purpose	Interest Rate	Amount of Original Issue	Balance July 1, 2011	Issued	Matured	Balance June 30, 2012
Equipment	4.290%	\$ 791,940	\$ 165,181		\$ 165,181	
Equipment	3.970%	1,005,000	413,889		204,911	\$ 208,978
Equipment	2.770%	1,005,000	611,274		200,962	410,312
Equipment	2.750%	1,005,000	809,491		198,253	611,238
Equipment	2.750%	1,005,000	1,005,000		195,403	809,597
Equipment	2.750%	1,005,000		\$ 1,005,000		1,005,000
			<u>\$ 3,004,835</u>	<u>\$ 1,005,000</u>	<u>\$ 964,710</u>	<u>\$ 3,045,125</u>

Parsippany-Troy Hills School District  
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2012

	<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	\$ 2,355,480		\$ 2,355,480	\$ 2,355,480	
State sources:					
Debt service aid type II	<u>553,376</u>		<u>553,376</u>	<u>553,376</u>	
Total revenues	<u>2,908,856</u>		<u>2,908,856</u>	<u>2,908,856</u>	
Expenditures:					
Principal on bonds	1,350,000		1,350,000	1,350,000	
Interest on bonds	<u>1,916,166</u>		<u>1,916,166</u>	<u>1,916,166</u>	
Total expenditures	<u>3,266,166</u>		<u>3,266,166</u>	<u>3,266,166</u>	
Deficiency of revenues under expenditures	(357,310)		(357,310)	(357,310)	
Other financing sources:					
Transfers In:					
Transfers from capital projects fund	350,000		350,000	350,000	
Interest earned in capital projects fund				1,301	\$ 1,301
Total other financing sources	<u>350,000</u>		<u>350,000</u>	<u>351,301</u>	<u>1,301</u>
(Deficiency) of revenues (under) expenditures and other financing sources	(7,310)		(7,310)	(6,009)	1,301
Fund balance, July 1	10,012		10,012	10,012	
Fund balance, June 30	<u>\$ 2,702</u>	<u>\$ -</u>	<u>\$ 2,702</u>	<u>\$ 4,003</u>	<u>\$ 1,301</u>

# Statistical Section

(Unaudited)

**Statistical Section  
Unaudited**

**Contents**

**Financial Trends**

These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.

**Revenue Capacity**

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ended June 30, 2003; schedules presenting district-wide information include information beginning in that year. Ten years of information has been provided where available.*

Parsippany-Troy Hills School District  
 Net Assets by Component  
 Last Eight Fiscal Years  
*(accrual basis of accounting)*  
 Unaudited

	2005	2006	2007	2008	2009	2010	2011 (as restated)	2012
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 14,834,765	\$ 20,348,446	\$ 20,252,572	\$ 14,924,006	\$ 20,322,542	\$ 22,926,163	\$ 26,048,380	\$ 27,005,258
Restricted	8,641,800	4,175,233	9,308,158	18,769,182	12,588,400	9,295,591	8,939,059	6,719,424
Unrestricted (deficit)	<u>(4,177,907)</u>	<u>(3,485,633)</u>	<u>(2,854,006)</u>	<u>(2,128,203)</u>	<u>(2,134,030)</u>	<u>(1,967,791)</u>	<u>(2,081,659)</u>	<u>(1,087,994)</u>
<b>Total governmental activities net assets</b>	<u>\$ 19,298,658</u>	<u>\$ 21,038,046</u>	<u>\$ 26,706,724</u>	<u>\$ 31,564,985</u>	<u>\$ 30,776,912</u>	<u>\$ 30,253,963</u>	<u>\$ 32,905,780</u>	<u>\$ 32,636,688</u>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ 142,798	\$ 143,144	\$ 116,893	\$ 143,614	\$ 175,722	\$ 182,101	\$ 179,208	\$ 244,661
Unrestricted	78,313	72,463	86,101	74,254	116,446	201,553	246,165	235,887
<b>Total business-type activities net assets</b>	<u>\$ 221,111</u>	<u>\$ 215,607</u>	<u>\$ 202,994</u>	<u>\$ 217,868</u>	<u>\$ 292,168</u>	<u>\$ 383,654</u>	<u>\$ 425,373</u>	<u>\$ 480,548</u>
<b>District-wide</b>								
Invested in capital assets, net of related debt	\$ 14,977,563	\$ 20,491,590	\$ 20,369,465	\$ 15,067,620	\$ 20,498,264	\$ 23,108,264	\$ 26,227,588	\$ 27,249,919
Restricted	8,641,800	4,175,233	9,308,158	18,769,182	12,588,400	9,295,591	8,939,059	6,719,424
Unrestricted (deficit)	<u>(4,099,594)</u>	<u>(3,413,170)</u>	<u>(2,767,905)</u>	<u>(2,053,949)</u>	<u>(2,017,584)</u>	<u>(1,766,238)</u>	<u>(1,835,494)</u>	<u>(852,107)</u>
<b>Total district net assets</b>	<u>\$ 19,519,769</u>	<u>\$ 21,253,653</u>	<u>\$ 26,909,718</u>	<u>\$ 31,782,853</u>	<u>\$ 31,069,080</u>	<u>\$ 30,637,617</u>	<u>\$ 33,331,153</u>	<u>\$ 33,117,236</u>

Source: CAFR Schedule A-1 and District records.

Note: This table was required with the implementation of GASB 44 in the 2005 fiscal year. This information is presented back to the year of implementation of GASB 34 and additional years will be added until ten years are presented.

Parsippany-Troy Hills School District  
 Changes in Net Assets, Last Eight Fiscal Years  
 (accrual basis of accounting)

Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012
							(as restated)	
<b>Expenses</b>								
<b>Governmental activities</b>								
<b>Instruction</b>								
Regular	\$ 43,464,369	\$ 45,675,451	\$ 48,167,024	\$ 49,679,045	\$ 50,879,509	\$ 51,971,182	\$ 52,549,584	\$ 53,320,040
Special Education	7,562,321	8,759,067	10,038,034	11,071,579	10,770,018	11,354,873	12,654,225	12,830,312
Other Instruction	3,985,993	3,941,758	4,001,696	4,117,984	4,135,992	4,469,379	4,240,729	4,359,857
School Sponsored Instruction	2,213,491	2,328,618	2,370,392	2,410,202	2,446,604	2,468,444	2,474,035	2,627,716
<b>Support Services:</b>								
Tuition	7,208,754	7,440,920	7,838,140	8,068,232	8,219,763	8,619,040	8,761,180	9,157,295
Student & Instruction Related Services	14,105,240	16,250,564	16,569,596	17,994,928	18,592,041	19,619,802	19,596,193	21,527,641
General Administration Services	1,183,128	816,467	1,535,373	1,019,012	1,346,484	1,164,924	963,155	1,207,241
School Administrative Services	5,781,595	6,086,536	5,511,933	5,179,099	6,177,907	6,091,861	6,255,485	6,496,651
Central Services	212,496	1,815,106	1,992,289	2,003,582	2,281,598	2,435,522	2,272,678	2,107,571
Administrative Information Technology	24,304	868,696	975,446	1,729,363	1,010,105	964,932	893,122	797,503
Plant Operations & Maintenance	9,586,088	10,595,728	10,767,928	11,905,342	11,666,344	11,718,139	10,517,142	10,921,748
Pupil Transportation	5,426,576	6,162,440	6,578,651	6,616,792	6,660,792	7,170,884	6,140,864	7,183,376
Business & Other Support Services	2,359,033	92,139						
Capital Outlay:	748,804	810,238	872,128	991,992	1,023,266	905,430	442,538	
Special Schools	2,014,296	1,599,919	1,811,220	1,795,874	1,475,094	1,561,611	1,673,357	1,805,198
Charter School				101,737	89,288	133,619	160,727	285,780
Interest on long-term debt	69,210	54,720	1,120,280	2,119,145	2,076,653	2,026,635	2,974,627	1,750,922
Unallocated Depreciation	749,126	1,086,707	746,927	1,027,319	1,284,679	1,327,476	1,369,785	
<b>Total governmental activities expenses</b>	<b>106,694,824</b>	<b>114,385,074</b>	<b>120,897,057</b>	<b>127,831,414</b>	<b>130,136,137</b>	<b>134,003,753</b>	<b>133,939,426</b>	<b>136,378,852</b>
<b>Business-type activities:</b>								
Food service	2,090,486	2,170,324	2,223,583	2,238,925	2,194,422	2,279,417	2,211,868	2,326,674
<b>Total business-type activities expense</b>	<b>2,090,486</b>	<b>2,170,324</b>	<b>2,223,583</b>	<b>2,238,925</b>	<b>2,194,422</b>	<b>2,279,417</b>	<b>2,211,868</b>	<b>2,326,674</b>
<b>Total district expenses</b>	<b>\$ 108,785,310</b>	<b>\$ 116,555,398</b>	<b>\$ 123,120,640</b>	<b>\$ 130,070,339</b>	<b>\$ 132,330,559</b>	<b>\$ 136,283,170</b>	<b>\$ 136,151,294</b>	<b>\$ 138,705,526</b>
<b>Program Revenues</b>								
<b>Governmental activities:</b>								
<b>Charges for services:</b>								
Special Education								
Tuition			\$ 53,427	\$ 124,128	\$ 162,070	\$ 183,603		
Special Schools	\$ 1,391,563	\$ 1,284,045	1,440,854	1,875,676	1,696,439	1,816,985	1,661,821	1,952,286
Operating grants and contributions	15,432,542	16,238,406	20,410,941	20,879,132	16,190,504	15,272,528	14,557,527	2,309,757
Capital grants and contributions	975,105	1,925,946	131,062	157,413	251,809		1,144,458	404,041
<b>Total governmental activities program revenues</b>	<b>\$ 17,799,210</b>	<b>\$ 19,448,397</b>	<b>\$ 22,036,284</b>	<b>\$ 23,036,349</b>	<b>\$ 18,300,822</b>	<b>\$ 17,273,116</b>	<b>\$ 17,604,696</b>	<b>\$ 5,002,098</b>
<b>Business-Type Activities</b>								
<b>Charges for services:</b>								
Food Service								
Operating grants and contributions	\$ 1,769,193	\$ 1,842,452	\$ 1,821,255	\$ 1,784,951	\$ 1,783,069	\$ 1,825,265	\$ 1,815,329	\$ 1,820,456
Capital grants and contributions	242,675	254,274	378,260	430,044	416,517	536,429	514,526	574,150
<b>Total business-type activities program revenues</b>	<b>\$ 2,011,868</b>	<b>\$ 2,096,726</b>	<b>\$ 2,199,515</b>	<b>\$ 2,214,995</b>	<b>\$ 2,199,586</b>	<b>\$ 2,361,694</b>	<b>\$ 2,329,855</b>	<b>\$ 2,394,606</b>
<b>Total District Program Revenues</b>	<b>\$ 19,811,078</b>	<b>\$ 21,545,123</b>	<b>\$ 24,235,799</b>	<b>\$ 25,251,344</b>	<b>\$ 20,500,408</b>	<b>\$ 19,634,810</b>	<b>\$ 19,934,551</b>	<b>\$ 7,396,704</b>
<b>Net (Expense)/Revenue Governmental Activities</b>	<b>(88,895,614)</b>	<b>(94,936,677)</b>	<b>(98,860,773)</b>	<b>(104,795,065)</b>	<b>(111,835,315)</b>	<b>(116,730,637)</b>	<b>(116,334,730)</b>	<b>(131,376,754)</b>
<b>Business-Type Activities</b>	<b>(78,618)</b>	<b>(73,598)</b>	<b>(24,068)</b>	<b>(23,930)</b>	<b>5,164</b>	<b>82,277</b>	<b>117,987</b>	<b>67,932</b>
<b>Total District-Wide Net Assets</b>	<b>\$ (88,974,232)</b>	<b>\$ (95,010,275)</b>	<b>\$ (98,884,841)</b>	<b>\$ (104,818,995)</b>	<b>\$ (111,830,151)</b>	<b>\$ (116,648,360)</b>	<b>\$ (116,216,743)</b>	<b>\$ (131,308,822)</b>
<b>General Revenues and Other Changes in Net Assets:</b>								
<b>Governmental activities:</b>								
Property Taxes Levied for General Purposes, Net	\$ 91,499,253	\$ 94,370,813	\$ 100,210,723	\$ 104,320,412	\$ 107,986,991	\$ 111,498,049	\$ 115,157,971	\$ 114,831,204
Taxes Levied for Debt Service	463,288	463,530	1,081,825	744,260	766,297	2,583,484	2,664,792	2,355,480
Federal and State Aid not Restricted	946,741	1,357,874	1,387,280	1,872,919	1,912,146	1,485,655	716,732	13,765,153
Investment Earnings	258,205	427,740	1,563,178	2,365,504	276,198	94,085	77,310	45,399
Miscellaneous Income	190,932	94,216	297,442	388,386	127,603	555,424	292,535	96,908
Transfers	(51,469)	(38,109)	(10,997)	(38,155)	(21,992)	(9,009)	77,207	13,518
<b>Total Governmental Activities</b>	<b>93,306,950</b>	<b>96,676,064</b>	<b>104,529,451</b>	<b>109,653,326</b>	<b>111,047,243</b>	<b>116,207,688</b>	<b>118,986,547</b>	<b>131,107,662</b>
<b>Business-Type Activities:</b>								
Investment Earnings	356	511	458	649	318	200	939	761
Capital Contributions	42,456	29,474						
Transfers	51,469	38,109	10,997	38,155	21,992	9,009	(77,207)	(13,518)
<b>Total Business-Type Activities</b>	<b>94,281</b>	<b>68,094</b>	<b>11,455</b>	<b>38,804</b>	<b>22,310</b>	<b>9,209</b>	<b>(76,268)</b>	<b>(12,757)</b>
<b>Total District-Wide</b>	<b>\$ 93,401,231</b>	<b>\$ 96,744,158</b>	<b>\$ 104,540,906</b>	<b>\$ 109,692,130</b>	<b>\$ 111,069,553</b>	<b>\$ 116,216,897</b>	<b>\$ 118,910,279</b>	<b>\$ 131,094,905</b>
<b>Change in Net Assets:</b>								
<b>Governmental Activities</b>								
Governmental Activities	\$ 4,411,336	\$ 1,739,387	\$ 5,668,678	\$ 4,858,261	\$ (788,072)	\$ (522,949)	\$ 2,651,817	\$ (269,092)
Business-Type Activities	15,663	(5,504)	(12,613)	14,874	27,474	91,486	41,719	55,175
<b>Total District</b>	<b>\$ 4,426,999</b>	<b>\$ 1,733,883</b>	<b>\$ 5,656,065</b>	<b>\$ 4,873,135</b>	<b>\$ (760,598)</b>	<b>\$ (431,463)</b>	<b>\$ 2,693,536</b>	<b>\$ (213,917)</b>

Source: District records

Parsippany-Troy Hills School District  
Fund Balances, Governmental Funds  
Last Eight Fiscal Years  
(modified accrual basis of accounting)

Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012
General Fund								
Reserved/Restricted	\$ 3,992,335	\$ 3,501,418	\$ 6,350,307	\$ 9,382,087	\$ 8,538,275	\$ 8,041,629	\$ 7,003,336	\$ 6,561,945
Assigned							1,966,726	1,464,329
Unassigned							2,379,650	2,177,866
Unreserved	4,479,770	2,923,046	3,998,775	3,408,356	2,552,283	2,412,467		
Total general fund	<u>\$ 8,472,105</u>	<u>\$ 6,424,464</u>	<u>\$ 10,349,082</u>	<u>\$ 12,790,443</u>	<u>\$ 11,090,558</u>	<u>\$ 10,454,096</u>	<u>\$ 11,349,712</u>	<u>\$ 10,204,140</u>
All Other Governmental Funds								
Reserved/Restricted	\$ 3,381,527	\$ 1,575,580	\$ 27,952,035	\$ 4,052,255	\$ 2,679,749	\$ 735,639	\$ 1,063,680	\$ 861,145
Unassigned (deficit)							(41,015)	
Unreserved, Reported In:								
Capital projects fund	(1,130,728)	(1,009,677)	6,028,587	3,218,297	920,402	180,041		
Debt service fund	10,316	107,912	682,278	1,022,371	12,179	19,489		
Total all other governmental funds	<u>\$ 2,261,115</u>	<u>\$ 673,815</u>	<u>\$ 34,662,900</u>	<u>\$ 8,292,923</u>	<u>\$ 3,612,330</u>	<u>\$ 935,169</u>	<u>\$ 1,022,665</u>	<u>\$ 861,145</u>
Total All Funds	<u>\$ 10,733,220</u>	<u>\$ 7,098,279</u>	<u>\$ 45,011,982</u>	<u>\$ 21,083,366</u>	<u>\$ 14,702,888</u>	<u>\$ 11,389,265</u>	<u>\$ 12,372,377</u>	<u>\$ 11,065,285</u>

Source: CAFR Schedule B-1 and District records.

The change in the reserved fund balance is the result of capital project fund expenditures incurred for projects in which the funding was received in prior years through the issuance of bonds.

This table was required with the implementation of GASB 44 in the 2006 fiscal year. This information is presented back to the year of implementation of GASB 34 and additional years will be added until ten years.

GASB 54 was implemented in the 2012 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years. (See footnote 1 in the basic financial statements). Prior years have not been restated above, nor are they required to be.

Parsippany-Troy Hills School District  
 Changes in Fund Balances, Governmental Funds  
 Last Eight Fiscal Years

Unaudited

	Year Ended June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>								
Tax levy	\$ 91,962,541	\$ 94,834,343	\$ 101,292,548	\$ 105,064,672	\$ 108,753,288	\$ 114,081,533	\$ 117,822,763	\$ 117,186,684
Interest Earned of Capital Reserve	9,511	16,281	17,368	9,363	9,777	4,511	3,414	1,490
Interest Earned on Maintenance Reserve							1,284	796
Miscellaneous	1,967,832	1,813,657	3,386,749	4,773,868	2,282,203	2,679,306	2,302,668	2,480,810
State sources	15,388,079	17,440,333	19,763,554	20,617,320	16,175,007	14,420,722	12,346,912	13,983,424
Federal sources	1,949,631	2,057,956	2,116,513	2,262,607	2,149,782	2,303,741	4,036,994	2,443,038
<b>Total revenue</b>	<b>111,277,594</b>	<b>116,162,570</b>	<b>126,576,732</b>	<b>132,727,830</b>	<b>129,370,057</b>	<b>133,489,813</b>	<b>136,514,035</b>	<b>136,096,242</b>
<b>Expenditures</b>								
<b>Instruction</b>								
Regular and special educ instruct.	33,678,666	34,635,915	35,057,295	37,167,845	38,969,236	39,381,191	39,611,735	38,093,643
Special Education Instruction	5,864,094	6,640,176	7,270,481	7,718,948	8,134,428	8,478,729	9,885,294	9,282,035
Other Instruction	3,019,986	2,954,144	2,843,855	3,019,629	3,125,853	3,321,850	3,131,972	3,087,861
School-Sponsored Instruction	1,853,073	1,829,442	1,847,599	1,873,265	1,922,526	1,959,883	1,959,090	1,992,630
<b>Support Services:</b>								
Tuition	7,208,754	7,440,920	7,838,140	8,068,232	8,219,763	8,619,040	8,761,180	8,958,958
Student Service	9,858,273	10,705,392	11,151,534	12,207,485	10,209,868	10,978,064	11,029,504	12,107,814
Student & Instruction Related Service	796,972	965,713	1,409,519	850,393	4,531,483	4,320,904	3,978,174	3,799,859
General Administration	1,449,104	1,565,636	998,841	1,550,661	1,040,958	888,499	886,793	1,085,949
School Administration	4,174,355	4,568,008	4,298,379	1,585,170	4,816,887	4,524,606	4,616,791	4,694,512
Central Services	212,496	1,415,086	1,484,723	4,498,874	1,685,028	1,637,641	1,637,544	1,573,062
Administrative Information Technology	24,304	705,507	783,914	788,401	883,790	823,754	754,861	640,210
Plant Operations & Maintenance	8,089,968	8,936,580	8,741,859	9,831,091	9,860,863	9,673,943	8,693,102	8,313,218
Pupil Transportation	5,108,378	5,818,073	6,099,104	6,070,520	6,148,902	6,626,853	5,661,933	6,600,429
Business & Other Support Services	1,775,230	18,520						
Unallocated Benefits	20,463,564	22,483,235	27,730,869	26,979,193	24,299,659	26,293,718	26,795,395	29,149,709
<b>Debt service:</b>								
Principal	395,000	410,000	430,000	950,000	1,185,000	1,200,000	1,250,000	1,350,000
Interest and other charges	69,210	54,720	1,120,280	2,119,145	2,076,653	2,026,635	1,973,041	1,916,166
Capital outlay	4,839,988	8,108,868	16,558,422	30,784,296	8,046,825	5,350,781	4,151,440	3,684,818
Charter school				101,737	89,288	133,619	160,727	285,780
Special Schools	1,626,300	1,282,342	1,412,428	1,458,136	1,486,532	1,559,717	1,674,554	1,805,199
<b>Total expenditures</b>	<b>110,507,715</b>	<b>120,538,277</b>	<b>137,077,242</b>	<b>157,623,021</b>	<b>136,733,542</b>	<b>137,799,427</b>	<b>136,613,130</b>	<b>138,421,852</b>
Excess (Deficiency) of revenues over (under) expenditures	769,879	(4,375,707)	(10,500,510)	(24,895,191)	(7,363,485)	(4,309,614)	(99,095)	(2,325,610)
<b>Other financing sources (uses)</b>								
Capital leases (non-budgeted)	779,000	778,875	791,940	1,005,000	1,005,000	1,005,000	1,005,000	1,005,000
Canellation of Prior Year EDA	(119,965)							
Bond proceeds			47,633,000					
Transfers in	4,041,039	2,157,932	1,645,763	2,179,802	2,557,839	45,998	89,443	473,119
Transfers out	(4,092,508)	(2,196,041)	(1,656,760)	(2,217,957)	(2,579,831)	(55,007)	(12,236)	(459,601)
<b>Total other financing sources (uses)</b>	<b>607,566</b>	<b>740,766</b>	<b>48,413,943</b>	<b>966,845</b>	<b>983,008</b>	<b>995,991</b>	<b>1,082,207</b>	<b>1,018,518</b>
<b>Net change in fund balances</b>	<b>\$ 1,377,445</b>	<b>\$ (3,634,941)</b>	<b>\$ 37,913,433</b>	<b>\$ (23,928,346)</b>	<b>\$ (6,380,477)</b>	<b>\$ (3,313,623)</b>	<b>\$ 983,112</b>	<b>\$ (1,307,092)</b>
Debt service as a percentage of noncapital expenditures	0.44%	0.41%	1.29%	2.42%	2.53%	2.44%	2.43%	2.42%

Source: CAFR Schedule B-2

Parsippany-Troy Hills School District  
 General Fund Other Local Revenues by Source  
 Last Ten Fiscal Years  
 Unaudited

Fiscal Year Ended June 30,	Interest	Adult Education and Regular Tuition	Rentals	Refunds	Other	Total
2003	\$ 203,425	\$ 1,194,619	\$ 74,333	\$ -	\$ 224,012	\$ 1,696,389
2004	165,085	1,175,330	73,354	-	547,568	1,961,337
2005	249,079	1,391,563	53,439	174,843	82,613	1,951,537
2006	362,604	1,284,045	47,289	-	46,927	1,740,865
2007	520,357	1,494,281	55,994	230,291	11,158	2,312,081
2008	425,411	1,999,804	38,454	285,314	64,618	2,813,601
2009	177,898	1,724,000	37,946	-	224,165	2,164,009
2010	86,775	2,000,590	64,826	-	490,596	2,642,787
2011	74,609	2,031,360	58,484	-	105,402	2,269,855
2012	44,098	2,288,300	46,886	-	50,022	2,429,306

Source: District records.

Parsippany-Troy Hills School District  
 Assessed Value and Actual Value of Taxable Property  
 Last Nine Fiscal Years

Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$ 156,882,500	\$ 4,058,479,900	\$ 326,400	\$ 3,100	\$2,840,424,700	\$ 337,178,000	\$ 455,501,500	\$ 7,848,796,100	\$ 535,955,800	\$ 12,576,766	\$ 7,861,372,866	\$ 1.13	\$ 6,983,112,723
2005	143,482,400	4,121,676,500	326,400	3,100	2,715,594,800	325,849,900	454,078,000	7,761,011,100	540,771,500	12,454,457	7,773,465,557	1.20	7,570,534,983
2006	128,322,000	4,261,904,000	326,400	3,100	2,564,371,800	320,330,200	390,048,000	7,665,305,500	479,497,300	10,660,825	7,675,966,325	1.28	8,560,161,182
2007	112,099,100	4,323,446,400	326,400	3,100	2,433,467,700	318,309,500	390,048,000	7,577,700,200	481,727,700	10,582,176	7,588,282,376	1.36	9,324,833,790
2008	103,134,600	4,365,430,400	326,400	3,100	2,362,622,800	314,532,200	389,588,700	7,535,638,200	485,730,900	10,448,091	7,546,086,291	1.42	9,666,126,163
2009	89,270,400	4,385,585,100	326,400	3,100	2,306,569,900	314,532,200	390,988,700	7,487,275,800	581,936,200	10,866,942	7,498,142,742	1.50	9,699,800,233
2010	78,507,700	4,405,406,300	326,400	3,100	2,246,593,800	282,858,500	390,988,700	7,404,684,500	584,988,900	11,066,916	7,415,751,416	1.57	9,332,851,651
2011	77,607,500	4,408,878,400	326,400	3,100	2,198,373,300	258,335,800	390,988,700	7,334,513,200	585,116,700	12,432,565	7,346,945,765	1.66	9,082,278,672
2012	72,717,000	4,405,119,200	326,400	4,400	2,131,211,300	250,480,800	390,988,700	7,250,847,800	585,077,700	12,432,565	7,263,280,365	1.66	9,013,299,506

Source: District records, Tax list summary & Municipal Tax Assessor and Collector, abstract of ratables, County Board of Taxation.

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 per \$100 of assessed value.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006. Information in this detail was not available prior to the 2004 fiscal year and therefore ten years are not presented. Additional years will be added until ten years are presented.

Parsippany-Troy Hills School District  
 Property Tax Rates - Direct and Overlapping Governments  
 Last Ten Fiscal Years  
*(rate per \$100 of assessed value)*  
 Unaudited

Fiscal Year Ended December 31,	Parsippany Troy Hills Schools			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Township of Parsippany	Morris County	
2002	\$ 3.04		\$ 3.04	\$ 1.25	\$ 0.64	\$ 4.93
2003	1.04 *	\$ 0.01 *	1.05 *	0.43 *	0.24 *	1.72
2004	1.12	0.01	1.13	0.41	0.27	1.81
2005	1.19	0.01	1.20	0.44	0.26	1.90
2006	1.27	0.01	1.28	0.47	0.28	2.03
2007	1.35	0.01	1.36	0.49	0.29	2.14
2008	1.41	0.01	1.42	0.51	0.30	2.23
2009	1.47	0.03	1.50	0.54	0.30	2.34
2010	1.53	0.04	1.57	0.58	0.30	2.45
2011	1.60	0.06	1.66	0.54	0.30	2.50

**Source:** District Records and Municipal Tax Collector

**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.

\* Change due to a revaluation of property.

Parsippany-Troy Hills School District  
Principal Property Tax Payers  
Current Year and Nine Years Ago  
Unaudited

Taxpayer	2012		Taxpayer	2003	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
State Farm Insurance	\$ 58,544,700	0.81%	Morris Corporate Center, HDQ III	\$ 39,882,500	1.63%
Knoll Manor Associates	61,015,400	0.84%	Morris Corporate Center, HDQ I & II	39,745,100	1.63%
MCC III Acquisitions, LLC	58,875,100	0.81%	Knoll Manor, Inc.	25,446,700	1.04%
OTR-MCC LLC	57,660,700	0.79%	Mack-Cali-Arbor Circle	24,191,400	0.99%
One Campus Drive	57,268,000	0.79%	Powder Mill Heights	22,509,300	0.92%
Lake Lenore % Powder Mill Heights	51,831,300	0.71%	Morris Corporate Center, HDQ IV	22,167,100	0.91%
Sylvan/Campus Rlty, LLC	49,101,800	0.68%	Mountain Club Tenants Corp.	21,961,500	0.90%
HH FP Portfolio LLC % Ashford	33,762,300	0.46%	Trinet Essential Fac., Gatehall II	21,069,300	0.86%
MCC IV - Phase I, LLC	43,526,900	0.60%	American Cyanamid Company	19,288,000	0.79%
Troy Hills Village	41,506,500	0.57%	Troy Hills Village	19,000,000	0.84%
<b>Total</b>	<b>\$ 513,092,700</b>	<b>7.06%</b>		<b>\$ 255,260,900</b>	<b>10.51%</b>
Net Assessed Value	\$7,263,280,365				

Source: Municipal Tax Collector

Parsippany-Troy Hills School District  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
Unaudited

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 78,428,602	\$ 78,428,602	100.00%	-
2004	86,030,329	86,030,329	100.00%	-
2005	91,962,541	91,962,541	100.00%	-
2006	94,834,343	94,834,343	100.00%	-
2007	101,292,548	101,292,548	100.00%	-
2008	105,064,672	105,064,672	100.00%	-
2009	108,753,288	108,753,288	100.00%	-
2010	114,081,533	114,081,533	100.00%	-
2011	117,822,763	117,822,763	100.00%	-
2012	117,186,684	117,186,684	100.00%	-

**Source:** District records including the Certificate and Report of School Taxes (A4F form)

**Note:** 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.

Parsippany-Troy Hills School District  
Ratios of Outstanding Debt by Type  
Last Eight Fiscal Years  
Unaudited

Fiscal Year Ended June 30,	Governmental Activities		Bond Anticipation Notes	Total District	Percentage of Personal Income <sup>(a)</sup>	Per Capita <sup>(a)</sup>
	General Obligation Bonds	Capital Leases				
2005	\$ 1,725,000	\$ 1,618,416		\$ 3,343,416	0.11%	66
2006	1,315,000	1,905,527	\$ 1,500,000	4,720,527	0.14%	93
2007	48,518,000	2,176,220		50,694,220	1.43%	1,005
2008	47,568,000	2,553,060		50,121,060	1.36%	999
2009	46,383,000	2,721,823		49,104,823	1.45%	984
2010	45,183,000	2,923,428		48,106,428	1.29%	964
2011	43,933,000	3,004,835		46,937,835	1.26%	939
2012	42,583,000	3,045,125		45,628,125	1.22%	856

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006. Information in this detail was not available prior to the 2005 fiscal year and therefore ten years are not presented. Additional years will be added until ten years are presented.

**Source:** School District Financial Reports

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

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

Parsippany-Troy Hills School District  
Ratios of Net General Bonded Debt Outstanding  
Last Eight Fiscal Years  
Unaudited

General Bonded Debt Outstanding

Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Net Valuation Taxable <sup>(a)</sup>	Per Capita <sup>(b)</sup>
2005	\$ 1,725,000	-	\$ 1,725,000	0.02%	\$ 66
2006	1,315,000	-	1,315,000	0.02%	93
2007	48,518,000	-	48,518,000	0.63%	1,005
2008	47,568,000	-	47,568,000	0.63%	999
2009	46,383,000	-	46,383,000	0.62%	984
2010	45,183,000	-	45,183,000	0.60%	964
2011	43,933,000	-	43,933,000	0.59%	939
2012	42,583,000	-	42,583,000	0.58%	856

**Source:** School District Financial records

**Note:** Details regarding the district's outstanding debt can be found in notes to the basic 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 data for the prior calendar year.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June . Information in this detail was not available prior to the 2005 fiscal year and therefore ten years are not presented. Additional years will be added until ten years are presented.

Parsippany-Troy Hills School District  
Ratios of Overlapping Governmental Activities Debt  
As of December 31, 2011  
Unaudited

	<u>Debt Authorized and Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Township of Parsippany	\$ 119,896,434	100.00%	\$ 119,896,434
Morris County General Obligation Debt	269,318,615	9.46%	<u>25,477,541</u>
Subtotal overlapping debt			145,373,975
<b>Parsippany-Troy Hills School District Direct Debt</b>			<u>42,583,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 187,956,975</u></u>

**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.

**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 is borne by the residents and businesses of Parsippany-Troy Hills. This process recognizes that, when considering the District's ability to issue and repay long-term debt, 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 payment.

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

Parsippany-Troy Hills School District  
 Legal Debt margin Information  
 Last Ten Fiscal Years  
 Unaudited

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis

2012	\$	9,013,299,506
2011		9,278,276,066
2010		9,332,851,651
	\$	<u>27,624,427,223</u>

Average equalized valuation of taxable property \$ 9,208,142,408

Debt limit <sup>a</sup> (4 % of average equalization value) \$ 368,325,696  
 Net bonded school debt 42,583,000  
 Legal debt margin \$ 325,742,696

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 211,703,882	\$ 242,392,248	\$ 274,905,116	\$ 307,515,903	\$ 341,938,352	\$ 369,432,176	\$ 386,019,056	\$ 260,753,615	\$ 385,435,807	\$ 368,325,696
Total net debt applicable to limit	<u>2,500,000</u>	<u>2,120,000</u>	<u>1,725,000</u>	<u>1,315,000</u>	<u>48,518,000</u>	<u>47,568,000</u>	<u>46,383,000</u>	<u>45,183,000</u>	<u>43,933,000</u>	<u>42,583,000</u>
Legal debt margin	<u>\$ 209,203,882</u>	<u>\$ 240,272,248</u>	<u>\$ 273,180,116</u>	<u>\$ 306,200,903</u>	<u>\$ 293,420,352</u>	<u>\$ 321,864,176</u>	<u>\$ 339,636,056</u>	<u>\$ 215,570,615</u>	<u>\$ 341,502,807</u>	<u>\$ 325,742,696</u>
Total net debt applicable to the limit as a percentage of debt limit	1.18%	0.87%	0.63%	0.43%	14.19%	12.88%	12.02%	17.33%	11.40%	11.56%

<sup>a</sup> Limit set by NJSA 18A:24-19 for a K through 12 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

Parsippany-Troy Hills School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
Unaudited

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Morris County Per Capita Personal Income	Unemployment Rate <sup>d</sup>
2003	50,412	\$ 2,863,603,248	\$ 56,804	3.90%
2004	50,611	3,076,136,580	60,780	3.20%
2005	50,452	3,174,944,360	62,930	3.00%
2006	50,159	3,406,698,962	67,918	3.10%
2007	49,911	3,553,214,001	71,191	2.70%
2008	49,880	3,692,367,000	74,025	3.60%
2009	49,982	3,379,482,948	67,614	7.60%
2010	53,281	3,719,599,891	69,811	7.60%
2011	53,529 **	3,736,913,019	69,811 *	7.10%
2012	53,529 **	3,736,913,019	69,811 *	7.10%

**Source:** School District Reports

\* Latest Morris County per capita personal income available (2010) was used for calculation purposes.

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

<sup>a</sup> Population information provided by the NJ Dept of Education.

<sup>b</sup> Personal income was not available, only county average.

<sup>d</sup> Unemployment data provided by the NJ Dept. of Education.

Parsippany-Troy Hills School District  
 Principal Employers  
 Current Year and Nine Years Ago  
 Unaudited

2012			2003		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
United Parcel Post	1,927	N/A	United Parcel Post	1,800	N/A
Automatic Data Processing	1,400	N/A	Merck-Medco	1,500	N/A
Wyndham	1,366	N/A	Cendant Corp.	1,200	N/A
Avis	1,025	N/A	AT&T	1,200	N/A
Deloitte-Touche	1,000	N/A	Tiffany and Company	1,100	N/A
Realogy	900	N/A	Automatic Data Processing	1,010	N/A
State Farm	870	N/A	Dialogic Corp.	950	N/A
Tiffany and Company	800	N/A	Lucent Technologies	850	N/A
EBI	580	N/A	Nabisco	825	N/A
Common Health	555	N/A	Dun & Bradstreet	700	N/A
	<u>10,423</u>			<u>11,135</u>	

Source: Various Agencies of the Township

N/A Total amount of employment is not available in order to calculate percentage of total employment.

Parsippany-Troy Hills School District  
 Full-time Equivalent District Employees by Function/Program  
 Last Eight Fiscal Years  
 Unaudited

<u>Function/Program</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>
Instruction								
Regular	506.5	506.9	504.9	509.3	544.3	539.7	516.4	513.1
Special education	77.5	81.9	91.8	96.7	96.3	104.0	106.0	109.6
Support Services:								
Student & Instruction Related Service	102.9	106.0	108.4	108.8	113.8	106.0	107.2	109.0
School Administrative Services	33.0	33.0	34.0	33.0	32.0	32.0	32.0	32.0
General & Business Administrative S	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Plant Operations and Maintenance	110.5	110.5	111.5	111.5	111.5	113.5	94.0	94.0
Pupil Transportation	23.0	27.0	24.0	24.0	24.0	23.0	23.0	23.0
Business and Other Support Services	83.0	82.0	82.0	82.0	82.0	80.5	80.5	81.5
Total	<u>941.4</u>	<u>952.3</u>	<u>961.6</u>	<u>970.3</u>	<u>1,008.9</u>	<u>1,003.7</u>	<u>964.1</u>	<u>967.2</u>

**Source:** District Personnel Records

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006. Information in this detail was not available prior to the 2005 fiscal year and therefore ten years are not presented. Additional years will be added until ten years are presented.

Parsippany-Troy Hills School District  
Operating Statistics  
Last Eight Fiscal Years  
Unaudited

At June 30,	<u>Pupil/Teacher Ratio</u>								Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Elementary	Middle School	High School				
2005	7,063	\$ 105,203,517	\$ 14,895	1.63%	719	13.4:1	10.1:1	11.4:1	7,063	6,783	1.63%	96.04%
2006	7,099	111,964,689	15,772	5.89%	727	13.5:1	10.7:1	10.4:1	7,099	6,823	0.51%	96.11%
2007	7,180	118,968,540	16,569	5.06%	738	10.3:1	10.7:1	10.1:1	7,180	6,898	1.14%	96.07%
2008	7,252	123,769,580	17,067	3.00%	742	10.3:1	10.7:1	10.1:1	7,252	7,208	1.00%	99.39%
2009	7,152	125,425,064	17,537	2.75%	745	10.3:1	10.3:1	9.5:1	7,157	6,862	-1.31%	95.88%
2010	7,397	129,222,011	17,470	-0.39%	747	10.5:1	7.4:1	9.5:1	7,274	6,988	1.63%	96.07%
2011	7,321	129,238,649	17,653	1.05%	727	12.3:1	8.1:1	10.0:1	7,194	6,984	-1.10%	97.08%
2012	7,290	131,470,868	18,034	2.16%	729	11.8:1	8.6:1	10.4:1	7,267	6,967	1.01%	95.87%

**Sources:** District records, Schedules J-16, J-18

**Note:** Enrollment's based October 15, 2011 ASSA/DRTRS count report.

- a Operating expenditures equal total expenditures less debt service and capital outlay; (J-4)
- 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 Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006. Information in this detail was not available prior to the 2005 fiscal year and therefore ten years are not presented. Additional years will be added until ten years are presented.

Parsippany-Troy Hills School District  
School Building Information  
Last Eight Fiscal Years  
Unaudited

<b>District Building</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Parisippany High School (1956)								
Square Feet	166,512	166,512	166,512	166,512	174,377	174,377	174,377	174,377
Capacity (students)	817	817	817	817	1,106	1,106	1,106	1,106
Enrollment	987	971	975	1,009	1,020	1,043	1,043	1,008
Parsippany Hills High School (1970)								
Square Feet	202,899	202,899	202,899	202,899	218,009	218,009	218,009	218,009
Capacity (students)	837	837	837	837	1,230	1,230	1,230	1,230
Enrollment	1,205	1,226	1,197	1,177	1,166	1,153	1,132	1,139
Brooklawn Middle School (1965)								
Square Feet	111,126	111,126	111,126	111,126	125,310	125,310	125,310	125,310
Capacity (students)	771	771	771	771	900	900	900	900
Enrollment	904	872	885	927	915	872	861	844
Central Middle School (1928)								
Square Feet	91,441	91,441	91,441	91,441	138,221	138,221	138,221	138,221
Capacity (students)	620	620	620	620	846	846	846	846
Enrollment	747	764	791	797	755	762	792	812
East Lake Elementary School (1967)								
Square Feet	31,589	31,589	31,589	31,589	31,589	31,589	31,589	31,589
Capacity (students)	289	289	289	289	289	289	289	289
Enrollment	326	329	314	298	283	277	331	338
Intervale Elementary School (1966)								
Square Feet	27,771	27,771	27,771	37,731	37,731	37,731	37,731	37,731
Capacity (students)	381	381	381	490	490	490	490	490
Enrollment	263	263	275	327	314	331	316	298
Knollwood Elementary School (1961)								
Square Feet	33,880	33,880	33,880	33,880	33,880	33,880	33,880	33,880
Capacity (students)	298	298	298	298	298	298	298	298
Enrollment	320	316	309	327	331	359	323	312
Lake Hiawatha Elementary School (1952)								
Square Feet	38,314	38,314	38,314	44,424	44,424	44,424	44,424	44,424
Capacity (students)	371	371	371	381	381	381	381	381
Enrollment	329	317	332	373	407	436	400	431
Lake Parsippany Elementary School (1949)								
Square Feet	36,747	36,747	36,747	36,747	36,747	36,747	36,747	36,747
Capacity (students)	376	376	376	376	376	376	376	376
Enrollment	358	358	356	335	324	314	321	334
Littleton Elementary School (1958)								
Square Feet	41,890	41,890	41,890	41,890	41,890	41,890	41,890	41,890
Capacity (students)	371	371	371	371	371	371	371	371
Enrollment	451	455	466	416	394	368	393	381
Mt. Tabor Elementary School (1930)								
Square Feet	34,350	34,350	34,350	42,712	42,712	42,712	42,712	42,712
Capacity (students)	337	337	337	434	434	434	434	434
Enrollment	237	261	273	330	350	396	423	430
Northvail elementary School (1966)								
Square Feet	32,798	32,798	32,798	32,798	32,798	32,798	32,798	32,798
Capacity (students)	298	298	298	298	298	298	298	298
Enrollment	322	331	356	322	320	358	367	371
Rockaway Meadow Elementary School (1966)								
Square Feet	36,366	36,366	36,366	36,366	36,366	36,366	36,366	36,366
Capacity (students)	277	277	277	277	277	277	277	277
Enrollment	294	302	317	273	280	265	280	270
Troy Hills Elementary School (1964)								
Square Feet	36,954	36,954	36,954	36,954	36,954	36,954	36,954	36,954
Capacity (students)	326	326	326	326	326	326	326	326
Enrollment	320	334	334	334	320	325	307	302
<b>Other:</b>								
Windish Administration (1965)								
Square Feet	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Maintenance Building (1900)								
Square Feet	4,074	4,074	4,074	4,074	4,074	4,074	4,074	4,074
Board Office (acquired in 2006)								
Square Feet	-	27,500	27,500	27,500	27,500	27,500	27,500	27,500
Number of Schools at June 30, 2012								
Elementary = 10								
Middle School = 2								
High School = 2								
Other = 3								

Source: District records, SRS as of June 30, State's Final Determination Letter

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006. Information in this detail was not available prior to the 2005 fiscal year and therefore ten years are not presented. Additional years will be added until ten years are presented.

Parsippany-Troy Hills School District  
General Fund  
Schedule of Required Maintenance for School Facilities  
Last Ten Fiscal Years  
Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
11-000-261-XXX

School Facilities	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Parsippany High School	\$ 295,176	\$ 323,716	\$ 338,538	\$ 72,383	\$ 78,787	\$ 67,224	\$ 56,790	\$ 73,502	\$ 267,218	\$ 350,175
Parsippany Hills High School	357,628	211,409	236,723	86,788	61,447	65,024	63,925	96,302	336,581	334,563
Brooklawn Middle School	160,462	160,423	259,766	50,849	48,824	50,945	42,854	54,691	244,553	269,543
Central Middle School	128,194	123,618	233,292	48,618	50,961	46,174	43,382	62,692	258,973	201,581
East Lake Elementary School	43,912	70,879	75,111	21,144	17,715	16,878	13,701	13,495	68,556	148,268
Intervale Elementary School	40,748	60,490	60,847	17,702	18,026	21,273	10,216	24,362	88,620	69,804
Knollwood Elementary School	36,733	47,575	127,613	19,993	19,828	19,616	12,432	16,513	54,310	48,476
Lake Hiawatha Elementary School	35,421	355,792	86,394	33,334	13,503	22,321	19,793	22,075	99,239	127,723
Lake Parsippany Elementary School	78,300	103,446	71,794	36,213	18,149	22,410	22,702	26,619	136,929	76,337
Littleton Elementary School	66,458	76,857	61,738	16,278	23,906	19,978	14,591	13,391	85,716	62,744
Mt. Tabor Elementary School	71,704	154,356	120,226	34,429	15,138	25,759	25,406	32,716	167,401	81,104
Northvail Elementary School	56,046	60,759	88,439	20,776	20,506	17,732	12,350	20,923	83,721	73,647
Rockaway Meadow Elementary School	42,226	45,685	82,917	19,946	19,232	19,294	13,097	35,660	69,554	62,796
Troy Hills elementary School	41,718	65,977	68,971	20,971	18,539	24,336	11,408	22,300	75,759	73,762
Administration Building	16,839	9,538	26,976	1,588,092	1,482,103	1,637,502	1,643,930	1,540,299	140,114	116,345
Maintenance Building	16,309	12,215	4,340	11,254	38,169	43,893	77,071	82,178	13,008	10,844
<b>Grand Total</b>	<b>\$ 1,487,874</b>	<b>\$ 1,882,735</b>	<b>\$ 1,943,685</b>	<b>\$ 2,098,770</b>	<b>\$ 1,944,833</b>	<b>\$ 2,120,359</b>	<b>\$ 2,083,648</b>	<b>\$ 2,137,718</b>	<b>\$ 2,190,252</b>	<b>\$ 2,107,712</b>

Source: District records of required maintenance.

Parsippany-Troy Hills School District  
Insurance Schedule  
Year ended June 30, 2012  
Unaudited

Type of Coverage	Coverage	Deductible
<b>School Package Policy:</b>		
<b>Utica National Insurance Group:</b>		
Property - Blanket Building and Contents	\$ 184,704,372	\$ 5,000
Comprehensive General Liability	3,000,000	Aggregate
	1,000,000	Aggregate
Comprehensive Automotive Liability - Physical Damage	1,000,000	500/1000
Garage Keepers Liability - Physical Damage	37,500	500
<b>School Board Legal Liability:</b>		
Aggregate	3,000,000	10,000
Occurrence	1,000,000	
<b>Employee Benefits Liability:</b>		
Aggregate	3,000,000	1,000
Occurrence	1,000,000	
Business Income/Extra Expense	Actual Loss	
Inland Marine Floaters	4,335,000	250
<b>Umbrella Liability - Utica National Insurance</b>		
Umbrella Policy	10,000,000	SIR 10,000
<b>Excess Umbrella Liability - Fireman's Fund Insurance</b>		
Excess Liability Policy	50,000,000	Excess \$10m
<b>Student Accident Coverage - Monumental Life Insurance Co.</b>		
All Students & Athletes	5,000,000	N/A
<b>Public Employee Dishonesty Coverage</b>		
Utica National Insurance	100,000	1,000
<b>Excess Public Employee Dishonesty Coverage</b>		
National Union Fire Insurance	900,000	101,000
<b>Public Officials Bond - Zurich Insurance</b>		
Business Administrator/Board Secretary	650,000	N/A
Treasurer	650,000	N/A
Underground Storage Tank - Commerce & Industry	2,000,000	5,000
<b>Rockaway Meadow School Flood Liability - Selective Insurance</b>		
Building	266,200	1,000
Contents	231,000	1,000

Source: District Records

# Single Audit Section

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

Honorable President and Members  
of the Board of Education  
Parsippany-Troy Hills School District  
Parsippany, New Jersey  
County of Morris

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Parsippany-Troy Hills School District, in the County of Morris, New Jersey (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on timely basis.

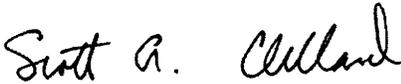
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

We noted certain matters that we have reported to management of the District in a separate *Auditors' Management Report on Administrative Findings* dated December 4, 2012.

This report is intended solely for the information and use of the District's management and Board, others within the entity, the New Jersey Department of Education, 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.

  
Scott A. Clelland  
Licensed Public School Accountant  
No. 1049

  
WISS & COMPANY, LLP

December 4, 2012  
Iselin, New Jersey

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 Circular 04-04

Honorable President and Members  
of the Board of Education  
Parsippany-Troy Hills School District  
Parsippany, New Jersey  
County of Morris

Compliance

We have audited the compliance of the Board of Education of the Parsippany-Troy Hills School District, in the County of Morris, New Jersey (the "District") 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 Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133; and New Jersey OMB 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 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 federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012.

#### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal and state program to determine the 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 New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or 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 the District's management and Board, others within the entity, the New Jersey Department of Education, 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.

This report is intended solely for the information and use of the District's management and Board, others within the entity, the New Jersey State Department of Education, 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.

*Scott A. Clelland*

Scott A. Clelland  
Licensed Public School Accountant  
No. 1049

*Wiss & Company*

WISS & COMPANY, LLP

December 4, 2012  
Iselin, New Jersey

Parsippany-Troy Hills School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Balance June 30, 2011											Repayment	Balance June 30, 2012		
	Federal CFDA Number	Grant or State Period Number	Grant Period	Award Amount	(Accounts Receivable)	Deferred Revenue	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	of Prior Years' Balances	(Accounts Receivable)	Deferred Revenue	Due to Grantor
<b>U.S. Department of Education—Passed-Through State Department of Education</b>															
<b>General Fund</b>															
Education Jobs	84.410A	ARRA395012	8/1/11-9/30/12	\$ 221,850				\$ 39,894	\$ 216,906				\$ (177,012)		
Education Jobs	84.410A	ARRA395011	8/1/10-9/30/11	17,457	(9,949)			9,949							
<b>Total U.S. Department of Education</b>					(9,949)			49,843	216,906				(177,012)		
<b>U.S. Department of Health and Human Services Passed-through State Department of Education:</b>															
Special Education Medicaid Initiative	93.778	N/A	7/1/11-6/30/12	63,141				27,365	63,141				(35,776)		
Special Education Medicaid Initiative	93.778	N/A	7/1/10-6/30/11	45,543	(28,226)					\$ 28,226					
<b>Total U.S. Department of Health and Human Services</b>					(28,226)			27,365	63,141	28,226			(35,776)		
<b>Total General Fund</b>					(38,175)			77,208	280,047	28,226			(212,788)		
<b>U.S. Department of Education—Passed-Through State Department of Education</b>															
<b>Special Revenue Fund:</b>															
Title I	84.010A	NCLB395012	9/1/11-8/31/12	262,082					164,217	235,842			(71,625)		
Title II, Part A	84.367A	NCLB395012	9/1/11-8/31/12	118,654						87,379			(87,379)		
Title III	84.365A	NCLB395012	9/1/11-8/31/12	103,519					81,420	96,870			(15,450)		
Title I	84.010A	NCLB395011	9/1/10-8/31/11	320,870	(77,667)			107,499	29,832						
Title II, Part A	84.367A	NCLB395011	9/1/10-8/31/11	215,142	(87,653)			87,654	5,160				(5,159)		
Title II, Part A	84.367A	NCLB395010	9/1/09-8/31/11	137,990	(76,048)			76,048							
Title II, Part D	84.318A	NCLB395011	9/1/10-8/31/11	1,071	(800)			800							
Title III	84.365A	NCLB395011	9/1/10-8/31/11	114,533	(72,992)			104,097	38,426				(7,321)		
Title IV	84.186A	NCLB395011	9/1/09-8/31/11	13,838	(8,215)			8,215							
<b>Special Education Cluster:</b>															
I.D.E.A. Part B, Regular	84.027	IDEA395012	9/1/11-8/31/12	1,609,757				1,214,472	1,496,497				(282,025)		
I.D.E.A. Part B, Regular	84.027	IDEA395011	9/1/09-8/31/11	1,574,957	(433,611)			433,611	59,192				(59,192)		
I.D.E.A. Part B, Preschool	84.173	IDEA395012	9/1/11-8/31/12	60,148				60,148	60,148						
I.D.E.A. Part B, Preschool	84.173	IDEA395011	9/1/09-8/31/12	60,173	(21,394)			21,394							
<b>American Recovery and Reinvestment Act:</b>															
ARRA - I.D.E.A. Part B, Regular	84.391	IDEA395011	9/1/09-8/31/11	1,672,307	(73,766)			81,341	60,572				(52,997)		
ARRA - I.D.E.A. Preschool	84.392	IDEA395011	9/1/09-8/31/11	60,463	(18,809)			20,381	1,572						
<b>Total Special Revenue Fund</b>					(870,955)			2,461,297	2,171,490				(581,148)		
<b>U.S. Department of Agriculture—Passed-Through State Department of Education</b>															
<b>Enterprise Fund:</b>															
U.S.D.A Food Donation Program (NC)	10.555	N/A	7/1/11-6/30/12	130,738				130,738	130,738						
National School Lunch Program	10.555	N/A	7/1/11-6/30/12	420,816				394,807	420,816				(26,009)		
National School Lunch Program	10.555	N/A	7/1/10-6/30/11	388,082	(28,238)				28,238						
<b>Total Enterprise Fund and Total U.S. Department of Agriculture—Passed-Through State Department of Education</b>					(28,238)			553,783	551,554				(26,009)		
<b>Total Federal Awards</b>					\$ (937,368)	\$ -	\$ -	\$ -	\$ 3,092,288	\$ 3,003,091	\$ 28,226	\$ -	\$ (819,945)	\$ -	\$ -

NC - non cash expenditure

The accompanying notes to schedules of expenditures of federal awards and state financial assistance are an integral part of this statement.

Parsippany-Troy Hills School District  
Schedule of Expenditures of State Financial Assistance  
Year ended June 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011		Carrvover/ Walkover	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Adjustments	Balance at June 30, 2012			Memo		
				Def'd Rev. (Accts Rec)	Due to Grantor						Deferred Revenue	(Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Expenditures	
<b>State Department of Education</b>																
<b>General Fund:</b>																
Special Education Categorical Aid	495-034-5120-089	7/1/11-6/30/12	\$ 3,580,489				\$ 3,256,901	\$ 3,580,489							\$ (323,588)	\$ 3,580,489
Special Education Categorical Aid	495-034-5120-089	7/1/10-6/30/11	1,068,183	\$ (66,861)			66,861									1,068,183
Extraordinary Aid	495-034-5120-044	7/1/10-6/30/11	724,477	(724,477)			724,477									724,477
Additional NP Transportation Aid		7/1/11-6/30/12	59,790					59,790				\$ (59,790)				59,790
Additional NP Transportation Aid		7/1/10-6/30/11	59,625	(59,625)			59,625									59,625
Reimbursed TPAF - Social Security	495-034-5095-002	7/1/11-6/30/12	4,077,645				4,077,645	4,077,645								4,077,645
Reimbursed TPAF - Social Security	495-034-5095-002	7/1/10-6/30/11	4,263,429	6,782						\$ (6,782)						4,263,429
<b>Total General Fund</b>				<b>(844,181)</b>	<b>-</b>	<b>-</b>	<b>8,185,509</b>	<b>7,717,924</b>	<b>-</b>	<b>(6,782)</b>	<b>-</b>	<b>(59,790)</b>	<b>-</b>	<b>(323,588)</b>	<b>13,833,638</b>	
<b>Special Revenue Fund:</b>																
<b>Non Public Auxiliary Services (Ch. 192):</b>																
Comensatorv Education	100-034-5120-067	7/1/11-6/30/12	24,515				24,515	18,259				\$ 6,256				18,259
<b>Non Public Handicapped Services (Ch. 193):</b>																
Supplemental Instruction	100-034-5120-066	7/1/11-6/30/12	21,046				21,046	7,717					13,329			7,717
Examination and Classification	100-034-5120-066	7/1/11-6/30/12	19,009				19,009	16,426						2,583		16,426
Corrective Speech	100-034-5120-066	7/1/11-6/30/12	26,855				26,855	19,825					7,030			19,825
<b>New Jersey Non-Public Aid:</b>																
Nursing	100-034-5120-070	7/1/11-6/30/12	24,018				24,018	24,018								24,018
Textbook Aid	100-034-5120-064	7/1/11-6/30/12	16,815				16,815	16,815								16,815
Auxiliary Services	100-034-5120-067	7/1/10-6/30/11	54,497	\$ 21,224					\$ 21,224							
Handicapped Services	100-034-5120-068	7/1/10-6/30/11	82,389		32,650				32,650							
Handicapped - Home Instruction	100-034-5120-068	7/1/10-6/30/11	1,679	(1,679)			1,679									
<b>Other State Aid:</b>																
Bully Prevention	N/A	7/1/11-6/30/12	146				146					\$ 146				
<b>Total Special Revenue Fund</b>				<b>(1,679)</b>	<b>53,874</b>	<b>-</b>	<b>134,083</b>	<b>103,060</b>	<b>53,874</b>	<b>-</b>	<b>146</b>	<b>-</b>	<b>29,198</b>	<b>-</b>	<b>103,060</b>	
<b>New Jersey School Development Authority</b>																
<b>Capital Projects Fund:</b>																
Knollwood E.S. Boiler Replacement	3950-065-10-G0ND	7/1/11-6/30/12	150,290	(129,260)			150,290	21,030								150,290
Mount Tabor E.S. Window and Door Replacement	3950-100-10-G0NE	7/1/11-6/30/12	243,751	(172,973)			243,751	70,778								243,751
<b>Total Capital Projects Fund</b>				<b>(302,233)</b>	<b>-</b>	<b>-</b>	<b>394,041</b>	<b>91,808</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>394,041</b>	
<b>Debt Service Fund:</b>																
Type II Aid	100-034-5120-075	7/1/11-6/30/12	553,376				553,376	553,376								553,376
<b>Total Debt Service Fund</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>553,376</b>	<b>553,376</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>553,376</b>	
<b>State Department of Agriculture</b>																
<b>Enterprise Fund:</b>																
State School Lunch Program (State share)	100-010-3350-023	7/1/11-6/30/12	22,596				21,219	22,596				(1,377)				22,596
State School Lunch Program (State share)	100-010-3350-023	7/1/10-6/30/11	24,163	(3,088)			3,088									24,163
<b>Total Enterprise Fund</b>				<b>(3,088)</b>	<b>-</b>	<b>-</b>	<b>24,307</b>	<b>22,596</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,377)</b>	<b>-</b>	<b>-</b>	<b>46,759</b>	
<b>Total State Financial Assistance</b>				<b>\$ (1,151,181)</b>	<b>\$ 53,874</b>	<b>\$ -</b>	<b>\$ 9,291,316</b>	<b>\$ 8,488,764</b>	<b>\$ 53,874</b>	<b>\$ (6,782)</b>	<b>\$ 146</b>	<b>\$ (61,167)</b>	<b>\$ 29,198</b>	<b>\$ (323,588)</b>	<b>\$ 14,377,498</b>	

The accompanying notes to schedules of expenditures of federal awards and state financial assistance are an integral part of this statement.

Parsippany-Troy Hills School District  
Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance

Year ended June 30, 2012

**1. General**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal award and state financial assistance programs of the District. The District is defined in Note 1 to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards passed through other government agencies are included on the schedules of expenditures of federal awards and state financial assistance.

**2. Basis of Accounting**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented 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 District's basic financial statements. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

**3. Relationship to Basic Financial Statements**

Amounts reported in the accompanying schedules agree with amounts reported in the District's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison schedules and statements (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 state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP

Parsippany-Troy Hills School District

Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance

Year ended June 30, 2012

**3. Relationship to Basic Financial Statements (continued)**

purposes, these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$256,727 for the general fund and \$12,887 for the special revenue fund. See Note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to GAAP of accounting for the general and special revenue funds. Financial award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 280,047	\$ 12,931,730	\$ 13,211,777
Special Revenue Fund	2,162,991	104,277	2,267,268
Capital Projects Fund		394,041	394,041
Debt Service Fund		553,376	553,376
Food Service Fund	551,554	22,596	574,150
Total financial award revenues	<u>\$ 2,994,592</u>	<u>\$ 14,006,020</u>	<u>\$ 17,000,612</u>

**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.

Parsippany-Troy Hills School District

Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance

Year ended June 30, 2012

**5. Other**

Revenues and expenditures reported under the Food Donation Program represent current year value of USDA commodities received and current year distributions, respectively. TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2012.

The post retirement pension, medical benefits and noncontributory insurance received on-behalf of the District for the year ended June 30, 2012 amounted to \$5,470,533. Since on-behalf post retirement pension and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB's Circular 04-04 and are not reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

**6. Adjustments**

The adjustments presented on the schedule of expenditures of federal and state awards relate to the cancelation of a prior year receivable.

Parsippany-Troy Hills School District  
Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part I - Summary of Auditor's Results**

**Financial Statement Section**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?            Yes   ✓   No

Significant deficiency(ies) identified?            Yes   ✓   None Reported

Noncompliance material to financial statements noted?            Yes   ✓   No

**Federal Awards Section**

Dollar threshold used to determine Type A programs: \$300,000

Auditee qualified as low-risk auditee?   ✓   Yes            No

Type of auditors' report on compliance for major programs: Unqualified

Internal control over major programs:

Material weakness(es) identified?            Yes   ✓   No

Significant deficiency(ies) identified?            Yes   ✓   None Reported

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?            Yes   ✓   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027A	IDEA, Part B, Regular
84.173A	IDEA, Preschool
84.391	ARRA IDEA, Part B, Regular
84.392	ARRA IDEA, Preschool

Parsippany-Troy Hills School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2012

**Part I - Summary of Auditor's Results (continued)**

**State Awards Section**

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

✓ Yes \_\_\_\_\_ No

Type of auditors' report on compliance for major programs:

Unqualified

Internal control over compliance:

Material weakness(es) identified?

\_\_\_\_\_ Yes ✓ No

Significant deficiency (ies) identified?

\_\_\_\_\_ Yes ✓ None Reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 04-04?

\_\_\_\_\_ Yes ✓ No

Identification of major programs:

<u>GMIS/Program Number</u>	<u>Name of State Program or Cluster</u>
495-034-5120-089	Special Education Categorical Aid

Parsippany-Troy Hills School District  
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2012

**Part II - Schedule of Financial Statement Findings**

No compliance or internal control over financial reporting findings noted that are required to be reported under *Government Auditing Standards*.

Parsippany-Troy Hills School District  
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2012

**Part III - Schedule of Federal Award and State Financial Assistance  
Findings and Questioned Costs**

No compliance or internal control findings noted that are required to be reported in accordance with OMB Circular A-133 and New Jersey State OMB Circular 04-04.

Parsippany-Troy Hills School District  
Summary Schedule of Prior Year Audit Findings  
Year ended June 30, 2012

None.