

**SCHOOL DISTRICT  
OF  
MORRIS HILLS REGIONAL**



**Morris Hills Regional School District  
Board of Education  
Rockaway, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2013**

**Comprehensive Annual  
Financial Report**

**of the**

**Morris Hills Regional School District  
Board of Education**

**Rockaway, New Jersey**

**For the Fiscal Year Ended June 30, 2013**

**Prepared by**

**Morris Hills Regional School District  
Board of Education**

**Business Office**

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**INTRODUCTORY SECTION**

# MORRIS HILLS REGIONAL DISTRICT

48 KNOLL DRIVE

ROCKAWAY, NEW JERSEY 07866-4088

FAX: (973) 627-6588

[www.mhrd.org](http://www.mhrd.org)

SUPERINTENDENT OF SCHOOLS  
JAMES J. JENCARELLI  
(973) 664-2291

ASSISTANT SUPERINTENDENT  
FOR CURRICULUM & INSTRUCTION  
NISHA ZOELLER, D.Litt.  
(973) 664-2293

BUSINESS ADMINISTRATOR &  
BOARD SECRETARY  
JOANN GILMAN  
(973) 664-2281

DISTRICT DIRECTOR OF EDUCATION  
& ADMINISTRATIVE SERVICES  
BRIAN BULGER, Ed.D.  
(973) 664-2298

November 1, 2013

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

Dear Board Members:

The comprehensive annual financial report of the Morris Hills Regional School District (the "District") for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the 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 financial and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

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

The Morris Hills Regional School District is a comprehensive educational organization that provides academic, technological, and vocational programs for grades 9, 10, 11 and 12 as well as adult programs. The District has enhanced program offerings that make it unique among high schools in the state; in fact, school choice applications have tripled as a result of the enhanced opportunities available to students. These programs, while specialized to meet individual needs, have not significantly impacted the budget.

The Honorable President and Members of  
the Board of Education  
Morris Hills Regional School District  
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## 1) REPORTING ENTITY AND ITS SERVICES:

### Program Highlights

- **AP Program:** We have expanded our AP Program and now offer 18 Advanced Placement options for students. AP offers students the opportunity to earn college credits while in high school, a major NJDOE initiative. In addition, we were 1 of only 367 schools in the U.S. and Canada to be recognized by the College Board for excellence in access and equity. In other words, we have open enrollment for our Advanced Placement courses and high scores even though we have no minimum grade pre-requisite to enter the course. This past year, 85% of the students taking 790 AP exams scored 3 or higher, scores high enough to earn college credit. 32% of exams taken earned a perfect score of 5.
- **International Baccalaureate:** We are one of only 14 schools in New Jersey to offer the International Baccalaureate Diploma Program, an extremely competitive, internationally-recognized program for juniors and seniors. IB courses are as rigorous, if not more rigorous than AP courses and provide students the opportunity to earn college credit while in high school, a major NJDOE initiative. Our first graduating class in the IB Diploma Program out-performed graduates of established IB Programs around the world, including areas in which the United States is considered weak, such as world language.
- **Magnet Program for Math and Science:** We are in our fifth year of offering a specialized program that emphasizes statistical analysis and scientific research and which includes coursework that is offered by no other high school in the state (and only typically seen at the collegiate level.) This program offers a 3-year sequence in Research Methods and provides students with training and skills to conduct collegiate level research and advanced STEM coursework. The NJDOE has been emphasizing the incorporation of STEM into high school curriculum; the Magnet Program exemplifies the type of STEM curricula that is going on in the best schools in the country. The Magnet Program is part of the National Consortium for Specialized Secondary Schools of Math, Science, and Technology (NCSSSMST), which requires that programs be aligned to the consortium's STEM standards.
- **AVID Program:** We are in our first year of implementing the AVID Program (Advancement Via Individual Determination), a national and international program that helps students in the academic middle take more rigorous coursework and provides access to college for historically under-represented groups. Teachers are trained in research-based instructional strategies to work with this population, and students are provided access to upper level coursework traditionally reserved for the academic elite.
- **Gifted and Talented Program:** Unlike many high schools in the state, that only offer "gifted" programs through honors and AP coursework, we also address the other areas of giftedness that are recognized by the National Association for Gifted Children through seminars, pull out programs and a vast independent study program.

The Honorable President and Members of  
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 Morris Hills Regional School District  
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- **School Choice Program:** The District continued two school choice programs that began in 2011-2012. The first, an inter-district school choice program allowed resident students to apply to either high school regardless of their address. Approximately thirty students participated in 2012-2013. Also in 2011-2012, Morris Hills Regional District was approved by the New Jersey Department of Education as a Choice School District. There were 84 students at MHRD in the 2012-2013 school year. Funding is received directly from the State of New Jersey for these students.
- **General Education Program:** Our general education program provides all students with access to a truly comprehensive curriculum, including technology education, computer science, world languages, the academic core, and visual and performing arts. Both high schools have recently made significant gains in the HSPA and are consistently ranked in the top 100 high schools in the state.

The District enrollment as of June 30, 2013 was 2,712 students, compared to 2,735 students as of June 30, 2012. Adult school enrollment was 136 students which represents a growth of 5%.

**2) ECONOMIC CONDITION AND OUTLOOK:** The population of all four municipalities, Denville Township, Rockaway Township, Rockaway Borough and Wharton Borough is experiencing modest growth. Wharton Borough is expecting future growth as a result of the new construction of a 248 unit apartment complex to be completed this year which will also increase the tax base. The tax collection rate in all four municipalities remains close to 98%. Although population has increased, elementary enrollment has not grown at the same pace. The regional high school enrollment however, has seen growth and is projecting an increase of at least 1% next year as a result of the School Choice Program. The District has the potential to enroll four hundred students in this program. Enrollment grows steadily each year. Students choose between either Morris Hills High School, built in 1953 or Morris Knolls High School, built in 1964. A referendum in 2004 funded renovations and expansions at both buildings.

**Long Term Financial Planning:** New Jersey law limits the increase in NJ school districts' tax levies to 2% annually. In order to exceed the cap, a public vote is required. The Morris Hills Regional District Board of Education is committed to limiting tax increases and has explored alternate funding sources. In 2011, Morris Hills became a School Choice District which created a new source of aid for the District. Enrollments and aid attributable to this program are expected to increase each year for the next five years until we reach capacity. The District has also achieved cost savings by sharing services with our elementary school districts. There is a commitment from the elementary districts as well as the high school districts to continue these cost saving measures.

**3) MAJOR INITIATIVES:** Morris Hills Regional District is in its third round of successful ten-year strategic planning. Each round began with a process of outreach and collaboration by teachers, support staff, administrators, students and community members to identify and articulate common goals for the decade. The Goals outlined in the 2020 plan are:

#### Curriculum and Instruction

Morris Hills Regional District will develop a personalized learning experience through a comprehensive and diverse curriculum that empowers all students to become meaningful contributors to a global society through innovative instructional practices and authentic measures for assessing understanding.

The Honorable President and Members of  
the Board of Education  
Morris Hills Regional School District  
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November 1, 2013

### 3) MAJOR INITIATIVES: (Cont'd)

The Goals outlined in the 2020 plan are: (Cont'd)

#### Professional Development

Morris Hills Regional District will promote and facilitate standards-based professional development that is relevant to all stakeholders and responds to emerging needs. Targeted areas include, but are not limited to, developing effective teaching skills that meet the specific needs of all learners, infusing technology throughout instruction and infrastructure, fostering collegial relationships that advance learning communities, and providing the appropriate resources to empower life-long learners.

#### Community and Security

Morris Hills Regional District will encourage a relationship between the District and community that incorporates parental, student, and community involvement to promote mutual support for instructional and volunteer endeavors. Within this learning community, the District will provide an environment that is physically and emotionally secure.

#### Integrity and Ethics

The Morris Hills Regional District will empower the entire community to respect and celebrate the diverse strengths and experiences of each individual in the global community through civic service and an appreciation of various perspectives with an emphasis on personal integrity, ethical responsibility, team-building, persistence, and accountability.

#### Technology & Globalization

Morris Hills Regional District will provide resources for efficient integration of technology into its schools and curriculum through economically and environmentally responsible means while connecting to the global community and facilitating intercultural collaboration.

#### Fiscal Responsibility and Infrastructure

Morris Hills Regional District will appropriately and responsibly allocate fiscal resources to provide all students with an effective learning environment. The District will seek alternative funding, share resources and services, and pursue viable opportunities to reduce the tax burden on the District's residents without compromising the quality of education.

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 is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control, 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.

The Honorable President and Members of  
the Board of Education  
Morris Hills Regional School District  
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November 1, 2013

**5) BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, 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 fiscal year-end are either canceled or are included as reappropriations of fund balance in the subsequent fiscal year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2013.

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

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

**8) RISK MANAGEMENT:** The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. New Jersey School Boards Association Insurance Group "NJSBAIG" oversees risk management for the District. A schedule of insurance coverage is found on Exhibit J-20.

The District is a member of the New Jersey School Board's Association Insurance Group ("NJSBAIG"). The NJSBAIG is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to its members. Additional information on the NJSBAIG is included in the "Notes to the Basic Financial Statements", in Note 11.

**9) OTHER INFORMATION:** Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board of Education. 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 Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

The Honorable President and Members of  
the Board of Education  
Morris Hills Regional School District  
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November 1, 2013

10) AWARDS: The Association of School Business Officials International ("ASBO") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Morris Hills Regional District for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2012 - the first year that the District achieved this prestigious award. This program contributes to the enhancement of credibility of financial management, the adoption of accounting principles generally accepted in the United States of America, and sound budgetary and reporting purposes. In order to be awarded a Certificate of Excellence, the District must prepare its CAFR in a fashion that strictly conforms to generally accepted accounting principles and program requirements. The Certificate of Excellence is valid for a period of one year, and the District feels confident that it will continue to meet the program requirements and will apply for the award for the fiscal year ended June 30, 2013.

11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Morris Hills Regional School 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,

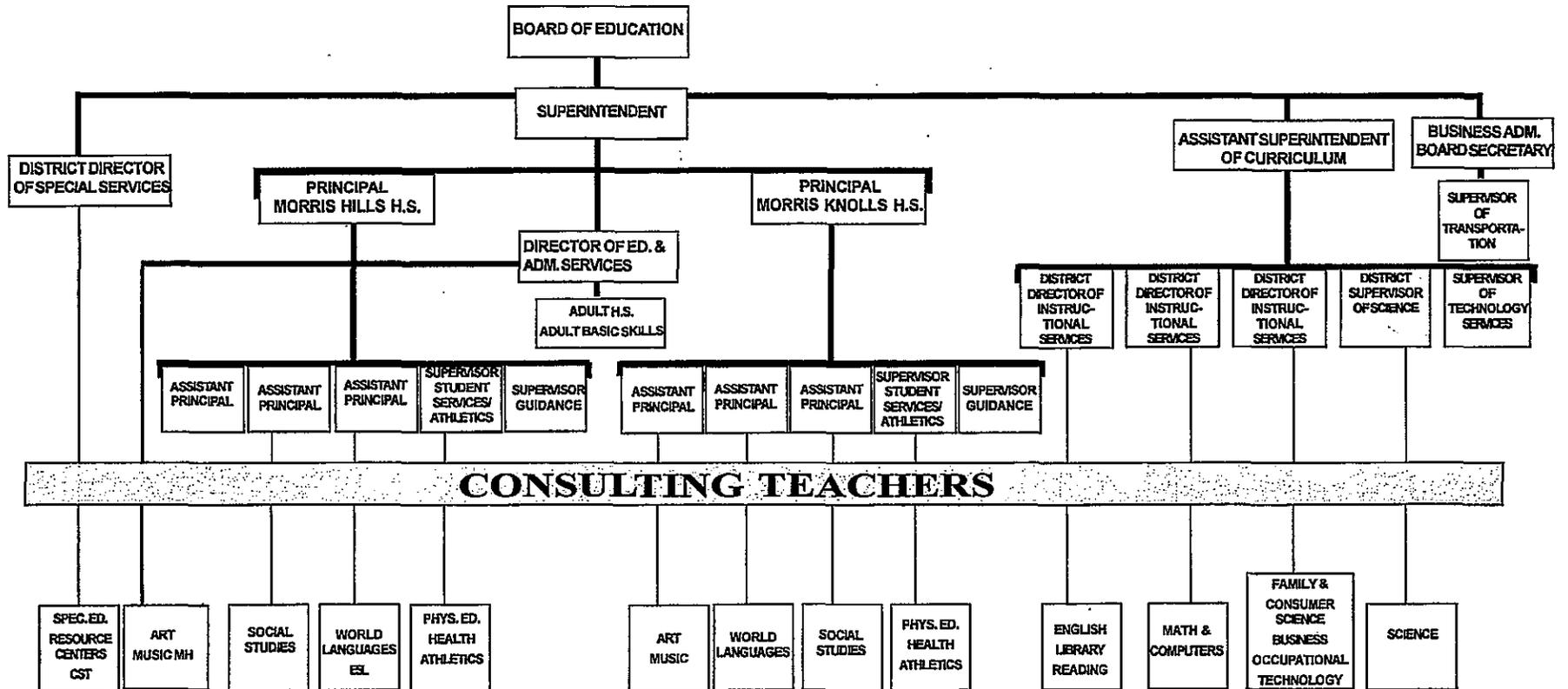


James J. Jencarelli  
Superintendent

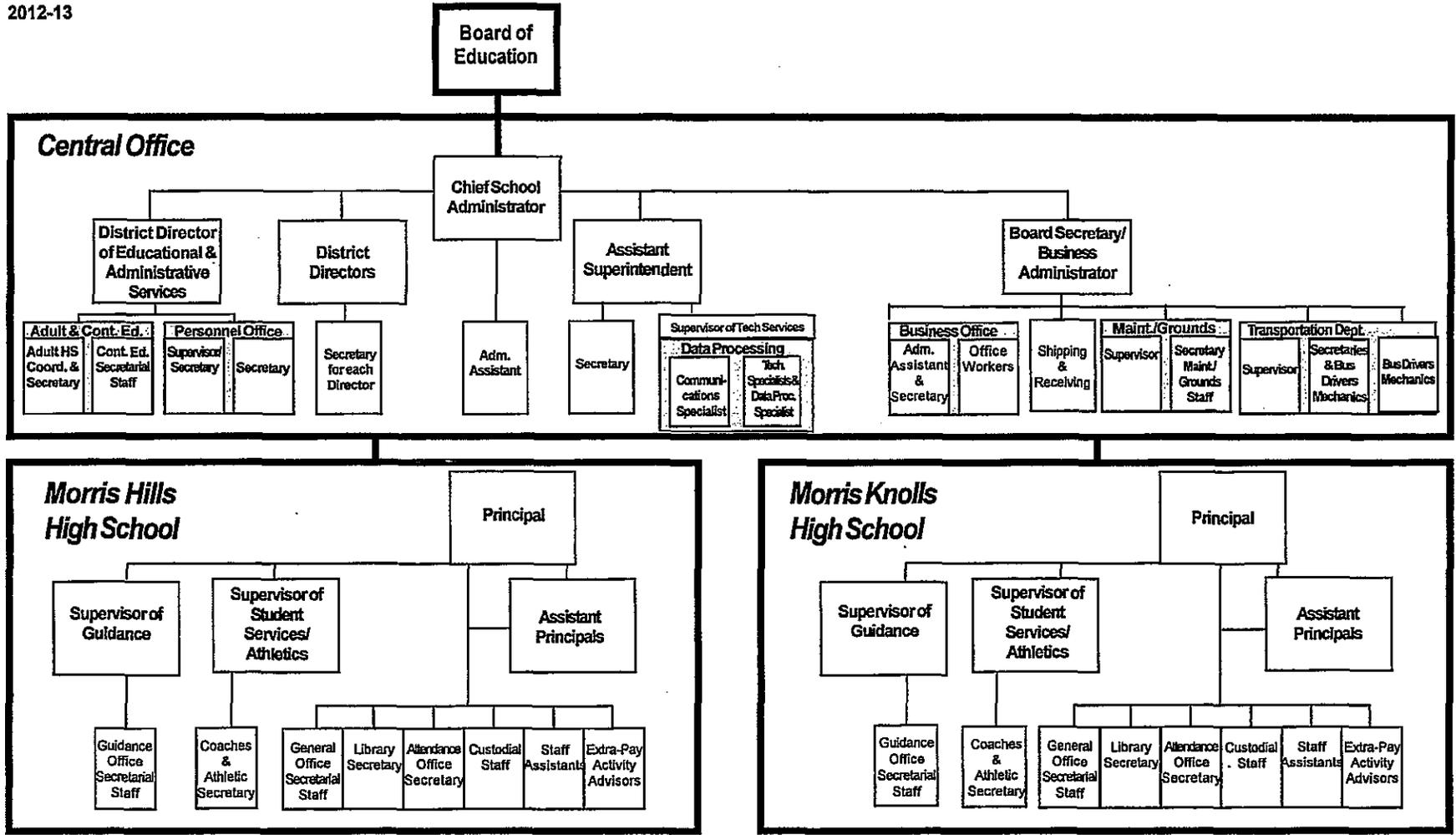


Joann Gilman  
Board Secretary/Business Administrator

**MORRIS HILLS REGIONAL DISTRICT  
 ORGANIZATIONAL CHART - CERTIFIED STAFF  
 2012-13**



MORRIS HILLS REGIONAL DISTRICT  
 ORGANIZATIONAL CHART - SUPPORT STAFF  
 2012-13



**MORRIS HILLS REGIONAL SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2013**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Paula Gilbert, President	2013
Roger A. Schneider, Vice President	2014
Michael Bertram	2015
Michael Collins	2015
Robert Crocetti, Jr.	2014
Mark DiGennaro	2015
Thomas G. Greulich	2013
Barbara C. Guerra	2013
Steven Kovacs	2014

Other Officials

Title

James J. Jencarelli	Superintendent of Schools
Dr. Nisha Zoeller	Assistant Superintendent of Schools
Joann Gilman	Board Secretary/School Business Administrator
Dr. Brian Bulger	Director of Educational and Administrative Services
Deryls M. Gutierrez	Board Attorney

**MORRIS HILLS REGIONAL SCHOOL DISTRICT  
CONSULTANTS AND ADVISORS**

**Attorney**

Derlys Guttierrez, Esq.  
ASG&L, LLP  
1037 Raymond Boulevard  
Newark, New Jersey 07102

**Audit Firm**

Nisivoccia LLP, CPAs  
Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, New Jersey 07856-1320

**Official Depository**

PNC Bank  
55 West Main Street  
Rockaway, New Jersey 07866

# Association of School Business Officials International



The Certificate of Excellence in Financial Reporting Award  
is presented to

## Morris Hills Regional District

For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2012

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



A handwritten signature in cursive script, reading 'Ron McCulley', written over a horizontal line.

Ron McCulley, CPPB, RSBO  
President

A handwritten signature in cursive script, reading 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director

**FINANCIAL SECTION**



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax  
 Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Morris Hills Regional School District (the "District") in the County of Morris as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise of the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable President and Members  
of the Board of Education  
Morris Hills Regional School District  
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### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Morris Hills Regional School District, in the County of Morris, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

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 such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the 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*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections 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.

The Honorable President and Members  
of the Board of Education  
Morris Hills Regional School District  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Nisivoccia, LLP*

Mount Arlington, New Jersey  
November 1, 2013

NISIVOCCIA, LLP

*Kathryn L. Mantell*

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Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

This section of Morris Hills Regional School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the District's basic financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* adopted in June, 1999. Certain comparative information between the current fiscal year (2012-2013) and the prior fiscal year (2011-2012) is required to be presented in the MD&A.

### **Financial Highlights**

- The District's net position decreased by \$684,055 during the course of the fiscal year.
- Overall revenue was \$69,870,995 for the fiscal year.
- Overall expenditures were \$70,555,050 for the fiscal year.

### **Overview of the Financial Statements**

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

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

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

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

**Figure A-1  
Organization of Morris Hills Regional School District's Financial Report**

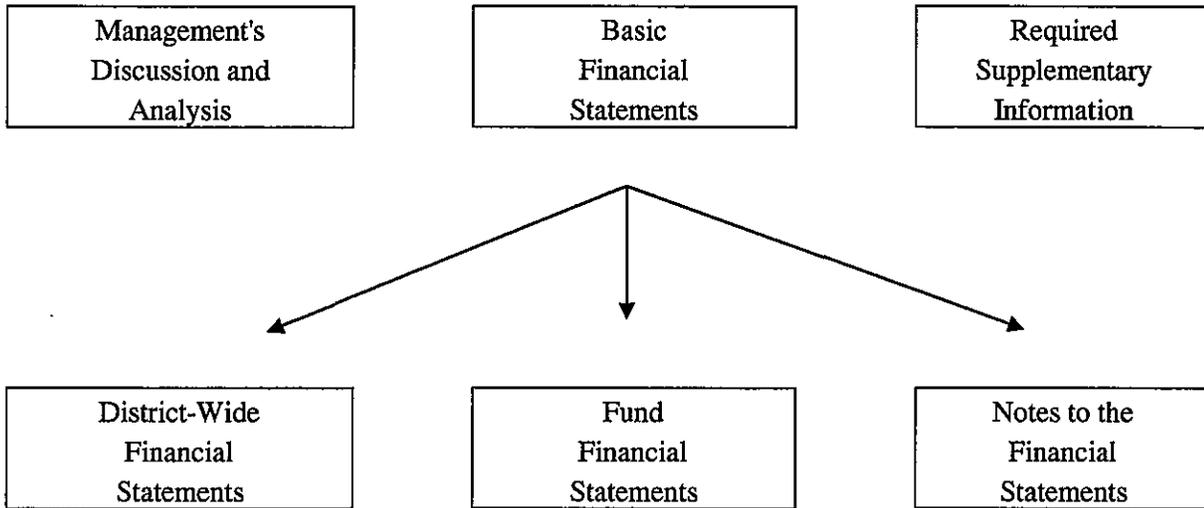


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

Figure A-2

*Major Features of the District-Wide and Fund Financial Statements*

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

**Morris Hills Regional School District  
Management's Discussion and Analysis  
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(Unaudited)**

### **District-wide Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

*Net Position.* The District's combined net position was \$10,683,466 on June 30, 2013, \$684,055 or 6.02% less than they were the year before (See Figure A-3). Net investment in capital assets decreased by \$873,084 due to \$2,776,641 and \$32,283 of depreciation related to governmental and business-type capital assets, respectively, and \$497,981 of construction in progress which was not capitalized, offset by \$717,445 of capital additions, and the retirement of \$1,360,000 of bonded debt and \$356,376 of capital leases. Restricted net position increased by \$132,663 which is comprised of capital reserve deposits, interest and unexpended capital outlay appropriations returned of \$2,176,450, maintenance reserve deposits and unexpended required maintenance appropriations returned of \$100,000, offset by capital and maintenance reserve withdrawals of \$1,890,587 and \$190,000, respectively, \$63,000 in capital projects expenditures and a net decrease in debt service fund balance of \$200. Unrestricted net position increased by \$56,366, primarily due to a net increase in the operations of the governmental funds, a net increase in compensated absences of \$430,667, \$285,733 of bond premiums amortized, and a decrease in accrued interest of \$8,960, offset by a net decrease in the operations of the proprietary enterprise funds of \$39,550, deposits to the capital and maintenance reserve accounts of \$724,253 and \$48,351, respectively, \$249,596 in capital projects expenditures, and \$147,155 of deferred interest amortized.

**Figure A-3  
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	Change 2012/13
Current and							
Other Assets	\$ 6,362,028	\$ 8,115,205	\$ 242,463	\$ 233,207	\$ 6,604,491	\$ 8,348,412	-20.89%
Capital Assets	42,395,241	44,952,418	562,991	595,274	42,958,232	45,547,692	-5.69%
Total Assets	48,757,269	53,067,623	805,454	828,481	49,562,723	53,896,104	-8.04%
Long-Term Debt							
Outstanding	33,046,114	34,184,668			33,046,114	34,184,668	-3.33%
Other Liabilities	5,055,859	8,268,263	92,175	75,652	5,148,034	8,343,915	-38.30%
Total Liabilities	38,101,973	42,452,931	92,175	75,652	38,194,148	42,528,583	-10.19%
Net Position:							
Net Investment in							
Capital Assets	10,349,720	11,190,521	562,991	595,274	10,912,711	11,785,795	-7.41%
Restricted	4,228,046	4,095,383			4,228,046	4,095,383	3.24%
Unrestricted (Deficit)	(4,607,579)	(4,671,212)	150,288	157,555	(4,457,291)	(4,513,657)	1.25%
Total Net Position	\$ 9,970,187	\$ 10,614,692	\$ 713,279	\$ 752,829	\$ 10,683,466	\$ 11,367,521	-6.02%

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

**Financial Analysis of the District as a Whole**

*Changes in Net Position.* The District's combined net position decreased by \$684,055, or 6.02%. Net position from governmental activities decreased \$644,505 and net position from business-type activities decreased by \$39,550 (See Figure A-4).

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	Change 2012/13
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services			\$ 3,071,366	\$ 3,149,052	\$ 3,071,366	\$ 3,149,052	-2.47%
Grants and Contributions:							
Operating	\$ 8,980,849	\$ 7,702,596	160,555	214,499	9,141,404	7,917,095	15.46%
Capital		422,673				422,673	-100.00%
<b>General Revenue:</b>							
Property Taxes	53,217,415	52,225,854			53,217,415	52,225,854	1.90%
Unrestricted Federal and State Aid	4,186,366	3,770,140			4,186,366	3,770,140	11.04%
Other	254,444	281,701			254,444	281,701	-9.68%
<b>Total Revenue</b>	<b>66,639,074</b>	<b>64,402,964</b>	<b>3,231,921</b>	<b>3,363,551</b>	<b>69,870,995</b>	<b>67,766,515</b>	<b>3.11%</b>
<b>Expenses:</b>							
Instruction	33,693,441	31,860,781			33,693,441	31,860,781	5.75%
Pupil and Instruction Services	13,336,647	13,552,512			13,336,647	13,552,512	-1.59%
Administration and Business	5,737,521	4,705,283			5,737,521	4,705,283	21.94%
Maintenance and Operations	5,970,683	4,798,296			5,970,683	4,798,296	24.43%
Transportation	4,375,236	4,135,401			4,375,236	4,135,401	5.80%
Other	4,170,051	4,042,987	3,271,471	3,544,290	7,441,522	7,587,277	-1.92%
<b>Total Expenses</b>	<b>67,283,579</b>	<b>63,095,260</b>	<b>3,271,471</b>	<b>3,544,290</b>	<b>70,555,050</b>	<b>66,639,550</b>	<b>5.88%</b>
<b>Increase/(Decrease) in Net Position</b>	<b>\$ (644,505)</b>	<b>\$ 1,307,704</b>	<b>\$ (39,550)</b>	<b>\$ (180,739)</b>	<b>\$ (684,055)</b>	<b>\$ 1,126,965</b>	<b>-160.70%</b>

*Revenue Sources.* The District's total revenue for the 2012/2013 school year was \$69,870,995 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$53,217,415 of the total, or 76.16 percent (See Figure A-5). The remaining 23.84 percent of revenue is comprised of 19.08 percent from state formula aid and federal and state categorical grants, 4.4 percent from charges for services and .36 percent from other miscellaneous sources. The \$7,118,751 of federal and state categorical grants revenue includes \$3,509,085 of funds that are not paid to the District, but are included in funding for Post-Retirement Medical Benefits and Pension Contributions that the State of New Jersey is paying on behalf of the District as well as \$1,876,330 of reimbursed TPAF Social Security Contributions. The Morris Hills Regional School District primarily conducts its operations from the revenue it receives from its local taxpayers and State Aid.

**Morris Hills Regional School District  
Management's Discussion and Analysis  
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(Unaudited)**

**Figure A-5  
Sources of Revenue for Fiscal Year 2013 and 2012**

Sources of Income:	2012/13		2011/12	
	Amount	Percentage	Amount	Percentage
State Formula Aid	\$ 6,209,019	8.89%	\$ 5,322,865	7.85%
Property Taxes	53,217,415	76.16%	52,225,854	77.07%
Federal and State Categorical Grants	7,118,751	10.19%	6,787,043	10.01%
Charges for Services	3,071,366	4.40%	3,149,052	4.65%
Other	254,444	0.36%	281,701	0.42%
	<u>\$ 69,870,995</u>	<u>100.00%</u>	<u>\$ 67,766,515</u>	<u>100.00%</u>

The total cost of all programs and services was \$70,555,050. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (72.85 percent) (See Figure A-6). The District's administrative and business costs accounted for 8.13 percent of total costs and maintenance and operations costs accounted for 8.46% of total costs. It is important to note that other expenses include \$450,443 for special schools, \$2,447,833 of unallocated depreciation, \$1,271,775 of interest on long-term debt and \$3,271,471 for business-type activities expenses and represented 10.56% of total costs.

**Figure A-6  
Expenses for Fiscal Year 2013 and 2012**

Expense Category:	2012/13		2011/12	
	Amount	Percentage	Amount	Percentage
Instruction	\$ 33,693,441	47.75%	\$ 31,860,781	47.81%
Pupil and Instruction Services	13,336,647	18.90%	13,552,512	20.34%
Administration and Business	5,737,521	8.13%	4,705,283	7.06%
Maintenance and Operations	5,970,683	8.46%	4,798,296	7.20%
Transportation	4,375,236	6.20%	4,135,401	6.21%
Other	7,441,522	10.56%	7,587,277	11.38%
	<u>\$ 70,555,050</u>	<u>100.00%</u>	<u>\$ 66,639,550</u>	<u>100.00%</u>

### Governmental Activities

The financial position of the District remained steady during the fiscal year. Maintaining existing programs with increased enrollment, the provision of a multitude of special programs/services for disabled pupils and the cost of employee benefits has placed great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health. Increasing parental and student demands for new activities and programs must be evaluated thoroughly.

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

**Morris Hills Regional School District  
Management's Discussion and Analysis  
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(Unaudited)**

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

	Total Cost of Services		Net Cost of Services	
	2012/2013	2011/2012	2012/2013	2011/2012
Instruction	\$ 33,693,441	\$ 31,860,781	\$26,410,320	\$25,607,181
Pupil and Instruction Services	13,336,647	13,552,512	12,291,836	12,472,056
Administration and Business	5,737,521	4,705,283	5,409,811	4,477,179
Maintenance and Operations	5,970,683	4,798,296	5,970,683	4,297,120
Transportation	4,375,236	4,135,401	4,107,531	4,114,513
Other	4,170,051	4,042,987	4,112,549	4,001,942
	<u>\$ 67,283,579</u>	<u>\$ 63,095,260</u>	<u>\$ 58,302,730</u>	<u>\$ 54,969,991</u>

- The cost of all governmental activities this fiscal year was \$67,283,579.
- The federal and state governments subsidized certain programs with grants and contributions (\$6,958,196).
- Most of the District's costs, however, were financed by District taxpayers (\$53,217,415).
- A portion of governmental activities was financed with state aid based on the SFRA formula (\$6,209,019).
- The remainder of funding came from tuition, investment earnings and miscellaneous revenue (\$254,444).

#### **Business-Type Activities**

The net position of the District's business-type activities decreased by \$39,550 which was comprised of \$20,008 for food service and \$19,572 for the academy for technology, offset by the increase in adult continuing education of \$30. (Refer to Figure A-4). The decrease in food service was primarily attributable to the loss of operating days and food associated with Super Storm Sandy combined with students' choosing non-reimbursable meals over reimbursable meals (loss of subsidies). The decrease in the academy for technology was strictly associated with the annual depreciation of its capital assets.

#### **Financial Analysis of the District's General Fund Assigned Fund Balance**

The District's financial condition has been directly affected in recent years by legislation titled "S1701" which reduced the amount of allowable General Fund unassigned fund balance to 2% of adjusted expenditures. Since the law's inception, the District had fund balance over the 2% limit as follows: \$56,637 at June 30, 2003, \$266,254 at June 30, 2004, \$455,394 at June 30, 2005, \$1,032,009 at June 30, 2006, and \$348,850 at June 30, 2009 which was appropriated as revenue in the District's subsequent fiscal year's budgets. At June 30, 2013 the District's 2% limit is \$1,153,623 plus adjustments for additional State Aid of \$199,832, for a total of \$1,353,455 as allowable General Fund unassigned fund balance. However, since the District appropriated \$923,000 of surplus as revenue in its 2013-2014 budget, only \$941,155 (or 1.63%) is unassigned at June 30, 2013.

The State imposes spending and tax levy limits on the District in its budget process. Therefore, the District must continue to monitor expenditures and fund balance and manage operating and capital needs within these budget constraints.

**Morris Hills Regional School District  
Management's Discussion and Analysis  
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(Unaudited)**

### General Fund Budgetary Highlights

Over the course of the fiscal year, the District revised the annual operating budget several times. These budget amendments were for changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

### Capital Asset and Debt Administration

**Figure A-8**

#### Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	Change 2012/13
Sites (Land)	\$ 288,500	\$ 288,500			\$ 288,500	\$ 288,500	0.00%
Construction in Progress	39,216	497,981			39,216	497,981	-92.13%
Buildings and Building Improvements	38,893,091	40,825,361			38,893,091	40,825,361	-4.73%
Land Improvements	1,299,416	1,492,132			1,299,416	1,492,132	-12.92%
Machinery & Equipment	1,875,018	1,848,444	\$ 562,991	\$ 595,274	2,438,009	2,443,718	-0.23%
Total Capital Assets, Net of Depreciation	<u>\$ 42,395,241</u>	<u>\$ 44,952,418</u>	<u>\$ 562,991</u>	<u>\$ 595,274</u>	<u>\$ 42,958,232</u>	<u>\$ 45,547,692</u>	-5.69%

The District invested \$717,445 in capital assets (\$249,596 of capital projects expenditures and \$467,849 in capital outlay expenditures for equipment purchases), expensed \$497,981 of construction in progress which was not capitalized, and incurred \$2,776,641 and \$32,283 of depreciation related to governmental and business-type capital assets, respectively. (More detailed information about the District's capital assets is presented in Note 6 to the Basic Financial Statements).

### Long-term Debt

At fiscal year-end, the District had \$31,110,000 in general obligation bonds outstanding which were offset by \$2,501,635 of deferred interest (reported as a net \$28,608,365), \$3,502,228 in compensated absences payable and \$935,521 in capital leases payable as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 8 to the Basic Financial Statements).

**Figure A-9**

#### Outstanding Long-Term Debt

	Total School District		Percentage
	2012/13	2011/12	Change 2012/13
General Obligation Bonds (Financed with Property Taxes), Net	\$ 28,608,365	\$ 29,821,210	-4.07%
Other Long-Term Liabilities	4,437,749	4,363,458	1.70%
	<u>\$ 33,046,114</u>	<u>\$ 34,184,668</u>	-3.33%

- The District retired \$1,360,000 of its general obligation bonds during the fiscal year.
- The District amortized \$147,155 of the deferred amount on refunding.
- The District's liability for compensated absences increased by the net amount of \$430,667.
- The District paid down \$356,376 of capital leases payable during the 2012-2013 fiscal year for the local share of the Morris Knolls High School's roof replacement capital project and school buses, computers and security access equipment.

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(Unaudited)**

**Factors Bearing on the District's Future**

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

- The labor unit contract agreement with the District's Teachers bargaining unit expired June 30, 2013 and a new contract agreement was settled in May 2013. The labor unit contract agreements with the District's Administrators' and Custodial bargaining units expire June 30, 2014, and the contract agreement with the District's Bus Drivers' bargaining unit expires June 30, 2015.
- Meeting the needs of increasing salary and health benefit costs have been major budget concerns to the District. Increased employee contributions and positive experience ratings have been helpful in addressing health benefit premium increases.
- Legislation titled S1701 and A-99, passed by the State in June 2004, required school districts to reduce unassigned fund balance in the General Fund to 2% of annual budget expenditures at fiscal year-end. The law reduced the amount by which Districts could increase their budgets to 2.5% and imposed tight restrictions on their ability to transfer funds within the budget, from existing fund balance or from capital reserve. The District has been left with limited resources to fund unanticipated costs and future budgets. Legislation in 2010 has further restricted the allowable tax levy increase to 2%.
- The District is committed to remaining within the 2% cap increase allowed on the school levy. Other sources of revenue have been pursued including School Choice dollars. State Aid is again on the rise due to increased enrollment and the District will continue to monitor costs by implementing best practices which result in efficient operations.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 48 Knoll Drive, Rockaway, New Jersey 07866-4088.

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

Exhibit A-1

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 857,016	\$ 202,492	\$ 1,059,508
Internal Balances	167,335	(167,335)	
Receivables from Federal Government	266,279	9,961	276,240
Receivables from State Government	727,704	553	728,257
Receivables - Other	226,299	191,640	417,939
Unamortized Bond Issuance Costs, Net	318,495		318,495
Inventories		5,152	5,152
Restricted Assets - Cash and Cash Equivalents:			
Capital Reserve Account	3,588,900		3,588,900
Maintenance Reserve Account	210,000		210,000
Capital Assets, Net:			
Sites (Land) and Construction in Progress	327,716		327,716
Depreciable Buildings and Building Improvements, Land Improvements, and Machinery & Equipment	42,067,525	562,991	42,630,516
Total Assets	<u>48,757,269</u>	<u>805,454</u>	<u>49,562,723</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Payable to State Government	23,703		23,703
Accounts Payable	476,673	92,175	568,848
Accrued Interest Payable	374,694		374,694
Unamortized Bond Premiums, Net	4,857,461		4,857,461
Unearned Revenue	8,437		8,437
<b>Noncurrent Liabilities:</b>			
Due Within One Year	1,630,505		1,630,505
Due Beyond One Year	30,730,500		30,730,500
Total Liabilities	<u>38,101,973</u>	<u>92,175</u>	<u>38,194,148</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	10,349,720	562,991	10,912,711
Restricted for:			
Capital Projects	4,015,031		4,015,031
Debt Service	3,015		3,015
Other Purposes	210,000		210,000
Unrestricted/(Deficit)	(4,607,579)	150,288	(4,457,291)
Total Net Position	<u>\$ 9,970,187</u>	<u>\$ 713,279</u>	<u>\$ 10,683,466</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 25,253,267		\$ 3,122,456		\$ (22,130,811)		\$ (22,130,811)
Special Education	4,507,524		3,622,932		(884,592)		(884,592)
Other Special Instruction	723,961		110,938		(613,023)		(613,023)
School-Sponsored Other Instruction	3,208,689		426,795		(2,781,894)		(2,781,894)
<b>Support Services:</b>							
Tuition	4,863,423				(4,863,423)		(4,863,423)
Student & Instruction Related Services	8,473,224		1,044,811		(7,428,413)		(7,428,413)
General Administration Services	978,211				(978,211)		(978,211)
School Administration Services	2,925,465		327,710		(2,597,755)		(2,597,755)
Central Services	1,216,783				(1,216,783)		(1,216,783)
Administrative Information Technology	617,062				(617,062)		(617,062)
Plant Operations and Maintenance	5,970,683				(5,970,683)		(5,970,683)
Pupil Transportation	4,375,236		267,705		(4,107,531)		(4,107,531)
Special Schools	450,443		57,502		(392,941)		(392,941)
Interest on Long-Term Debt	1,271,775				(1,271,775)		(1,271,775)
Unallocated Depreciation	2,447,833				(2,447,833)		(2,447,833)
<b>Total Governmental Activities</b>	<b>67,283,579</b>		<b>8,980,849</b>		<b>(58,302,730)</b>		<b>(58,302,730)</b>
<b>Business-Type Activities:</b>							
Food Service	898,184	717,621	160,555			(20,008)	(20,008)
Academy for Technology	1,137,372	1,117,800				(19,572)	(19,572)
Adult Continuing Education	152,500	152,530				30	30

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses)/Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Business-Type Activities:</b>							
Custodial Services	\$ 381,537	\$ 381,537					
Special Education Services	569,175	569,175					
Technology Services	78,944	78,944					
Transportation Services	53,759	53,759					
<b>Total Business-Type Activities</b>	<b>3,271,471</b>	<b>3,071,366</b>	<b>160,555</b>		<b>(39,550)</b>	<b>(39,550)</b>	
<b>Total Primary Government</b>	<b>\$ 70,555,050</b>	<b>\$ 3,071,366</b>	<b>\$ 9,141,404</b>	<b>\$ - 0 -</b>	<b>\$ (58,302,730)</b>	<b>(39,550)</b>	<b>(58,342,280)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes, Levied for General Purposes, Net				50,500,732		50,500,732	
Taxes Levied for Debt Service				2,716,683		2,716,683	
Federal and State Aid Not Restricted				4,186,366		4,186,366	
Tuition Charges				106,859		106,859	
Investment Earnings				11,659		11,659	
Miscellaneous Income				135,926		135,926	
<b>Total General Revenues</b>				<b>57,658,225</b>	<b>- 0 -</b>	<b>57,658,225</b>	
<b>Change in Net Position</b>				<b>(644,505)</b>	<b>(39,550)</b>	<b>(684,055)</b>	
<b>Net Position - Beginning</b>				<b>10,614,692</b>	<b>752,829</b>	<b>11,367,521</b>	
<b>Net Position - Ending</b>				<b>\$ 9,970,187</b>	<b>\$ 713,279</b>	<b>\$ 10,683,466</b>	

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

**FUND FINANCIAL STATEMENTS**

Exhibit B-1

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 348,388		\$ 505,613	\$ 3,015	\$ 857,016
Interfund Receivable	385,539				385,539
Receivables from Federal Government	595	\$ 265,684			266,279
Receivables from State Government	727,562	142			727,704
Receivables - Other	226,147	152			226,299
Restricted Cash and Cash Equivalents	3,798,900				3,798,900
<b>Total Assets</b>	<u>\$ 5,487,131</u>	<u>\$ 265,978</u>	<u>\$ 505,613</u>	<u>\$ 3,015</u>	<u>\$ 6,261,737</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund Payable		\$ 218,204			\$ 218,204
Payable to State Government		23,703			23,703
Accounts Payable	\$ 418,595	24,071	\$ 34,007		476,673
Unearned Revenue	8,437				8,437
<b>Total Liabilities</b>	<u>427,032</u>	<u>265,978</u>	<u>34,007</u>		<u>727,017</u>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Capital Reserve Account	3,588,900				3,588,900
Maintenance Reserve Account	210,000				210,000
Capital Projects Fund			426,131		426,131
Debt Service Fund				\$ 3,015	3,015
Committed			45,475		45,475
<b>Assigned:</b>					
For Subsequent Year's Expenditures	923,000				923,000
Unassigned	338,199				338,199
<b>Total Fund Balances</b>	<u>5,060,099</u>	<u>- 0 -</u>	<u>471,606</u>	<u>3,015</u>	<u>5,534,720</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,487,131</u>	<u>\$ 265,978</u>	<u>\$ 505,613</u>	<u>\$ 3,015</u>	<u>\$ 6,261,737</u>

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different because:

Total Fund Balances (Per Above)	\$ 5,534,720
Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds. The Cost of the assets is \$103,443,024 and the accumulated depreciation is \$61,047,783.	42,395,241
Long-Term Liabilities, Including Bonds Payable, are not due and Payable in the current period and therefore are not reported as Liabilities in the Funds.	(32,361,005)
Bond Issuance costs are reported as expenditures in the Funds. These costs total \$355,968 and the accumulated amortization is \$37,473.	318,495
Bond Premiums are reported as revenue in the Funds. These premiums total \$5,428,927 and the accumulated amortization is \$571,466.	(4,857,461)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(374,694)
<b>Net Position of Governmental Activities</b>	<u>\$ 10,655,296</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 50,500,732			\$ 2,716,683	\$ 53,217,415
Tuition Charges	106,859				106,859
Miscellaneous	144,931		\$ 2,654		147,585
Total - Local Sources	<u>50,752,522</u>		<u>2,654</u>	<u>2,716,683</u>	<u>53,471,859</u>
State Sources	12,227,784	\$ 168,467			12,396,251
Federal Sources	2,198	768,766			770,964
Total Revenues	<u>62,982,504</u>	<u>937,233</u>	<u>2,654</u>	<u>2,716,683</u>	<u>66,639,074</u>
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	18,437,765	62,782			18,500,547
Special Education Instruction	2,675,569	752,442			3,428,011
Other Special Instruction	613,023				613,023
School-Sponsored Other Instruction	2,781,894				2,781,894
Support Services and Undistributed Costs:					
Tuition	4,863,423				4,863,423
Student & Instruction Related Services	5,654,158	122,009			5,776,167
General Administration Services	911,681				911,681
School Administration Services	1,985,051				1,985,051
Central Services	899,428				899,428
Administrative Information Technology	510,763				510,763
Plant Operations and Maintenance	3,770,765				3,770,765
Pupil Transportation	3,183,161				3,183,161

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>EXPENDITURES</b>					
Current:					
Allocated Benefits	\$ 8,762,988				\$ 8,762,988
Unallocated Benefits	5,385,415				5,385,415
Capital Outlay	1,343,523		\$ 312,596		1,656,119
Special Schools	392,941				392,941
Debt Service:					
Principal				\$ 1,360,000	1,360,000
Interest and Other Charges				1,359,537	1,359,537
<b>Total Expenditures</b>	<u>62,171,548</u>	<u>\$ 937,233</u>	<u>312,596</u>	<u>2,719,537</u>	<u>66,140,914</u>
Excess/(Deficiency) of Revenues					
Over/(Under) Expenditures	<u>810,956</u>	<u>- 0 -</u>	<u>(309,942)</u>	<u>(2,854)</u>	<u>498,160</u>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Transfers In	804,413		895,000	2,654	1,702,067
Transfers Out	<u>(895,000)</u>		<u>(807,067)</u>		<u>(1,702,067)</u>
<b>Total Other Financing Sources/(Uses)</b>	<u>(90,587)</u>	<u>- 0 -</u>	<u>87,933</u>	<u>2,654</u>	<u>- 0 -</u>
<b>Net Change in Fund Balances</b>	720,369	- 0 -	(222,009)	(200)	498,160
Fund Balance—July 1	<u>4,339,730</u>	<u>- 0 -</u>	<u>693,615</u>	<u>3,215</u>	<u>5,036,560</u>
Fund Balance—June 30	<u>\$ 5,060,099</u>	<u>\$ - 0 -</u>	<u>\$ 471,606</u>	<u>\$ 3,015</u>	<u>\$ 5,534,720</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$ 498,160
Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and uncapitalized construction in progress differs from capital outlays.	
Depreciation Expense	\$ (2,776,641)
Capital Outlays	717,445
Construction in Progress Not Capitalized	<u>(497,981)</u>
	(2,557,177)
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	1,360,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).	8,960
The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)	(18,735)
The governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (+)	285,733
The governmental funds report the effect of deferred bond interest when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)	(147,155)
Repayment of capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	356,376
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	<u>254,442</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	<u>\$ 40,604</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2013

	Business-Type Activities - Enterprise Funds							Totals
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
<b>ASSETS:</b>								
<b>Current Assets:</b>								
Cash and Cash Equivalents	\$ 185,411		\$ 16,268			\$ 813		\$ 202,492
Receivable from:								
Federal Government	9,961							9,961
State Government	553							553
Receivables - Other	16,791	\$ 111,780		\$ 2,787	\$ 55,147		\$ 5,135	191,640
Inventories	5,152							5,152
<b>Total Current Assets</b>	<b>217,868</b>	<b>111,780</b>	<b>16,268</b>	<b>2,787</b>	<b>55,147</b>	<b>813</b>	<b>5,135</b>	<b>409,798</b>
<b>Non-Current Assets:</b>								
Capital Assets	385,187	1,002,113						1,387,300
Less: Accumulated Depreciation	(350,647)	(473,662)						(824,309)
<b>Total Non-Current Assets</b>	<b>34,540</b>	<b>528,451</b>						<b>562,991</b>
<b>Total Assets</b>	<b>252,408</b>	<b>640,231</b>	<b>16,268</b>	<b>2,787</b>	<b>55,147</b>	<b>813</b>	<b>5,135</b>	<b>972,789</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2013

	Business-Type Activities - Enterprise Funds							Totals
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
<b>LIABILITIES:</b>								
Current Liabilities:								
Interfund Payable -								
General Fund		\$ 105,161		\$ 2,649	\$ 54,885		\$ 4,640	\$ 167,335
Accounts Payable	\$ 90,467			138	262	\$ 813	495	92,175
Total Current Liabilities	90,467	105,161	\$ - 0 -	2,787	55,147	813	5,135	259,510
Total Liabilities	90,467	105,161	- 0 -	2,787	55,147	813	5,135	259,510
<b>NET POSITION:</b>								
Net Investment in								
Capital Assets	34,540	528,451						562,991
Unrestricted	127,401	6,619	16,268					150,288
Total Net Position	\$ 161,941	\$ 535,070	\$ 16,268	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 713,279

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds							Total Enterprise
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
Operating Revenue:								
Charges for Services:								
Daily Sales:								
Reimbursable Programs	\$ 139,704							\$ 139,704
Non-Reimbursable Programs	561,474							561,474
Special Events	16,443							16,443
Tuition		\$1,117,800	\$ 152,530					1,270,330
Service Fees				\$ 381,537	\$ 569,175	\$ 78,944	\$ 53,759	1,083,415
<b>Total Operating Revenue</b>	<b>717,621</b>	<b>1,117,800</b>	<b>152,530</b>	<b>381,537</b>	<b>569,175</b>	<b>78,944</b>	<b>53,759</b>	<b>3,071,366</b>
Operating Expenses:								
Cost of Sales	266,769							266,769
Salaries	266,088	807,149	53,887	225,311	376,745	60,786	32,391	1,822,357
Payroll Taxes	38,996	37,867	4,108	17,496	1,003	4,381	2,243	106,094
Employee Benefits	119,712	272,784	17,888	71,843	65,303	13,777		561,307
Purchased Professional and Technical Services			46,831		124,800			171,631
Other Purchased Services			29,786					29,786
Purchased Property Services	110,648							110,648
Supplies and Materials	83,260			57,873			19,125	160,258
Other Objects				9,014	1,324			10,338
Depreciation Expense	12,711	19,572						32,283
<b>Total Operating Expenses</b>	<b>898,184</b>	<b>1,137,372</b>	<b>152,500</b>	<b>381,537</b>	<b>569,175</b>	<b>78,944</b>	<b>53,759</b>	<b>3,271,471</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds							Total Enterprise
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
Operating Income/(Loss)	\$ (180,563)	\$ (19,572)	\$ 30	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ (200,105)
Non-Operating Revenue:								
Federal Sources:								
School Breakfast Program	6,626							6,626
National School Lunch Program	128,137							128,137
Food Distribution Program	21,426							21,426
State Sources:								
School Lunch Program	4,366							4,366
Total Non-Operating Revenue	160,555							160,555
Change in Net Position	(20,008)	(19,572)	30	- 0 -	- 0 -	- 0 -	- 0 -	(39,550)
Net Position - Beginning of Year	181,949	554,642	16,238					752,829
Net Position - End of Year	<u>\$ 161,941</u>	<u>\$ 535,070</u>	<u>\$ 16,268</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 713,279</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds							
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	Total Enterprise Funds
Cash Flows from Operating Activities:								
Receipts from Customers	\$ 704,727	\$ 1,117,800	\$ 152,530	\$ 387,283	\$ 541,374	\$ 87,421	\$ 48,624	\$ 3,039,759
Payments to Employees		(845,016)	(57,995)	(243,849)	(377,748)	(65,167)	(34,230)	(1,624,005)
Payments to Food Service Vendor	(837,908)							(837,908)
Payments to Suppliers	(5,492)	(272,784)	(94,567)	(143,434)	(163,626)	(21,441)	(14,485)	(715,829)
Net Cash Provided/(Used) for Operating Activities	(138,673)	- 0 -	(32)	- 0 -	- 0 -	813	(91)	(137,983)
Cash Flows from Noncapital and Related Financing Activities:								
Federal Subsidy Reimbursements	136,474							136,474
State Subsidy Reimbursements	4,233							4,233
Net Cash Provided by Noncapital and Related Financing Activities	140,707	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	140,707
Net Increase/(Decrease) in Cash and Cash Equivalents	2,034	- 0 -	(32)	- 0 -	- 0 -	813	(91)	2,724
Cash and Cash Equivalents, July 1	183,377	- 0 -	16,300	- 0 -	- 0 -	- 0 -	91	199,768
Cash and Cash Equivalents, June 30	<u>\$ 185,411</u>	<u>\$ - 0 -</u>	<u>\$ 16,268</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 813</u>	<u>\$ - 0 -</u>	<u>\$ 202,492</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds							Total Enterprise Funds
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:								
Operating Income/(Loss)	\$ (180,563)	\$ (19,572)	\$ 30	\$ -	\$ -	\$ -	\$ -	\$ (200,105)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:								
Depreciation	12,711	19,572						32,283
Federal Food Distribution Program	21,426							21,426
Changes in Assets and Liabilities:								
(Increase)/Decrease in Other Receivables	(16,791)			5,746	(27,801)	7,664	(5,135)	(36,317)
(Increase)/Decrease in Inventory	1,734							1,734
Increase/(Decrease) in Accounts Payable	22,810	(6,575)	(62)	(1,129)	262	813	404	16,523
Increase/(Decrease) in Interfund Payable		6,575		(4,617)	27,539	(7,664)	4,640	26,473
<b>Net Cash Provided by/(Used for) Operating Activities</b>	<b>\$ (138,673)</b>	<b>\$ - 0 -</b>	<b>\$ (32)</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ 813</b>	<b>\$ (91)</b>	<b>\$ (137,983)</b>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$21,426 for the fiscal year ended June 30, 2013.

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

Exhibit B-7

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 465,202	\$ 96,091	\$ 280,988
Total Assets	<u>465,202</u>	<u>96,091</u>	<u>280,988</u>
<b>LIABILITIES:</b>			
Payroll Deductions and Withholdings	10,887		
Due to Student Groups	<u>454,315</u>		
Total Liabilities	<u>465,202</u>	<u>- 0 -</u>	<u>- 0 -</u>
<b>NET POSITION:</b>			
Held in Trust for:			
Unemployment Claims		96,091	
Scholarships			<u>280,988</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 96,091</u>	<u>\$ 280,988</u>

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

Exhibit B-8

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
<b>ADDITIONS:</b>			
Contributions:			
Employee	\$ 82,331	\$ 45,290	
Other			\$ 34,505
<b>Total Contributions</b>	<b>82,331</b>	<b>45,290</b>	<b>34,505</b>
Investment Earnings:			
Interest	8		617
<b>Net Investment Earnings</b>	<b>8</b>		<b>617</b>
<b>Total Additions</b>	<b>82,339</b>	<b>45,290</b>	<b>35,122</b>
<b>DEDUCTIONS:</b>			
Unemployment Claims	102,432		
Flexible Spending Account Claims		46,155	
Scholarships Awarded			34,000
<b>Total Deductions</b>	<b>102,432</b>	<b>46,155</b>	<b>34,000</b>
<b>Change in Net Position</b>	<b>(20,093)</b>	<b>(865)</b>	<b>1,122</b>
<b>Net Position - Beginning of the Year</b>	<b>116,184</b>	<b>865</b>	<b>279,866</b>
<b>Net Position - End of the Year</b>	<b>\$ 96,091</b>	<b>\$ - 0 -</b>	<b>\$ 280,988</b>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses in the program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary funds:

Enterprise (Food Service, Academy for Technology, Adult Continuing Education, Custodial Services, Special Education Services, Technology Services and Transportation Services) Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria, academy for technology, adult continuing education, custodial services, special education services, technology services and transportation services operations. The food service, academy for technology, adult continuing education, custodial services, special education services, technology services and transportation services funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund, Unemployment Compensation Insurance Trust Fund, Flexible Spending Trust Fund and Private Purpose Scholarship Trust Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2013 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the fiscal year).

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 63,048,453	\$ 937,233
Difference - Budget to GAAP:		
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes	537,007	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements	(602,956)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 62,982,504	\$ 937,233

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 62,171,548</u>	<u>\$ 937,233</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 62,171,548</u>	<u>\$ 937,233</u>

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

K. Capital Assets:

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

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

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	40 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 to 10 years

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

K. Capital Assets: (Cont'd)

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

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premiums and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2013.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's various employee contracts and agreements. 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 fiscal 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 district-wide *Statement of Net Position*, 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 beyond one year.

O. Unearned Revenue:

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$5,060,099 General Fund balance at June 30, 2013, \$3,588,900 is restricted in the capital reserve account; \$210,000 is restricted in the maintenance reserve account; \$923,000 is assigned and included as anticipated revenue for the fiscal year ending June 30, 2014; and \$338,199 is unassigned which is \$602,956 less on the GAAP basis than the calculated maximum unassigned fund balance (budgetary basis) due to the June state aid payments which are not recognized until the fiscal year ended June 30, 2014.

Capital Projects Fund: Of the \$471,606 Capital Projects Fund balance at June 30, 2013, \$426,131 is restricted and \$45,475 is committed.

Debt Service Fund: The Debt Service Fund balance at June 30, 2013 of \$3,015 is restricted, of which \$1,500 is included as anticipated revenue for the fiscal year ending June 30, 2014.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended, the designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund 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 fiscal year's budget. The District did not have excess surplus at June 30, 2013.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$602,956 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event one or more state school aid payments are not made until the following school budget year, districts must record those state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the fiscal year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Fund Balance Restrictions, Commitments and Assignments:

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

Fund balance restrictions have been established in the General Fund for a capital reserve and a maintenance reserve and in the Debt Service and Capital Projects Funds.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

Q. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has \$45,475 of committed resources in the Capital Projects Fund at June 30, 2013.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$923,000 of assigned resources for subsequent fiscal year's expenditures in the General Fund at June 30, 2013.

R. Deficit Net Position:

The District has a \$4,607,579 deficit in unrestricted net position from governmental activities primarily due to the accrual of \$3,502,228 in compensated absences payable, \$374,694 in accrued interest payable, \$4,857,461 of unamortized bond premiums, offset by unamortized bond issuance costs and deferred interest of \$318,495 and \$2,501,635, respectively, and Governmental Funds committed, assigned and unassigned fund balances. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Net Position:

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District did not have any deferred inflows or outflows of resources at June 30, 2013.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

S. Net Position: (Cont'd)

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activities of the Enterprise Funds. For the School District, these revenues are sales for food service, tuition for adult continuing education and the academy for technology and fees for custodial services, special education services, technology services and transportation services. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

V. Management Estimates:

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

Credit Risk – The Board limits its investments to those authorized in its cash management plan which are those permitted under state statute and are detailed as follows:

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

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

In addition to the above collateral requirement, if 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, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2013, cash and cash equivalents of the District consisted of the following:

	Unrestricted	Restricted		
	Cash and	Capital	Maintenance	
	Cash	Reserve	Reserve	
	Equivalents	Account	Account	Total
Checking and Savings Accounts	\$ 1,901,789	\$ 3,588,900	\$ 210,000	\$ 5,700,689

During the period ended June 30, 2013, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2013 was \$5,700,689 and the bank balance was \$6,549,627.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Board on September 25, 2000 by inclusion of \$1,000 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 fiscal year-end of any unanticipated revenue or unexpended line item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 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, 2012 to June 30, 2013 fiscal year is as follows:

Beginning Balance, July 1, 2012	\$ 3,303,037
Interest Earnings	200
Increase by Board Resolution - June 24, 2013	724,253
Unexpended Funds Returned	2,256,410
Budgeted Withdrawals	(1,800,000)
Withdrawals by Board Resolution	<u>(895,000)</u>
Ending Balance, June 30, 2013	<u>\$ 3,588,900</u>

The balance in the capital reserve account at June 30, 2013 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP").

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$200,000 was established by Board resolution on June 20, 2011. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current fiscal year in the advertised recapitulation of balances of the subsequent fiscal year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the fiscal year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any fiscal year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at fiscal year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current fiscal year of the District's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent fiscal year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning Balance, July 1, 2012	\$ 300,000
Increase by Board Resolution - June 24, 2013	48,351
Unexpended Funds Returned	51,649
Budgeted Withdrawals	(100,000)
Withdrawals by Board Resolution	<u>(90,000)</u>
Ending Balance, June 30, 2013	<u>\$ 210,000</u>

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 288,500			\$ 288,500
Construction in Progress	497,981	\$ 249,596	\$ (708,361)	39,216
Total Capital Assets Not Being Depreciated	<u>786,481</u>	<u>249,596</u>	<u>(708,361)</u>	<u>327,716</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	88,931,678		210,380	89,142,058
Land Improvements	3,893,811			3,893,811
Machinery and Equipment	9,611,590	467,849		10,079,439
Total Capital Assets Being Depreciated	<u>102,437,079</u>	<u>467,849</u>	<u>210,380</u>	<u>103,115,308</u>
Governmental Activities Capital Assets	<u>103,223,560</u>	<u>717,445</u>	<u>(497,981)</u>	<u>103,443,024</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(48,106,317)	(2,142,650)		(50,248,967)
Land Improvements	(2,401,679)	(192,716)		(2,594,395)
Machinery and Equipment	(7,763,146)	(441,275)		(8,204,421)
	<u>(58,271,142)</u>	<u>(2,776,641)</u>		<u>(61,047,783)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$44,952,418</u>	<u>\$ (2,059,196)</u>	<u>\$ (497,981)</u>	<u>\$42,395,241</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Capital asset balances and activity for the fiscal year ended June 30, 2013 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Business Type Activities:				
Capital Assets Being Depreciated:				
Buildings and Building Improvements	\$ 782,890			\$ 782,890
Machinery and Equipment	604,410			604,410
Total Capital Assets Being Depreciated	1,387,300			1,387,300
Less Accumulated Depreciation	(792,026)	\$ (32,283)		(824,309)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 595,274</u>	<u>\$ (32,283)</u>	<u>\$ -0-</u>	<u>\$ 562,991</u>

The increases totaling \$717,445 represent current fiscal year capitalized expenditures in the General and Capital Projects Funds. The District had active unexpended construction projects balances totaling \$471,606 as of June 30, 2013. The District had no outstanding construction encumbrances as of June 30, 2013.

Depreciation expense was charged directly to governmental functions as follows:

Regular Instruction	\$ 56,680
Student and Instruction Related Services	35,429
General Administrative Services	103,718
Plant Operations and Maintenance	9,944
Pupil Transportation	123,037
Unallocated (Not Associated with an Identifiable Function or Program)	2,447,833
	<u>\$ 2,776,641</u>

NOTE 7: TRANSFERS TO/FROM CAPITAL OUTLAY

During the fiscal year ended June 30, 2013, the District transferred \$35,702 (net) to the capital outlay accounts for equipment which did not require approval from the County Superintendent.

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2012	Added	Retired	Balance 6/30/2013
Serial Bonds Payable	\$ 32,470,000		\$ 1,360,000	\$ 31,110,000
Less: Deferred Amount on Refunding	(2,648,790)		(147,155)	(2,501,635)
Net Serial Bonds Payable	29,821,210		1,212,845	28,608,365
Compensated Absences Payable	3,071,561	\$ 507,569	76,902	3,502,228
Capital Lease Payable	1,291,897		356,376	935,521
	<u>\$ 34,184,668</u>	<u>\$ 507,569</u>	<u>\$ 1,646,123</u>	<u>\$ 33,046,114</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2013 as follows:

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
10/01/2014	4.00%	\$ 2,880,000
10/01/2029	2.00%-5.00%	28,230,000
		<u>\$31,110,000</u>

Principal and interest due on the District's serial bonds outstanding is as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,410,000	\$ 1,297,450	\$ 2,707,450
2015	1,470,000	1,239,850	2,709,850
2016	1,420,000	1,196,250	2,616,250
2017	1,450,000	1,167,550	2,617,550
2018	1,500,000	1,123,050	2,623,050
Thereafter:			
2019-2023	8,385,000	4,708,700	13,093,700
2024-2028	10,495,000	2,609,375	13,104,375
2029-2030	4,980,000	252,000	5,232,000
	<u>\$31,110,000</u>	<u>\$ 13,594,225</u>	<u>\$ 44,704,225</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2013, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

In fiscal year 2011, the District entered into a \$1,355,400 capital lease agreement for the local share of the Morris Knolls High School roof replacement capital project of which \$517,180 has been amortized. In fiscal year 2010, the District entered into a capital lease agreement for school buses, computers and security access equipment valued at \$467,325 of which \$370,024 has been amortized. The lease agreements are for terms of five years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2013.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

C. Capital Leases Payable: (Cont'd)

<u>Year</u>	<u>Amount</u>
2014	\$ 397,417
2015	298,104
2016	298,104
	<u>993,625</u>
Less: Amount representing interest	(58,104)
Present value of net minimum lease payments	<u>\$ 935,521</u>

The current portion of capital lease payable at June 30, 2013 is \$367,660 and the long-term portion is \$567,861. Capital leases payable will be liquidated by the General Fund.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. There is no current portion of the compensated absences balance of the governmental funds; therefore, the entire \$3,502,228 balance of compensated absences is reported as a long-term liability.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2013, no liability existed for compensated absences in the Proprietary Funds.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. However, if an employee is ineligible to enroll in the TPAF or PERS, the employee may be eligible to enroll in the Defined Contribution Retirement Program (DCRP). The PERS and TPAF are sponsored and administered by the State of New Jersey. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other noncontribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

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

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective July 1, 2012, the employee contributions for PERS and TPAF increased from 6.5% to 6.64% of employees' annual compensation, as defined. Subsequent increases are being phased in over 7 years effective each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in the PERS and TPAF. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions of 5.5% of employees' annual compensation for DCRP are matched by a 3% employer contribution.

District contributions to PERS amounted to \$708,607, \$686,180 and \$560,091 for 2013, 2012 and 2011, respectively.

During the fiscal years ended June 30, 2013, 2012 and 2011, the State of New Jersey contributed \$1,646,880, \$787,155 and \$0-, respectively, to the TPAF for normal pension benefits on-behalf of the District.

Employee contributions to the DCRP for the fiscal years ended June 30, 2013, 2012 and 2011 were \$18,934, \$6,042 and \$442, respectively. Employer contributions to the DCRP for the fiscal years ended June 30, 2013, 2012 and 2011 were \$10,328, \$3,250 and \$241, respectively.

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required the TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees receiving 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 benefits 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 attributed 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 \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members for Fiscal Year 2012.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,862,205, \$1,582,387 and \$1,595,541 for 2013, 2012 and 2011, respectively.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District has health benefits coverage for its employees under the State of New Jersey Employees' Health Benefit Plan.

Property and Liability Insurance

The Morris Hills Regional School District is a member of the New Jersey School Boards Association Insurance Group (the "Group"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

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

Selected, summarized financial information for the Group as of June 30, 2013 is as follows:

	New Jersey School Board's Association Insurance Group (NJSBAIG)
Total Assets	\$ 277,741,572
Net Position	\$ 65,389,322
Total Revenue	\$ 114,969,485
Total Expenses	\$ 113,723,547
Member Dividends	\$ - 0 -
Change in Net Position	\$ 1,245,938

Financial statements for the Group are available at the Group's Office or website:

New Jersey School Boards Association Insurance Group  
450 Veterans Drive  
Burlington, NJ 08016  
(609) 386-6060  
www.njsbaig.org

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012-2013	\$ -0-	\$ 8	\$ 82,331	\$ 102,432	\$ 96,091
2011-2012	-0-	37	87,989	122,886	116,184
2010-2011	-0-	80	78,668	61,072	151,044

NOTE 12. DEFERRED COMPENSATION

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 fiscal years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

The plan administrators are as follows:

403b

The Variable Annuity Life Insurance Co.  
c/o Chase Bank of Texas  
P.O. Box 201001  
Houston, TX 77216-1001

The Equitable Assurance Co.  
Individual Annuity Center  
P.O. Box 2996  
New York, NY 10116-2996

American Funds  
c/o Capital Bank & Trust  
P.O. Box 1570  
Norfolk, VA 23501-1570

T-Rowe Price  
Retirement Operations Group  
P.O. Box 17479  
Baltimore, MD 21298-9014

Lincoln Investment Planning, Inc.  
P.O. Box 13813  
Philadelphia, PA 19101-3813

Vanguard  
Small Business Services  
P.O. Box 1106  
Valley Forge, PA 19482-1106

Lincoln National Life Insurance Co.  
1300 South Clinton Street  
Fort Wayne, IN 46802

The Legend Group  
1200 Route 22 East  
Bridgewater, NJ 08807

MetLife  
P.O. Box 120945  
Dallas, TX 75312

457

The Equitable Assurance Co.  
Individual Annuity Center  
P.O. Box 2996  
New York, NY 10116-2996

The Legend Group  
1200 Route 22 East  
Bridgewater, NJ 08807

MetLife  
P.O. Box 120945  
Dallas, TX 75312

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2013:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 385,539	
Special Revenue Fund		\$ 218,204
Proprietary Funds		167,335
	<u>\$ 385,539</u>	<u>\$ 385,539</u>

The interfund balances represent interfund loans advanced from the General Fund to the Special Revenue Fund while awaiting collection of federal grant reimbursements and the Proprietary Fund while awaiting the collection of accounts receivable.

NOTE 14. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2013:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>	
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>	<u>Proprietary Funds</u>
Salaries	\$ 80,498			\$ 80,498	\$ 495
Vendors	338,097	\$ 24,071	\$ 34,007	396,175	91,680
	<u>\$ 418,595</u>	<u>\$ 24,071</u>	<u>\$ 34,007</u>	<u>\$ 476,673</u>	<u>\$ 92,175</u>

NOTE 15. CONTINGENCIES

Litigation

The Board is periodically involved in claims and lawsuits arising in the normal course of business, including issues regarding special education. The Board does not believe that the ultimate outcome of these claims will have a material adverse effect on the District's financial position.

Grant Programs

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

Encumbrances

At June 30, 2013, there were no encumbrances in the governmental funds.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 16. ECONOMIC DEPENDENCY

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

NOTE 17. TAX CALENDAR

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

Taxes are collected by the constituent municipalities and are remitted to the regional school district on a predetermined mutually agreed-upon schedule.

**BUDGETARY COMPARISON SCHEDULES**

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 50,500,732		\$ 50,500,732	\$ 50,500,732	
Tuition	242,126		242,126	106,859	\$ (135,267)
Interest Earned on Capital Reserve Fund	200		200	200	
Miscellaneous	155,354		155,354	144,731	(10,623)
<b>Total - Local Sources</b>	<b>50,898,412</b>		<b>50,898,412</b>	<b>50,752,522</b>	<b>(145,890)</b>
<b>State Sources:</b>					
Extraordinary Special Education Aid	433,518		433,518	611,384	177,866
Nonpublic School Transportation Costs				21,966	21,966
Special Education Categorical Aid	1,785,659		1,785,659	1,785,659	
Equalization Aid	3,687,741		3,687,741	3,687,741	
School Choice Aid	476,442		476,442	476,442	
Security Aid	53,264		53,264	53,264	
Transportation Aid	271,862		271,862	271,862	
<b>On-Behalf Contributions:</b>					
TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,862,205	1,862,205
TPAF Pension (Non-Budgeted)				1,646,880	1,646,880
TPAF Social Security (Reimbursed - Non-Budgeted)				1,876,330	1,876,330
<b>Total State Sources</b>	<b>6,708,486</b>		<b>6,708,486</b>	<b>12,293,733</b>	<b>5,585,247</b>
<b>Federal Sources:</b>					
Medicaid Reimbursement				1,603	1,603
Education Jobs Fund		\$ 595	595	595	
<b>Total Federal Sources</b>		<b>595</b>	<b>595</b>	<b>2,198</b>	<b>1,603</b>
<b>TOTAL REVENUES</b>	<b>57,606,898</b>	<b>595</b>	<b>57,607,493</b>	<b>63,048,453</b>	<b>5,440,960</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Regular Programs - Instruction:</b>					
Grades 9-12 - Salaries of Teachers	\$ 17,003,096	\$ (183,665)	\$ 16,819,431	\$ 16,788,204	\$ 31,227
<b>Regular Programs - Home Instruction:</b>					
Salaries of Teachers	150,000	(34,304)	115,696	115,690	6
Purchased Professional - Educational Services	40,000		40,000	32,169	7,831
<b>Regular Programs - Undistributed Instruction:</b>					
Purchased Professional - Educational Services	6,750		6,750	5,016	1,734
Other Purchased Services (400-500 series)	446,926	(10,740)	436,186	424,818	11,368
General Supplies	756,277	102,350	858,627	848,921	9,706
Textbooks	154,823	62,402	217,225	214,759	2,466
Other Objects	13,227	(3,642)	9,585	8,188	1,397
<b>Total Regular Programs - Instruction</b>	<b>18,571,099</b>	<b>(67,599)</b>	<b>18,503,500</b>	<b>18,437,765</b>	<b>65,735</b>
<b>Special Education - Instruction:</b>					
<b>Learning and/or Language Disabilities:</b>					
Salaries of Teachers	399,535	(7,576)	391,959	362,295	29,664
Other Salaries for Instruction	86,224	675	86,899	74,153	12,746
Other Purchased Services (400-500 series)	200	(50)	150		150
General Supplies	6,000	600	6,600	6,273	327
Textbooks	3,000	(600)	2,400	1,840	560
<b>Total Learning and/or Language Disabilities</b>	<b>494,959</b>	<b>(6,951)</b>	<b>488,008</b>	<b>444,561</b>	<b>43,447</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Special Education - Instruction:</b>					
<b>Multiple Disabilities:</b>					
Salaries of Teachers	\$ 158,265	\$ 25,500	\$ 183,765	\$ 148,830	\$ 34,935
Other Salaries for Instruction	80,182	8,838	89,020	71,137	17,883
Other Purchased Services (400-500 series)		249	249	249	
General Supplies	4,000	(150)	3,850	3,846	4
Textbooks	2,000	(70)	1,930	978	952
<b>Total Multiple Disabilities</b>	<b>244,447</b>	<b>34,367</b>	<b>278,814</b>	<b>225,040</b>	<b>53,774</b>
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	1,923,792	(109,261)	1,814,531	1,803,952	10,579
Other Salaries for Instruction	149,826	59,410	209,236	195,278	13,958
Other Purchased Services (400-500 series)	600	(14)	586	306	280
General Supplies	5,500	(1,174)	4,326	4,237	89
Textbooks	1,500		1,500	1,351	149
Other Objects		845	845	844	1
<b>Total Resource Room/Resource Center</b>	<b>2,081,218</b>	<b>(50,194)</b>	<b>2,031,024</b>	<b>2,005,968</b>	<b>25,056</b>
<b>Total Special Education Instruction</b>	<b>2,820,624</b>	<b>(22,778)</b>	<b>2,797,846</b>	<b>2,675,569</b>	<b>122,277</b>
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	542,249	7,375	549,624	539,643	9,981
<b>Total Basic Skills/Remedial - Instruction</b>	<b>542,249</b>	<b>7,375</b>	<b>549,624</b>	<b>539,643</b>	<b>9,981</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Bilingual Education - Instruction:</b>					
Salaries of Teachers	\$ 144,380	\$ (71,000)	\$ 73,380	\$ 73,380	
Other Purchased Services (400-500 series)	370	(250)	120		\$ 120
General Supplies	600	(600)			
Textbooks	500	(500)			
Other Objects	350		350		350
<b>Total Bilingual Education - Instruction</b>	<b>146,200</b>	<b>(72,350)</b>	<b>73,850</b>	<b>73,380</b>	<b>470</b>
<b>School-Sponsored Cocurricular Activities - Instruction:</b>					
Salaries	478,328	13,701	492,029	490,873	1,156
Purchased Services (300-500 series)	26,310	1,466	27,776	23,422	4,354
Supplies and Materials	22,039	1,969	24,008	21,901	2,107
Other Objects	9,700	890	10,590	9,240	1,350
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>536,377</b>	<b>18,026</b>	<b>554,403</b>	<b>545,436</b>	<b>8,967</b>
<b>School-Sponsored Cocurricular Athletics - Instruction:</b>					
Salaries	1,853,288	22,367	1,875,655	1,867,518	8,137
Purchased Services (300-500 series)	174,480	(4,997)	169,483	157,844	11,639
Supplies and Materials	172,170	(1,985)	170,185	162,967	7,218
Other Objects	45,840	7,795	53,635	48,129	5,506
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>2,245,778</b>	<b>23,180</b>	<b>2,268,958</b>	<b>2,236,458</b>	<b>32,500</b>
<b>Total Instruction</b>	<b>24,862,327</b>	<b>(114,146)</b>	<b>24,748,181</b>	<b>24,508,251</b>	<b>239,930</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 576,665	\$ (284,399)	\$ 292,266	\$ 292,266	
Tuition to County Vocational Schools - Regular	1,104,577	(81,509)	1,023,068	1,023,067	\$ 1
Tuition to County Vocational Schools - Special	81,808	(22,250)	59,558	59,548	10
Tuition to County Special Services Schools and Regional Day Schools	492,912	1,032	493,944	484,588	9,356
Tuition to Private Schools for the Disabled - Within the State	2,181,483	329,786	2,511,269	2,279,534	231,735
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	476,986	289,430	766,416	693,055	73,361
Tuition - State Facilities	31,365		31,365	31,365	
<b>Total Undistributed Expenditures - Instruction</b>	<b>4,945,796</b>	<b>232,090</b>	<b>5,177,886</b>	<b>4,863,423</b>	<b>314,463</b>
Attendance and Social Work Services:					
Salaries	91,746		91,746	90,746	1,000
Supplies and Materials	3,000		3,000	2,952	48
<b>Total Attendance and Social Work Services</b>	<b>94,746</b>		<b>94,746</b>	<b>93,698</b>	<b>1,048</b>
Health Services:					
Salaries	343,765	(1,848)	341,917	339,050	2,867
Purchased Professional and Technical Services	9,400		9,400	7,375	2,025
Other Purchased Services (400-500 series)	24,650	1,200	25,850	20,142	5,708
Supplies and Materials	5,375		5,375	4,252	1,123
<b>Total Health Services</b>	<b>383,190</b>	<b>(648)</b>	<b>382,542</b>	<b>370,819</b>	<b>11,723</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	\$ 276,633	\$ 72,011	\$ 348,644	\$ 348,634	\$ 10
Purchased Professional - Educational Services	359,823	(104,610)	255,213	216,634	38,579
<b>Total Other Support Services - Speech, OT, PT and Related Services</b>	<b>636,456</b>	<b>(32,599)</b>	<b>603,857</b>	<b>565,268</b>	<b>38,589</b>
Other Support Services - Students - Extraordinary Services:					
Salaries	281,287	(29,613)	251,674	202,696	48,978
Supplies and Materials	32,000	(7,000)	25,000	15,155	9,845
<b>Total Other Support Services - Students - Extraordinary Services</b>	<b>313,287</b>	<b>(36,613)</b>	<b>276,674</b>	<b>217,851</b>	<b>58,823</b>
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	1,315,080	4,513	1,319,593	1,316,821	2,772
Salaries of Secretarial and Clerical Assistants	246,876	(9,105)	237,771	234,149	3,622
Purchased Professional - Educational Services	4,329	(340)	3,989	2,104	1,885
Other Purchased Services (400-500 series)	38,661	(1,521)	37,140	27,641	9,499
Supplies and Materials	18,308	13,000	31,308	29,431	1,877
Other Objects	530	425	955	931	24
<b>Total Other Support Services - Students - Guidance</b>	<b>1,623,784</b>	<b>6,972</b>	<b>1,630,756</b>	<b>1,611,077</b>	<b>19,679</b>
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	1,015,605	(45,114)	970,491	948,370	22,121
Salaries of Secretarial and Clerical Assistants	164,189		164,189	163,206	983
Purchased Professional - Educational Services	10,000	(5,244)	4,756	595	4,161
Miscellaneous Purchased Services	4,400	15,280	19,680	19,278	402
Supplies and Materials	5,000	5,694	10,694	10,689	5
<b>Total Other Support Services - Child Study Teams</b>	<b>1,199,194</b>	<b>(29,384)</b>	<b>1,169,810</b>	<b>1,142,138</b>	<b>27,672</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Improvement of Instructional Services:</b>					
Salaries of Supervisors of Instruction	\$ 616,404	\$ (206)	\$ 616,198	\$ 613,869	\$ 2,329
Salaries of Secretarial and Clerical Assistants	277,836	176	278,012	278,011	1
Purchased Professional - Educational Services	8,500	(2,000)	6,500	2,550	3,950
Other Purchased Services (400-500 series)	11,500	6,000	17,500	15,537	1,963
Supplies and Materials	2,000		2,000	355	1,645
Other Objects	2,050		2,050	825	1,225
<b>Total Improvement of Instructional Services</b>	<b>918,290</b>	<b>3,970</b>	<b>922,260</b>	<b>911,147</b>	<b>11,113</b>
<b>Educational Media Services/School Library:</b>					
Salaries	330,188	850	331,038	331,034	4
Other Purchased Services (400-500 series)	28,410	(10,665)	17,745	16,577	1,168
Supplies and Materials	119,320	18,734	138,054	135,935	2,119
<b>Total Educational Media Services/School Library</b>	<b>477,918</b>	<b>8,919</b>	<b>486,837</b>	<b>483,546</b>	<b>3,291</b>
<b>Instructional Staff Training Services:</b>					
Salaries of Supervisors of Instruction	134,609		134,609	134,163	446
Salaries of Other Professional Staff	20,000	(2,015)	17,985	16,341	1,644
Salaries of Secretarial and Clerical Assistants	49,032	30	49,062	49,061	1
Other Salaries	51,064	(17,985)	33,079	33,078	1
Purchased Professional - Educational Services	75,000	(49,000)	26,000	24,219	1,781
Other Purchased Services (400-500 series)	7,363	(3,400)	3,963		3,963
Supplies and Materials	10,187	(5,000)	5,187	1,752	3,435
<b>Total Instructional Staff Training Services</b>	<b>347,255</b>	<b>(77,370)</b>	<b>269,885</b>	<b>258,614</b>	<b>11,271</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Support Services - General Administration:</b>					
Salaries	\$ 250,179		\$ 250,179	\$ 249,897	\$ 282
Legal Services	40,000		40,000	29,735	10,265
Audit Fees	70,000		70,000	68,500	1,500
Architectural/Engineering Services	34,000	\$ 11,500	45,500	20,056	25,444
Other Purchased Professional Services	28,200	(4,000)	24,200	21,595	2,605
Communications/Telephone	104,000	48,400	152,400	144,442	7,958
BOE Other Purchased Services	1,000	106	1,106	912	194
Miscellaneous Purchased Services (400-500 series)	321,143	24,300	345,443	336,086	9,357
General Supplies	15,450	(1,950)	13,500	6,607	6,893
Miscellaneous Expenditures	5,967	1,500	7,467	6,678	789
BOE Membership Dues and Fees	29,000		29,000	27,173	1,827
<b>Total Support Services - General Administration</b>	<b>898,939</b>	<b>79,856</b>	<b>978,795</b>	<b>911,681</b>	<b>67,114</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	1,322,079	73,379	1,395,458	1,335,718	59,740
Salaries of Secretarial and Clerical Assistants	470,443	4,703	475,146	475,144	2
Other Purchased Services (400-500 series)	138,386	(3,980)	134,406	99,641	34,765
Supplies and Materials	22,373	52,375	74,748	73,500	1,248
Other Objects	943	105	1,048	1,048	
<b>Total Support Services - School Administration</b>	<b>1,954,224</b>	<b>126,582</b>	<b>2,080,806</b>	<b>1,985,051</b>	<b>95,755</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Central Services:</b>					
Salaries	\$ 788,645	\$ (24,426)	\$ 764,219	\$ 756,311	\$ 7,908
Purchased Professional Services	25,400	(9,082)	16,318	16,222	96
Miscellaneous Purchased Services (400-500 series)	63,500	58,230	121,730	112,511	9,219
Supplies and Materials	17,485	(12,217)	5,268	3,973	1,295
Miscellaneous Expenditures	4,650	5,825	10,475	10,411	64
<b>Total Central Services</b>	<b>899,680</b>	<b>18,330</b>	<b>918,010</b>	<b>899,428</b>	<b>18,582</b>
<b>Administration Information Technology:</b>					
Salaries	328,477	2,000	330,477	321,710	8,767
Other Purchased Services (400-500 series)	44,795	80,040	124,835	122,464	2,371
Supplies and Materials	40,550	26,292	66,842	66,589	253
<b>Total Administration Information Technology</b>	<b>413,822</b>	<b>108,332</b>	<b>522,154</b>	<b>510,763</b>	<b>11,391</b>
<b>Required Maintenance for School Facilities:</b>					
Salaries	552,000	(9,036)	542,964	524,630	18,334
Cleaning, Repair and Maintenance Services	146,469	202,314	348,783	322,035	26,748
General Supplies	151,600	(6,200)	145,400	139,791	5,609
<b>Total Required Maintenance for School Facilities</b>	<b>850,069</b>	<b>187,078</b>	<b>1,037,147</b>	<b>986,456</b>	<b>50,691</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Custodial Services:</b>					
Salaries	\$ 1,070,784	\$ (7,598)	\$ 1,063,186	\$ 1,025,020	\$ 38,166
Purchased Professional and Technical Services	66,600	(35,000)	31,600	29,772	1,828
Cleaning, Repair and Maintenance Services	134,000	14,200	148,200	148,097	103
Other Purchased Property Services	80,000	(9,240)	70,760	53,774	16,986
Insurance	246,147	(102,700)	143,447	143,225	222
Miscellaneous Purchased Services	5,500	8,040	13,540	11,478	2,062
General Supplies	196,000	(66,552)	129,448	126,923	2,525
Energy (Natural Gas)	156,000	(22,255)	133,745	76,969	56,776
Energy (Electricity)	680,000	(187,072)	492,928	330,928	162,000
Energy (Oil)	420,000	80,000	500,000	489,717	10,283
Other Objects	500		500	225	275
<b>Total Custodial Services</b>	<b>3,055,531</b>	<b>(328,177)</b>	<b>2,727,354</b>	<b>2,436,128</b>	<b>291,226</b>
<b>Care &amp; Upkeep of Grounds:</b>					
Salaries	112,981	9,741	122,722	112,325	10,397
Cleaning, Repair and Maintenance Services		29,352	29,352	28,390	962
<b>Total Care &amp; Upkeep of Grounds</b>	<b>112,981</b>	<b>39,093</b>	<b>152,074</b>	<b>140,715</b>	<b>11,359</b>
<b>Security:</b>					
Salaries	185,459	10,749	196,208	195,321	887
Purchased Professional and Technical Services	7,325		7,325	5,707	1,618
General Supplies		6,455	6,455	6,438	17
<b>Total Security</b>	<b>192,784</b>	<b>17,204</b>	<b>209,988</b>	<b>207,466</b>	<b>2,522</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Non-Instructional Aides	\$ 70,000	\$ 37,540	\$ 107,540	\$ 107,537	\$ 3
Between Home and School - Regular	1,070,479	272,229	1,342,708	1,341,191	1,517
Between Home and School - Special Education	218,165	(9,125)	209,040	208,582	458
Other Than Between Home and School	371,217	(167,156)	204,061	203,885	176
Cleaning, Repair and Maintenance Services	15,575	(4,500)	11,075	4,147	6,928
Contracted Services:					
Between Home and School - Joint Agreements	80,000	20,000	100,000	97,387	2,613
Special Education Students - Vendors	750	(750)			
Special Education Students - Joint Agreements	829,790	(81,092)	748,698	732,851	15,847
Aid in Lieu of Payments - Nonpublic Students	114,500	(8,030)	106,470	106,467	3
Aid in Lieu of Payments - Choice Students	884	(884)			
Miscellaneous Purchased Services	14,050	6,000	20,050	18,558	1,492
General Supplies	3,000	2,200	5,200	5,079	121
Transportation Supplies	328,383	35,571	363,954	357,290	6,664
Other Objects	200		200	187	13
<b>Total Student Transportation Services</b>	<b>3,116,993</b>	<b>102,003</b>	<b>3,218,996</b>	<b>3,183,161</b>	<b>35,835</b>
Allocated Benefits:					
Regular Programs - Instruction:					
Social Security Contributions	58,518	27,652	86,170	86,169	1
Other Retirement Contributions - Regular	601	4,670	5,271	5,218	53
Workmen's Compensation	80,700	13,500	94,200	93,958	242
Health Benefits	3,108,542	193,422	3,301,964	3,256,411	45,553
Tuition Reimbursement	63,745	(16,606)	47,139	46,927	212
Other Employee Benefits	86,910	26,340	113,250	113,063	187
<b>Total Allocated Benefits - Regular Programs - Instruction</b>	<b>3,399,016</b>	<b>248,978</b>	<b>3,647,994</b>	<b>3,601,746</b>	<b>46,248</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Allocated Benefits:</b>					
<b>Special Programs - Instruction:</b>					
Social Security Contributions	\$ 37,191	\$ (586)	\$ 36,605	\$ 36,603	\$ 2
Other Retirement Contributions - PERS	36,928	(400)	36,528	28,375	8,153
Workmen's Compensation	13,250		13,250	13,250	
Health Benefits	810,640	(247,871)	562,769	506,816	55,953
Tuition Reimbursement	5,260	4,900	10,160	10,150	10
Other Employee Benefits	9,000	30,750	39,750	39,704	46
<b>Total Allocated Benefits - Special Programs - Instruction</b>	<b>912,269</b>	<b>(213,207)</b>	<b>699,062</b>	<b>634,898</b>	<b>64,164</b>
<b>Other Instructional Programs - Instruction:</b>					
Social Security Contributions	177,200	(46,059)	131,141	131,137	4
Other Retirement Contributions - PERS	16,139	(1,400)	14,739	9,825	4,914
Workmen's Compensation	13,250		13,250	10,862	2,388
Health Benefits	379,242	(144,142)	235,100	228,666	6,434
Other Employee Benefits		400	400	400	
<b>Total Allocated Benefits - Other Instructional Programs - Instruction</b>	<b>585,831</b>	<b>(191,201)</b>	<b>394,630</b>	<b>380,890</b>	<b>13,740</b>
<b>Attendance and Social Work Services:</b>					
Social Security Contributions	7,170	(35)	7,135	7,134	1
Other Retirement Contributions - PERS	13,902	(5,000)	8,902	8,249	653
Workmen's Compensation	6,625		6,625	6,625	
Health Benefits	24,318	(1,700)	22,618	22,541	77
Other Employee Benefits	3,000		3,000	3,000	
<b>Total Allocated Benefits - Attendance and Social Work Services</b>	<b>55,015</b>	<b>(6,735)</b>	<b>48,280</b>	<b>47,549</b>	<b>731</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Allocated Benefits:					
Health Services:					
Social Security Contributions	\$ 2,735	\$ 321	\$ 3,056	\$ 3,055	\$ 1
Workmen's Compensation	5,300		5,300	5,300	
Health Benefits	60,682	(4,500)	56,182	56,128	54
Other Employee Benefits	6,000		6,000	6,000	
<b>Total Allocated Benefits - Health Services</b>	<b>74,717</b>	<b>(4,179)</b>	<b>70,538</b>	<b>70,483</b>	<b>55</b>
Other Support Services - Speech, OT, PT and Related Services:					
Social Security Contributions	535	574	1,109	1,109	
Workmen's Compensation	1,325		1,325	1,325	
Health Benefits	34,942	4,585	39,527	39,486	41
Other Employee Benefits	3,000		3,000	3,000	
<b>Total Allocated Benefits - Other Support Services - Speech, OT, PT and Related Services</b>	<b>39,802</b>	<b>5,159</b>	<b>44,961</b>	<b>44,920</b>	<b>41</b>
Other Support Services - Students - Extraordinary Services:					
Social Security Contributions	12,845	1,285	14,130	14,130	
Other Retirement Contributions - PERS	15,151	(2,660)	12,491	12,294	197
Health Benefits	98,157	(17,240)	80,917	78,027	2,890
Tuition Reimbursement		2,250	2,250	2,250	
Other Employee Benefits		2,500	2,500	2,500	
<b>Total Allocated Benefits - Other Support Services - Students - Extraordinary Services</b>	<b>126,153</b>	<b>(13,865)</b>	<b>112,288</b>	<b>109,201</b>	<b>3,087</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Allocated Benefits:					
Other Support Services - Students - Guidance:					
Social Security Contributions	\$ 18,886	\$ 2,073	\$ 20,959	\$ 20,958	\$ 1
Other Retirement Contributions - PERS	29,626		29,626	21,671	7,955
Workmen's Compensation	7,950		7,950	7,950	
Health Benefits	364,830	(18,749)	346,081	336,480	9,601
Tuition Reimbursement	1,700	50	1,750	1,750	
Other Employee Benefits	3,000		3,000	3,000	
<b>Total Allocated Benefits - Other Support Services - Students - Guidance</b>	<b>425,992</b>	<b>(16,626)</b>	<b>409,366</b>	<b>391,809</b>	<b>17,557</b>
Other Support Services - Child Study Teams:					
Social Security Contributions	11,644	5,073	16,717	16,711	6
Other Retirement Contributions - PERS	18,264		18,264	14,931	3,333
Workmen's Compensation	13,250		13,250	13,250	
Health Benefits	179,000	3,349	182,349	180,778	1,571
Tuition Reimbursement	3,000	(1,500)	1,500	1,500	
Other Employee Benefits	6,000	6,735	12,735	12,734	1
<b>Total Allocated Benefits - Other Support Services - Child Study Teams</b>	<b>231,158</b>	<b>13,657</b>	<b>244,815</b>	<b>239,904</b>	<b>4,911</b>
Improvement of Instruction Services:					
Social Security Contributions	21,251	219	21,470	21,468	2
Other Retirement Contributions - PERS	33,339		33,339	30,720	2,619
Workmen's Compensation	7,950		7,950	7,950	
Health Benefits	137,438	1,129	138,567	138,567	
Tuition Reimbursement		6,300	6,300	6,300	
Other Employee Benefits	5,100	1,254	6,354	6,354	
<b>Total Allocated Benefits - Improvement of Instruction Services</b>	<b>205,078</b>	<b>8,902</b>	<b>213,980</b>	<b>211,359</b>	<b>2,621</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Allocated Benefits:</b>					
<b>Educational Media Services - School Library:</b>					
Social Security Contributions	\$ 11,597	\$ (29)	\$ 11,568	\$ 11,567	\$ 1
Other Retirement Contributions - PERS	18,396	(300)	18,096	15,078	3,018
Workmen's Compensation	7,950		7,950	7,950	
Health Benefits	104,653	(19,413)	85,240	81,335	3,905
<b>Total Allocated Benefits - Educational Media Services - School Library</b>	<b>142,596</b>	<b>(19,742)</b>	<b>122,854</b>	<b>115,930</b>	<b>6,924</b>
<b>Instructional Staff Training Services:</b>					
Social Security Contributions	3,749	3,839	7,588	7,587	1
Other Retirement Contributions - PERS	5,883		5,883	5,421	462
Workmen's Compensation	7,950		7,950	7,950	
Health Benefits	25,747	2,039	27,786	27,785	1
Other Employee Benefits	900		900	900	
<b>Total Allocated Benefits - Instructional Staff Training Services</b>	<b>44,229</b>	<b>5,878</b>	<b>50,107</b>	<b>49,643</b>	<b>464</b>
<b>Support Services - General Administration:</b>					
Social Security Contributions	5,575	35	5,610	5,610	
Other Retirement Contributions - PERS	8,745		8,745	8,070	675
Workmen's Compensation	7,950		7,950	7,950	
Health Benefits	28,090	(2,300)	25,790	25,782	8
Other Employee Benefits		615	615	614	1
<b>Total Allocated Benefits - Support Services - General Administration</b>	<b>50,360</b>	<b>(1,650)</b>	<b>48,710</b>	<b>48,026</b>	<b>684</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Allocated Benefits:					
Support Services - School Administration:					
Social Security Contributions	\$ 34,800	\$ 3,001	\$ 37,801	\$ 37,686	\$ 115
Other Retirement Contributions - PERS	54,587		54,587	51,221	3,366
Workmen's Compensation	27,950		27,950	27,950	
Health Benefits	219,607	25,232	244,839	239,658	5,181
Tuition Reimbursement	1,300	(1,300)			
Other Employee Benefits	82,000	(52,691)	29,309	28,104	1,205
<b>Total Allocated Benefits - Support Services - School Administration</b>	<b>420,244</b>	<b>(25,758)</b>	<b>394,486</b>	<b>384,619</b>	<b>9,867</b>
Support Services - Central Services:					
Social Security Contributions	39,708	(1,365)	38,343	38,343	
Other Retirement Contributions - PERS	62,288		62,288	57,068	5,220
Workmen's Compensation	7,950		7,950	7,950	
Health Benefits	187,031	(17,239)	169,792	166,139	3,653
Other Employee Benefits		3,950	3,950	3,950	
<b>Total Allocated Benefits - Support Services - Central Services</b>	<b>296,977</b>	<b>(14,654)</b>	<b>282,323</b>	<b>273,450</b>	<b>8,873</b>
Support Services - Administrative Information Technology:					
Social Security Contributions	19,941	2,539	22,480	22,479	1
Other Retirement Contributions - PERS	31,853		31,853	17,749	14,104
Workmen's Compensation	7,950		7,950	7,950	
Health Benefits	35,217	14,607	49,824	49,560	264
Other Employee Benefits	3,000	5,580	8,580	8,561	19
<b>Total Allocated Benefits - Support Services - Administrative Information Technology</b>	<b>97,961</b>	<b>22,726</b>	<b>120,687</b>	<b>106,299</b>	<b>14,388</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Allocated Benefits:					
Required Maintenance for School Facilities:					
Social Security Contributions	\$ 40,149	\$ (160)	\$ 39,989	\$ 39,988	\$ 1
Other Retirement Contributions - PERS	63,395		63,395	63,395	
Workmen's Compensation	4,710		4,710	4,710	
Health Benefits	137,114	(19,426)	117,688	116,894	794
Other Employee Benefits	4,500	500	5,000	4,837	163
<b>Total Allocated Benefits - Required Maintenance for School Facilities</b>	<b>249,868</b>	<b>(19,086)</b>	<b>230,782</b>	<b>229,824</b>	<b>958</b>
Custodial Services:					
Social Security Contributions	69,836	10,940	80,776	79,792	984
Other Retirement Contributions - PERS	105,212		105,212	103,776	1,436
Workmen's Compensation	88,146		88,146	88,146	
Health Benefits	363,881	(31,033)	332,848	332,044	804
Other Employee Benefits		3,744	3,744	3,743	1
<b>Total Allocated Benefits - Custodial Services</b>	<b>627,075</b>	<b>(16,349)</b>	<b>610,726</b>	<b>607,501</b>	<b>3,225</b>
Care and Upkeep of Grounds:					
Social Security Contributions	8,017	3,064	11,081	11,080	1
Other Retirement Contributions - PERS	12,575		12,575	11,978	597
Health Benefits	25,843	(1,700)	24,143	24,081	62
Other Employee Benefits	1,500	200	1,700	1,538	162
<b>Total Allocated Benefits - Care and Upkeep of Grounds</b>	<b>47,935</b>	<b>1,564</b>	<b>49,499</b>	<b>48,677</b>	<b>822</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Allocated Benefits:					
Security:					
Social Security Contributions	\$ 14,417	\$ 747	\$ 15,164	\$ 15,164	
Other Retirement Contributions - PERS	21,901	(3,620)	18,281	17,173	\$ 1,108
Health Benefits	96,806	(11,000)	85,806	84,991	815
Tuition Reimbursement		750	750	750	
Other Employee Benefits	3,000	5,000	8,000	8,000	
<b>Total Allocated Benefits - Security</b>	<b>136,124</b>	<b>(8,123)</b>	<b>128,001</b>	<b>126,078</b>	<b>1,923</b>
Student Transportation Services:					
Social Security Contributions	98,360	45,458	143,818	143,816	2
Other Retirement Contributions - PERS	155,324	1,790	157,114	157,107	7
Workmen's Compensation	15,774		15,774	15,744	30
Health Benefits	812,692	(63,695)	748,997	708,002	40,995
Other Employee Benefits	4,375	11,145	15,520	15,513	7
<b>Total Allocated Benefits - Student Transportation Services</b>	<b>1,086,525</b>	<b>(5,302)</b>	<b>1,081,223</b>	<b>1,040,182</b>	<b>41,041</b>
<b>Total Allocated Benefits</b>	<b>9,254,925</b>	<b>(249,613)</b>	<b>9,005,312</b>	<b>8,762,988</b>	<b>242,324</b>
On-Behalf Contributions:					
TPAF Post Retirement Medical Benefits (Non-budgeted)				1,862,205	(1,862,205)
TPAF Pension (Non-budgeted)				1,646,880	(1,646,880)
Reimbursed TPAF Social Security Contributions (Non-budgeted)				1,876,330	(1,876,330)
<b>Total On-Behalf Contributions</b>				<b>5,385,415</b>	<b>(5,385,415)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>9,254,925</b>	<b>(249,613)</b>	<b>9,005,312</b>	<b>14,148,403</b>	<b>(5,143,091)</b>
<b>Total Undistributed Expenses</b>	<b>31,689,864</b>	<b>176,025</b>	<b>31,865,889</b>	<b>35,926,833</b>	<b>(4,060,944)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>56,552,191</b>	<b>61,879</b>	<b>56,614,070</b>	<b>60,435,084</b>	<b>(3,821,014)</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CAPITAL OUTLAY:</b>					
<b>Equipment:</b>					
Regular Programs - Instruction:					
Grades 9-12	\$ 162,400	\$ (5,509)	\$ 156,891	\$ 153,537	\$ 3,354
Special Education - Instruction:					
Multiple Disabilities		4,296	4,296	4,296	
<b>Undistributed Expenditures:</b>					
<b>Support Services:</b>					
Educational Media Services/School Library	18,530	(18,530)			
Central Services	8,000	(8,000)			
Custodial Services		47,385	47,385	40,199	7,186
Administrative Information Technology		2,402	2,402	2,163	239
Student Transportation Services - Non-Instructional Equipment	73,999	(5,357)	68,642	68,639	3
Student Transportation Services - School Buses - Regular	180,000	19,015	199,015	199,015	
<b>Total Equipment</b>	<b>442,929</b>	<b>35,702</b>	<b>478,631</b>	<b>467,849</b>	<b>10,782</b>
<b>Facilities Acquisition and Construction Services:</b>					
Architectural/Engineering Services	158,000	221,064	379,064	334,867	44,197
Construction Services	1,765,264	(234,200)	1,531,064	111,965	1,419,099
Lease Purchase Agreements - Principal	298,105		298,105	298,104	1
Other Objects		13,136	13,136	13,136	
Other Objects - Debt Service Assessment	117,602		117,602	117,602	
<b>Total Facilities Acquisition and Construction Services</b>	<b>2,338,971</b>		<b>2,338,971</b>	<b>875,674</b>	<b>1,463,297</b>
<b>TOTAL CAPITAL OUTLAY</b>	<b>2,781,900</b>	<b>35,702</b>	<b>2,817,602</b>	<b>1,343,523</b>	<b>1,474,079</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>SPECIAL SCHOOLS:</b>					
Summer School - Instruction:					
Salaries of Teachers	\$ 22,500		\$ 22,500		\$ 22,500
Other Purchased Services (400-500 series)	5,000		5,000		5,000
Total Vocational Evening - Local - Instruction	<u>27,500</u>		<u>27,500</u>		<u>27,500</u>
Summer School - Support Services:					
Salaries	6,500		6,500		6,500
Personal Services - Employee Benefits	1,800	\$ (1,800)			
Total Summer School - Support Services	<u>8,300</u>	<u>(1,800)</u>	<u>6,500</u>		<u>6,500</u>
Total Summer School	<u>35,800</u>	<u>(1,800)</u>	<u>34,000</u>		<u>34,000</u>
Accredited Evening/Adult High School - Post-Graduate - Instruction:					
Salaries of Teachers	252,669	19,947	272,616	\$ 267,377	5,239
General Supplies	7,800		7,800	3,270	4,530
Textbooks	1,600		1,600	99	1,501
Other Objects	400		400		400
Total Accredited Evening/Adult High School - Post-Graduate - Instruction	<u>262,469</u>	<u>19,947</u>	<u>282,416</u>	<u>270,746</u>	<u>11,670</u>
Accredited Evening/Adult High School - Post-Graduate - Support Services:					
Personal Services - Employee Benefits	41,025	(25,330)	15,695	15,575	120
Purchased Professional and Technical Services	5,100		5,100	650	4,450
Other Purchased Services (400-500 series)	14,600		14,600	3,075	11,525
Total Accredited Evening/Adult High School - Post-Graduate - Support Services	<u>60,725</u>	<u>(25,330)</u>	<u>35,395</u>	<u>19,300</u>	<u>16,095</u>
Total Accredited Evening/Adult High School - Post-Graduate	<u>323,194</u>	<u>(5,383)</u>	<u>317,811</u>	<u>290,046</u>	<u>27,765</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>SPECIAL SCHOOLS:</b>					
Adult Education - Local - Instruction:					
Purchased Professional and Technical Services	\$ 35,159	\$ 1,600	\$ 36,759	\$ 35,922	\$ 837
General Supplies	800		800		800
Textbooks	2,160	(1,600)	560		560
	<u>38,119</u>		<u>38,119</u>	<u>35,922</u>	<u>2,197</u>
Total Adult Education - Local - Instruction	<u>38,119</u>		<u>38,119</u>	<u>35,922</u>	<u>2,197</u>
Total Adult Education - Local	<u>38,119</u>		<u>38,119</u>	<u>35,922</u>	<u>2,197</u>
Vocational Evening - Local - Instruction:					
Salaries of Teachers		5,055	5,055	4,270	785
General Supplies	600	(600)			
Textbooks	2,360	(2,360)			
	<u>2,960</u>	<u>2,095</u>	<u>5,055</u>	<u>4,270</u>	<u>785</u>
Total Vocational Evening - Local - Instruction	<u>2,960</u>	<u>2,095</u>	<u>5,055</u>	<u>4,270</u>	<u>785</u>
Vocational Evening - Local - Support Services:					
Salaries	46,098		46,098	46,098	
Personal Services - Employee Benefits	23,036	(133)	22,903	16,605	6,298
Other Purchased Services (400-500 series)	3,400	(1,765)	1,635		1,635
	<u>72,534</u>	<u>(1,898)</u>	<u>70,636</u>	<u>62,703</u>	<u>7,933</u>
Total Vocational Evening - Local - Support Services	<u>72,534</u>	<u>(1,898)</u>	<u>70,636</u>	<u>62,703</u>	<u>7,933</u>
Total Vocational Evening - Local	<u>75,494</u>	<u>197</u>	<u>75,691</u>	<u>66,973</u>	<u>8,718</u>
<b>TOTAL SPECIAL SCHOOLS</b>	<u>472,607</u>	<u>(6,986)</u>	<u>465,621</u>	<u>392,941</u>	<u>72,680</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
TOTAL EXPENDITURES	\$ 59,806,698	\$ 90,595	\$ 59,897,293	\$ 62,171,548	\$ (2,274,255)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,199,800)	(90,000)	(2,289,800)	876,905	3,166,705
OTHER FINANCING SOURCES/(USES):					
Operating Transfers In:					
Capital Projects Fund:					
Capital Reserve - Unexpended Project Balances				804,413	804,413
Operating Transfers Out:					
Capital Projects Fund - Capital Reserve				(895,000)	(895,000)
Total Other Financing Sources/(Uses)				(90,587)	(90,587)
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	(2,199,800)	(90,000)	(2,289,800)	786,318	3,076,118
Fund Balance, July 1	<u>4,876,737</u>		<u>4,876,737</u>	<u>4,876,737</u>	
Fund Balance, June 30	<u>\$ 2,676,937</u>	<u>\$ (90,000)</u>	<u>\$ 2,586,937</u>	<u>\$ 5,663,055</u>	<u>\$ 3,076,118</u>
<u>Recapitulation of Fund Balance at June 30, 2013:</u>					
Restricted:					
Capital Reserve				\$ 3,588,900	
Maintenance Reserve				210,000	
Assigned - Designated for Subsequent Year's Expenditures				923,000	
Unassigned				<u>941,155</u>	
Total Fund Balance - Budgetary Basis				5,663,055	
Reconciliation to Governmental Fund Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis				<u>(602,956)</u>	
Fund Balance per Governmental Fund on (Exhibit B-2)				<u>\$ 5,060,099</u>	

Exhibit C-2

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
State Sources	\$ 198,248	\$ (6,078)	\$ 192,170	\$ 168,467	\$ (23,703)
Federal Sources	820,551	(17,054)	803,497	768,766	(34,731)
<b>Total Revenues</b>	<b>1,018,799</b>	<b>(23,132)</b>	<b>995,667</b>	<b>937,233</b>	<b>(58,434)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Personal Services - Salaries	4,300	37,829	42,129	35,485	6,644
Purchased Professional and Technical Services	30,721	962	31,683	31,683	
Purchased Professional - Educational Services	146,020	(16,926)	129,094	105,543	23,551
Other Purchased Services	578,668	(18,666)	560,002	560,002	
General Supplies	9,100	50,220	59,320	58,836	484
Textbooks	21,507	1,320	22,827	22,675	152
Other Objects	1,000		1,000	1,000	
<b>Total Instruction</b>	<b>791,316</b>	<b>54,739</b>	<b>846,055</b>	<b>815,224</b>	<b>30,831</b>
Support Services:					
Personal Services - Salaries	67,829	(9,160)	58,669	33,669	25,000
Personal Services - Employee Benefits	10,821	(3,185)	7,636	5,215	2,421
Purchased Professional - Educational Services	133,383	(64,947)	68,436	68,436	
Other Purchased Services		9,027	9,027	9,027	
Supplies and Materials	4,155	1,689	5,844	5,662	182
<b>Total Support Services</b>	<b>216,188</b>	<b>(66,576)</b>	<b>149,612</b>	<b>122,009</b>	<b>27,603</b>
Facilities Acquisition:					
Instructional Equipment	11,295	(11,295)			
<b>Total Facilities Acquisition</b>	<b>11,295</b>	<b>(11,295)</b>			
<b>Total Expenditures</b>	<b>1,018,799</b>	<b>(23,132)</b>	<b>995,667</b>	<b>937,233</b>	<b>58,434</b>
<b>Excess of Revenues Over Expenditures</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

Exhibit C-3

1 of 2

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 63,048,453	\$ 937,233
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	537,007	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(602,956)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 62,982,504</u>	<u>\$ 937,233</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 62,171,548</u>	<u>\$ 937,233</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 62,171,548</u>	<u>\$ 937,233</u>

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

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

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

**SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	No Child Left Behind Consolidated				
	Title I	Title II, Part A		Title III	
	2012-13	2012-13	2011-12	2012-13	2011-12
<b>REVENUE:</b>					
State Sources					
Federal Sources	\$ 87,198	\$ 5,662	\$ 34,028	\$ 4,924	\$ 8,516
<b>Total Revenue</b>	<b>87,198</b>	<b>5,662</b>	<b>34,028</b>	<b>4,924</b>	<b>8,516</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Personal Services - Salaries	34,308			1,045	
Purchased Professional and Technical Services					
Purchased Professional - Educational Services					
Other Purchased Services					
General Supplies	41,261			3,799	5,352
Textbooks					
Other Objects					1,000
<b>Total Instruction</b>	<b>75,569</b>			<b>4,844</b>	<b>6,352</b>
<b>Support Services:</b>					
Personal Services - Salaries			31,656		2,013
Personal Services - Employee Benefits	2,602		2,372	80	151
Purchased Professional - Educational Services					
Other Purchased Services	9,027				
Supplies and Materials		5,662			
<b>Total Support Services</b>	<b>11,629</b>	<b>5,662</b>	<b>34,028</b>	<b>80</b>	<b>2,164</b>
<b>Total Expenditures</b>	<b>\$ 87,198</b>	<b>\$ 5,662</b>	<b>\$ 34,028</b>	<b>\$ 4,924</b>	<b>\$ 8,516</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	IDEA Part B, Basic Regular	NJ Nonpublic		
	2012-13	Technology	Textbooks	Nursing
REVENUE:				
State Sources		\$ 8,424	\$ 22,675	\$ 31,683
Federal Sources	\$ 628,438			
Total Revenue	628,438	8,424	22,675	31,683
EXPENDITURES:				
Instruction:				
Personal Services - Salaries				
Purchased Professional and Technical Services				31,683
Purchased Professional - Educational Services				
Other Purchased Services	560,002			
General Supplies		\$ 8,424		
Textbooks			22,675	
Other Objects				
Total Instruction	560,002	8,424	22,675	31,683
Support Services:				
Personal Services - Salaries				
Personal Services - Employee Benefits				
Purchased Professional - Educational Services	68,436			
Other Purchased Services				
Supplies and Materials				
Total Support Services	68,436			
Total Expenditures	\$ 628,438	\$ 8,424	\$ 22,675	\$ 31,683

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	NJ Nonpublic				Totals June 30, 2013
	Auxiliary Services (Chapter 192)		Handicapped Services (Chapter 193)		
	Compensatory Education	Home Instruction	Examination & Classification	Supplementary Instruction	
<b>REVENUE:</b>					
State Sources	\$ 40,634	\$ 142	\$ 34,729	\$ 30,180	\$ 168,467
Federal Sources					768,766
<b>Total Revenue</b>	<b>40,634</b>	<b>142</b>	<b>34,729</b>	<b>30,180</b>	<b>937,233</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Personal Services - Salaries		132			35,485
Purchased Professional and Technical Services					31,683
Purchased Professional - Educational Services	40,634		34,729	30,180	105,543
Other Purchased Services					560,002
General Supplies					58,836
Textbooks					22,675
Other Objects					1,000
<b>Total Instruction</b>	<b>40,634</b>	<b>132</b>	<b>34,729</b>	<b>30,180</b>	<b>815,224</b>
<b>Support Services:</b>					
Personal Services - Salaries					33,669
Personal Services - Employee Benefits		10			5,215
Purchased Professional - Educational Services					68,436
Other Purchased Services					9,027
Supplies and Materials					5,662
<b>Total Support Services</b>		<b>10</b>			<b>122,009</b>
<b>Total Expenditures</b>	<b>\$ 40,634</b>	<b>\$ 142</b>	<b>\$ 34,729</b>	<b>\$ 30,180</b>	<b>\$ 937,233</b>

**CAPITAL PROJECTS FUND**

Exhibit F-1

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS  
CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Revenue and Other Financing Sources:	
Transfer from Capital Reserve	\$ 895,000
Interest Revenue	2,654
	<hr/>
Total Revenue and Other Financing Sources	897,654
	<hr/>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	64,596
Construction Services	248,000
Operating Transfers Out:	
General Fund:	
Capital Reserve - Unexpended Project Balances	804,413
Debt Service Fund - Interest Earned	2,654
	<hr/>
Total Expenditures and Other Financing Uses	1,119,663
	<hr/>
Excess/(Deficiency) of Revenue and Other Financing Sources	
Over/(Under) Expenditures and Other Financing Uses	(222,009)
	<hr/>
Fund Balance - Beginning	693,615
	<hr/>
Fund Balance - Ending	\$ 471,606
	<hr/> <hr/>
<u>Recapitulation of Fund Balance at June 30, 2013:</u>	
Restricted	\$ 426,131
Committed	45,475
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 471,606
	<hr/> <hr/>

Exhibit F-1a

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
CONSTRUCT AND EQUIP RENOVATIONS AND ADDITIONS TO  
BOTH MORRIS HILLS AND MORRIS KNOLLS HIGH SCHOOLS  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Prior Periods	Current Year	Totals	Project Authorization
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 12,870,155		\$ 12,870,155	\$ 12,870,155
Bond Proceeds and Transfers	43,092,397		43,092,397	43,092,397
<b>Total Revenue and Other Financing Sources</b>	<b>55,962,552</b>	<b>\$ - 0 -</b>	<b>55,962,552</b>	<b>55,962,552</b>
Expenditures:				
Purchased Professional & Technical Services	2,355,521		2,355,521	2,908,714
Construction Services	52,440,999	63,000	52,503,999	52,376,936
Miscellaneous Expenditures	676,901		676,901	676,902
<b>Total Expenditures</b>	<b>55,473,421</b>	<b>63,000</b>	<b>55,536,421</b>	<b>55,962,552</b>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 489,131</u>	<u>\$ (63,000)</u>	<u>\$ 426,131</u>	<u>\$ - 0 -</u>

## Additional Project Information:

Project Number	SP-3370-050-03-0451 & 0452
Grant Date	June 17, 2005
Bond Authorization Date	March 11, 2003
Bonds Authorized	\$43,092,000
Bonds Issued	\$43,092,000
Original Authorized Cost	\$55,962,552
Change Orders	\$ -0-
Revised Authorized Cost	\$55,962,552
Change Order Percentage	0.00%
Percentage Completion	99.24%
Original Target Completion Date	August 2007
Revised Target Completion Date	December 2007; December 2012

Exhibit F-1b

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
MORRIS KNOLLS HIGH SCHOOL ROOF REPLACEMENT  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Prior Periods	Current Year	Totals	Revised Project Authorization
<b>Revenue and Other Financing Sources:</b>				
State Sources - SDA Grant	\$ 754,418		\$ 754,418	\$ 754,418
Capital Lease Proceeds	1,355,400		1,355,400	1,355,400
Transfer from Capital Reserve		\$ 29,919	29,919	29,919
<b>Total Revenue and Other Financing Sources</b>	<b>2,109,818</b>	<b>29,919</b>	<b>2,139,737</b>	<b>2,139,737</b>
<b>Expenditures:</b>				
Purchased Professional and Technical Services	67,618	25,380	92,998	92,998
Construction Services	1,837,716	185,000	2,022,716	2,046,739
<b>Total Expenditures</b>	<b>1,905,334</b>	<b>210,380</b>	<b>2,115,714</b>	<b>2,139,737</b>
<b>Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures</b>	<b>\$ 204,484</b>	<b>\$ (180,461)</b>	<b>\$ 24,023</b>	<b>\$ -0-</b>

**Additional Project Information:**

Project Number(s)	SP-3370-060-09-1001; SP-3370-060-12-4000
Grant Date	February 26, 2009
Bond Authorization Date	Not Applicable
Bonds Authorized	Not Applicable
Bonds Issued	Not Applicable
Original Authorized Cost	\$ 2,759,000
Change Orders	\$ 501,393
Unexpended Balance - SDA Grant Canceled	\$ (149,182)
Unexpended Balance - Returned to:	
Capital Outlay	\$ (501,393)
Capital Reserve	\$ (470,081)
<b>Revised Authorized Cost</b>	<b>\$ 2,139,737</b>
Change Order Percentage	18.17%
Percentage Completion	98.88%
Original Target Completion Date	November 30, 2010
Revised Target Completion Date	June 30, 2013

Exhibit F-1c

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
MORRIS KNOLLS HIGH SCHOOL MULTIPURPOSE FIELD  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Prior Periods	Current Year	Totals	Revised Project Authorization
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 60,668	\$ 60,668	\$ 60,668
Total Revenue and Other Financing Sources	\$ - 0 -	60,668	60,668	60,668
Expenditures:				
Purchased Professional and Technical Services		39,216	39,216	60,668
Total Expenditures	-0-	39,216	39,216	60,668
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ -0-	\$ 21,452	\$ 21,452	\$ -0-

Additional Project Information:

Project Number	SP-3370-060-12-5000
Grant Date	Not Applicable
Bond Authorization Date	Not Applicable
Bonds Authorized	Not Applicable
Bonds Issued	Not Applicable
Original Authorized Cost	\$ 395,000
Change Orders	\$ -0-
Unexpended Balance - Returned to Capital Reserve	\$ (334,332)
Revised Authorized Cost	\$ 60,668
Change Order Percentage	0.00%
Percentage Completion	64.64%
Original Target Completion Date	December 31, 2013
Revised Target Completion Date	December 31, 2013

**PROPRIETARY FUNDS**

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2013

	Business-Type Activities - Enterprise Funds							Totals
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
<b>ASSETS:</b>								
<b>Current Assets:</b>								
Cash and Cash Equivalents	\$ 185,411		\$ 16,268			\$ 813		\$ 202,492
Receivable from:								
Federal Government	9,961							9,961
State Government	553							553
Receivables - Other	16,791	\$ 111,780		\$ 2,787	\$ 55,147		\$ 5,135	191,640
Inventories	5,152							5,152
<b>Total Current Assets</b>	<b>217,868</b>	<b>111,780</b>	<b>16,268</b>	<b>2,787</b>	<b>55,147</b>	<b>813</b>	<b>5,135</b>	<b>409,798</b>
<b>Non-Current Assets:</b>								
Capital Assets	385,187	1,002,113						1,387,300
Less: Accumulated Depreciation	(350,647)	(473,662)						(824,309)
<b>Total Non-Current Assets</b>	<b>34,540</b>	<b>528,451</b>						<b>562,991</b>
<b>Total Assets</b>	<b>252,408</b>	<b>640,231</b>	<b>16,268</b>	<b>2,787</b>	<b>55,147</b>	<b>813</b>	<b>5,135</b>	<b>972,789</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2013

Business-Type Activities - Enterprise Funds

	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	Totals
<b>LIABILITIES:</b>								
<b>Current Liabilities:</b>								
Interfund Payable - General Fund Accounts Payable	\$ 90,467	\$ 105,161		\$ 2,649 138	\$ 54,885 262	\$ 813	\$ 4,640 495	\$ 167,335 92,175
Total Current Liabilities	90,467	105,161		2,787	55,147	813	5,135	259,510
Total Liabilities	90,467	105,161		2,787	55,147	813	5,135	259,510
<b>NET POSITION:</b>								
Net Investment in Capital Assets Unrestricted	34,540 127,401	528,451 6,619	\$ 16,268					562,991 150,288
Total Net Position	\$ 161,941	\$ 535,070	\$ 16,268	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 713,279

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds							Total Enterprise Funds
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
Operating Revenue:								
Charges for Services:								
Daily Sales - Reimbursable Programs:								
School Lunch Program	\$ 136,195							\$ 136,195
School Breakfast Program	3,509							3,509
Total Daily Sales - Reimbursable Programs	139,704							139,704
Daily Sales - Non-Reimbursable Programs	561,474							561,474
Special Events	16,443							16,443
Tuition		\$ 1,117,800	\$ 152,530					1,270,330
Service Fees				\$ 381,537	\$ 569,175	\$ 78,944	\$ 53,759	1,083,415
<b>Total Operating Revenue</b>	<b>717,621</b>	<b>1,117,800</b>	<b>152,530</b>	<b>381,537</b>	<b>569,175</b>	<b>78,944</b>	<b>53,759</b>	<b>3,071,366</b>
Operating Expenses:								
Cost of Sales	266,769							266,769
Salaries	266,088	807,149	53,887	225,311	376,745	60,786	32,391	1,822,357
Payroll Taxes	38,996	37,867	4,108	17,496	1,003	4,381	2,243	106,094
Employee Benefits	119,712	272,784	17,888	71,843	65,303	13,777		561,307
Purchased Professional - Educational Services			46,831		124,800			171,631
Other Purchased Services			29,786					29,786
Purchased Property Services	110,648							110,648
Supplies and Materials	83,260			57,873			19,125	160,258
Other Objects				9,014	1,324			10,338

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds							
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	Total Enterprise Funds
Operating Expenses:								
Depreciation Expense	\$ 12,711	\$ 19,572						\$ 32,283
Total Operating Expenses	898,184	1,137,372	\$ 152,500	\$ 381,537	\$ 569,175	\$ 78,944	\$ 53,759	3,271,471
Operating Income/(Loss)	(180,563)	(19,572)	30	-0-	-0-	-0-	-0-	(200,105)
Non-Operating Revenue:								
Federal Sources:								
School Breakfast Program	6,626							6,626
National School Lunch Program	128,137							128,137
Food Distribution Program	21,426							21,426
State Sources:								
School Lunch Program	4,366							4,366
Total Non-Operating Revenue	160,555							160,555
Change in Net Position	(20,008)	(19,572)	30	-0-	-0-	-0-	-0-	(39,550)
Net Position - Beginning of Year	181,949	554,642	16,238	-0-	-0-	-0-	-0-	752,829
Net Position - End of Year	\$ 161,941	\$ 535,070	\$ 16,268	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 713,279

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds							Total Enterprise
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transportation Services	
<b>Cash Flows from Operating Activities:</b>								
Receipts from Customers	\$ 704,727	\$ 1,117,800	\$ 152,530	\$ 387,283	\$ 541,374	\$ 87,421	\$ 48,624	\$ 3,039,759
Payments to Employees		(845,016)	(57,995)	(243,849)	(377,748)	(65,167)	(34,230)	(1,624,005)
Payments to Food Service Vendor	(837,908)							(837,908)
Payments to Suppliers	(5,492)	(272,784)	(94,567)	(143,434)	(163,626)	(21,441)	(14,485)	(715,829)
<b>Net Cash Provided by/(Used for) Operating Activities</b>	<b>(138,673)</b>	<b>-0-</b>	<b>(32)</b>	<b>-0-</b>	<b>-0-</b>	<b>813</b>	<b>(91)</b>	<b>(137,983)</b>
<b>Cash Flows from Noncapital and Related Financing Activities:</b>								
Federal Subsidy Reimbursements	136,474							136,474
State Subsidy Reimbursements	4,233							4,233
<b>Net Cash Provided by Noncapital and Related Financing Activities</b>	<b>140,707</b>							<b>140,707</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>2,034</b>	<b>-0-</b>	<b>(32)</b>	<b>-0-</b>	<b>-0-</b>	<b>813</b>	<b>(91)</b>	<b>2,724</b>
<b>Cash and Cash Equivalents, July 1</b>	<b>183,377</b>	<b>-0-</b>	<b>16,300</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>91</b>	<b>199,768</b>
<b>Cash and Cash Equivalents, June 30</b>	<b>\$ 185,411</b>	<b>\$ -0-</b>	<b>\$ 16,268</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 813</b>	<b>\$ -0-</b>	<b>\$ 202,492</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds							Total Enterprise
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transportation Services	
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:								
Operating Income/(Loss)	\$ (180,563)	\$ (19,572)	\$ 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (200,105)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used by) Operating Activities:								
Depreciation	12,711	19,572						32,283
Federal Food Distribution Program	21,426							21,426
Changes in Assets and Liabilities:								
(Increase)/Decrease in Other Receivables	(16,791)			5,746	(27,801)	7,664	(5,135)	(36,317)
Decrease in Inventory	1,734							1,734
Increase/(Decrease) in Accounts Payable	22,810	(6,575)	(62)	(1,129)	262	813	404	16,523
Increase/(Decrease) in Interfund Payable		6,575		(4,617)	27,539	(7,664)	4,640	26,473
<b>Net Cash Provided by/(Used for) Operating Activities</b>	<b>\$ (138,673)</b>	<b>\$ -0-</b>	<b>\$ (32)</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 813</b>	<b>\$ (91)</b>	<b>\$ (137,983)</b>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$21,426 for the fiscal year ended June 30, 2013.

**FIDUCIARY FUNDS**

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>			<u>Total</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 454,315	\$ 10,887	\$ 465,202	\$ 96,091	\$ 280,988
Total Assets	<u>454,315</u>	<u>10,887</u>	<u>465,202</u>	<u>96,091</u>	<u>280,988</u>
<b>LIABILITIES:</b>					
Payroll Deductions and Withholdings Due to Student Groups	<u>454,315</u>	<u>10,887</u>	<u>10,887</u> <u>454,315</u>		
Total Liabilities	<u>454,315</u>	<u>10,887</u>	<u>465,202</u>	<u>- 0 -</u>	<u>- 0 -</u>
<b>NET POSITION:</b>					
Held in Trust for: Unemployment Claims Scholarships				<u>96,091</u>	<u>280,988</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 96,091</u>	<u>\$ 280,988</u>

Exhibit H-2

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
<b>ADDITIONS:</b>			
Contributions:			
Employee	\$ 82,331	\$ 45,290	
Donations			\$ 34,505
<b>Total Contributions</b>	<b>82,331</b>	<b>45,290</b>	<b>34,505</b>
Investment Earnings:			
Interest	8		617
<b>Net Investment Earnings</b>	<b>8</b>		<b>617</b>
<b>Total Additions</b>	<b>82,339</b>	<b>45,290</b>	<b>35,122</b>
<b>DEDUCTIONS:</b>			
Unemployment Claims	102,432		
Flexible Spending Account Claims		46,155	
Scholarships Awarded			34,000
<b>Total Deductions</b>	<b>102,432</b>	<b>46,155</b>	<b>34,000</b>
<b>Change in Net Position</b>	<b>(20,093)</b>	<b>(865)</b>	<b>1,122</b>
<b>Net Position - Beginning of the Year</b>	<b>116,184</b>	<b>865</b>	<b>279,866</b>
<b>Net Position - End of the Year</b>	<b>\$ 96,091</b>	<b>\$ - 0 -</b>	<b>\$ 280,988</b>

Exhibit H-3

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 463,050	\$ 562,062	\$ 570,797	\$ 454,315
Total Assets	<u>\$ 463,050</u>	<u>\$ 562,062</u>	<u>\$ 570,797</u>	<u>\$ 454,315</u>
<b>LIABILITIES:</b>				
Liabilities:				
Due to Student Groups	\$ 463,050	\$ 562,062	\$ 570,797	\$ 454,315
Total Liabilities	<u>\$ 463,050</u>	<u>\$ 562,062</u>	<u>\$ 570,797</u>	<u>\$ 454,315</u>

Exhibit H-4

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Senior High Schools:				
Morris Hills	\$ 195,139	\$ 233,341	\$ 266,803	\$ 161,677
Morris Knolls	266,021	328,163	303,418	290,766
District-Wide	<u>1,890</u>	<u>558</u>	<u>576</u>	<u>1,872</u>
Total All Schools	<u>\$ 463,050</u>	<u>\$ 562,062</u>	<u>\$ 570,797</u>	<u>\$ 454,315</u>

Exhibit H-5

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 2,200	\$ 47,391,858	\$ 47,383,171	\$ 10,887
Total Assets	<u>\$ 2,200</u>	<u>\$ 47,391,858</u>	<u>\$ 47,383,171</u>	<u>\$ 10,887</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 2,200	\$ 47,391,858	\$ 47,383,171	\$ 10,887
Total Liabilities	<u>\$ 2,200</u>	<u>\$ 47,391,858</u>	<u>\$ 47,383,171</u>	<u>\$ 10,887</u>

**LONG-TERM DEBT**

Exhibit I-1

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2012	Matured	Balance June 30, 2013
			Date	Amount				
School Improvements	04/01/04	\$ 43,092,000	10/01/13	\$ 1,410,000	4.00%	\$ 4,240,000	\$ 1,360,000	\$ 2,880,000
			10/01/14	1,470,000	4.00%			
Refunding Bonds	03/28/12	28,230,000	10/01/15	1,420,000	2.00%			
			10/01/16	1,450,000	2.00%			
			10/01/17	1,500,000	4.00%			
			10/01/18	1,555,000	4.00%			
			10/01/19	1,610,000	3.00%			
			10/01/20	1,670,000	4.00%			
			10/01/21	1,740,000	4.00%			
			10/01/22	1,810,000	4.00%			
			10/01/23	1,895,000	5.00%			
			10/01/24	1,990,000	5.00%			
			10/01/25	2,095,000	5.00%			
			10/01/26	2,200,000	5.00%			
			10/01/27	2,315,000	5.00%			
			10/01/28	2,430,000	5.00%			
			10/01/29	2,550,000	5.00%			
						<u>28,230,000</u>		<u>28,230,000</u>
						<u>\$ 32,470,000</u>	<u>\$ 1,360,000</u>	<u>\$ 31,110,000</u>

Exhibit I-2

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2012</u>	<u>Matured</u>	<u>Balance June 30, 2013</u>
School Buses, Computers and Security Access Equipment	2.75%	\$ 467,325	\$ 191,980	\$ 94,679	\$ 97,301
Morris Knolls High School Roof Replacement	3.31%	1,355,400	<u>1,099,917</u>	<u>261,697</u>	<u>838,220</u>
			<u>\$ 1,291,897</u>	<u>\$ 356,376</u>	<u>\$ 935,521</u>

Exhibit I-3

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 2,716,683		\$ 2,716,683	\$ 2,716,683	
<b>Total Revenues</b>	<b>2,716,683</b>		<b>2,716,683</b>	<b>2,716,683</b>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	1,359,537		1,359,537	1,359,537	
Redemption of Principal	1,360,000		1,360,000	1,360,000	
<b>Total Regular Debt Service</b>	<b>2,719,537</b>		<b>2,719,537</b>	<b>2,719,537</b>	
<b>Total Expenditures</b>	<b>2,719,537</b>		<b>2,719,537</b>	<b>2,719,537</b>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,854)		(2,854)	(2,854)	
<b>Other Financing Sources:</b>					
Operating Transfers In:					
Capital Projects Fund - Interest				2,654	\$ 2,654
<b>Total Other Financing Sources</b>				<b>2,654</b>	<b>2,654</b>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	(2,854)		(2,854)	(200)	2,654
<b>Fund Balance, July 1</b>	<b>3,215</b>		<b>3,215</b>	<b>3,215</b>	<b>- 0 -</b>
<b>Fund Balance, June 30</b>	<b>\$ 361</b>	<b>\$ - 0 -</b>	<b>\$ 361</b>	<b>\$ 3,015</b>	<b>\$ 2,654</b>

Recapitulation of Fund Balance at June 30, 2013:

Restricted for Subsequent Year's Expenditures	\$ 1,500
Restricted	1,515
	<u>\$ 3,015</u>

**STATISTICAL SECTION  
(UNAUDITED)**

**STATISTICAL SECTION**  
**(UNAUDITED)**

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

**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.

**Exhibit**

J-1 thru J-5

**Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

**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.

J-10 thru J-13

**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 and to help make comparisons over time and with other governments.

J-14 thru J-15

**Operating Information**

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

Exhibit J-1

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**NET POSITION BY COMPONENT**  
**LAST NINE FISCAL YEARS**  
**UNAUDITED**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,				
	2005	2006	2007	2008	2009
<b>Governmental Activities:</b>					
Net Investment (Deficit) in					
Capital Assets	\$ (28,606,917)	\$ (3,513,351)	\$ 12,244,580	\$ 12,422,363	\$ 11,069,730
Restricted	40,043,591	22,660,622	5,439,966	2,897,496	2,019,387
Unrestricted (Deficit)	(1,754,968)	(2,147,442)	(2,488,934)	(2,404,949)	(1,947,179)
<b>Total Governmental Activities</b>					
Net Position	<u>\$ 9,681,706</u>	<u>\$ 16,999,829</u>	<u>\$ 15,195,612</u>	<u>\$ 12,914,910</u>	<u>\$ 11,141,938</u>
<b>Business-type Activities:</b>					
Net Investment in Capital Assets	\$ 685,069	\$ 665,456	\$ 645,884	\$ 652,071	\$ 630,159
Unrestricted	93,857	108,027	111,661	67,113	69,400
<b>Total Business-type Activities</b>					
Net Position	<u>\$ 778,926</u>	<u>\$ 773,483</u>	<u>\$ 757,545</u>	<u>\$ 719,184</u>	<u>\$ 699,559</u>
<b>District-wide:</b>					
Net Investment (Deficit) in					
Capital Assets	\$ (27,921,848)	\$ (2,847,895)	\$ 12,890,464	\$ 13,074,434	\$ 11,699,889
Restricted	40,043,591	22,660,622	5,439,966	2,897,496	2,019,387
Unrestricted (Deficit)	(1,661,111)	(2,039,415)	(2,377,273)	(2,337,836)	(1,877,779)
<b>Total District-wide Net Position</b>	<u>\$ 10,460,632</u>	<u>\$ 17,773,312</u>	<u>\$ 15,953,157</u>	<u>\$ 13,634,094</u>	<u>\$ 11,841,497</u>

	Fiscal Year Ending June 30,			
	2010	2011	2012	2013
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 9,464,042	\$ 9,471,239	\$ 11,190,521	\$ 10,349,720
Restricted	2,016,795	1,758,516	4,095,383	4,228,046
Unrestricted (Deficit)	(3,045,007)	(1,922,767)	(4,671,212)	(4,607,579)
<b>Total Governmental Activities</b>				
Net Position	<u>\$ 8,435,830</u>	<u>\$ 9,306,988</u>	<u>\$ 10,614,692</u>	<u>\$ 9,970,187</u>
<b>Business-type Activities:</b>				
Net Investment in Capital Assets	\$ 664,787	\$ 630,030	\$ 595,274	\$ 562,991
Unrestricted	110,392	303,538	157,555	150,288
<b>Total Business-type Activities</b>				
Net Position	<u>\$ 775,179</u>	<u>\$ 933,568</u>	<u>\$ 752,829</u>	<u>\$ 713,279</u>
<b>District-wide:</b>				
Net Investment in Capital Assets	\$ 10,128,829	\$ 10,101,269	\$ 11,785,795	\$ 10,912,711
Restricted	2,016,795	1,758,516	4,095,383	4,228,046
Unrestricted (Deficit)	(2,934,615)	(1,619,229)	(4,513,657)	(4,457,291)
<b>Total District-wide Net Position</b>	<u>\$ 9,211,009</u>	<u>\$ 10,240,556</u>	<u>\$ 11,367,521</u>	<u>\$ 10,683,466</u>

This schedule does not contain ten years of information as GASB #34 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Financial Reports.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST NINE FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)

Expenses:	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental Activities:</b>									
<b>Instruction:</b>									
Regular	\$ 20,011,486	\$ 19,760,125	\$ 22,362,336	\$ 24,097,822	\$ 22,682,264	\$ 24,442,107	\$ 22,132,245	\$ 23,580,347	\$ 25,253,267
Special Education	2,750,171	3,003,964	3,621,473	3,857,566	3,720,890	4,390,107	4,005,649	4,572,377	4,507,524
Other Special Instruction	764,125	811,929	917,304	972,976	915,563	785,181	760,974	721,897	723,961
Vocational	12,086	11,398			25,400				
School-Sponsored Other Instruction	2,746,882	2,928,755	3,240,540	3,375,198	3,493,039	3,095,048	2,900,081	2,986,160	3,208,689
<b>Support Services:</b>									
Tuition	2,564,911	2,857,018	3,133,687	3,594,088	4,307,369	4,378,041	4,495,059	5,210,362	4,863,423
Student & Instruction Related Services	6,165,533	6,462,594	6,601,495	7,220,508	7,853,427	9,400,174	8,950,519	8,342,150	8,473,224
General Administration Services	835,387	886,457	894,939	942,727	1,053,677	679,982	797,148	889,261	978,211
School Administration Services	2,184,363	2,380,132	2,372,680	2,394,401	2,427,840	2,796,923	1,787,401	2,277,283	2,925,465
Central Services	792,173	819,302	826,607	765,242	1,013,144	1,004,378	1,080,776	1,188,886	1,216,783
Administrative Information Technology	82,458	79,720	92,475	79,629	93,827	272,347	336,435	349,853	617,062
Plant Operations and Maintenance	3,813,464	5,754,948	6,064,127	5,684,709	6,037,285	5,413,917	5,482,109	4,798,296	5,970,683
Pupil Transportation	2,410,529	2,828,816	2,950,153	3,164,314	3,492,296	3,713,188	4,115,382	4,135,401	4,375,236
Special Schools	980,327	904,510	1,293,759	1,397,864	994,381	570,194	511,287	400,370	450,443
Interest on Long-term Debt	1,667,651	1,637,131	1,785,658	2,076,499	1,876,599	1,489,917	1,448,966	1,327,692	1,271,775
Unallocated Depreciation	610,093	610,093	2,106,943	2,115,256	2,137,466	2,218,693	2,220,671	2,314,925	2,447,833
<b>Total Governmental Activities Expenses</b>	<b>48,391,639</b>	<b>51,736,892</b>	<b>58,264,176</b>	<b>61,738,799</b>	<b>62,124,467</b>	<b>64,650,197</b>	<b>61,024,702</b>	<b>63,095,260</b>	<b>67,283,579</b>
<b>Business-type Activities:</b>									
Food Service	711,380	794,715	882,746	890,929	853,251	877,132	901,624	953,281	898,184
Academy for Technology	943,417	979,573	1,008,372	1,057,972	1,099,572	1,137,372	1,130,754	1,137,372	1,137,372
Adult Continuing Education						183,751	171,109	189,211	152,500
Custodial Services							348,834	405,644	381,537
Special Education Services							426,410	646,206	569,175
Technology Services							94,026	147,318	78,944
Transportation Services							28,220	65,258	53,759
<b>Total Business-type Activities Expenses</b>	<b>1,654,797</b>	<b>1,774,288</b>	<b>1,891,118</b>	<b>1,948,901</b>	<b>1,952,823</b>	<b>2,198,255</b>	<b>3,100,977</b>	<b>3,544,290</b>	<b>3,271,471</b>
<b>Total District-wide Expenses</b>	<b>\$ 50,046,436</b>	<b>\$ 53,511,180</b>	<b>\$ 60,155,294</b>	<b>\$ 63,687,700</b>	<b>\$ 64,077,290</b>	<b>\$ 66,848,452</b>	<b>\$ 64,125,679</b>	<b>\$ 66,639,550</b>	<b>\$ 70,555,050</b>

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**  
**LAST NINE FISCAL YEARS**  
**UNAUDITED**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Program Revenues:</b>									
<b>Governmental Activities:</b>									
<b>Charges for Services:</b>									
Instruction (Tuition)	\$ 272,625	\$ 215,792	\$ 227,463	\$ 218,358	\$ 269,017				
Operating Grants and Contributions	6,564,779	7,053,529	8,739,660	8,865,108	7,652,418	\$ 7,924,101	\$ 5,894,275	\$ 7,702,596	\$ 8,980,849
Capital Grants and Contributions	64,351	6,586,398	5,530,294	177,607	511,505	173,080	636,162	422,673	
<b>Total Governmental Activities Program Revenues</b>	<b>6,901,755</b>	<b>13,855,719</b>	<b>14,497,417</b>	<b>9,261,073</b>	<b>8,432,940</b>	<b>8,097,181</b>	<b>6,530,437</b>	<b>8,125,269</b>	<b>8,980,849</b>
<b>Business-type Activities:</b>									
<b>Charges for Services:</b>									
Food Service	629,614	696,105	756,245	741,880	713,207	701,268	694,895	736,681	717,621
Academy for Technology	880,000	960,000	988,800	1,038,400	1,080,000	1,117,800	1,117,800	1,117,800	1,117,800
Adult Continuing Education						199,393	171,705	189,211	152,530
Custodial Services							372,958	381,520	381,537
Special Education Services							518,958	553,658	569,175
Technology Services							118,640	122,704	78,944
Transportation Services							46,000	47,478	53,759
Operating Grants and Contributions	107,984	112,740	130,135	130,260	139,991	185,914	218,410	214,499	160,555
<b>Total Business-type Activities Revenues</b>	<b>1,617,598</b>	<b>1,768,845</b>	<b>1,875,180</b>	<b>1,910,540</b>	<b>1,933,198</b>	<b>2,204,375</b>	<b>3,259,366</b>	<b>3,363,551</b>	<b>3,231,921</b>
<b>Total District-wide Program Revenues</b>	<b>\$ 8,519,353</b>	<b>\$ 15,624,564</b>	<b>\$ 16,372,597</b>	<b>\$ 11,171,613</b>	<b>\$ 10,366,138</b>	<b>\$ 10,301,556</b>	<b>\$ 9,789,803</b>	<b>\$ 11,488,820</b>	<b>\$ 12,212,770</b>
<b>Net (Expense)/Revenue:</b>									
<b>Governmental Activities:</b>	\$ (41,489,884)	\$ (37,881,173)	\$ (43,766,759)	\$ (52,477,726)	\$ (53,691,527)	\$ (56,553,016)	\$ (54,494,265)	\$ (54,969,991)	\$ (58,302,730)
<b>Business-type Activities</b>	<b>(37,199)</b>	<b>(5,443)</b>	<b>(15,938)</b>	<b>(38,361)</b>	<b>(19,625)</b>	<b>6,120</b>	<b>158,389</b>	<b>(180,739)</b>	<b>(39,550)</b>
<b>Total District-wide Net (Expense)/Revenue</b>	<b>\$ (41,527,083)</b>	<b>\$ (37,886,616)</b>	<b>\$ (43,782,697)</b>	<b>\$ (52,516,087)</b>	<b>\$ (53,711,152)</b>	<b>\$ (56,546,896)</b>	<b>\$ (54,335,876)</b>	<b>\$ (55,150,730)</b>	<b>\$ (58,342,280)</b>

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**  
**LAST NINE FISCAL YEARS**  
**UNAUDITED**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position:									
Governmental Activities:									
Property Taxes Levied for									
General Purposes, Net	\$ 36,571,619	\$ 38,151,350	\$ 40,260,382	\$ 43,573,880	\$ 44,855,762	\$ 46,649,992	\$ 48,539,727	\$ 49,510,522	\$ 50,500,732
Taxes Levied for Debt Service	1,669,980	2,528,072	1,754,175	2,563,086	2,693,541	2,729,910	2,691,040	2,715,332	2,716,683
Unrestricted Grants and Contributions	2,902,488	3,013,438	3,132,475	3,517,027	3,905,398	4,011,895	3,771,122	3,770,140	4,186,366
Tuition	126,511	120,797	67,232	96,970	207,811	54,325	199,137	230,252	106,859
Investment Earnings	1,125,726	1,366,772	343,366	264,432	123,411	28,606	15,924	12,238	11,659
Miscellaneous Income	88,190	18,867	129,994	181,629	132,632	372,180	148,473	39,211	135,926
Special Item - Reappraisal of Capital Assets Transfers	(40,000)		(3,725,082)						
Total Governmental Activities General Revenues and Other Changes	42,444,514	45,199,296	41,962,542	50,197,024	51,918,555	53,846,908	55,365,423	56,277,695	57,658,225
Business-type Activities:									
Special Item - Reappraisal of Capital Assets Transfers	40,000					69,500			
Total Business-type Activities General Revenues and Other Changes	40,000	- 0 -	- 0 -	- 0 -	- 0 -	69,500	- 0 -	- 0 -	- 0 -
Total District-wide General Revenues and Other Changes in Net Position	\$ 42,484,514	\$ 45,199,296	\$ 41,962,542	\$ 50,197,024	\$ 51,918,555	\$ 53,916,408	\$ 55,365,423	\$ 56,277,695	\$ 57,658,225
Change in Net Position:									
Governmental Activities	\$ 954,630	\$ 7,318,123	\$ (1,804,217)	\$ (2,280,702)	\$ (1,772,972)	\$ (2,706,108)	\$ 871,158	\$ 1,307,704	\$ (644,505)
Business-type Activities	2,801	(5,443)	(15,938)	(38,361)	(19,625)	75,620	158,389	(180,739)	(39,550)
Total District-wide Change in Net Position	\$ 957,431	\$ 7,312,680	\$ (1,820,155)	\$ (2,319,063)	\$ (1,792,597)	\$ (2,630,488)	\$ 1,029,547	\$ 1,126,965	\$ (684,055)

This schedule does not contain ten years of information as GASB #34 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Financial Reports.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST NINE FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:									
Reserved	\$ 3,723,755	\$ 4,453,038	\$ 3,348,825	\$ 1,787,842	\$ 403,210	\$ 500,090			
Unreserved	1,050,003	824,112	439,709	623,553	1,253,096	369,853			
Restricted							\$ 4,095,383	\$ 3,603,037	\$ 3,798,900
Assigned							400,000	300,000	923,000
Unassigned							404,722	436,693	338,199
<b>Total General Fund</b>	<b>\$ 4,773,758</b>	<b>\$ 5,277,150</b>	<b>\$ 3,788,534</b>	<b>\$ 2,411,395</b>	<b>\$ 1,656,306</b>	<b>\$ 869,943</b>	<b>\$ 4,900,105</b>	<b>\$ 4,339,730</b>	<b>\$ 5,060,099</b>
All Other Governmental Funds:									
Reserved	\$42,898,612	\$19,013,630	\$ 316,857		\$ 746,400	\$ 259,852			
Unreserved (Deficit),									
Reported in:									
Capital Projects Fund	(7,752,971)	(1,944,415)	1,574,416	\$ 1,073,960	831,532	1,211,217			
Debt Service Fund	1,174,195	1,138,369	199,868	35,694	38,245	45,636			
Restricted							\$ 507,076	\$ 492,346	\$ 429,146
Committed							585,339	204,484	45,475
<b>Total All Other Governmental Funds</b>	<b>\$36,319,836</b>	<b>\$18,207,584</b>	<b>\$ 2,091,141</b>	<b>\$ 1,109,654</b>	<b>\$1,616,177</b>	<b>\$ 1,516,705</b>	<b>\$ 1,092,415</b>	<b>\$ 696,830</b>	<b>\$ 474,621</b>
<b>Total Governmental Funds</b>	<b>\$41,093,594</b>	<b>\$23,484,734</b>	<b>\$ 5,879,675</b>	<b>\$ 3,521,049</b>	<b>\$3,272,483</b>	<b>\$ 2,386,648</b>	<b>\$ 5,992,520</b>	<b>\$ 5,036,560</b>	<b>\$ 5,534,720</b>

This schedule does not contain ten years of information as GASB #34 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Financial Reports.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST NINE FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues:</b>									
Tax Levy	\$ 38,241,599	\$ 40,679,422	\$ 42,014,557	\$ 46,136,966	\$ 47,549,303	\$ 49,379,902	\$ 51,230,767	\$ 52,225,854	\$ 53,217,415
Tuition Charges	126,511	120,797	67,232	96,970	207,811	54,325	199,137	230,252	106,859
Interest Earnings	1,125,726	1,366,772	343,366	264,432	123,411	28,606	15,924	12,238	11,659
Miscellaneous	360,815	234,659	357,457	399,987	401,649	372,180	148,473	39,211	135,926
State Sources	8,995,979	16,176,551	16,804,861	12,000,467	11,394,530	10,331,413	9,441,921	10,721,957	12,396,251
Federal Sources	535,639	476,814	597,568	559,275	674,791	1,777,663	859,638	1,173,452	770,964
<b>Total Revenues</b>	<b>49,386,269</b>	<b>59,055,015</b>	<b>60,185,041</b>	<b>59,458,097</b>	<b>60,351,495</b>	<b>61,944,089</b>	<b>61,895,860</b>	<b>64,402,964</b>	<b>66,639,074</b>
<b>Expenditures:</b>									
<b>Instruction:</b>									
Regular Instruction	14,949,070	14,336,303	15,373,602	16,551,695	16,903,113	17,468,637	17,027,061	17,890,035	18,500,547
Special Education Instruction	2,058,177	2,224,957	2,586,128	2,720,295	2,816,272	2,972,390	3,135,176	3,461,026	3,428,011
Other Special Instruction	547,044	580,914	619,735	657,336	676,319	659,935	679,711	630,633	613,023
School-Sponsored Other Instruction	2,094,175	2,212,042	2,313,137	2,394,306	2,584,656	2,648,187	2,626,925	2,655,880	2,781,894
<b>Support Services:</b>									
Tuition	2,564,911	2,857,018	3,133,687	3,594,088	4,307,369	4,378,041	4,495,059	5,210,362	4,863,423
Student & Instruction Related Services	5,028,091	5,270,615	5,402,203	5,832,267	6,193,134	6,454,804	6,363,896	5,922,559	5,776,167
General Administration Services	780,232	797,582	792,571	836,168	902,538	803,191	835,474	835,692	911,681
School Administration Services	1,624,311	1,728,717	1,801,620	1,781,254	1,692,752	1,733,794	1,574,246	1,704,511	1,985,051
Central Services	654,077	670,236	679,811	618,583	781,665	759,778	840,518	888,915	899,428
Administrative Information Technology	54,909	50,386	90,122	73,622	93,672	203,083	273,944	283,277	510,763
Plant Operations and Maintenance	3,323,430	5,220,628	5,515,263	5,065,309	5,422,735	4,456,964	4,288,028	3,683,888	3,770,765
Pupil Transportation	1,955,575	2,282,543	2,481,448	2,620,415	2,823,732	3,085,385	3,120,105	2,979,435	3,183,161
Allocated Benefits						6,902,386	7,845,437	8,222,549	8,762,988
Unallocated Benefits	8,948,412	9,791,829	11,954,913	12,807,478	11,054,376	6,192,299	3,505,818	4,204,538	5,385,415
Capital Outlay	8,224,748	25,214,522	21,131,436	1,940,381	483,405	1,286,342	2,697,160	856,633	1,656,119
Special Schools	772,668	697,512	1,005,055	1,087,683	788,055	562,123	451,488	359,325	392,941

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST NINE FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenditures:									
Debt Service:									
Principal		\$ 1,080,000	\$ 1,115,000	\$ 1,150,000	\$ 1,190,000	\$ 1,230,000	\$ 1,270,000	\$ 1,310,000	\$ 1,360,000
Interest and Other Charges	\$ 1,669,977	1,648,071	1,794,369	2,085,843	1,886,268	1,499,910	1,459,285	1,415,723	1,359,537
<b>Total Expenditures</b>	<b>55,249,807</b>	<b>76,663,875</b>	<b>77,790,100</b>	<b>61,816,723</b>	<b>60,600,061</b>	<b>63,297,249</b>	<b>62,489,331</b>	<b>62,514,981</b>	<b>66,140,914</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,863,538)	(17,608,860)	(17,605,059)	(2,358,626)	(248,566)	(1,353,160)	(593,471)	1,887,983	498,160
Other Financing Sources (Uses):									
Capital Lease Proceeds							1,355,400		
Capital Leases (Non-Budgeted)						467,325			
Transfers In	1,004,524	1,164,173	216,693	178,715	413,245	651,284	3,354	555,651	1,702,067
Transfers Out	(1,044,524)	(1,164,173)	(216,693)	(178,715)	(413,245)	(651,284)	(3,354)	(555,651)	(1,702,067)
<b>Total Other Financing Sources (Uses)</b>	<b>(40,000)</b>	<b>- 0 -</b>	<b>- 0 -</b>	<b>- 0 -</b>	<b>- 0 -</b>	<b>467,325</b>	<b>1,355,400</b>	<b>- 0 -</b>	<b>- 0 -</b>
<b>Net Change in Fund Balances</b>	<b>\$ (5,903,538)</b>	<b>\$ (17,608,860)</b>	<b>\$ (17,605,059)</b>	<b>\$ (2,358,626)</b>	<b>\$ (248,566)</b>	<b>\$ (885,835)</b>	<b>\$ 761,929</b>	<b>\$ 1,887,983</b>	<b>\$ 498,160</b>
Debt Service as a Percentage of Noncapital Expenditures	3.55%	5.30%	5.13%	5.40%	5.12%	4.40%	4.56%	4.42%	4.22%

This schedule does not contain ten years of information as GASB #34 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Financial Reports.

## Exhibit J-5

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Rentals -</u> <u>Use of</u> <u>Facilities</u>	<u>Adult School</u> <u>Fees</u>	<u>Other</u>	<u>Total</u>
2004	\$ 67,808	\$ 155,355	\$10,527	\$ 241,007	\$ 37,057	\$ 511,754
2005	121,202	126,511	4,015	272,625	84,175	608,528
2006	202,599	120,797	200	215,792	18,667	558,055
2007	201,307	67,232	691	227,463	54,669	551,362
2008	203,747	96,970	2,850	218,358	60,749	582,674
2009	85,166	207,811	4,425	269,017	128,207	694,626
2010	54,886	54,325	3,400	*	335,109	447,720
2011	12,570	199,137	35,142	*	113,331	360,180
2012	9,377	230,252	20,943	*	18,268	278,840
2013	9,005	106,859	15,830	*	120,096	251,790

\* - The District established an Adult Continuing Education Enterprise Fund in 2009-10.

Source: Morris Hills Regional School District records.

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN YEARS**  
**UNAUDITED**

**DENVILLE TOWNSHIP**

Year End Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2003	\$ 53,180,700	\$ 1,642,441,400	\$ 5,533,800	\$ 144,200	\$ 280,648,200	\$ 79,489,900	\$ 8,173,600	\$ 2,069,611,800	\$ 6,647,278	\$ 2,076,259,078	\$ 189,862,900	\$ 0.57	\$ 2,086,545,820
2004	73,706,600	1,651,889,800	5,533,800	136,400	291,241,200	73,708,800	8,173,600	2,104,390,200	5,977,120	2,110,367,320	196,486,400	0.58	2,318,343,129
2005	63,044,100	1,692,079,500	6,156,100	138,200	298,571,500	73,457,400	8,173,600	2,141,620,400	5,339,141	2,146,959,541	199,915,900	0.60	2,594,625,908
2006	54,971,100	1,767,342,500	6,187,800	138,200	300,914,600	72,707,400	8,173,600	2,210,435,200	4,607,705	2,215,042,905	199,718,900	0.58	2,990,178,143
2007	51,305,900	1,819,429,300	4,842,400	86,900	299,050,900	70,322,400	8,173,600	2,253,211,400	4,840,446	2,258,051,846	199,178,400	0.61	3,342,260,004
2008	48,382,100	1,842,271,000	4,842,400	86,900	295,343,300	70,122,400	7,729,600	2,268,777,700	4,679,377	2,273,457,077	206,799,900	0.66	3,524,915,454
2009	45,790,100	1,857,498,100	4,554,400	82,600	297,466,700	70,122,400	7,729,600	2,283,243,900	5,460,388	2,288,704,288	207,717,200	0.68	3,565,499,240
2010	45,416,600	1,862,250,600	4,353,300	77,900	295,238,400	70,122,400	7,729,600	2,285,188,800	5,230,954	2,290,419,754	208,621,000	0.70	3,414,567,910
2011	43,509,600	1,858,092,500	4,331,100	78,700	297,471,200	69,428,400	7,579,600	2,280,491,100	-0-	2,280,491,100	209,403,400	0.75	3,397,561,201
2012	41,831,900	1,854,794,500	4,331,100	78,700	297,753,400	69,244,600	7,579,600	2,275,613,800	-0-	2,275,613,800	209,736,700	0.81	3,355,655,826

**ROCKAWAY BOROUGH**

Year End Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2003	\$ 4,089,260	\$ 310,795,535	\$ -0-	\$ -0-	\$ 96,977,750	\$ 18,512,500	\$ 15,620,500	\$ 445,995,545	\$ 920,873	\$ 446,916,418	\$ 48,190,200	\$ 0.82	\$ 533,084,516
2004*	9,668,200	556,267,900	-0-	-0-	157,038,800	25,273,700	22,323,700	770,572,300	1,027,733	771,600,033	68,779,200	0.52	641,838,909
2005	9,051,900	555,860,800	-0-	-0-	154,113,100	24,756,900	22,323,700	766,106,400	959,191	767,065,591	69,150,600	0.56	727,448,217
2006	13,759,500	558,180,200	-0-	-0-	143,750,600	24,756,900	21,776,100	762,223,300	854,156	763,077,456	69,073,800	0.55	800,711,986
2007	12,959,500	561,984,000	-0-	-0-	138,492,700	29,747,700	22,292,400	765,476,300	780,140	766,256,440	70,776,500	0.56	879,939,762
2008	10,291,900	563,247,300	-0-	-0-	143,341,900	31,007,900	22,292,400	770,181,400	1,074,601	771,256,001	70,776,500	0.59	951,846,844
2009	9,275,600	564,835,000	-0-	-0-	145,893,000	31,420,600	22,292,400	773,716,600	1,314,991	775,031,591	71,093,400	0.61	933,754,792
2010	7,687,300	566,098,500	-0-	-0-	148,645,600	31,245,600	22,292,400	775,969,400	1,257,313	777,226,713	73,341,400	0.62	951,631,970
2011	7,576,300	566,923,205	-0-	-0-	152,356,300	31,661,525	22,292,400	780,809,730	1,257,313	782,067,043	73,741,400	0.63	932,413,631
2012	7,284,700	566,700,805	-0-	-0-	152,530,825	31,245,600	22,292,400	780,054,330	1,257,313	781,311,643	73,833,700	0.65	900,041,551

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 valuation.

Source: Municipal Tax Assessors.

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN YEARS**  
**UNAUDITED**

**ROCKAWAY TOWNSHIP**

Year End Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2003	\$ 109,828,500	\$2,071,896,500	\$2,486,200	\$232,900	\$ 484,590,400	\$ 197,670,600	\$32,887,700	\$2,899,592,800	\$4,085,538	\$2,903,678,338	\$924,143,500	\$ 0.54	\$2,903,678,338
2004	106,764,900	2,114,897,850	2,919,900	231,200	472,080,600	194,954,000	32,887,700	2,924,736,150	3,637,463	2,928,373,613	924,356,700	0.60	3,138,978,041
2005	90,804,800	2,130,423,600	3,613,000	233,700	467,819,900	193,367,600	32,887,700	2,919,150,300	3,203,134	2,922,353,434	925,111,500	0.67	3,471,351,415
2006	66,597,800	2,153,129,000	3,613,000	153,700	492,312,500	170,170,500	35,514,500	2,921,491,000	2,470,301	2,923,961,301	933,659,300	0.71	4,176,109,351
2007	65,014,700	2,169,466,200	3,370,700	152,300	450,806,800	172,386,400	38,686,200	2,899,883,300	2,964,341	2,902,847,641	936,722,300	0.76	4,429,660,672
2008	73,980,100	2,175,843,900	3,526,800	157,600	440,184,300	166,746,900	40,661,200	2,901,100,800	3,170,052	2,904,270,852	937,428,400	0.79	4,487,150,052
2009	57,991,000	2,191,514,300	4,195,500	159,400	440,278,600	157,233,000	40,661,200	2,892,033,000	3,511,905	2,895,544,905	944,482,600	0.81	4,589,387,613
2010	51,655,300	2,192,005,300	4,195,500	157,600	439,785,000	153,274,200	40,661,200	2,881,734,100	3,973,869	2,885,707,969	945,762,000	0.87	4,773,710,605
2011	50,187,300	2,139,483,600	4,521,300	163,900	438,240,100	152,791,900	40,581,500	2,825,969,600	3,973,869	2,829,943,469	945,641,300	0.91	4,229,138,313
2012*	69,770,400	2,675,416,500	5,970,500	211,200	578,990,200	211,423,800	59,954,100	3,601,736,700	-0-	3,601,736,700	405,150,100	0.69	4,201,426,235

**WHARTON BOROUGH**

Year End Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2003	\$ 4,929,400	\$ 229,727,600	\$ 146,900	\$ 2,500	\$ 57,765,200	\$ 30,456,700	\$21,322,300	\$ 344,350,600	\$ 685,052	\$ 345,035,652	\$ 23,962,500	\$ 0.71	\$ 476,370,282
2004	2,842,800	231,320,000	146,900	2,500	57,718,300	32,289,400	21,322,300	345,642,200	581,706	346,223,906	25,968,900	0.84	547,694,688
2005	3,882,000	235,364,400	146,900	2,500	57,911,700	28,603,100	21,322,300	347,232,900	497,862	347,730,762	25,906,500	0.96	616,147,698
2006	3,949,500	235,960,300	146,900	2,500	57,911,700	28,603,100	20,922,300	347,496,300	425,268	347,921,568	25,906,500	1.00	700,086,600
2007	5,165,300	233,507,500	146,900	2,500	38,138,900	53,739,800	20,922,300	351,623,200	389,636	352,012,836	24,823,900	1.13	810,504,523
2008*	17,248,900	567,671,400	703,100	4,000	102,222,100	126,740,600	28,526,200	843,116,300	1,164,475	844,280,775	68,002,200	0.52	875,685,946
2009	16,610,600	568,140,100	703,100	4,000	103,002,400	126,740,600	28,526,200	843,727,000	-0-	843,727,000	67,736,000	0.54	863,774,131
2010*	12,431,400	489,700,200	621,200	4,000	102,374,200	113,236,100	24,354,300	742,721,400	-0-	742,721,400	66,238,700	0.61	841,091,053
2011	12,263,900	489,528,100	621,200	4,000	101,874,000	105,180,200	24,354,300	733,825,700	-0-	733,825,700	66,891,500	0.61	786,503,886
2012	12,263,900	489,338,100	621,200	4,000	101,874,000	105,180,200	24,354,300	733,635,700	-0-	733,635,700	66,891,500	0.62	745,985,600

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 valuation.

\* - Property revaluation/reassessment became effective in this year.

Source: Municipal Tax Assessors.

Exhibit J-7  
1 of 2

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED

(Rate per \$100 of Assessed Value)

DENVILLE TOWNSHIP

Year Ended Dec. 31,	<u>Morris Hills Regional School District</u>			<u>Overlapping Rates</u>			Total Direct and Overlapping Tax Rate
	<u>Basic Rate <sup>a</sup></u>	<u>General Obligation Debt Service <sup>b</sup></u>	<u>Total Direct Rate</u>	<u>Denville Township</u>	<u>Denville Township Public Schools</u>	<u>Morris County</u>	
2003	\$ 0.57		\$ 0.57	\$ 0.39	\$ 0.76	\$ 0.25	\$ 1.97
2004	0.57	\$ 0.01	0.58	0.40	0.86	0.31	2.15
2005	0.56	0.04	0.60	0.40	0.92	0.32	2.24
2006	0.55	0.03	0.58	0.44	0.97	0.34	2.33
2007	0.58	0.03	0.61	0.46	1.03	0.35	2.45
2008	0.62	0.04	0.66	0.50	1.07	0.36	2.59
2009	0.64	0.04	0.68	0.53	1.08	0.35	2.64
2010	0.66	0.04	0.70	0.55	1.09	0.34	2.68
2011	0.71	0.04	0.75	0.55	1.12	0.35	2.77
2012	0.77	0.04	0.81	0.57	1.14	0.36	2.88

ROCKAWAY BOROUGH

Year Ended Dec. 31,	<u>Morris Hills Regional School District</u>			<u>Overlapping Rates</u>			Total Direct and Overlapping Tax Rate
	<u>Basic Rate <sup>a</sup></u>	<u>General Obligation Debt Service <sup>b</sup></u>	<u>Total Direct Rate</u>	<u>Rockaway Borough</u>	<u>Rockaway Borough Public Schools</u>	<u>Morris County</u>	
2003	\$ 0.82		\$ 0.82	\$ 0.64	\$ 1.15	\$ 0.35	\$ 2.96
2004	* 0.51	* \$ 0.01	* 0.52	* 0.38	* 0.69	* 0.24	* 1.83
2005	0.52	0.04	0.56	0.41	0.72	0.25	1.94
2006	0.52	0.03	0.55	0.44	0.77	0.26	2.02
2007	0.53	0.03	0.56	0.48	0.81	0.27	2.12
2008	0.55	0.04	0.59	0.54	0.83	0.29	2.25
2009	0.58	0.03	0.61	0.59	0.83	0.27	2.30
2010	0.59	0.03	0.62	0.61	0.85	0.28	2.36
2011	0.60	0.03	0.63	0.63	0.88	0.28	2.42
2012	0.62	0.03	0.65	0.66	0.91	0.28	2.50

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.

\* - Property revaluation became effective in this year.

Source: Municipal Tax Collectors and Morris Hills Regional School Business Administrator.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS

UNAUDITED

(Rate per \$100 of Assessed Value)

ROCKAWAY TOWNSHIP

Year Ended Dec. 31,	Morris Hills Regional School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct Rate	Rockaway Township	Rockaway Township Public Schools	Morris County	
2003	\$ 0.54		\$ 0.54	\$ 0.56	\$ 1.12	\$ 0.28	\$ 2.50
2004	0.59	\$ 0.01	0.60	0.60	1.17	0.30	2.67
2005	0.63	0.04	0.67	0.64	1.22	0.31	2.84
2006	0.67	0.04	0.71	0.68	1.27	0.36	3.02
2007	0.72	0.04	0.76	0.72	1.31	0.36	3.15
2008	0.74	0.05	0.79	0.78	1.35	0.36	3.28
2009	0.76	0.05	0.81	0.82	1.35	0.35	3.33
2010	0.82	0.05	0.87	0.86	1.38	0.38	3.49
2011	0.86	0.05	0.91	0.89	1.44	0.36	3.60
2012	* 0.65 *	0.04 *	0.69 *	0.76 *	1.14 *	0.29 *	2.88 *

WHARTON BOROUGH

Year Ended Dec. 31,	Morris Hills Regional School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct Rate	Wharton Borough	Wharton Borough Public Schools	Morris County	
2003	\$ 0.71		\$ 0.71	\$ 0.70	\$ 1.60	\$ 0.40	\$ 3.41
2004	0.82	\$ 0.02	0.84	0.73	1.72	0.45	3.74
2005	0.90	0.06	0.96	0.81	1.86	0.47	4.10
2006	0.95	0.05	1.00	0.85	1.98	0.50	4.33
2007	1.07	0.06	1.13	0.91	2.04	0.55	4.63
2008	* 0.49 *	0.03 *	0.52 *	0.44 *	0.87 *	0.24 *	2.07 *
2009	0.51	0.03	0.54	0.46	0.88	0.23	2.11
2010	* 0.58 *	0.03 *	0.61 *	0.57 *	1.02 *	0.26 *	2.46 *
2011	0.58	0.03	0.61	0.61	1.07	0.25	2.54
2012	0.59	0.03	0.62	0.63	1.11	0.25	2.61

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to 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.

\* - Property revaluation/reassessment became effective in this year.

Source: Municipal Tax Collectors and Morris Hills Regional School Business Administrator.

Exhibit J-8

1 of 2

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

DENVILLE TOWNSHIP

Taxpayer	2012		2003	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
St. Francis Life Care Corporation	\$ 47,650,000	2.09%	\$ 47,650,000	2.29%
Shoppes at Union Hill, LLC	21,966,000	0.97%	21,100,000	1.02%
Tamara Enterprises LLC	12,112,200	0.53%	9,600,000	0.46%
Rockaway River Country Club	8,767,600	0.39%	8,400,000	0.40%
Individual Taxpayer #1	6,737,000	0.30%	10,300,000	0.50%
Denville Station LLC	5,100,000	0.22%		
Denville West Main, LLC	4,900,000	0.22%		
Grecco Realty LLC	4,844,100	0.21%		
WP Properties, LLC	4,790,000	0.21%	6,700,000	0.32%
Morris Ave Denville S S, LLC	4,640,300	0.20%		
Denville Hites Limited Partnership			11,985,700	0.58%
WP Properties, LLC			7,500,000	0.36%
Verizon			6,647,278	0.32%
Morris 400 LLC			6,530,000	0.31%
<b>Total</b>	<b>\$ 121,507,200</b>	<b>5.34%</b>	<b>\$ 136,412,978</b>	<b>6.56%</b>

ROCKAWAY BOROUGH

Taxpayer	2012		2003	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Rockaway Commons	\$ 13,026,250	1.67%		
McWilliams Forge Co.	10,319,500	1.32%	\$ 7,791,900	1.74%
HS Gardens, LLC	6,625,000	0.85%	3,828,700	0.86%
Highway Enterprises, Inc.	8,002,000	1.02%	2,728,200	0.61%
Individual Taxpayer #1	4,832,325	0.62%	2,968,000	0.66%
Gustov L. Hollenstein, Inc.	4,249,700	0.54%		
Moretrench Corporation	4,360,600	0.56%	2,450,000	0.55%
Wespas	3,100,000	0.40%		
Kop-Coat, Inc.	2,976,800	0.38%	2,431,100	0.54%
Individual Taxpayer #2	2,154,800	0.28%		
McWilliams Development Corp.			4,822,300	1.08%
McWilliams Forge, Inc.			2,906,400	0.65%
Roned Realty, LP			2,611,000	0.58%
Good Harbor, LLC			2,400,000	0.54%
<b>Total</b>	<b>\$ 59,646,975</b>	<b>7.64%</b>	<b>\$ 34,937,600</b>	<b>7.81%</b>

Note: Individual Taxpayers may not be the same individuals in the two years presented.

Source: Municipal Tax Assessors.

Exhibit J-8

2 of 2

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

ROCKAWAY TOWNSHIP

Taxpayer	2012		2003	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Rockaway Ctr. Assoc./Corp. Prop. Investors, Inc.	\$ 199,045,400	5.53%	\$ 209,442,000	7.21%
Mt. Hope Rock Products, Inc. (Tilcon)	53,403,200	1.48%	36,798,200	1.27%
Marvin F. Poer and Company	30,121,400	0.84%		
MarketPlace at Rockaway, LLC	30,073,500	0.83%		
Dover VF c/o Vornado Realty Trust	27,552,700	0.76%		
Rustic Ridge, Inc.	26,099,800	0.72%		
Macy's East, Inc./Federated Department Stores	25,346,900	0.70%	32,940,000	1.13%
Bergen Record	24,991,500	0.69%	35,299,600	1.22%
Target Corporation	19,445,300	0.54%		
Highlands at Morris	19,228,200	0.53%		
Cin Rockaway, LLC			32,885,000	1.13%
Sears Roebuck Company			25,581,600	0.88%
Dover Holding Corporation			25,536,100	0.88%
Retail Property Trust			25,314,400	0.87%
Agilent Technologies, Inc.			25,264,000	0.87%
JC Penney Co., Inc.			24,623,600	0.85%
<b>Total</b>	<b>\$ 455,307,900</b>	<b>12.62%</b>	<b>\$ 473,684,500</b>	<b>16.31%</b>

WHARTON BOROUGH

Taxpayer	2012		2003	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
TA Wharton LLC	\$ 55,711,800	7.59%		
The Realty Associates Fund VIII LP	32,223,900	4.39%		
Glass Paramus	19,433,900	2.65%	\$ 8,568,200	2.48%
Costco Wholesale Club	17,842,300	2.43%	9,450,600	2.74%
C.C.K.K. LLC (Wharton Industrial)	12,115,400	1.65%		
Bayview Gardens	8,700,000	1.19%		
Wharton Mall	8,273,700	1.13%	4,000,000	1.16%
Brentwood Associates	6,528,500	0.89%		
Wharton Apartments	4,000,000	0.55%	2,200,000	0.64%
Waltann Greenbrook, LLC	3,863,700	0.53%		
TMC Properties			24,000,000	6.96%
Wharton Warehouse			19,802,200	5.74%
Edgewater, LLC			4,695,500	1.36%
Brentwood Gardens Apartments			3,256,000	0.94%
Buzy Lady Plaza			1,872,700	0.54%
Longo Electric			1,548,400	0.45%
<b>Total</b>	<b>\$ 168,693,200</b>	<b>22.99%</b>	<b>\$ 79,393,600</b>	<b>23.01%</b>

Source: Municipal Tax Assessors.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED

DENVILLE TOWNSHIP

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$ 12,171,034	\$ 12,171,034	100.00%	\$ -0-
2005	12,559,172	12,559,172	100.00%	-0-
2006	12,890,622	12,890,622	100.00%	-0-
2007	12,895,393	12,895,393	100.00%	-0-
2008	14,578,843	14,578,843	100.00%	-0-
2009	15,336,507	15,336,507	100.00%	-0-
2010	15,802,450	15,802,450	100.00%	-0-
2011	16,331,641	16,331,641	100.00%	-0-
2012	17,869,628	17,869,628	100.00%	-0-
2013	18,753,893	18,753,893	100.00%	-0-

ROCKAWAY BOROUGH

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$ 3,776,666	\$ 3,776,666	100.00%	\$ -0-
2005	4,199,422	4,199,422	100.00%	-0-
2006	4,271,605	4,271,605	100.00%	-0-
2007	4,180,987	4,180,987	100.00%	-0-
2008	4,408,977	4,408,977	100.00%	-0-
2009	4,675,529	4,675,529	100.00%	-0-
2010	4,836,633	4,836,633	100.00%	-0-
2011	4,796,814	4,796,814	100.00%	-0-
2012	5,033,016	5,033,016	100.00%	-0-
2013	5,081,994	5,081,994	100.00%	-0-

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

Source: Morris Hills Regional School District records, including the Certificate and Report of Report of School Taxes (A4F form).

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED

ROCKAWAY TOWNSHIP

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$ 16,763,998	\$ 16,763,998	100.00%	\$ -0-
2005	18,294,085	18,294,085	100.00%	-0-
2006	20,139,739	20,139,739	100.00%	-0-
2007	21,374,172	21,374,172	100.00%	-0-
2008	22,773,917	22,773,917	100.00%	-0-
2009	23,105,067	23,105,067	100.00%	-0-
2010	24,102,083	24,102,083	100.00%	-0-
2011	25,731,751	25,731,751	100.00%	-0-
2012	24,750,107	24,750,107	100.00%	-0-
2013	24,909,188	24,909,188	100.00%	-0-

WHARTON BOROUGH

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$ 2,595,093	\$ 2,595,093	100.00%	\$ -0-
2005	3,188,920	3,188,920	100.00%	-0-
2006	3,377,456	3,377,456	100.00%	-0-
2007	3,564,005	3,564,005	100.00%	-0-
2008	4,375,229	4,375,229	100.00%	-0-
2009	4,432,200	4,432,200	100.00%	-0-
2010	4,638,736	4,638,736	100.00%	-0-
2011	4,370,561	4,370,561	100.00%	-0-
2012	4,573,103	4,573,103	100.00%	-0-
2013	4,472,340	4,472,340	100.00%	-0-

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

Source: Morris Hills Regional School District records, including the Certificate and Report of Report of School Taxes (A4F form).

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2004	\$ 43,092,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$43,092,000	1.43%	\$ 810.23	
2005	43,092,000	-0-	-0-	-0-	-0-	43,092,000	1.33%	806.47	
2006	42,012,000	-0-	-0-	-0-	-0-	42,012,000	1.24%	780.33	
2007	40,897,000	-0-	-0-	12,000,000	-0-	52,897,000	1.45%	981.70	
2008	39,747,000	-0-	-0-	11,600,000	-0-	51,347,000	1.34%	954.55	
2009	38,557,000	-0-	-0-	-0-	-0-	38,557,000	0.97%	715.87	
2010	37,327,000	-0-	373,754	-0-	-0-	37,700,754	1.03%	697.62	
2011	36,057,000	-0-	1,639,508	-0-	-0-	37,696,508	1.00%	700.74	
2012	32,470,000	-0-	1,291,897	-0-	-0-	33,761,897	0.87%	624.67	
2013	31,110,000	-0-	935,521	-0-	-0-	32,045,521	0.82%	590.97	

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

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

Source: Morris Hills Regional School District Financial Reports.

Exhibit J-11

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2004	\$ 43,092,000	\$ -0-	\$ 43,092,000	0.700%	\$ 806.47
2005	43,092,000	-0-	43,092,000	0.700%	806.47
2006	42,012,000	-0-	42,012,000	0.679%	780.33
2007	40,897,000	-0-	40,897,000	0.654%	759.00
2008	39,747,000	-0-	39,747,000	0.633%	738.90
2009	38,557,000	-0-	38,557,000	0.568%	715.87
2010	37,327,000	-0-	37,327,000	0.549%	690.70
2011	36,057,000	-0-	36,057,000	0.538%	670.27
2012	32,470,000	-0-	32,470,000	0.490%	600.76
2013	31,110,000	-0-	31,110,000	0.421%	573.72

Note: Details regarding the District's outstanding debt can be found in the 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 for the prior calendar year.

Source: Morris Hills Regional School District Financial Reports.

Exhibit J-12

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2012  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt Repaid with Property Taxes:</b>			
Denville Township	\$ 7,739,569	100.00%	\$ 7,739,569
Rockaway Borough	4,212,000	100.00%	4,212,000
Rockaway Township	26,675,215	100.00%	26,675,215
Wharton Borough	1,503,928	100.00%	1,503,928
Morris County General Obligation Debt	258,802,127	9.69%	<u>25,072,327</u>
<b>Subtotal, Overlapping Debt</b>			<b>65,203,039</b>
<b>Morris Hills Regional School District Direct Debt</b>			<u><b>32,045,521</b></u>
<b>Total Direct and Overlapping Debt</b>			<u><u><b>\$ 97,248,560</b></u></u>

**a** - For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

**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 residents and businesses of Denville Township, Rockaway Borough, Rockaway Township and Wharton Borough. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

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

Exhibit J-13

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Debt Limit	\$ 157,596,505	\$ 175,614,492	\$ 196,598,831	\$ 252,233,365	\$ 276,509,624
Total Net Debt Applicable to Limit	43,092,000	43,092,000	42,012,000	40,897,000	39,747,000
Legal Debt Margin	<u>\$ 114,504,505</u>	<u>\$ 132,522,492</u>	<u>\$ 154,586,831</u>	<u>\$ 211,336,365</u>	<u>\$ 236,762,624</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	27.34%	24.54%	21.37%	16.21%	14.37%

	Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
Debt Limit	\$ 290,090,146	\$ 295,799,348	\$ 292,189,888	\$ 284,994,990	\$ 272,960,160
Total Net Debt Applicable to Limit	38,557,000	37,327,000	36,057,000	32,470,000	31,110,000
Legal Debt Margin	<u>\$ 251,533,146</u>	<u>\$ 258,472,348</u>	<u>\$ 256,132,888</u>	<u>\$ 252,524,990</u>	<u>\$ 241,850,160</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.29%	12.62%	12.34%	11.39%	11.40%

Legal Debt Margin Calculation for Fiscal Year 2013

Year Ended December 31,	Denville Township	Rockaway Borough	Rockaway Township	Wharton Borough	Equalized Valuation Basis
2010	\$ 3,391,997,625	\$ 916,030,457	\$ 4,294,685,693	\$ 790,549,654	\$ 9,393,263,429
2011	3,350,706,876	890,725,222	4,179,191,955	746,212,833	9,166,836,886
2012	3,248,556,460	842,755,326	3,923,887,896	720,716,052	8,735,915,734
	<u>\$ 9,991,260,961</u>	<u>\$2,649,511,005</u>	<u>\$12,397,765,544</u>	<u>\$2,257,478,539</u>	<u>\$27,296,016,049</u>
				Average Equalized Valuation of Taxable Property	<u>\$ 9,098,672,016</u>
				Debt Limit <sup>a</sup> (3% of Average Equalization Value)	\$ 272,960,160
				Net Bonded School Debt at June 30, 2013	<u>31,110,000</u>
				Legal Debt Margin	<u>\$ 241,850,160</u>

a - Limit set by NJSA 18A:24-19 for a regional high school 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.

Exhibit J-14

1 of 2

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

DENVILLE TOWNSHIP

Year	Population <sup>a</sup>	Morris County Per Capita Personal		Unemployment Rate <sup>d</sup>
		Income <sup>b</sup>	Personal Income <sup>c</sup>	
2003	15,796	\$ 56,804	\$ 897,275,984	3.50%
2004	15,987	60,780	971,689,860	2.80%
2005	16,242	62,930	1,022,109,060	2.90%
2006	16,211	67,918	1,101,018,698	3.00%
2007	16,212	71,191	1,154,148,492	2.70%
2008	16,259	74,025	1,203,572,475	3.60%
2009	16,309	67,614	1,102,716,726	6.30%
2010	16,649	69,811	1,162,283,339	6.30%
2011	16,727	71,730	1,199,827,710	6.10%
2012	16,784	71,730 *	1,203,916,320	6.40%

ROCKAWAY BOROUGH

Year	Population <sup>a</sup>	Morris County Per Capita Personal		Unemployment Rate <sup>d</sup>
		Income <sup>b</sup>	Personal Income <sup>c</sup>	
2003	6,381	\$ 56,804	\$ 362,466,324	5.70%
2004	6,358	60,780	386,439,240	4.60%
2005	6,323	62,930	397,906,390	5.10%
2006	6,272	67,918	425,981,696	5.30%
2007	6,247	71,191	444,730,177	4.80%
2008	6,233	74,025	461,397,825	6.30%
2009	6,231	67,614	421,302,834	10.70%
2010	6,443	69,811	449,792,273	10.80%
2011	6,474	71,730	464,380,020	10.50%
2012	6,486	71,730 *	465,240,780	10.90%

\* - Latest Morris County per capita personal income available (2011) was used for calculation purposes.

Source:

- a** - Population information provided by the US Department of Census - Population Division.
- b** - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- c** - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- d** - Unemployment data provided by the NJ Department of Labor and Workforce Development.

Exhibit J-14

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MORRIS HILLS REGIONAL SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

ROCKAWAY TOWNSHIP

Year	Population <sup>a</sup>	Morris County Per Capita Personal		Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
		Income <sup>b</sup>			
2003	24,823	\$ 56,804		\$ 1,410,045,692	4.20%
2004	24,924	60,780		1,514,880,720	3.30%
2005	25,142	62,930		1,582,186,060	2.30%
2006	25,320	67,918		1,719,683,760	2.50%
2007	25,267	71,191		1,798,782,997	2.30%
2008	25,312	74,025		1,873,720,800	2.90%
2009	25,438	67,614		1,719,964,932	7.10%
2010	24,176	69,811		1,687,750,736	7.00%
2011	24,290	71,730		1,742,321,700	7.40%
2012	24,378	71,730 *		1,748,633,940	7.40%

WHARTON BOROUGH

Year	Population <sup>a</sup>	Morris County Per Capita Personal		Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
		Income <sup>b</sup>			
2003	6,185	\$ 56,804		\$ 351,332,740	2.70%
2004	6,164	60,780		374,647,920	2.20%
2005	6,132	62,930		385,886,760	7.20%
2006	6,080	67,918		412,941,440	7.50%
2007	6,066	71,191		431,844,606	6.80%
2008	6,056	74,025		448,295,400	8.90%
2009	6,064	67,614		410,011,296	14.80%
2010	6,527	69,811		455,656,397	14.90%
2011	6,557	71,730		470,333,610	14.50%
2012	6,577	71,730 *		471,768,210	15.00%

\* - Latest Morris County per capita personal income available (2011) was used for calculation purposes.

Source:

**a** - Population information provided by the US Department of Census - Population Division.

**b** - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

**c** - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

**d** - Unemployment data provided by the NJ Department of Labor and Workforce Development.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS - MORRIS COUNTY  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

Employer	2012		2003	
	Employees	Percentage of Total Employment	Employer	Percentage of Total Employment
Novartis	6,200	2.25%		
U.S. Army Armament Research and Development	5,274	1.91%		
Atlantic Health	5,013	1.81%		
United Parcel Service	2,332	0.84%		
County of Morris	1,928	0.70%		Information is Not Available
Automatic Data Processing, Inc.	1,924	0.70%		
Saint Clare's Health System	1,841	0.67%		
AT&T Corporation	1,550	0.56%		
Chilton Memorial	1,440	0.52%		
BASF Corporation	1,400	0.51%		
	<u>28,902</u>	<u>10.47%</u>		
Total Employment *	<u>275,962</u>			

\* - Employment data provided by the NJ Department of Labor and Workforce Development.

Source: Morris County Treasurer's Office.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST NINE 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>	<u>2013</u>
<b>Instruction:</b>									
Regular	212.0	212.0	213.0	214.0	215.0	219.0	221.0	225.0	238.0
Special Education	13.0	13.0	14.0	14.0	14.0	30.0	28.0	34.0	31.0
Other Special Instruction	6.0	7.0	7.0	7.0	7.0	7.0	10.0	11.0	14.0
Adult/Continuing Education Programs	6.0	6.0	6.0	6.0	6.0	6.0	2.0	2.0	2.0
<b>Support Services:</b>									
Student & Instruction Related Services	70.0	70.0	70.0	70.0	70.0	71.0	68.5	68.6	72.0
General Administration Services	10.0	10.0	10.0	10.0	10.0	2.0	2.0	2.0	2.0
School Administration Services	24.0	24.0	24.0	24.0	24.0	24.0	23.0	24.0	22.0
Plant Operations and Maintenance	46.0	48.0	48.0	48.0	48.0	49.0	47.0	48.0	48.0
Pupil Transportation	41.0	41.0	47.0	47.0	47.0	45.0	53.0	50.0	59.5
Business and Other Support Services	9.0	9.0	9.0	9.0	9.0	11.0	11.0	11.0	9.5
<b>Total</b>	<u>437.0</u>	<u>440.0</u>	<u>448.0</u>	<u>449.0</u>	<u>450.0</u>	<u>464.0</u>	<u>465.5</u>	<u>475.6</u>	<u>498.0</u>

This schedule does not contain ten years of information as GASB #34 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Personnel Records.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST NINE FISCAL YEARS  
UNAUDITED

Fiscal Year	October 15 Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percent Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		June 30		% Change in Average Daily Enrollment	Student Attendance Percentage
						Morris Hills High School	Morris Knolls High School	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>		
2005	2,711	\$ 44,582,414	\$ 16,445	0.08%	231	11.1:1	12.1:1	2,696.0	2,596.8	3.36%	96.32%
2006	2,870	48,023,770	16,733	1.75%	232	11.1:1	11.9:1	2,692.0	2,652.0	-0.15%	98.51%
2007	2,715	52,744,240	19,427	16.10%	234	11.1:1	12.0:1	2,716.0	2,626.7	0.89%	96.71%
2008	2,692	55,552,816	20,636	6.22%	235	11.1:1	12.0:1	2,685.2	2,587.4	-1.13%	96.36%
2009	2,745	56,252,333	20,493	-0.70%	236	11.1:1	12.0:1	2,725.6	2,623.5	1.50%	96.25%
2010	2,799	59,280,997	21,179	3.35%	238	11.1:1	12.0:1	2,862.0	2,759.0	5.00%	96.40%
2011	2,769	57,062,886	20,608	-2.70%	249	11.1:1	12.0:1	2,779.0	2,675.8	-2.90%	96.29%
2012	2,835	58,932,625	20,788	0.87%	249	11.1:1	12.0:1	2,734.5	2,642.2	-1.60%	96.62%
2013	2,878	61,765,258	21,461	3.24%	251	11.1:1	12.0:1	2,711.7	2,613.1	-0.83%	96.36%

Note: Enrollment based on annual October District count and excludes the Adult High School students.

<sup>a</sup> - Operating expenditures equal total expenditures less capital outlay, special schools and debt service.

<sup>b</sup> - Teaching staff includes only full-time equivalents of certificated staff.

<sup>c</sup> - Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS) and does not include Adult High School students.

<sup>d</sup> - Cost per pupil is calculated based upon operating expenditures and enrollment as presented above and may not be the same as other cost per pupil calculations.

This schedule does not contain ten years of information as GASB #34 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District records.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST NINE FISCAL YEARS  
UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>District Building</u>					
Morris Hills High School (1953):					
Square Feet	180,660	180,660	229,760	229,760	229,760
Capacity (Students)	1,040	1,040	1,398	1,398	1,398
Enrollment	1,220	1,290	1,222	1,105	1,125
Morris Knolls High School (1964):					
Square Feet	218,715	218,715	263,065	263,065	263,065
Capacity (Students)	1,408	1,408	1,652	1,652	1,652
Enrollment	1,491	1,580	1,493	1,587	1,620
Enrollment - Adult High School	310	196	197	196	137
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	
<u>District Building</u>					
Morris Hills High School (1953):					
Square Feet	229,760	229,760	229,760	229,760	
Capacity (Students)	1,398	1,398	1,398	1,398	
Enrollment	1,117	1,100	1,119	1,123	
Morris Knolls High School (1964):					
Square Feet	263,065	263,065	263,065	263,065	
Capacity (Students)	1,652	1,652	1,652	1,652	
Enrollment	1,682	1,669	1,716	1,755	
Enrollment - Adult High School	135	129	129	136	

Number of Schools at June 30, 2013:

High School = 2

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

This schedule does not contain ten years of information as GASB #34 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Facilities Office.

Exhibit J-19

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
UNAUDITED

Undistributed Expenditures - Required Maintenance  
 For School Facilities - Account #11-000-261-XXX:

<u>School Facilities*</u>	<u>Fiscal Year Ended June 30,</u>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Morris Hills	\$ 1,796,884	\$ 64,013	\$ 1,361,498	\$ 1,392,562	\$ 653,941
Morris Knolls	1,779,413	481,872	984,353	866,415	726,569
<b>Grand Total</b>	<b>\$ 3,576,297</b>	<b>\$ 545,885</b>	<b>\$ 2,345,851</b>	<b>\$ 2,258,977</b>	<b>\$ 1,380,510</b>

<u>School Facilities*</u>	<u>Fiscal Year Ended June 30,</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Morris Hills	\$ 412,013	\$ 471,540	\$ 546,707	\$ 519,004	\$ 541,119
Morris Knolls	1,188,735	420,671	521,889	556,743	675,161
<b>Grand Total</b>	<b>\$ 1,600,748</b>	<b>\$ 892,211</b>	<b>\$ 1,068,596</b>	<b>\$ 1,075,747</b>	<b>\$ 1,216,280</b>

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

Source: Morris Hills Regional School District records.

Exhibit J-20

1 of 2

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2013  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy -		
NJ School Boards Association Insurance Group:		
Property - Blanket Building and Contents	\$ 114,417,882	\$ 5,000
Environmental Package	1,000,000	10,000
Underground Storage Tank Coverage	1,000,000	10,000
Blanket Extra Expense	50,000,000	5,000
Blanket Valuable Papers	10,000,000	5,000
Equipment Breakdown	100,000,000	5,000
Comprehensive General Liability	6,000,000	
Comprehensive Automobile Liability	6,000,000	
Automobile Physical Damage	Included	1,000
Money and Securities	5,000	500
Money Orders/Counterfeit Currency	5,000	500
Forgery and Alteration	50,000	500
Electronic Data Processing -		
NJ School Boards Association Insurance Group:		
Blanket Hardware	3,702,484	1,000
Blanket Extra Expense	Included	1,000
Boiler and Machinery -		
NJ School Boards Association Insurance Group:		
Property Damage	100,000,000	5,000
School Board Legal Liability -		
NJ School Boards Association Insurance Group:		
School Leaders Errors and Omissions -		
Coverage A	6,000,000	5,000
Coverage B	100,000/300,000	5,000
Student Accident -		
NJ School Boards Association Insurance Group:		
Basic/Sports/Football	5,000,000	
Catastrophic	500,000	

Source: Morris Hills Regional School District records.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2013  
UNAUDITED

	Coverage	Deductible
Public Employees' Faithful Performance Blanket		
Position Bond -		
NJ School Boards Association Insurance Group:		
General Employees	\$ 50,000	\$ 500
Board Secretary/Business Administrator	350,000	1,000
Workers Compensation Policy -		
NJ School Boards Association Insurance Group	Statutory	

Source: Morris Hills Regional School District records.

**SINGLE AUDIT SECTION**



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

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

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), 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 Morris Hills Regional School District, in the County of Morris (the "Board") as of, and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 1, 2013.

**Internal Control Over Financial Reporting**

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

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

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

The Honorable President and Members  
of the Board of Education  
Morris Hills Regional School District  
Page 2

### 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*.

### Purpose of this Report

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

*Nisivoccia, LLP*

Mount Arlington, New Jersey  
November 1, 2013

NISIVOCCIA, LLP

*Kathryn L. Mantell*

Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant



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

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

Report on Compliance For Each Major Federal and State Program;  
 Report on Internal Control Over Compliance Required by OMB Circular A-133  
 and New Jersey OMB's Circular 04-04

Independent Auditors' Report

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

**Report on Compliance for Each Major Federal and State Program**

We have audited the Board of Education of the Morris Hills Regional School District (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB 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*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

The Honorable President and Members  
of the Board of Education  
Morris Hills Regional School District  
Page 2

### ***Opinion on Each Major Federal and State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

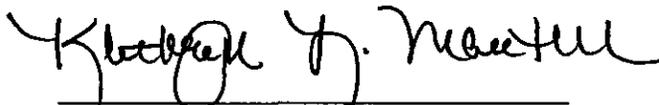
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.



NISIVOCCIA, LLP

Mount Arlington, New Jersey  
November 1, 2013



Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program/ Award Amount	June 30, 2012		June 30, 2013	
			From	To		Balance/ (Accounts Receivable)	Cash Received	Budgetary Expenditures	(Accounts Receivable)
U.S. Department of Education - Passed-through State Department of Education:									
General Fund:									
Education Jobs Fund	84.410	N/A	8/1/10	9/30/12	\$ 238,842	\$ (78,145)	\$ 78,145	\$ (595)	\$ (595)
Total General Fund						(78,145)	78,145	(595)	(595)
Special Revenue Fund:									
Special Education Cluster:									
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-3370-13	9/1/12	8/31/13	628,438		404,757	(628,438)	(223,681)
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-3370-12	9/1/11	8/31/12	664,781	(281,514)	281,514		
Total Special Education Cluster						(281,514)	686,271	(628,438)	(223,681)
No Child Left Behind Consolidated Formula Subgrant:									
Title I - Part A	84.010	NCLB-3370-13	9/1/12	8/31/13	87,198		49,174	(87,198)	(38,024)
Title II - Part A	84.367A	NCLB-3370-13	9/1/12	8/31/13	32,757		2,808	(5,662)	(2,854)
Title II - Part A	84.367A	NCLB-3370-12	9/1/11	8/31/12	35,544	(1,516)	35,544	(34,028)	
Title III	84.365A	NCLB-3370-13	9/1/12	8/31/13	12,500		3,799	(4,924)	(1,125)
Title III	84.365A	NCLB-3370-12	9/1/11	8/31/12	8,548	(32)	8,548	(8,516)	
Total Special Revenue Fund						(283,062)	786,144	(768,766)	(265,684)
Total U.S. Department of Education						(361,207)	864,289	(769,361)	(266,279)

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program/ Award Amount	June 30, 2012			June 30, 2013
			From	To		Balance/ (Accounts Receivable)	Cash Received	Budgetary Expenditures	(Accounts Receivable)
U.S. Department of Health and Human Services - Passed-through									
State Department of Human Services:									
Medical Assistance Program (SEMI)	93.778	N/A	7/1/11	6/30/12	\$ 6,731	\$ (1,077)	\$ 2,680	\$ (1,603)	
Total U.S. Department of Health and Human Services						(1,077)	2,680	(1,603)	
U.S. Department of Agriculture - Passed- through State Department of Agriculture:									
Child Nutrition Cluster:									
School Breakfast Program	10.553	N/A	7/1/12	6/30/13	6,626		5,461	(6,626)	\$ (1,165)
School Breakfast Program	10.553	N/A	7/1/11	6/30/12	26,489	(2,236)	2,236		
Federal Food Distribution Program	10.555	N/A	7/1/12	6/30/13	21,426		21,426	(21,426)	
National School Lunch Program	10.555	N/A	7/1/12	6/30/13	128,137		119,341	(128,137)	(8,796)
National School Lunch Program	10.555	N/A	7/1/11	6/30/12	163,636	(9,436)	9,436		
Total Child Nutrition Cluster						(11,672)	157,900	(156,189)	(9,961)
Total U.S. Department of Agriculture						(11,672)	157,900	(156,189)	(9,961)
Total Federal Awards						\$ (373,956)	\$ 1,024,869	\$ (927,153)	\$ (276,240)

N/A - Not Available

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	June 30, 2012				Repayment of Balances	June 30, 2013		MEMO		
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures		GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education:														
General Fund:														
Equalization Aid	13-495-034-5120-078	7/1/12	6/30/13	\$ 3,687,741				\$ 3,333,389	\$(3,687,741)			\$ (354,352)	\$ 3,687,741	
Equalization Aid	12-495-034-5120-078	7/1/11	6/30/12	3,654,777	\$ (358,483)			358,483						
Transportation Aid	13-495-034-5120-014	7/1/12	6/30/13	271,862				245,739	(271,862)			(26,123)	271,862	
Special Education Categorical Aid	13-495-034-5120-089	7/1/12	6/30/13	1,785,659				1,614,077	(1,785,659)			(171,582)	1,785,659	
Special Education Categorical Aid	12-495-034-5120-089	7/1/11	6/30/12	1,676,484	(164,440)			164,440						
School Choice Aid	13-495-034-5120-068	7/1/12	6/30/13	476,442				430,661	(476,442)			(45,781)	476,442	
School Choice Aid	12-495-034-5120-068	7/1/11	6/30/12	143,594	(14,084)			14,084						
Security Aid	13-495-034-5120-084	7/1/12	6/30/13	53,264				48,146	(53,264)			(5,118)	53,264	
Extraordinary Special Education Costs	13-100-034-5120-473	7/1/12	6/30/13	611,384					(611,384)	\$ (611,384)		(611,384)	611,384	
Extraordinary Special Education Costs	12-100-034-5120-473	7/1/11	6/30/12	732,102	(732,102)			732,102						
Nonpublic School Transportation Costs	13-495-034-5120-014	7/1/12	6/30/13	21,966					(21,966)	(21,966)		(21,966)	21,966	
Nonpublic School Transportation Costs	12-495-034-5120-014	7/1/11	6/30/12	20,888	(20,888)			20,888						
Reimbursed TPAF Social Security Aid	13-495-034-5095-002	7/1/12	6/30/13	1,876,330				1,782,118	(1,876,330)			(94,212)	1,876,330	
<b>Total General Fund State Aid</b>														
					(1,289,997)			8,744,127	(8,784,648)			(727,562)	(1,330,518)	8,784,648
Special Revenue Fund:														
NJ Nonpublic Aid:														
Textbook Aid (Chapter 194)	13-100-034-5120-064	7/1/12	6/30/13	22,827				22,827	(22,675)			\$ 152	22,675	
Nursing Services (Chapter 226)	13-100-034-5120-070	7/1/12	6/30/13	31,683				31,683	(31,683)				31,683	
Technology Initiative	13-100-034-5120-373	7/1/12	6/30/13	8,424				8,424	(8,424)				8,424	
Auxiliary Services (Chapter 192):														
Compensatory Education	13-100-034-5120-067	7/1/12	6/30/13	45,984				45,984	(40,634)			5,350	40,634	
Compensatory Education	12-100-034-5120-067	7/1/11	6/30/12	54,946		\$ 10,483				\$ (10,483)				
Home Instruction	13-100-034-5120-067	7/1/12	6/30/13	142					(142)			(142)	142	
Home Instruction	12-100-034-5120-067	7/1/11	6/30/12	2,045	(2,045)			2,045						
Handicapped Services (Chapter 193):														
Examination & Classification	13-100-034-5120-066	7/1/12	6/30/13	45,555				45,555	(34,729)			10,826	34,729	
Examination & Classification	12-100-034-5120-066	7/1/11	6/30/12	49,596		5,474				(5,474)				
Supplementary Instruction	13-100-034-5120-066	7/1/12	6/30/13	36,774				36,774	(30,180)			6,594	30,180	
Supplementary Instruction	12-100-034-5120-066	7/1/11	6/30/12	40,688		5,543				(5,543)				
Corrective Speech	13-100-034-5120-066	7/1/12	6/30/13	781				781				781		
Corrective Speech	12-100-034-5120-066	7/1/11	6/30/12	790		158				(158)				
<b>Total Special Revenue Fund</b>					(2,045)	21,658		194,073	(168,467)	(21,658)	(142)	23,703	168,467	

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	June 30, 2012				June 30, 2013		MEMO	
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Balances	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable
State Department of Education:												
Enterprise Fund:												
State School Lunch Program	13-100-010-3350-023	7/1/12	6/30/13	\$ 4,112			\$ 3,813	\$ (4,112)		\$ (299)	\$ (299)	\$ 4,112
State School Lunch Program	12-100-010-3350-023	7/1/11	6/30/12	7,632	\$ (420)		420					
State School Lunch Program - Supplemental	13-100-010-3350-023	7/1/12	6/30/13	254				(254)		(254)	(254)	254
Total Enterprise Fund							4,233	(4,366)		(553)	(553)	4,366
Total State Awards							\$ 8,942,433	\$(8,957,481)	\$ (21,658)	\$ (728,257)	\$ 23,703	\$ 8,957,481

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include federal and state awards activity of the Board of Education, Morris Hills Regional School District under programs of the federal and state governments for the fiscal year ended June 30, 2013. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General and Special Revenue Funds on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General and Special Revenue Funds 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 fiscal 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 June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the June state aid payments in the subsequent fiscal year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(65,949) for the General Fund and \$-0- for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Post-Retirement Medical and Pension Contributions revenue of \$1,862,205 and \$1,646,880, respectively.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

Awards and financial assistance revenue are reported on the Board's financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 2,198	\$ 12,227,784	\$12,229,982
Special Revenue Fund	768,766	168,467	937,233
Food Service Enterprise Fund	<u>156,189</u>	<u>4,366</u>	<u>160,555</u>
Total Financial Assistance	<u>\$ 927,153</u>	<u>\$12,400,617</u>	<u>\$13,327,770</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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 fiscal year ended June 30, 2013. Revenue and expenditures reported under the Federal Food Distribution Program represent current fiscal year value received and current fiscal year distributions, respectively.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal or state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey OMB's Circular 04-04*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB's Circular 04-04 or Section 510(a) of Federal OMB Circular A-133.
- The District's federal and state programs tested as major for the current fiscal year were the following:

	<u>CFDA # or State Grant/Project #</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. - Part B, Basic	84.027	9/1/12-8/31/13	\$ 628,438	\$ 628,438
<u>State:</u>				
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	3,687,741	3,687,741
Special Education				
Categorical Aid	13-495-034-5120-089	7/1/12-6/30/13	1,785,659	1,785,659
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	53,264	53,264
School Choice Aid	13-495-034-5120-068	7/1/12-6/30/13	476,442	476,442

- The threshold used for distinguishing between Type A and Type B programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04 was \$500,000.
- The District was determined to be a "low-risk" auditee under the provisions of section 530 of the federal Circular for both federal and state programs.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in Federal OMB Circular A-133.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Status of Prior Fiscal Year Findings:

The District had no prior fiscal year audit findings.