

***MORRIS SCHOOL DISTRICT***

***MORRIS SCHOOL DISTRICT  
BOARD OF EDUCATION***

***COUNTY OF MORRIS  
MORRISTOWN, NEW JERSEY***

***COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR  
ENDED JUNE 30, 2016***

**MORRIS SCHOOL DISTRICT  
COUNTY OF MORRIS, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2016**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
<b>INTRODUCTORY SECTION</b>	1
Letter of Transmittal	2 - 10
Organizational Chart	11
Roster of Officials	12
Consultants and Advisors	13
<b>FINANCIAL SECTION</b>	14
<b>Independent Auditor's Report</b>	15 - 17
<b>Required Supplementary Information – Part I</b>	18
Management's Discussion and Analysis	19 - 28
<b>Basic Financial Statements</b>	29
A. District-wide Financial Statements	30
A- 1 <u>Statement of Net Position</u>	31
A- 2 <u>Statement of Activities</u>	32
B. Fund Financial Statements	33
Governmental Funds:	34
B- 1 <u>Balance Sheet</u>	35 - 36
B- 2 <u>Statement of Revenues, Expenses, and Change in                 Fund Balances</u>	37
B- 3 <u>Reconciliation of the Statement of Revenues,                 Expenditures, and Changes in Fund Balances                 of Governmental Funds to the Statement of Activities</u>	38
Proprietary Funds:	39
B- 4 <u>Statement of Net Position</u>	40
B- 5 <u>Statement of Revenues, Expenses, and Changes in                 Net Position</u>	41
B- 6 <u>Statement of Cash Flows</u>	42

**MORRIS SCHOOL DISTRICT  
COUNTY OF MORRIS, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2016**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
Fiduciary Funds:	43
B- 7 <u>Statement of Fiduciary Net Position</u>	44
B- 8 <u>Statement of Changes in Fiduciary Net Position</u>	45
Notes to the Financial Statements	46 - 79
<b>Required Supplementary Information – Part II</b>	80
C. Budgetary Comparison Schedules	81
C- 1 <u>Budgetary Comparison Schedule - General Fund</u>	82 - 97
C- 1a <u>Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual</u>	N/A
C- 1b <u>American Recovery and Reinvestment Act – Budget and Actual</u>	N/A
C- 2 <u>Budgetary Comparison Schedule - Special Revenue Fund</u>	98 - 99
<b>Notes to the Required Supplementary Information – Part II</b>	100
C- 3 <u>Budgetary Comparison Schedule – Note to RSI</u>	101
<b>Required Supplementary Information – Part III</b>	102
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	103
L- 1 Schedule of the District’s Proportionate Share of the Net Pension Liability – PERS	104
L- 2 Schedule of District Contributions – PERS	105
L- 3 Schedule of the District’s Proportionate Share of the Net Pension Liability – TPAF	106
<b>Notes to Required Supplementary Information – Part III</b>	107
Notes to Required Supplementary Pension Information	108
<b>Other Supplementary Information</b>	109
D. School Level Schedules:	110
D- 1 <u>Combining Balance Sheet</u>	N/A
D- 2 <u>Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual</u>	N/A
D- 3 <u>Blended Resource Fund - Schedule of Blended Expenditures</u>	N/A
D- 4 <u>Schedule of DEOA Expenditures - Budget and Actual</u>	N/A

**MORRIS SCHOOL DISTRICT  
COUNTY OF MORRIS, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2016**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
E. Special Revenue Fund:	111
E- 1 <u>Combining Schedule of Revenues and Expenditures</u> <u>Special Revenue Fund - Budgetary Basis</u>	112 - 116
E- 2 <u>Demonstrably Effective Program Aid Schedule of Expenditures</u> <u>- Budgetary Basis</u>	117
E- 3 <u>Early Childhood Program Aid Schedule of Expenditures</u> <u>- Budgetary Basis</u>	N/A
E- 4 <u>Distance Learning Network Aid Schedule of</u> <u>Expenditures - Budgetary Basis</u>	N/A
E- 5 <u>Instructional Supplement Aid Schedule of Expenditures</u> <u>- Budgetary Basis</u>	N/A
F. Capital Projects Fund:	118
F- 1 <u>Summary Statement of Project Expenditures</u>	119
F- 2 <u>Summary Schedule of Revenues, Expenditures, and Change</u> <u>in Fund Balance - Budgetary Basis</u>	120
F- 2a <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – Transportation Retaining Wall</u>	121
F- 2b <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – MHS Pool HVAC</u>	122
F- 2c <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – AH Window</u>	123
F- 2d <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – Sussex Repointing</u>	124
F- 2e <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – MHS Repointing</u>	125
F- 2f <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – AH Repointing</u>	126
F- 2g <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – MHS Fire Alarm Upgrade</u>	127
F- 2h <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – FMS Partial Roof</u>	128
F- 2i <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – MHS Auditorium Lighting</u>	129
F-2j <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – MHS/SX Gym Bleachers</u>	130
F-2k <u>Schedule of Project Revenues, Expenditures, Project Balance</u> <u>and Project Status - Budgetary Basis – MHS Pool HVAC</u>	131



**MORRIS SCHOOL DISTRICT  
COUNTY OF MORRIS, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2016**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
G. Proprietary Funds:	132
Enterprise Fund:	133
G- 1 Combining Statement of Net Position	134
G- 2 Combining Statement of Revenues, Expenses and Changes in Net Position	135
G- 3 Combining Statement of Cash Flows	136
Internal Service Fund:	137
G- 4 Combining Statement of Net Assets	N/A
G- 5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	N/A
G- 6 Combining Statement of Cash Flows	N/A
H. Fiduciary Funds:	138
H- 1 Combining Statement of Fiduciary Net Position	139
H- 2 Combining Statement of Changes in Fiduciary Net Position	140
H- 3 Schedule of Receipts and Disbursements - Student Activity Agency Fund	141
H- 4 Schedule of Receipts and Disbursements - Payroll Agency Fund	142
I. Long-Term Debt:	143
I- 1 Schedule of Serial Bonds	144
I- 2 Schedule of Obligations Under Capital Leases	145
I- 3 Budgetary Comparison Schedule - Debt Fund Service	146
<b>STATISTICAL SECTION (Unaudited)</b>	<b>147</b>
<b>Financial Trends</b>	<b>148</b>
J- 1 Net Position/Net Assets by Component	149
J- 2 Changes in Net Assets/Net Position	150
J- 3 Fund Balances, Governmental Funds	151
J- 4 Change in Fund Balances, Governmental Funds	152
J- 5 General Fund – Other Local Revenue by Source	153

**MORRIS SCHOOL DISTRICT  
COUNTY OF MORRIS, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2016**

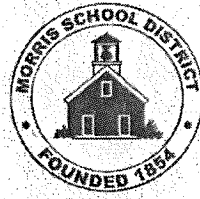
**TABLE OF CONTENTS**

**PAGE(S)**

**STATISTICAL SECTION (Unaudited) (Cont'd.)**

<b>Revenue Capacity</b>		154
J- 6	Assessed Value and Actual Value of Taxable Property	155
J- 7	Direct and Overlapping Property Tax Rates	156
J- 8	Principal Property Taxpayers	157
J- 9	Property Tax Levies and Collections	158
<b>Debt Capacity</b>		159
J-10	Ratios of Outstanding Debt by Type	160
J-11	Ratios of Net General Bonded Debt Outstanding	161
J-12	Direct and Overlapping Governmental Activities Debt	162
J-13	Legal Debt Margin Information	163
<b>Demographic and Economic Information</b>		164
J-14	Demographic and Economic Statistics	165
J-15	Principal Employers	166
<b>Operating Information</b>		167
J-16	Full-time Equivalent District Employees by Function/Program	168
J-17	Operating Statistics	169
J-18	School Building Information	170
J-19	Schedule of Required Maintenance	171
J-20	Insurance Schedule	172
<b>SINGLE AUDIT SECTION</b>		173
K- 1	Report 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	174 - 175
K- 2	Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and New Jersey OMB Circular 15-08	176 - 178
K - 3	Schedule of Expenditures of Federal Awards, Schedule A	179
K - 4	Schedule of Expenditures of State Financial Assistance, Schedule B	180
K - 5	Notes to the Schedules of Awards and Financial Assistance	181 - 182
K- 6	Schedule of Findings and Questioned Costs	183 - 185
K - 7	Summary Schedule of Prior Audit Findings	186

# **INTRODUCTORY SECTION**



*Morris School District  
Office of the Business Administrator  
31 Hazel Street  
Morristown, NJ 07960  
973-292-2300 ext 2021*

November 28, 2016

Honorable President and  
Members of the Board of Education  
Morris School District  
Morristown, New Jersey

Dear President Posey and Board Members:

The Comprehensive Annual Financial Report of the Morris School District for the fiscal year ended June 30, 2016 is hereby submitted. Responsibility for both the accuracy of these data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Morris School 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 general-purpose financial statements and schedules, as well as the auditor's report thereon. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular Uniform Guidance, and the State Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the Single Audit Section of this report.

#### **1. REPORTING ENTITY AND ITS SERVICES:**

Morris School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Morris School District Board of Education and its schools constitute the District's reporting entity. The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational, special education, gifted and talented and advanced placement programs that address the Morris School District's student needs. The District completed the 2015-16 fiscal year with an average daily enrollment of 5,249 students, which represented an increase of 10 students from the previous year. Average daily enrollment (ADE) and average daily attendance (ADA) information appears below.

AVERAGE DAILY ENROLLMENT AND ATTENDANCE DATA

<u>Fiscal Year</u>	<u>ADE</u>	<u>ADE Percent Change</u>	<u>ADA</u>
2006-07	4,627	0.11%	4,421
2007-08	4,667	0.86%	4,463
2008-09	4,750	1.78%	4,533
2009-10	4,786	0.76%	4,579
2010-11	4,892	2.20%	4,686
2011-12	4,927	0.72%	4,719
2012-13	4,996	1.40%	4,774
2013-14	5,111	2.30%	4,889
2014-15	5,239	2.50%	5,012
2015-16	5,249	0.19%	5,002

**2. ECONOMIC CONDITION AND OUTLOOK:** The District serves an affluent area in northern New Jersey comprised of the Town of Morristown and the Township of Morris. Located in southeastern Morris County within easy access to New York City and Pennsylvania, Morristown and Morris Township experience different enrollment drivers for the district. Higher wealth statistics are centered in the Township which is the larger of the two municipalities in terms of population, per capita income and geographic area. Morris Township's largest taxpayer, Honeywell, has chosen to relocate to neighboring Morris Plains and to sell the 147 acre property to two developers. The current plan is to transform the site into a "mixed use development" to include office space, 235 townhouses and open space. The Assessed Value of the Honeywell site was approx. \$64.9 million. The largest taxpayer in Morristown is now Morristown Memorial Hospital after a landmark case decided that the for-profit businesses operating within the hospital would now be responsible for real estate taxes, adding \$40MM to Morristown's ratables.

The single biggest enrollment driver for the Town is the percentage of rental housing and its associated rollover. The newly constructed residential properties in Morristown have had minimal impact on the student enrollment of the Morris School District. However, due to the recent upswing in the real estate market the district is seeing an increase in enrollment. The district's enrollment growth over the last 10 years has been a cumulative 13.4%.

The estimated population in the Township has increased from 20,976 in 2006 to 22,633 in 2015, or a cumulative increase of 7.9% over ten years. The Town's population has increased from 18,519 in 2006 to an estimate of 18,594 in 2015 or a cumulative increase of .4% over ten years. Additionally, based on recent population trends as set forth in the following excerpt, The Morris School District may see significant growth. "New Jersey's population has started to contract back toward its urban core for the first time since the end of the second World War". "The popularity of older, urbanized communities in New Jersey like Morristown, with walkable town centers and access to mass transit, is booming, while newer towns that rose with suburban sprawl, are struggling." (Bloustein School of Planning, Rutgers University).

Both the Town & Township's assessed valuation (tax base) increased over the prior year, however, there was a significant change due to Morristown adding \$40MM in ratables with Morristown Memorial Hospital. The total tax base of the district was allocated 63.7% to the Township and 36.2% to the Town in 2016, a change of approximately 2 percentage points increase to Morristown. As one of the largest employers in the area, the Morris School District significantly impacts the economy of its larger community and service area.

**3. Major Initiatives:** Educational program initiatives of the Morris School District during the 2015-2016 school year included:

**Curriculum Programs**

<b>Program</b>	<b>Project</b>
ESL Programs (Gr. K- 12)	<ul style="list-style-type: none"> <li>➤ Redefined ESL Program Structure</li> <li>➤ Provided Professional Development in Sheltered English Instruction for General Ed, ESL staff and administration</li> <li>➤ Completed initial review of ACCESS 2.0, created student goals as a result.</li> <li>➤ WIDA Standard resources provided for all staff working ELL students.</li> <li>➤ Hired Supervisor of ESL/Bilingual for K-8 to work in conjunction with existing 9-12 ESL/Bilingual supervisor</li> </ul>
Bilingual Program (Gr. K-12)	<ul style="list-style-type: none"> <li>➤ Implement full time bilingual program in grades K-12</li> <li>➤ Implement Exit/Tracking system as required by State</li> <li>➤ Professional development on best practices in ELL instruction provided for teachers grades K-12.</li> <li>➤ Provided online learning system (ESL Reading Smart) for students and related PD for teachers to support a blended learning environment in all classrooms</li> </ul>
K-5 Language Arts	<ul style="list-style-type: none"> <li>➤ Implemented online diagnostic to provide teachers and parents with specific data related to core standards in ELA.</li> <li>➤ Provided PD for teachers in utilizing data to plan targeted learning opportunities for all students.</li> <li>➤ Researched resources to support phonics instruction (as a result of diagnostic results).</li> <li>➤ Assessment Handbook for Language Arts revised/adjusted so that all assessments align with standards and so that we reduced benchmark testing for the 2015-16 school year</li> <li>➤ Implemented PARCC</li> <li>➤ Provided PD on Blended Learning to help teachers maximize face to face teaching time with students.</li> <li>➤ Provided after school programs to support struggling learners grades 1-5.</li> </ul>
6-12 English Language Arts	<ul style="list-style-type: none"> <li>➤ Provided updated resources for teachers to support standards based teaching of ELA grades 6-8.</li> <li>➤ Began development of units of study in reading and writing for grades 6-8</li> <li>➤ Provided PD for Balanced Literacy</li> <li>➤ Utilized PLC time to create and discuss common assessments</li> <li>➤ Utilized online diagnostic</li> <li>➤ Provided Intervention services for general education students (based on diagnostic data)</li> <li>➤ Implemented PARCC</li> <li>➤ Provided PD on Blended Learning to help teachers maximize face-to-face teaching time with students.</li> <li>➤ Provided Homework Tutorials for all students and After School academic support for identified students.</li> </ul>
K-12 Mathematics	<ul style="list-style-type: none"> <li>➤ Implemented homogenous grouping for math at grades 3-5</li> <li>➤ Implemented online diagnostic to provide teachers and parents with specific data related to core standards in Math grades K-9.</li> <li>➤ Assessment Handbook for Language Arts adjusted to</li> </ul>

	<ul style="list-style-type: none"> <li>reduce benchmark testing for the 2015-16 school year for grades K-5</li> <li>➤ Begin building common assessments grades 6-12</li> <li>➤ Researched resources and online supports for students</li> <li>➤ Utilized new version of Everyday Math—Common Core edition.</li> <li>➤ Provided PD in Blended Learning as a way to maximize face-to-face teaching time</li> </ul>
K-12 Science	<ul style="list-style-type: none"> <li>➤ Approved 6-8 curriculum aligned to Next Generation Science Standards</li> <li>➤ Upgraded Science materials 6-8 to Fusion/online resources</li> <li>➤ Continued creation of framework for K-5 curriculum in accordance with Next Generation Science Standards</li> <li>➤ STEM Academy cohort expansion at Morristown High School</li> <li>➤ Provided PD for teachers in the use of Science Note booking strategies (K-5) and provided resources</li> </ul>
Social Studies (K-12)	<ul style="list-style-type: none"> <li>➤ Integrated Social Studies into K-5 Writing Units. Aligned Reading and Writing units by topics (based in Social Studies).</li> <li>➤ Primary Source PD Grades 6-12 provided through Gilder Lehrman partnership</li> <li>➤ Purchased History resources</li> <li>➤ Provided online AP preparation</li> <li>➤ Provided Blended Learning PD for teachers</li> <li>➤ 9-12 Teachers designed playlists to support self paced learning for students</li> </ul>
Gifted Education (K-12)	<ul style="list-style-type: none"> <li>➤ Redesigned Quest identification process to include a creative measure tool along with non-verbal cognitive and academic information.</li> <li>➤ Reallocated G&amp;T teacher time so that more support was provided at K-2 level</li> <li>➤ Purchased resources for G&amp;T and Homeroom teachers to support enrichment activities</li> <li>➤ Refine the process for designing and facilitating Enrichment Clusters grades 3-5.</li> </ul>
Summer Academy Program (Gr. 1-8)	<ul style="list-style-type: none"> <li>➤ Summer Academy Program targeted for BSI and ESL students provided for grades 1-8 and Special Education PreK-12</li> <li>➤ Utilized blended practices to integrated online supports in reading and math for Summer Academy students.</li> <li>➤ Implemented attendance incentives for students in Summer Academy</li> <li>➤ Provided parent information, progress reports and visitations for Summer Academy families</li> <li>➤ Tracked performance data over 6-week program</li> <li>➤ Provided "report cards" to parents and home schools to overview student growth and needs</li> </ul>
K-12 Media	<ul style="list-style-type: none"> <li>➤ Digital Information Department created under the supervisor of the Supervisor of Tech Integration</li> <li>➤ K-12 Media/Library Curriculum updated</li> <li>➤ Typing program EduType adopted for K-5</li> </ul>
World Language oriented Curriculum Development (K-12)	<ul style="list-style-type: none"> <li>➤ Palabras en Mi Mundo adopted to support 3-5 WL practice</li> <li>➤ Little Pim and language centers implemented at K-2 to support WL practice</li> <li>➤ Revisions started on level 3 world language curriculum in</li> </ul>

	<ul style="list-style-type: none"> <li>➤ all languages 9-12 completed</li> <li>➤ Curriculum review and PLC planning for world language grades 6-8.</li> <li>➤ Proposed revisions to K-5 World Language Curriculum</li> </ul>
K-12 Computer Education	<ul style="list-style-type: none"> <li>➤ Established one-to-one initiative at middle school</li> <li>➤ One to one at grades 7-12 continued</li> <li>➤ Technology infusion at K-5 continued (additional chrome books purchased).</li> <li>➤ Revisions began to K-12 Technology Ed, Informational Literacy curriculum</li> <li>➤ PD for teachers provided to increase level of technology integration</li> <li>➤ Parent sessions held to increase parent interaction and responsibility around one-to-one and increased technology access for students.</li> <li>➤ Supervisor of Technology Integration position created</li> <li>➤ Implementation of PARCC online testing</li> <li>➤ Implementation of NewsELA (2-12) and TenMarks (K-5) as well as other online learning supports for all content across K-12.</li> </ul>
K-12 Health and Physical Education	<ul style="list-style-type: none"> <li>➤ Implementation of K-12 Health Curriculum</li> <li>➤ Revisions started to include required AED certification</li> <li>➤ Implementation of anti-bullying Curriculum K-5</li> <li>➤ Implementation of K-12 PE Curriculum</li> <li>➤ Revisions to 9-12 PE Curriculum to include Adaptive PE practices</li> <li>➤ PD provided for PE teachers K-12 on inclusive practice and adaptive PE.</li> <li>➤ Technology standards integrated into K-12 PE Curriculum</li> <li>➤ Participation in SNAP program (Special Needs Athletic Programs) in K-5 schools</li> </ul>

#### **4. AWARDS:**

The Morris School District community takes great pride in its schools and believes a quality education is the inherent right of all children and the foundation of a strong community.

The District provides a supportive and challenging educational environment for a total student population of 5,200 in grades Pre-K through 12. The average elementary class size is 19, with specialists providing instruction in science, art, and music. The Urban Farm at Lafayette, located at the Lafayette Learning Center, is a 1-acre agricultural teaching garden offering rich, hands-on learning experiences for students and the community-at-large.

Frelinghuysen Middle School serves approximately 1,160 students in grades 6-8. The school has a "house" structure to facilitate closer and more meaningful long-term relationships between students and staff. Each house is the caretaker of its students throughout their middle school years. A dedicated team of teachers offers core content instruction (Math, Language Arts, Social Studies and Science) within each house over a three-year period. The FMS curriculum also offers instruction in Italian, Spanish, and French. All students (6-8) are issued a personal Chrome Book to enhance and support instruction and promote personal inquiry 24/7. Extracurricular programs are an integral part of student life at FMS. The school's 60-acre campus includes numerous fields to support the extensive athletic programs available to FMS students. Included among these are field hockey, lacrosse, baseball, soccer, softball and cross-country. Artistic, literary, musical, and philanthropic extracurricular activities augment the academic and emotional development of Frelinghuysen students.



Morristown High School is a comprehensive high school serving approximately 1,580 students. The school provides a rigorous college preparatory curriculum which includes 27 Advanced Placement courses and 22 Honors Level courses. MHS SAT scores continue to surpass state and national averages. The MHS STEM (science, technology, engineering & math) Academy offers a 4-year program of studies designed for students who have demonstrated success in mathematics and science and have expressed an interest in pursuing a STEM career. The school's Humanities Academy provides a unique, cross-curricular experience during junior and senior years for students who wish to explore the deeply-seeded connections of ancient Greece and Rome both to Western intellectual history and, more personally, to their own lives. Recognizing that participation in co-curricular, athletic, and community service organizations complement and enhance students' educational experience, MHS offers 32 academic/cultural activities, 27 varsity and 29 interscholastic athletic teams. The school's state-of-the-art facilities include an indoor Olympic-size swimming pool, turf field, 700-seat auditorium, TV and radio station, and an all-weather track. Eighty percent of the student body participate in one or more of the varsity or interscholastic teams, and 63% are active in one or more of the co-curricular offerings, which include forensics, math and physics teams, jazz band, chorus, and numerous service clubs and organizations.

Honors and Awards MHS Class of 2016 – National Merit Honors were awarded to 9 members of the Class of 2016. Included among these are 2 National Merit Semifinalist and 7 National Merit Commended. Additionally, 71 MHS students were honored by the College Board Advanced Placement Program during the 2015-2016 school year. Included among these were 25 AP Scholars with Distinction, 24 AP Scholars with Honor, and 22 AP Scholars. Members of the class were admitted to the most competitive colleges and universities in the country, including the United States Naval Academy, Princeton, Auburn, Cornell, Columbia, Boston College, University of Chicago, Purdue, Brigham Young University, Vanderbilt, University of Texas, and Wesleyan University.

In addition to outstanding academic achievements, Morristown High school students garnered numerous regional, state and national awards for extra-curricular activities. Morristown High School music students were selected to honors bands, choruses, and orchestras at the regional and state levels. The high school's jazz ensemble, *Spectrum*, was selected to compete in the NJ State Jazz Ensemble Championship, and the Frelinghuysen Debate Team swept County Honors, and MHS athletes garnered numerous Division, County, and Conference, and the boys' Hockey Team again captured the State Championship Title. The MHS theatre program was also recognized among the best in the state, with multiple Paper Mill Playhouse Awards. Our students continued to support numerous school and community service programs including Habitat for Humanity, the Morris Minute Men, and the Morristown and Morris Township Fire Departments.

## **5. INTERNAL ACCOUNTING CONTROLS:**

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

As a recipient of federal and state financial assistance, the District is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure likewise is subjected to periodic evaluation by district management. Since grant periods differ in their prescribed fiscal years, representations are made prior to the end of the fiscal year for those grants having fiscal years other than July 1 through June 30.

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

**6. 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 municipalities. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reserves for encumbrances and are included as reservations of fund balance at June 30, 2016.

**7. ACCOUNTING SYSTEM AND REPORTS:** The District accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the district is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statement", Note 1.

**8. FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2016 and the amount and percentage of increases in relation to prior year revenues.

<u>Revenue</u>	<u>FY 2016 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2015</u>	<u>Percent of Increase (Decrease)</u>
Local Sources	\$90,557,493	81.13%	\$2,233,077	2.53%
State Sources	18,479,127	16.55%	1,591,332	9.42%
Federal Sources	2,589,539	2.32%	(1,465)	(0.06)%
<b>Total</b>	<b>\$111,626,159</b>	<b>100.00%</b>	<b>\$3,822,944</b>	<b>3.55%</b>

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2016 and the amount and percentage of increases in relation to prior year expenditures.

<u>Expenditures</u>	<u>FY 2016 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2015</u>	<u>Percent of Increase (Decrease)</u>
Current Expense:				
Instruction	37,715,040	35.72%	1,324,597	3.64%
Undistributed	62,642,162	59.32%	2,214,197	3.66%
Capital Outlay	780,017	0.74%	(52,858)	(6.35)%
Special Revenue	3,579,995	3.39%	1,311	0.04%
Debt Service:				
Principal	750,000	0.71%	(10,000)	(1.35)%
Interest	131,500	0.12%	(37,000)	(21.96)%
<b>Total</b>	<b><u>105,598,714</u></b>	<b><u>100.00%</u></b>	<b><u>3,460,247</u></b>	<b><u>3.39%</u></b>

**9. DEBT ADMINISTRATION:** The District's outstanding debt of \$2,015,000 includes one refunding bond issuance for the year 2007. This bond is payable in annual installments ranging from \$610,000 to \$675,000 through 2019.

**10. CASH MANAGEMENT:** The investment policy of the District is guided by state statute as detailed in "Notes to the Financial Statements", Note 2. 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.

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

**12. OTHER INFORMATION:** Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The firm of Hodulik & Morrison, P.A., a professional corporation of accountants and auditors was selected and duly appointed by the Morris School District Board of Education. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Uniform Guidance and the State of New Jersey Treasury Circular Letter 15-08. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

**13. ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Morris School District Board of Education for its concern in providing fiscal accountability to the citizens and taxpayers of the School District and contributing its full support to the development maintenance of the financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, business services and accounting staff.

Respectfully submitted,



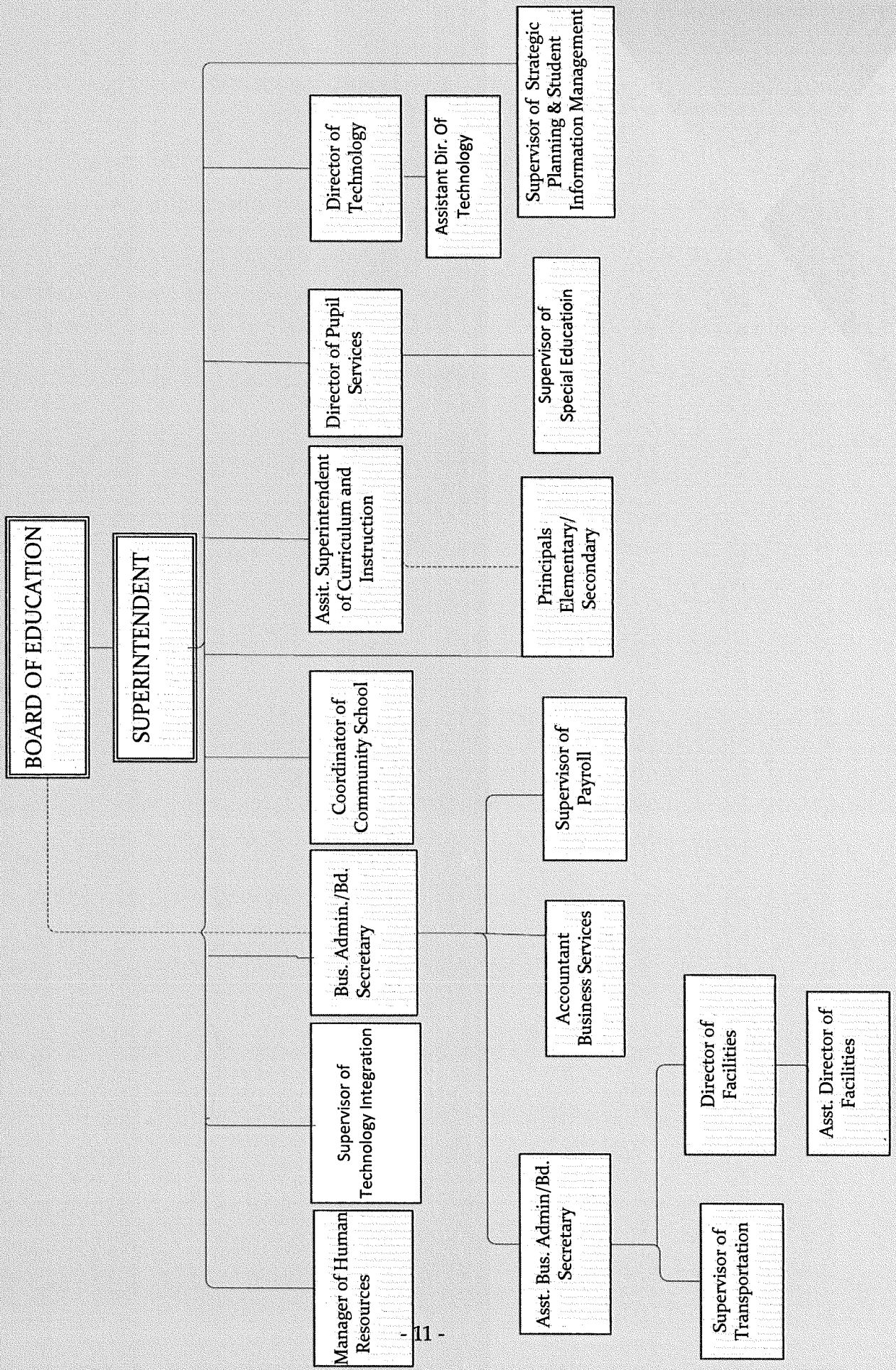
Mackey Pendergrast  
Superintendent



Anthony Lo Franco  
Business Administrator/Board Secretary

# MORRIS SCHOOL DISTRICT

CENTRAL OFFICE  
2015-2016



MORRIS SCHOOL DISTRICT  
BOARD OF EDUCATION  
MORRIS COUNTY, NEW JERSEY

ROSTER OF OFFICIALS  
JUNE 30, 2016

**PRESIDENT**

Mr. Leonard Posey 2017

**VICE-PRESIDENT**

Ms. Teresa Murphy 2017

**MEMBERS**

Mrs. Nancy Bangiola 2016

Ms. Lisa J. Pollak 2017

Mrs. Ann Rhines 2018

Dr. Peter Gallerstein 2016

Mr. Norman "J.B." Blanchard 2016

Mrs. Jeanette Thomas 2018

Mrs. Prim Minchello 2018

Mrs. Lucia Galdi (Morris Plains Rep)

**OTHER OFFICIALS**

S. Mackey Pendergrast, Superintendent of School

Anthony P. Lo Franco, CPA, Business Administrator/Board Secretary

Christine A. Kelly, Assistant Business Administrator/Assistant Board Secretary

James McCreedy, Esq., Board Attorney

**MORRIS SCHOOL DISTRICT  
CONSULTANTS AND ADVISORS**

**ARCHITECTS**

DiCara Rubino Architects  
30 Galesi Drive  
West Wing  
Wayne, NJ 07470

**AUDIT FIRM**

Hodulik and Morrison, P.A.  
1102 Raritan Avenue  
Highland Park, N.J. 08904

**ATTORNEY**

Wiley, Malehorn, Sirota & Raynes  
250 Madison Avenue  
Morristown, N.J. 07960

Porzio, Bromberg & Newman, PC  
100 Southgate Parkway  
Morristown, NJ 07960

**OFFICIAL DEPOSITORIES**

Provident Bank  
PO Box 617  
Newark, NJ 07101

**BOND COUNSEL**

McManimon & Scotland, L.L.C.  
One Riverfront Plaza, Fourth Floor  
Newark, N.J. 07102

## **FINANCIAL SECTION**



**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.

**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Education  
Morris School District  
Morristown, New Jersey

**Report on 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 Board of Education of the Morris School District, in the County of Morris, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Morris School District, in the County of Morris, State of New Jersey, as of June 30, 2016 and the respective changes in financial position and cash flows, where applicable, for the 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 and budgetary comparison information, including the Notes thereto, and pension plan information, including the Notes thereto, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 Morris School District's basic financial statements as a whole.

The accompanying other supplementary information, consisting of the combining and individual fund financial statements and long-term debt schedules as listed in the table of contents, the schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award (Uniform Guidance); the schedule of expenditures of state financial assistance as required by New Jersey OMB's Circular 15-08, and the other information including the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements, long-term debt schedules, schedules of expenditures of federal awards and state financial assistance are the responsibility of management and are 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements, long-term debt schedules, and schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole. In our opinion, the combining and individual fund financial statements, long-term debt schedules, schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of the Morris School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the Morris School District's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Public School Accountants

*Robert S. Morrison*

Robert S. Morrison  
Public School Accountant  
PSA # 871

Highland Park, New Jersey  
November 28, 2016

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PART I**

**MORRIS SCHOOL DISTRICT**  
**Morristown, New Jersey**  
**Morris County**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
**June 30, 2016**

This section of the district's annual financial report presents a discussion and analysis of the district's financial performance during the fiscal year ending June 30, 2016. It should be read in conjunction with the transmittal letter at the front of this report and the district's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statement—and Management's Discussion and Analysis—for State and Local Governments issued June 1999 and amended by GASB Statement No. 37. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

The key financial highlights for the 2015-2016 fiscal year include the following:

Governmental funds reported a total fund balance of \$27,685,902, which is a 13.9% decrease over last year's total governmental fund balance. The general or operating fund balance was reported at \$25,467,194 of which \$7,352,252 was appropriated toward the 2016-2017 budget. The unassigned general fund balance is reported at \$1,324,887. Total spending for all governmental funds was \$114,865,559. Total revenues were \$111,626,159 resulting in a deficiency of revenues over expenditures of \$3,239,400 for the year. Revenues increased approximately \$3,923,000 over last year and included \$21.1 million in state and federal aid and \$85.9 million in local taxes.

The district held \$10.7 million in its capital reserve account as of 06/30/16 and \$2.6 million in its maintenance reserve account.

As a result of the District privatizing the food service program and an increase in the reimbursements of Free & Reduced meals and the Federal Food Distribution program, the District maintained a positive change in net position.

## 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 operated like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationship in which the district acts solely as a trustee or agent for the benefits of others.

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

**Figure A-1**

### *Organization of the School District Annual Financial Report*

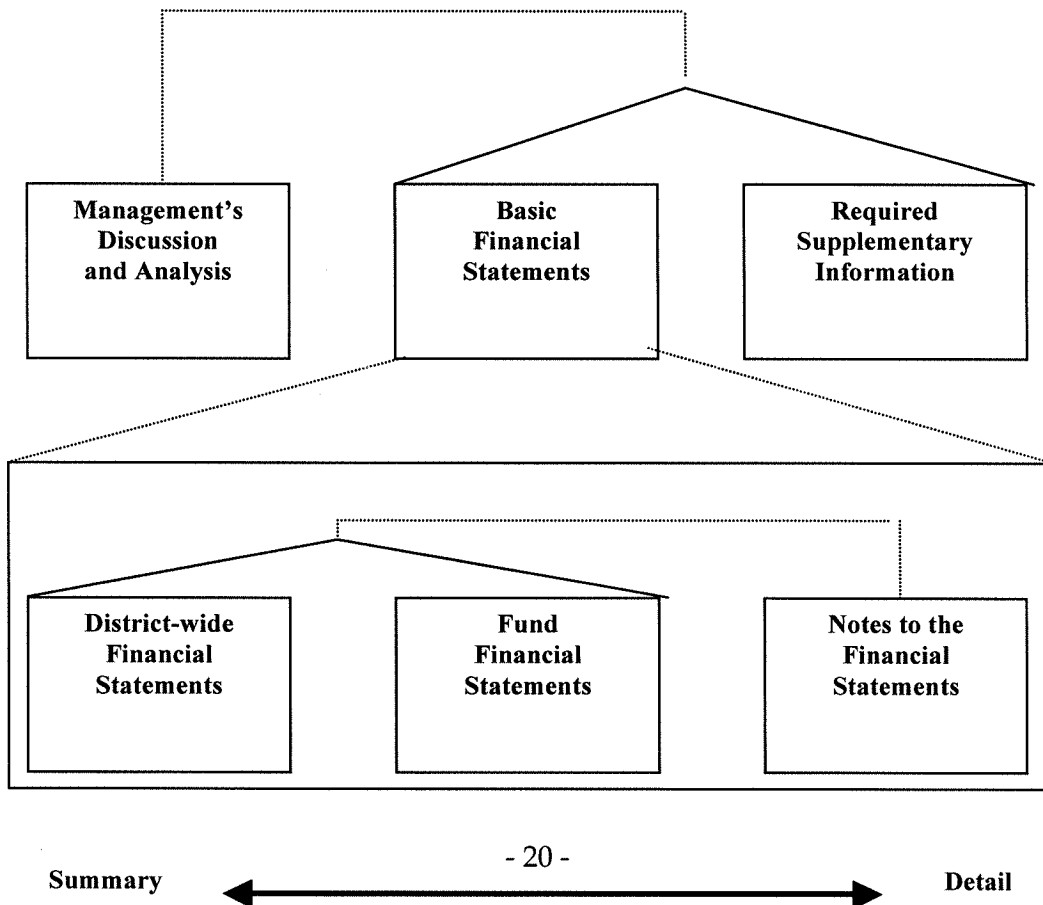


Figure A-2 summarizes the major features of the district’s financial statements, including the portion of the district’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

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 and community school.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs, student activities monies, unemployment compensation trust funds and payroll agency.
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 revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of 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 focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets, liabilities, deferred inflows/outflows of resources both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and 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 revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **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 year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the district's net position and how they have changed. Net position - the difference between the district's assets 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 are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, you need to consider that the school district's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the of the schools to assess the overall health of the district.

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 community school programs and food 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 revenues (such as federal grants).



The district has three kinds of funds:

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The school district's Governmental Activities net position were \$35,765,914 at June 30, 2016. Of this amount, \$31,840,835 was a deficit in unrestricted net assets. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the school district's ability to use the net position for day-to-day operations. Our analysis below focuses on the net position (Exhibit 1) and change in net position (Figure A-4) of the school district's governmental activities.

**Figure A-3**  
**Net Position**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>	% Increase/ <u>-Decrease</u>
Current and Other Assets	\$31,153,434	\$34,378,798	-9.4
Capital Assets	<u>45,887,543</u>	<u>37,714,376</u>	21.7
Total Assets	<u>\$77,040,977</u>	<u>\$72,093,174</u>	6.9
Deferred Outflows of Resources	<u>\$5,889,936</u>	<u>\$2,321,838</u>	<u>153.7</u>
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>	% Increase/ <u>-Decrease</u>
Current and Other Liabilities	\$5,573,550	\$4,393,574	26.9
Long-term Liabilities	<u>39,427,139</u>	<u>35,346,162</u>	11.5
Total Liabilities	<u>\$45,000,689</u>	<u>\$39,739,736</u>	13.2
Deferred Inflows of Resources	<u>2,164,310</u>	<u>2,873,606</u>	-24.7
Net Position			
Net Investment in capital assets	\$43,696,718	\$34,762,605	25.7
Restricted	23,910,031	30,024,003	-20.4
Unrestricted	<u>(31,840,835)</u>	<u>(32,984,938)</u>	-3.5
Total Net Position	<u>\$35,765,914</u>	<u>\$31,801,670</u>	12.5

The \$31,840,835 deficit in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. It means that if the district had to pay off all of its bills today including all of its non-capital liabilities (net pension liability and compensated absences for example), we would have a deficit of \$31,840,835.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

### Governmental Activities

As reported in the Statement of Activities, the cost of all our governmental activities this year was \$106,349,251. These costs were financed by \$85,910,944 in local property school taxes \$21,284,808 in federal and state aid and \$3,118,013 in miscellaneous revenues including interest, general entitlements and transfers.

In Figure A-5, below, we have presented the cost of each of the school district's seven largest functions as listed below. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by the function.

**Figure A-5**

	<b>Year Ended June 30, 2016</b>	<b>Year Ended June 30, 2015</b>
	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>Total Cost of Services</b>	<b>Total Cost of Services</b>
	<b><u>2016</u></b>	<b><u>2015</u></b>
Regular Programs Instruction	\$29,237,127	\$28,387,065
Unallocated Benefits	25,046,260	21,966,032
Student Services	14,443,418	14,330,155
Plant Services	7,443,979	7,784,633
Transportation	6,249,298	6,041,059
Special Programs Instruction	8,153,686	7,781,595
Tuition	5,846,949	5,628,722
All Others	<u>9,928,804</u>	<u>9,405,081</u>
	<b><u>\$106,349,251</u></b>	<b><u>\$101,324,342</u></b>

### Financial Analysis of the District's Funds

As we noted earlier, the school district uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the school district is being accountable for the resources provided to it, and also gives more insight into the school district's overall financial health.

As the school district completed this year, our governmental funds reported a combined fund balance of \$27,685,902, which is a decrease of \$4,475,720 from last year. The decrease largely was due to capital project expenditures net of positive budget variances.

## General Fund Budgetary Highlights

Over the course of the year, the school district revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. Budget changes/transfers are approved by the Board of Education throughout the year. Although the district's projected budget for the general fund anticipated that revenues and expenditures would be roughly equal, the actual results for the year show a surplus.

Actual revenues reflect a positive variance of \$12.0 million. This is due primarily to:

1. The State reimbursement in the amount of \$9.5 million for TPAF pension and post retirement medical and social security contributions. This is always a non-budgeted item that the State requires be included in the final audit.

Actual expenditures reflect a negative variance of \$819,000. This is due to the State requirement to include TPAF and social security contributions totaling \$9.5 million in the audit. Absent the TPAF adjustment the variance is a positive \$8.7 million due to the savings mentioned above.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, the school district had \$76,740,514 invested in a broad range of capital assets, including land, buildings, building improvements, other improvements, construction in progress, vehicles, furniture and equipment. This amount represents a net increase (including additions and deletions) of \$9,323,048 or 13.8% percent, from last year.

Figure A-6

### Capital Assets at Year-End (Rounded)

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Land	\$3,331,700	\$3,331,700
Construction in Progress	9,266,845	1,786,844
Building and Improvements	54,519,132	52,713,488
Furniture, Equip. & Vehicles	<u>9,622,837</u>	<u>9,585,434</u>
Total	<u>\$76,740,514</u>	<u>\$67,417,466</u>

Construction in progress increased due to several projects being completed and other projects being started by the board at June 30, 2016.

## Long-Term Debt

At the end of this year, the school district had \$2,190,825 in bonds and lease purchase obligations outstanding versus \$2,951,771 in bonds and capital leases last year – a decrease of 25.8%. The long-term debt consisted of:

	<b>Outstanding Debt, at Year-End (Rounded)</b>	
	<b>Governmental Activities 2016</b>	<b>Governmental Activities 2015</b>
Lease Purchase Obligations	\$175,825	\$186,771
General Obligation Bonds	2,015,000	2,765,000

The school district's general obligation bond rating continues to be AA. The state limits the amount of general obligation debt that cities can issue to 4% of the average state equalized assessed value of the taxable property within the school district's corporate limits. The school district's outstanding general obligation debt of \$2,190,825 is significantly below the \$232,335,133 statutorily-imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statement.

### **FACTORS AFFECTING THE DISTRICT'S FUTURE**

- A significant element is the continued increase in enrollment throughout the district. Overall enrollment has increased 13.4% over the last 10 years. To meet the needs of the enrollment growth, the district converted office space into classrooms at Frelinghuysen Middle School and constructed a 10 classroom addition at the High School. Construction began in June of 2015 with the first two phases completed for September 2016.
- Another particularly significant element is the restriction of the district's budget increase to 2% of its statutory tax levy. This cap along with increasing expenses continues to exert pressure on the district's budget. Additionally, beginning in 2011-2012, Chapter 78 required employees to contribute to their Health Benefit Costs. The contributions were rolled out over 4 years with 2014-2015 being the final year.
- A four year TEAM contract was ratified in the Fall of 2014 and covers the years 2014 – 2015 / 2017 – 2018.
- The district has been utilizing capital reserve funds for building renovations. The June 30, 2016 balance was \$8.8 million. This reserve will serve the district well in planning and executing necessary capital projects for the district in the future.

## **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the school district's finances and to show the school district's accountability for the money it received. If you have questions about this report or wish to request additional financial information, contact Anthony LoFranco, Business Administrator/Board Secretary, at Morris School District Board of Education, 31 Hazel St., Morristown, New Jersey 07960.

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**SECTION – A**



MORRIS BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 18,451,990	\$ 1,494,740	\$ 19,946,730
Receivables, net	1,678,976	264,155	1,943,131
Receivables from other funds	667,208		667,208
Prepaid Expenses		45,038	45,038
Inventory		30,869	30,869
Restricted Assets:			
Capital Reserve Account - cash	8,263,109		8,263,109
Maintenance Reserve Account - cash	2,092,151		2,092,151
Capital assets, net (Note 3)	45,887,543	95,157	45,982,700
<b>Total Assets</b>	<b>77,040,977</b>	<b>1,929,959</b>	<b>78,970,936</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Difference between expected and actual experience	813,224		813,224
Change in Pension Assumptions	3,660,798		3,660,798
Pension Payment Subsequent to Measurement Date	1,340,430		1,340,430
Deferred amount on refinancing	75,484		75,484
<b>Total Deferred Outflows of Resources</b>	<b>5,889,936</b>		<b>5,889,936</b>
<b>LIABILITIES</b>			
Accounts payable	4,725,621	219,646	4,945,267
Accrued interest payable	27,417		27,417
Interfund payable		667,208	667,208
Payable to state government			
Unearned Revenue		515,996	515,996
Advance from Grantor	82,341		82,341
Noncurrent liabilities (Note 4):			
Due within one year	738,171		738,171
Due beyond one year	5,338,962	15,498	5,354,460
Net Pension Liability	34,088,177		34,088,177
<b>Total Liabilities</b>	<b>45,000,689</b>	<b>1,418,348</b>	<b>46,419,037</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Difference in Pension Earnings	548,072		548,072
Change in Pension Proportion	1,616,238		1,616,238
<b>Total Deferred Inflows of Resources</b>	<b>2,164,310</b>	<b>-</b>	<b>2,164,310</b>
<b>NET POSITION</b>			
Net investment in capital assets	43,696,718	95,157	43,791,875
Restricted for:			
Capital projects	2,218,707		2,218,707
Other purposes	21,691,324		21,691,324
Unrestricted(Deficit)	(31,840,835)	416,454	(31,424,381)
<b>Total Net Position</b>	<b>\$ 35,765,914</b>	<b>\$ 511,611</b>	<b>\$ 36,277,525</b>

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

MORRIS SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental activities:</b>							
<b>Instruction:</b>							
Regular	\$ 29,237,127	-	6,962,791	\$ (29,237,127)	\$ -	\$ (29,237,127)	
Special education	8,153,686	-	-	(1,190,895)	-	(1,190,895)	
Other special instruction	1,894,853	-	-	(1,894,853)	-	(1,894,853)	
Other instruction	1,391,027	-	-	(1,391,027)	-	(1,391,027)	
<b>Support services:</b>							
Tuition	5,846,949	-	1,079,995	(4,766,954)	-	(4,766,954)	
Student & instruction related services	14,443,418	-	-	(14,443,418)	-	(14,443,418)	
School administrative services	3,312,990	-	1,205,843	(2,107,147)	-	(2,107,147)	
General and business administrative services	3,016,712	-	-	(3,016,712)	-	(3,016,712)	
Plant operations and maintenance	7,443,979	-	-	(7,443,979)	-	(7,443,979)	
Pupil transportation	6,249,298	-	1,666,170	(4,583,128)	-	(4,583,128)	
Unallocated benefits	25,046,260	-	9,543,730	(15,502,530)	-	(15,502,530)	
Interest on long-term debt	120,563	-	216,595	96,032	-	96,032	
Unallocated depreciation and amortization	192,659	-	-	(192,659)	-	(192,659)	
Total governmental activities	106,349,521	-	20,675,124	(85,674,397)	-	(85,674,397)	
<b>Business-type activities:</b>							
Food Service	1,614,906	579,333	1,134,834	-	99,261	99,261	
Community School	1,807,674	1,651,902	-	-	(155,772)	(155,772)	
Total business-type activities	3,422,580	2,231,235	1,134,834	-	(56,511)	(56,511)	
Total primary government	\$ 109,772,101	\$ 2,231,235	\$ 21,809,958	\$ (85,674,397)	\$ (56,511)	\$ (85,730,908)	
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes, net				\$ 85,246,039		\$ 85,246,039	
Taxes levied for debt service				664,905		664,905	
Federal and State aid not restricted				609,684		609,684	
Tuition received				4,029,709		4,029,709	
Investment/Miscellaneous Earnings				400,698	1,688	402,386	
Transfer of Funds to Charter School				(1,312,394)		(1,312,394)	
Total general revenues, extraordinary items and transfers				89,638,641	1,688	89,640,329	
Change in Net Position				3,964,244	(54,823)	3,909,421	
Net Position—beginning				31,801,670	566,434	32,368,104	
<b>Net Position—ending</b>				<b>\$ 35,765,914</b>	<b>\$ 511,611</b>	<b>\$ 36,277,525</b>	

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

**FUND FINANCIAL STATEMENTS**

**SECTION – B**

**GOVERNMENTAL FUNDS**

MORRIS SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

**Exhibit B-1**  
**Page 1 of 2**

	<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>ASSETS:</b>					
Cash and Cash Equivalents	\$ 18,451,989	\$	\$	1	\$ 18,451,990
Accounts Receivable:					
Interfunds			3,358,869		3,358,869
Due from other governments	109,797	986,035			1,095,832
Tuition	503,991				503,991
Other Accounts Receivable	12,985	66,168			79,153
Restricted cash and cash equivalents	<u>10,355,260</u>				<u>10,355,260</u>
<b>Total Assets</b>	<u>29,434,022</u>	<u>1,052,203</u>	<u>3,358,869</u>	<u>1</u>	<u>33,845,095</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	1,912,364	257,963	1,140,162		3,310,489
Intergovernmental Payable		74,702			74,702
Interfund Payable	2,054,464	637,197			2,691,661
Unearned Revenue		<u>82,341</u>			<u>82,341</u>
<b>Total Liabilities</b>	<u>3,966,828</u>	<u>1,052,203</u>	<u>1,140,162</u>	<u>-</u>	<u>6,159,193</u>
<b>Fund Balances:</b>					
<b>Restricted Fund Balance:</b>					
Capital Reserve Account	8,799,599				8,799,599
Maintenance Reserve Account	2,592,150				2,592,150
Excess Surplus - Designated for Subsequent Years Expenditures	5,440,252				5,440,252
Reserve for Excess Surplus	4,859,323				4,859,323
Capital Projects			2,218,707		2,218,707
<b>Committed Fund Balance:</b>					
Year-end Encumbrances	538,983				538,983
<b>Assigned Fund Balance:</b>					
Designated for Subsequent Year's Expenditures	840,000				840,000
Designated for Subsequent Year's Expenditures - Capital Reserve	1,912,000				1,912,000
Unassigned Fund Balance	<u>484,887</u>			<u>1</u>	<u>484,888</u>
<b>Total Fund Balances</b>	<u>25,467,194</u>		<u>2,218,707</u>	<u>1</u>	<u>27,685,902</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 29,434,022</u>	<u>\$ 1,052,203</u>	<u>\$ 3,358,869</u>	<u>\$ 1</u>	<u>\$ 33,845,095</u>

MORRIS BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

**Exhibit B-1**  
**Page 2 of 2**

Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:	\$ 27,685,902
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$76,740,514, and the accumulated depreciation is \$30,852,971.	45,887,543
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.	(5,992,024)
Short-term liabilities, including accrued interest on long-term debt, are not due payable in the current period and therefore are not reported as liabilities in the funds.	(27,417)
The Net Pension Liability, and associated Deferred Inflows and Outflows of Resources of the District relating to its participation in the PERS system are not recognized in the funds using the current financial resources measurement focus, but are recognized in the statement of net position using the economic resources measurement focus. Carrying amounts are as follows:	
Deferred Outflows of Resources:	
Difference between expected and actual experience	813,224
Change in Pension Assumptions	3,660,798
Pension Payment Subsequent to Measurement Date	1,340,430
Accounts Payable for Pension Expense	(1,340,430)
Net Pension Liability	(34,088,177)
Deferred Inflows of Resources:	
Difference in Pension Earnings	(548,072)
Change in Pension Proportion	(1,616,238)
Transactions related to a current refunding of long-term debt, refinancing of lease agreement are not reported in the funds.	
Issuance premium, net of amortization	(85,109)
Deferred amount on refunding, net of amortization	<u>75,484</u>
<b>Net assets of governmental activities.</b>	<b>\$ <u><u>35,765,914</u></u></b>

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

MORRIS SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local tax levy	\$ 85,246,039	\$	\$	\$ 664,905	\$ 85,910,944
Tuition charges	4,029,709				4,029,709
Miscellaneous	400,698				400,698
Local sources		216,142			216,142
State sources	17,309,292	953,240		216,595	18,479,127
Federal sources	178,926	2,410,613			2,589,539
<b>Total revenues</b>	<b>107,164,664</b>	<b>3,579,995</b>	<b>-</b>	<b>881,500</b>	<b>111,626,159</b>
<b>EXPENDITURES</b>					
Current:					
Regular instruction	27,569,631				27,569,631
Special education instruction	6,859,529	1,294,157			8,153,686
Other special instruction	1,894,853				1,894,853
Other instruction	1,391,027				1,391,027
Support services and undistributed costs:					
Tuition	5,846,949				5,846,949
Student & instruction related services	12,157,580	2,285,838			14,443,418
School administrative services	3,312,990				3,312,990
Other administrative services	3,016,712				3,016,712
Plant operations and maintenance	7,520,053				7,520,053
Pupil transportation	6,249,298				6,249,298
Unallocated Benefits	24,538,580				24,538,580
Debt service:					
Principal				750,000	750,000
Interest and other charges				131,500	131,500
Capital outlay	780,017		9,266,845		10,046,862
<b>Total expenditures</b>	<b>101,137,219</b>	<b>3,579,995</b>	<b>9,266,845</b>	<b>881,500</b>	<b>114,865,559</b>
<b>Excess (Deficiency) of revenues over expenditures</b>	<b>6,027,445</b>	<b>-</b>	<b>(9,266,845)</b>	<b>-</b>	<b>(3,239,400)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital leases (non-budgeted)	76,074				76,074
Transfers in			1,135,898		1,135,898
Transfers out	(2,448,292)				(2,448,292)
<b>Total other financing sources and uses</b>	<b>(2,372,218)</b>	<b>-</b>	<b>1,135,898</b>	<b>-</b>	<b>(1,236,320)</b>
<b>Net change in fund balances</b>	<b>3,655,227</b>	<b>-</b>	<b>(8,130,947)</b>	<b>-</b>	<b>(4,475,720)</b>
Fund balance—July 1	21,811,967		10,349,654	1	32,161,622
<b>Fund balance—June 30</b>	<b>\$ 25,467,194</b>	<b>\$ -</b>	<b>\$ 2,218,707</b>	<b>\$ 1</b>	<b>\$ 27,685,902</b>

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

MORRIS SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Total net change in fund balances - governmental funds (from B-2) \$ (4,475,720)

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

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

	Depreciation expense	(1,874,540)	
	Capital outlays	<u>10,047,707</u>	8,173,167

Repayment of bond and lease obligation (long-term debt) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 846,212

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets. Capital lease proceeds (85,266)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. 10,937

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 reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). 57,315

Pension expenditures in the governmental funds are recognized when paid or payable from expendable available financial resources. In the statement of activities, pension costs are recognized on a full accrual basis utilizing actuarial valuations. The amount by which actuarially calculated pension expense exceeds the expenditure reported in the funds is a deduction. (575,941)

Amortization Expenses - Net 13,540

**Change in net position of governmental activities \$ 3,964,244**

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



## **PROPRIETARY FUNDS**

MORRIS BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Food Service</u>	<u>Community School</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 184,515	\$ 1,310,225	\$ 1,494,740
Receivables from other governments	187,753		187,753
Accounts receivable	14,996	61,406	76,402
Prepaid Expenses		45,038	45,038
Inventories	30,869		30,869
Total current assets	<u>418,133</u>	<u>1,416,669</u>	<u>1,834,802</u>
Noncurrent assets:			
Furniture, machinery & equipment	641,623	16,528	658,151
Less accumulated depreciation	<u>(552,453)</u>	<u>(10,541)</u>	<u>(562,994)</u>
Total noncurrent assets	<u>89,170</u>	<u>5,987</u>	<u>95,157</u>
Total assets	<u><b>507,303</b></u>	<u><b>1,422,656</b></u>	<u><b>1,929,959</b></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	117,066	102,580	219,646
Unearned revenue	20,958	495,038	515,996
Interfunds payable	<u>269,805</u>	<u>397,403</u>	<u>667,208</u>
Total current liabilities	<u>407,829</u>	<u>995,021</u>	<u>1,402,850</u>
Noncurrent Liabilities:			
Compensated absences		<u>15,498</u>	<u>15,498</u>
Total noncurrent liabilities	-	<u>15,498</u>	<u>15,498</u>
Total liabilities	<u>407,829</u>	<u>1,010,519</u>	<u>1,418,348</u>
<b>NET POSITION</b>			
Net Investment in capital assets	89,170	5,987	95,157
Unrestricted (Deficit)	<u>10,304</u>	<u>406,150</u>	<u>416,454</u>
Total net position	<u>99,474</u>	<u>412,137</u>	<u>511,611</u>

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

MORRIS BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Business Type Activities - Enterprise Fund</u>		<u>Total Enterprise Fund</u>
	<u>Food Service</u>	<u>Community School</u>	
Operating revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ 527,826	\$	\$ 527,826
Special Functions	51,507		51,507
Program Fees		1,651,902	1,651,902
Total operating revenues	<u>579,333</u>	<u>1,651,902</u>	<u>2,231,235</u>
Operating expenses:			
Cost of sales	659,069		659,069
Salaries		1,127,683	1,127,683
Employee benefits	45,956	161,499	207,455
Rent		102,229	102,229
Other purchased professional services	806,657	98,305	904,962
Other purchased services	18,165	82,453	100,618
General supplies	4,907	80,335	85,242
Other Expenses	72,131	154,340	226,471
Depreciation	8,021	830	8,851
Total Operating Expenses	<u>1,614,906</u>	<u>1,807,674</u>	<u>3,422,580</u>
Operating income (loss)	<u>(1,035,573)</u>	<u>(155,772)</u>	<u>(1,191,345)</u>
Nonoperating revenues (expenses):			
State sources:			
State school lunch program	16,508		16,508
Federal sources:			
National school lunch program	699,536		699,536
National school breakfast program	292,962		292,962
Food distribution program	125,828		125,828
Interest and investment revenue	213	1,475	1,688
Total nonoperating revenues (expenses)	<u>1,135,047</u>	<u>1,475</u>	<u>1,136,522</u>
Change in net position	99,474	(154,297)	(54,823)
Total net position—beginning	<u>566,434</u>	<u>566,434</u>	<u>566,434</u>
<b>Total net position—ending</b>	<b><u>99,474</u></b> \$	<b><u>412,137</u></b> \$	<b><u>511,611</u></b>

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

MORRIS SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Food Service Fund	Community School	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 582,677	\$ 1,687,373	\$ 2,270,050
Payments to employees		(1,127,683)	(1,127,683)
Payments for employee benefits	(45,956)	(173,405)	(219,361)
Payments to suppliers	<u>(1,352,646)</u>	<u>(76,395)</u>	<u>(1,429,041)</u>
<b>Net cash provided by (used for) operating activities</b>	<b><u>(815,925)</u></b>	<b><u>309,890</u></b>	<b><u>(506,035)</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal and State Sources	<u>1,028,120</u>		<u>1,028,120</u>
Net cash provided by (used for) non-capital financing activities	<u>1,028,120</u>	-	<u>1,028,120</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase Capital Assets	<u>(28,509)</u>	<u>(1,200)</u>	<u>(29,709)</u>
Net cash provided by (used for) capital and related financing activities	<u>(28,509)</u>	<u>(1,200)</u>	<u>(29,709)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>213</u>	<u>1,475</u>	<u>1,688</u>
Net cash provided by (used for) investing activities	<u>213</u>	<u>1,475</u>	<u>1,688</u>
Net increase (decrease) in cash and cash equivalents	183,899	310,165	494,064
Balances—beginning of year	616	1,000,060	1,000,676
<b>Balances—end of year</b>	<b><u>\$ 184,515</u></b>	<b><u>\$ 1,310,225</u></b>	<b><u>\$ 1,494,740</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (1,035,573)	\$ (155,772)	\$ (1,191,345)
Adjustments to reconcile operating income (loss) to net cash provided by (used for)(used for) operating activities			
Depreciation and net amortization	8,021	830	8,851
(Increase) decrease in other accounts receivable	3,344	(21,127)	(17,783)
(Increase) decrease in inventories	(12,928)		(12,928)
Increase (decrease) in prepaid expenses		23,820	23,820
Increase (decrease) in compensated absences payable		(11,906)	(11,906)
Increase (decrease) in accounts payable	(46,153)	66,785	20,632
Increase (decrease) in unearned revenue	20,958	11,651	32,609
Increase (decrease) in Interfunds Payable	120,578	395,609	516,187
Food Distribution Program	<u>125,828</u>		<u>125,828</u>
Total adjustments	<u>219,648</u>	<u>465,662</u>	<u>685,310</u>
<b>Net cash provided by (used for) operating activities</b>	<b><u>\$ (815,925)</u></b>	<b><u>\$ 309,890</u></b>	<b><u>\$ (506,035)</u></b>

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

## **FIDUCIARY FUNDS**

MORRIS BOARD OF EDUCATION  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY NET POSITION  
JUNE 30, 2016

	Unemployment Compensation <u>Trust</u>	Private Purpose <u>Scholarship</u>	Agency <u>Fund</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ <u>2,066,689</u>	\$ <u>128,412</u>	\$ <u>2,442,555</u>
Total Assets	\$ <u><u>2,066,689</u></u>	\$ <u><u>128,412</u></u>	\$ <u><u>2,442,555</u></u>
<b>LIABILITIES:</b>			
Payable to Student Groups	\$	\$	\$ 142,020
Accounts Payable	1,317		
Payroll Deductions and Withholdings	<u>                    </u>	<u>                    </u>	<u>2,300,535</u>
Total Liabilities	<u>1,317</u>	<u>                    </u>	\$ <u><u>2,442,555</u></u>
<b>NET POSITION:</b>			
Held in trust for unemployment claims and other purposes	2,065,372		
Reserved for Scholarships	<u>                    </u>	<u>128,412</u>	
Total Net Position	\$ <u><u>2,065,372</u></u>	\$ <u><u>128,412</u></u>	

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

MORRIS BOARD OF EDUCATION  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship</u>
<b>ADDITIONS</b>		
Contributions:		
Plan member	\$ 91,312	\$
Other		<u>22,707</u>
Total Contributions	<u>91,312</u>	<u>22,707</u>
Interest	<u>828</u>	<u>135</u>
Net investment earnings	<u>828</u>	<u>135</u>
Total additions	<u>92,140</u>	<u>22,842</u>
<b>DEDUCTIONS</b>		
Unemployment claims	83,647	
Scholarships awarded		<u>22,300</u>
Total deductions	<u>83,647</u>	<u>22,300</u>
Change in net position	8,493	542
Net position—beginning of the year	<u>2,056,879</u>	<u>127,870</u>
<b>Net position—end of the year</b>	<b>\$ <u>2,065,372</u></b>	<b>\$ <u>128,412</u></b>

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

**MORRIS SCHOOL DISTRICT**  
**COUNTY OF MORRIS, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) of the Board of Education (Board) of Morris School District (District) report information on all of the nonfiduciary activities of the primary government only. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The District is not financially accountable for any legally separate component units, and no component units have been included in the government-wide financial statements.

The more significant of the Board's accounting policies are described below.

**B. Reporting Entity**

The Morris School District is a Combined Type II district located in the County of Morris, State of New Jersey, comprising the Town of Morristown and the Township of Morris. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms and one sending district member appointed annually. The purpose of the district is to educate students in grades K-12. The Morris School District had an approximate enrollment at June 30, 2016 of 5,249 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

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

Based on the aforementioned criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. Any remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state 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 revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

**Capital Projects Fund** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from capital reserve, state grants, and 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. State Aid in the form of Economic Development Authority Grants under EFCFA are also financial resources of this fund

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

**Permanent Fund** – The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**D. Basis of Presentation - Fund Financial Statements (Cont'd.)**

The District reports the following proprietary funds:

**Enterprise Funds** - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund and the Community School Fund.

The District reports the following fiduciary funds:

**Agency Fund** – The Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

**Employee Benefit Trust (Unemployment Insurance)** – Employee Benefit Trust should be used to report resources that are required to be held in trust for members and beneficiaries of employee benefit plans.

**Private Purpose Scholarship Trust** – The Private Purpose Scholarship Trust should be used to report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

During the course of its normal operations, the District will have activity between funds (interfund activity) for various purposes. Any residual interfund balances at year end are reported as interfund accounts receivable/payable. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included within governmental activities (the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, any interfund balances between business-type (enterprise) funds are eliminated so that only the net amount is included as internal balances in the business-type activities columns.

Further, interfund activity may occur during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. In the preparation of the government-wide financial statements, transfers between funds included as governmental activities are eliminated so that only net amounts of resources transferred from or to the governmental activities are reported. A similar treatment is afforded transfers of resources between enterprise funds for the preparation of business-type activity financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting refers to the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the fiscal period that the taxes are levied by the municipality(s) within which the District is domiciled. Ad Valorem (Property) Taxes are susceptible to accrual and under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District recognizes the entire approved tax levy as revenue in the fiscal period for which they were levied. The District is entitled to receive moneys under an established payment schedule and any unpaid amount is considered to be an "accounts receivable". Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. State categorical aid revenues are recognized as District revenue during the fiscal period in which they are appropriated.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual basis accounting. Exceptions to this general rule include debt service, for which interest and principal expenditures in the Debt Service Fund are recognized on their due dates, and expenditures relating to compensated absences, claims and judgments, which are recorded in the period when payment becomes due. General capital asset acquisitions are recorded as expenditures in the governmental funds and are not capitalized. The issuance of long-term debt for capital purposes and capital lease obligations incurred to acquire general capital assets are reported as "other financing sources".

The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. Entitlements are recorded as revenue when all eligibility requirements, including timing of funding appropriations, are met, subject to the 60-day availability requirement for collection. Interest and tuition revenues are considered susceptible to accrual and have been recognized as revenues of the current fiscal period, subject to availability. Expenditure driven grant revenues are recorded as qualifying expenditures are incurred and all other eligibility requirements have been met, subject to availability requirements. All other revenue items are considered measurable and available only when cash is received by the District.

The District's proprietary funds, employee benefit trust fund and private purpose scholarship trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****F. Budgets/Budgetary Control**

Annual budgets are adopted for the general, special revenue and debt service funds using a regulatory basis of accounting which differs from generally accepted accounting principles in one material respect; Budgetary revenues for certain nonexchange state aid transactions are recognized for budgetary purposes in the fiscal period prior to the period in which the state recognizes expenditures/expenses. The amounts of the adjustments needed to reconcile the budgetary basis to the GAAP based fund financial statements is set forth in the explanation of differences schedules which follow.

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval. Pursuant to changes in the Local District School Budget Law, statutorily conforming base budgets of Districts with annual school elections held in November (The District has chosen this option) are no longer required to be presented to the voters for approval on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. 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. New Jersey statutes place limits on the Board's ability to increase budgeted expenditures through the appropriation of previously undesignated fund balance and requires the District to obtain additional approvals when budgetary transfers, measured using the advertised budgetary account totals rather than line-item totals, exceed certain thresholds. The Board of Education did not make any supplemental budgetary appropriations during the fiscal year that required additional approvals from oversight agencies.

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 legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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.

Appropriations in the general and debt service funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances, for which the contracted performance is expected during the subsequent budget cycle, are legally restricted at year-end and are automatically re-appropriated and become part of the subsequent years' budget pursuant to state regulations.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**F. Budgets/Budgetary Control (cont'd)**

The following presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedules – General and Special Revenue Funds to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

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) “revenues” from The budgetary comparison schedules	\$107,602,752	\$3,580,015
Difference – budget to GAAP:		
Grant accounting budgetary differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized - net		(20)
State aid payment recognized for budgetary purposes, not recognized for GAAP statements	(2,257,740)	
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	<u>1,819,652</u>	<u>0</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance – governmental funds	<u>107,164,664</u>	<u>3,579,995</u>
Uses/Outflows of resources:		
Actual amounts (budgetary basis) “total outflows” from the budgetary comparison schedule	101,137,220	3,580,015
Differences – budget to GAAP		
Encumbrances for supplies and equipment ordered but no received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u>0</u>	<u>(20)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (B-2)	<u>\$101,137,220</u>	<u>\$3,579,995</u>

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**G. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

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

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. GUDPA was amended, effective July 1, 2010, by P.L. 2009, c. 326. The amendments provide a greater level of security protection for covered deposits by increasing collateralization requirements and revising the enforcement protocol to allow for timely response in the event that a member bank shows signs of stress.

Under the new law, collateralization of GUDPA deposits up to 75% of New Jersey capital is based on a sliding scale that requires the minimum of 5% collateral for well capitalized institutions to a maximum of 120% collateral for critically undercapitalized institutions. All uninsured GUDPA deposits in excess of 75% of New Jersey capital require 100% collateral. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to Governmental Units.

**H. Tuition Receivable/Payable**

Tuition charges for the fiscal years 2014-2015 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined. Adjustments were made to the preliminary rates originally established for the 2016-2017 school year based upon the certification of 2014-2015 rates.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**I. Inventories and Prepaid Expenses**

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

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items in both the government-wide and fund financial statements.

**J. 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.

**K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$2,000 or more for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the District-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	15-20 Years

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****L. Accounts Receivable State – Capital Projects Fund**

The District received approval for SDA grants in the amount of \$860,060 to make improvements to various school buildings in the District. The SDA participation in the project represents 40% of \$2,150,150 of costs deemed eligible out of a total project cost of \$2,150,150. The SDA has also established a fixed schedule for the submission of reimbursement vouchers, which is based upon the achievement of certain percentage of completion.

The District recognizes SDA grant revenue as earned, i.e., as eligible expenditures are incurred, at the rate of 40% of said expenditures. It is assumed that project completion will continue at a pace that will permit the filing of reimbursement vouchers within a time frame, which meets the availability criterion for revenue recognition under GAAP. As of June 30, 2016 the District has not recognized the SDA grant revenue.

**M. Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place. The School District reports compensated absences in accordance with provisions of GASB No. 16, "Accounting for Compensated Absences".

The entire compensated absences liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is not reported.

**N. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Jersey Public Employees Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**O. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recorded as an outflow of resources (expenditure/expense) until that time. The District is reporting four items in this category; The Deferred Amount on Refunding, and Pension related items including the Difference between expected and actual experience, Change in Pension Assumptions and the amounts of pension payments made by the District subsequent to the pension measurement date. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding bonds.



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****O. Deferred Outflows/Inflows of Resources (cont'd)**

Deferred Outflows for pension related items result from changes in actuarial assumptions which increase the net pension liability, unfavorable economic differences between actual mortality rates and the actuarial tables used to measure the net pension liability, and increases in the District's proportion of the entire pension system and its proportionate share of the net pension liability. Deferred outflows for Subsequent pension payments reflects payments made by the District to the pension system subsequent to the date of the most recent actuarial valuation, which was June 30, 2015.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recorded as an inflow of resources (revenue) until that time. The District is reporting two items in this category, the Difference in Pension Earnings and the Change in Pension Proportion. The first represents the District's proportionate share of plan earnings in excess of assumed amounts, while the second represents the favorable impact of a decline in the District's proportionate share of system wide net pension liability.

**P. Unearned Revenue/Advances from Grantors**

Unearned revenue represents cash advances received relating to services (expenditures/expenses) that will be provided in a subsequent fiscal period. Similarly, for expenditure-driven grants, amounts advanced to the District in excess of the amounts expended and earned are recorded as advances from grantors.

**Q. Net Position Flow Assumption (District-Wide and Proprietary Fund Financial Statements)**

Periodically, the District may fund outlays for a particular purpose from both restricted resources, such as bond referendum proceeds and/or grant proceeds, and unrestricted resources. To determine the amounts of net position- restricted and unrestricted that should be reported in the government-wide and proprietary fund financial statements, a flow assumption must be made to establish the order in which resources are considered to be applied. In the absence of specific grant compliance requirements to the contrary, the District policy is to utilize all amounts of available restricted net position prior to applying unrestricted net position to fund acquisition costs.

**R. Fund Balance Flow Assumption (Governmental Fund Financial Statements)**

Periodically, the District may fund outlays for a particular purpose from both restricted resources and unrestricted resources (the total of the committed, assigned and unassigned fund balance). To determine the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made to establish the order in which resources are considered to be applied. In the absence of specific grant compliance requirements to the contrary, the District policy is to utilize all amounts of available restricted fund balance prior to applying any component of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance, with unassigned fund balance applied last.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**S. Fund Balance Policies**

Fund balance of the governmental funds is reported in various categories based upon the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through actions to transfer amounts to legally restricted reserve accounts (capital, maintenance and emergency reserves), or actions to commit or assign fund balance.

The committed fund balance includes amounts that can only be used for the specific purposes determined by a formal action of the Board of Education. Commitments of fund balance remain in place until the committed fund balance is fully depleted or an amendatory action is taken by the Board of Education.

Assignments of fund balance are made by the Board of Education for specific purposes that do not the criteria to be classified as committed. The Board of education also assigns fund balance when it appropriates unrestricted/unassigned fund balance to bridge a gap between estimated revenue and appropriations in the subsequent year budget. Unlike commitments, assignments are generally temporary in nature, and additional actions of the Board are generally not required to remove an assignment, whereas an action of the Board is essential to the modification or elimination of an unexpended committed fund balance.

**T. District-Wide Financial Statement Classifications**

1. Program Revenues – Amounts reported as program revenues include a) charges to customers or applicants who purchase, use or benefit from goods services or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.
2. General Revenues – all taxes, including those designated for specific purposes such as debt service, are reported as general revenues. All other resources, including internally dedicated resources, unrestricted entitlements, and investment income are reported as general revenues.
3. Capital Assets – In the statement of net position, capital assets are reported, net of accumulated depreciation as assets of the governmental activities and business-type activities.
4. Long-term Debt - In the statement of net position, long-term debt is reported as a component of long-term liabilities of the governmental activities and business-type activities.
5. Net Investment in Fixed Assets – In the statement of Net Position, the net undepreciated value of capital assets, less the value of outstanding debt issued to purchase acquire or build those capital assets, is reported as Net Investment in Fixed assets as a component of net position for the governmental activities and business-type activities.

**U. Proprietary Fund Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and products in connection with the primary purpose or function for which the fund was established. The District's Food Service proprietary fund reports operating revenues from the sales of lunches and a la carte items, and operating expenses include the costs of sales (food, supplies and labor), administrative costs and depreciation on capital assets. Revenues earned through the District's participation in the National School Lunch Program are classified as nonoperating revenues, notwithstanding the limitations on the pricing of Type A student lunches that is required for program participation.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**V. Reconciliation of District-Wide and Fund Financial Statements**

I. Differences between governmental fund balance sheet and District-wide statement of net position:

Total Governmental Fund Balance (B-1)	\$27,685,902
Adjustments to District-Wide Net Position:	
Capital Assets (see Note 3)	45,887,543
Long-Term Liabilities (see Note 4)	(6,077,133)
Net Pension Liability	(34,088,177)
Other Items not recognized in Fund Financial Statements:	
Deferred Inflows of Financial Resources	(2,164,310)
Deferred Outflows of Financial Resources	5,889,936
Accrued Current Period Pension Liability	(1,340,430)
Accrued Interest on Long-term Debt	<u>(27,417)</u>
Net Position of Governmental Activities	<u>\$35,765,914</u>

II. Differences between governmental fund statement of revenues, expenditures and changes in fund balances and District-wide statement of activities:

Total Net Change Governmental Fund Balance (B-2)	\$(4,475,720)
Adjustments to District-Wide Net Position:	
Depreciation on Capital Assets (see Note 3)	(1,874,540)
Capital Outlays	10,047,707
Repayment of Long-Term Liabilities (see Note 4)	846,212
Proceeds from debt issues, Capital Leases	(85,266)
Net Increase in Pension Expense	(575,941)
Decrease in Value of Compensated Absences	57,315
Interest on Long-term Debt (Accrual Basis for District-Wide)	10,937
Amortization of Premiums Received on Bond Sales	34,622
Amortization of Deferred Amounts from Refunding	<u>(21,082)</u>
Net Position of Governmental Activities	<u>\$3,964,244</u>

**W. Estimates:**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (FDIC), New Jersey's Governmental Unit Deposit Protection Act, by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. The New Jersey Governmental Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain collateral in the amount of 5% of the average public deposits and deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000.00 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:941, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums.

Based upon GASB criteria, the District considers cash and cash equivalents to include petty cash, change funds, demand deposits, money market accounts and short-term investments and are either any direct and general obligation of the United States of America or certificates of deposit issued by any bank, savings and bank or national banking association if qualified to serve as a depository for public funds under the provisions of the Governmental Unit Depository Protection Act.

At June 30, 2016, the book value of the District's cash, cash equivalents and investments were \$34,939,645.

The Morris School District had the following depository accounts. All deposits are carried at cost plus accrued interest. The government does not have a deposit policy.

Depository Account	Bank Balance
Insured - FDIC	\$ 513,777
Insured – NJGUDPA (N.J.S.A.17:941)	<u>35,878,306</u>
Total Deposits	<u>\$36,392,085</u>

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the board's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$0.00 of the Board's bank balance of \$36,392,085 was considered exposed to custodial risk. (See Note 1-G relating to statutory mitigation of custodial risk in the event of a bank failure).

Concentration of Credit Risk – This is the risk associated with the amount of investments that the Board has with any one issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)**

Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. In general, the Board does not have an investment policy regarding Credit Risk except to the extent outlined under the Board's investment policy.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of June 30, 2016, the District held no investments.

New Jersey Cash Management Fund – All investments in the fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for the reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2016, the District had no funds on deposit with the New Jersey Cash Management fund.

NOTE 3 - DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

The governmental fund balance sheet includes a reconciliation between fund balance- total governmental funds and net position-governmental activities as reported in the District-wide statement of net position. One item of that reconciliation explains that capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. An addition to the fund balance - total governmental funds is made to reflect the carrying value of the District's capital assets at year-end in the District-wide financial statements, which consisted of:

Total capital assets at cost	\$ 76,740,514
Less: accumulated depreciation	<u>(30,852,971)</u>
Government Activities Capital Assets, Net	<u>\$ 45,887,543</u>

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets That Are Not Being Depreciated:</b>				
Land	\$ 3,331,700	\$	\$	\$ 3,331,700
Construction in Progress	<u>1,786,844</u>	<u>9,266,845</u>	<u>(1,786,844)</u>	<u>9,266,845</u>
Total Capital Assets Not Being Depreciated	<u>5,118,544</u>	<u>9,266,845</u>	<u>(1,786,844)</u>	<u>12,598,545</u>
Building and Building Improvements	52,713,488	18,800	1,786,844	54,519,132
Machinery, Equipment, Furniture & Vehicles	<u>9,585,434</u>	<u>762,062</u>	<u>(724,659)</u>	<u>9,622,837</u>
Totals at Historical Cost	<u>62,298,922</u>	<u>780,862</u>	<u>1,062,185</u>	<u>64,141,969</u>
<b>Less Accumulated Depreciation For:</b>				
Building and Building Improvements	(22,711,399)	(1,110,653)		(23,822,052)
Equipment, Furniture, and Vehicles	<u>(6,991,691)</u>	<u>(763,887)</u>	<u>724,659</u>	<u>(7,030,919)</u>
Total Accumulated Depreciation	<u>(29,703,090)</u>	<u>(1,874,540)</u>	<u>724,659</u>	<u>(30,852,971)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>32,595,832</u>	<u>(1,093,678)</u>	<u>1,786,844</u>	<u>33,288,998</u>
Government Activities Capital Assets, Net	<u>\$ 37,714,376</u>	<u>\$ 8,173,167</u>	<u>\$</u>	<u>\$ 45,887,543</u>
<b>Business-type Activities</b>				
Equipment	\$ 628,442	\$ 29,709	\$	\$ 658,151
Less Accumulated Depreciation for: Equipment	<u>(554,143)</u>	<u>(8,851)</u>		<u>(562,994)</u>
Business-type Activities Capital Assets, Net	<u>\$ 74,299</u>	<u>\$ 20,858</u>	<u>\$</u>	<u>\$ 95,157</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,668,341
Direct expense of various functions	<u>206,199</u>
Total depreciation expense	<u>\$ 1,874,540</u>

NOTE 4 - DISCLOSURE OF INFORMATION ABOUT LONG TERM LIABILITIES

The governmental fund balance sheet includes a reconciliation between fund balance- total governmental funds and net position-governmental activities as reported in the District-wide statement of net position. One item of that reconciliation explains that Long-term liabilities, including bonds and judgments payable, are not due and payable in the current period and therefore are not reported liabilities in the governmental funds. A deduction to the fund balance - total governmental funds is made to reflect the carrying value of the District's long-term liabilities at year-end in the governmental activities of the District-wide financial statements.

Long-term debt liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds Payable:</b>					
General Obligation Debt	\$ 2,765,000	\$ _____	\$ 750,000	\$ 2,015,000	\$ 670,000
Total Bonds Payable	<u>2,765,000</u>	<u>_____</u>	<u>750,000</u>	<u>2,015,000</u>	<u>670,000</u>
<b>Other Liabilities:</b>					
Obligations Under Capital Lease	186,771	85,266	96,212	175,825	68,171
Compensated Absences Payable	<u>3,858,514</u>	<u>_____</u>	<u>57,315</u>	<u>3,801,199</u>	<u>_____</u>
Total Other Liabilities	<u>4,045,285</u>	<u>85,266</u>	<u>153,527</u>	<u>3,977,024</u>	<u>68,171</u>
Subtotal Bonds and Other Liabilities	6,810,285	85,266	903,527	5,992,024	738,171
Bond Premiums/(Discount)	119,731		34,622	85,109	
Net Pension Liability (PERS)	<u>29,248,653</u>	<u>4,839,524</u>	<u>_____</u>	<u>34,088,177</u>	<u>_____</u>
Total Liabilities	<u>\$ 36,178,669</u>	<u>\$ 4,924,790</u>	<u>\$ 938,149</u>	<u>\$ 40,165,310</u>	<u>\$ 738,171</u>
<b>Business-type activities</b>					
<b>Enterprise fund:</b>					
Compensated Absences Payable	\$ 27,404	\$ _____	\$ 11,906	\$ 15,498	\$ _____
Total Liabilities	<u>\$ 27,404</u>	<u>\$ -</u>	<u>\$ 11,906</u>	<u>\$ 15,498</u>	<u>\$ -</u>

**NOTE 4. LONG-TERM DEBT (CONT'D)**

**A. Bonds Payable** -- Bonds are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds.

Principal and interest due on bonds outstanding is as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 670,000	\$ 94,000	\$ 764,000
2018	670,000	60,500	730,500
2019	<u>675,000</u>	<u>27,000</u>	<u>702,000</u>
	\$ <u>2,015,000</u>	\$ <u>181,500</u>	\$ <u>2,196,500</u>

**B. Bonds Authorized But Not Issued** -- As of June 30, 2016, the District had no bonds authorized but not issued.

**C. Capital Leases** --The District is leasing various equipment totaling \$175,825. The following is a schedule of the future minimum lease payments under this capital lease and the net minimum lease payments at June 30, 2016.

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 60,589	\$ 7,582	\$ 68,171
2018	42,561	5,767	48,328
2019	32,063	4,085	36,148
2020	17,673	2,157	19,830
2021	<u>2,988</u>	<u>360</u>	<u>3,348</u>
Total	\$ <u>155,874</u>	\$ <u>19,951</u>	\$ <u>175,825</u>



**NOTE 5. PENSION PLANS**

**Description of Plans** – The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan’s designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Teachers Pension and Annuity Fund (TPAF), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

*Plan Membership and Contributing Employers*- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction’s pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2015:

Inactive plan members or beneficiaries currently receiving benefits	166,637
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>259,161</u>
 Total	 <u>426,501</u>

Contributing Employers – 1,710.

*Significant Legislation* - Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**NOTE 5. PENSION PLANS (CONT'D)**

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)**

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

*Payrolls and Covered Wages:*

For the year ended June 30, 2016 the Board's total payroll for all employees was \$60,266,523. Total PERS covered payroll was \$9,879,763. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015 and increased to 7.06% for State fiscal year 2016, commencing July 1, 2015. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The School Board's contributions to the Plan for the years ended June 30, 2015 and 2016 were \$1,287,855 and \$1,305,537, respectively. School Board Contributions are due and payable in the fiscal period subsequent to plan year for which the contributions requirements were calculated.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 with 25 or more years of service credit and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier.

**NOTE 5. PENSION PLANS (CONT'D)**

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)**

Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – At June 30, 2016, the School Board reported a liability of \$34,088,177 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, which was rolled forward to that date. The Board's proportion of the net pension liability was based on a projection of the Boards long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the Boards proportion was 0.151854%, which was a decrease of 0.004366% from its proportion measure as of June 30, 2014.

For the year ended June 30, 2016, the Board recognized pension expenses of \$1,896,437. At June 30, 2016 the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Changes in assumptions	\$3,660,798	\$
Difference between expected and actual experience	813,224	
Net difference between projected and actual earnings on pension plan investments		548,072
Changes in proportion and differences between Board contributions and proportionate share of contributions		1,616,238
Board contributions subsequent to the measurement date	<u>1,340,430</u>	<u>0</u>
Total	<u>\$5,814,452</u>	<u>\$2,164,310</u>

The \$1,340,430 of deferred outflows of resources resulting from the Boards contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2017	(\$357,204)
2018	(\$357,204)
2019	(\$357,204)
2020	(\$792,970)
2021	(\$445,130)

**NOTE 5. PENSION PLANS (CONT'D)**

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)**

*Actuarial Assumptions* - The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation	3.04%
Salary Increases (2012-2021)	2.15-4.40% Based on age
Thereafter	3.15-5.40% Based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

**NOTE 5. PENSION PLANS (CONT'D)**

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)**

*Discount Rate* – The discount rate used to measure the pension liabilities of PERS was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability to Changes in the Discount Rate* – the following presents the net pension liability of PERS participating employers as of June 30, 2015, calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u> <u>(3.90%)</u>	<u>At current discount rate</u> <u>(4.90%)</u>	<u>At 1% increase</u> <u>(5.90%)</u>
State	\$27,802,122,942	\$23,722,135,537	\$20,314,768,782
Local	<u>27,900,112,533</u>	<u>22,447,996,119</u>	<u>17,876,981,108</u>
PERS Plan Total	<u>\$55,702,235,457</u>	<u>\$46,170,131,656</u>	<u>\$38,191,749,890</u>

*Components of Net Pension Liability* – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2015 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$31,614,118,524	\$43,109,580,038	\$74,723,698,562
Plan Fiduciary Net Position	<u>7,891,982,987</u>	<u>20,661,583,919</u>	<u>28,553,566,906</u>
Net Pension Liability	<u>\$23,722,135,537</u>	<u>\$22,447,996,119</u>	<u>\$46,170,161,656</u>

**B. TEACHERS PENSION AND ANNUITY FUND**

The Teachers Pension and Annuity Fund is a cost-sharing, multiple employer defined benefit pension plan with a special funding situation as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the TPAF Plan are as follows:

*Plan Membership and Contributing Employers*- Substantially all teachers or members of the professional staff of Local Education Agencies that are certified by the State Board of Examiners, and Employees of the Department of Education who have titles that are unclassified, professional and certified are enrolled in the TPAF.

NOTES TO FINANCIAL STATEMENTS

**NOTE 5. PENSION PLANS (CONT'D)**

**B. TEACHERS PENSION AND ANNUITY FUND (CONT'D)**

Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2015:

Inactive plan members or beneficiaries currently receiving benefits	98,230
Inactive plan members entitled to but not yet receiving benefits	210
Active plan members	<u>153,452</u>
 Total	 <u>251,892</u>

Contributing Employers – 26.

In addition to the State, who is the sole payer of regular employer contributions to the fund, TPAF's contributing employers include boards of education who elected to participate in the Early Retirement Incentive Program (ERIP) and are legally responsible to continue to pay towards their incurred liability.

*Significant Legislation* – Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of TPAF.

*Covered Payroll* - For the year ended June 30, 2016 the Board's total payroll for all employees was \$60,266,523. Total TPAF covered payroll was \$39,593,507. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State of New Jersey contribution amount is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**NOTE 5. PENSION PLANS (CONT'D)**

**B. TEACHERS PENSION AND ANNUITY FUND (CONT'D)**

The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The State of New Jersey is solely responsible for funding the normal pension obligations of the TPAF, including 100% of the obligations of LEAs within the State. Accordingly, the District does not report TPAF pension liabilities or deferred inflows and outflows of financial resources in its financial statements. Payments made by the State to the TPAF “on-behalf” of the LEAs are reported to the LEAs and reported as TPAF pension expenditures/expenses as made.

**Three-Year Trend Information for TPAF (Paid on-behalf of the District, excluding post-retirement medical benefits which are reported in Note 6)**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/16	\$3,039,956	Unknown	\$0
06/30/15	2,126,123	Unknown	0
06/30/14	1,688,286	Unknown	0

At June 30, 2015, the TPAF reported a net pension liability of \$63,204,270,305 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey’s net pension liability for the Non-State Employer Member Group that is attributable to the District was \$248,558,926 or 0.393%. State non-employer contributions allocated to the District were \$2,113,500 and \$1,695,258 for 2015 and 2014, respectively.

**NOTE 5. PENSION PLANS (CONT'D)**

**B. TEACHERS PENSION AND ANNUITY FUND (CONT'D)**

*Actuarial Assumptions-* The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50%
Salary Increases (2012-2021)	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equities Market	27.25%	5.63%
Foreign-Developed Equities	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%



**NOTE 5. PENSION PLANS (CONT'D)**

**B. TEACHERS PENSION AND ANNUITY FUND (CONT'D)**

*Discount Rate* – The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of employers’ contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability to Changes in the Discount Rate* – the following presents the net pension liability of TPAF as of June 30, 2015 calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease (3.13%)</u>	<u>At current discount rate (4.13%)</u>	<u>At 1% Increase (5.13%)</u>
TPAF	\$75,559,915,440	\$63,577,864,440	\$53,254,610,440

*Components of Net Pension Liability* – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2015 is as follows:

Total pension liability	\$ 89,182,662,000
Plan fiduciary net position	<u>25,604,797,560</u>
Net pension liability	<u>\$ 63,577,864,440</u>
Plan fiduciary net position as a percentage of the total pension liability	28.71%

**C. DEFINED CONTRIBUTION RETIREMENT PLAN**

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

**NOTE 5. PENSION PLANS (CONT'D)****C. DEFINED CONTRIBUTION RETIREMENT PLAN (CONT'D)**

*Plan Membership and Contributing Employers-* Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2015, the membership in the DCRP, based on the information within the Division's database, was 36,808.

*Contribution Requirement and Benefit Provisions -* State and local government employers contribute 3% of the employees base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

For the year ended June 30, 2016 the Board's total payroll for all employees was \$60,266,523. Total DCRP covered payroll was \$1,120,130. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan. Board and employee contributions to the DCRP for the year ended June 30, 2016 were \$39,886 and \$61,607, respectively.

**NOTE 6. POST-RETIREMENT BENEFITS**

P.L. 1987, C. 384 and P.L. 1990, c.6 required Teacher’s Pensions and Annuity Fund (TPAF) and the Public Employees’ Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015 there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members for Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information for SEHBP. That report may be accessed via the Treasury website, at <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

The State’s contributions to the Health Benefits Program Fund on-behalf of the District for TPAF retiree health benefits, for the last three years, is as follows:

**Contribution Requirements**

<b><u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u></b>			
<b><u>Year</u></b>	<b><u>Annual</u></b>	<b><u>Percentage</u></b>	<b><u>Net</u></b>
<b><u>Funding</u></b>	<b><u>Post-Retirement</u></b>	<b><u>of APC</u></b>	<b><u>Pension</u></b>
	<b><u>Medical Contributions</u></b>	<b><u>Contributed</u></b>	<b><u>Obligation</u></b>
06/30/16	\$3,619,747	100%	\$0
06/30/15	3,375,221	100%	0
06/30/14	2,768,152	100%	0

The amounts of State contributions to the Health Benefits Program Fund on-behalf of the District for PERS retiree health benefits has not been made available.

**NOTE 7. 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.

**NOTE 7. COMPENSATED ABSENCES (Cont'd):**

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and accumulate for use in future years. Upon the attainment of specified years of service or upon reaching normal retirement age, employees become eligible to receive compensation for unused accumulated sick leave. The specific terms for eligibility and compensation are governed by the various collective bargaining agreements and employment contracts.

Vacation Leave - Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered, and
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The above criteria were utilized by the Board in the determination of the reported liability for compensated absences relating to vacation leave.

Sick Leave - A liability should be accrued for sick leave and other compensated absences with similar characteristics using one of the following termination approaches:

- a. A liability should be accrued as the benefits are earned by employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement (the Termination Payment Method), or
- b. A liability should be accrued based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments (the Vesting Method).

Under either of the above methods, payment "caps" or reduced pay rates would be factored into the liability calculation.

The amounts presented in the general purpose financial statements as compensated absences payable reflect accruals utilizing the Vesting Method and include amounts for each employee eligible for retirement currently and those who will become eligible within the next five years. Employees who separate from service prior to attaining eligibility for retirement are not entitled to termination payments. Accrued vacations are negligible and were not included in calculations of the total value of compensated absences payable.

**NOTE 7. COMPENSATED ABSENCES (Cont'd):**

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 in more than one year.

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, 2016, a liability existed for compensated absences in the Community School in the amount of \$15,498.

**NOTE 8. DEFERRED COMPENSATION**

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by third parties who are authorized by the Board and selected by each participant individually, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Great West Insurance Company  
Fidelity Investments  
Valic  
Washington National  
Financial Resources Lincoln Investments  
Lincoln Life  
AXA Equitable

**NOTE 9. CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Morris School District Board of Education by inclusion of \$1.00 on October 10, 2000 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) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submissions of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**NOTE 9. CAPITAL RESERVE ACCOUNT (CONT'D):**

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015	\$7,131,527
Board Resolution	3,500,000
Refund of Prior Year Expenditure	193,821
Appropriated 15/16 Budget	932,500
Interest Earnings	<u>5,261</u>
Total Deposits	<u>4,631,582</u>
Withdrawal	
Appropriated 16/17 Budget	1,912,000
Transferred to Capital Projects Fund – (Net)	<u>1,051,510</u>
	<u>2,963,510</u>
Ending Balance June 30, 2016	<u>\$8,799,599</u>

The LRFP balance of local support costs of uncompleted capital projects at June 30, 2016 is \$3,048,182. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district’s Long Range Facilities Plan.

**NOTE 10. TRANSFERS - CAPITAL OUTLAY**

During the year ending June 30, 2016, the district transferred \$84,388 capital outlay accounts to the Capital Projects Fund.

**NOTE 11. RISK MANAGEMENT**

**Property and Liability Insurance** - 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. During the school year ended June 30, 2016, the District continued to transfer all insurable risks through the purchase of commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage during each of the past three fiscal years. During the year ended June 30, 2016, there were no significant reductions in coverages from those provided in the previous year.

NOTES TO FINANCIAL STATEMENTS

**NOTE 12. 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.

Due to legal restrictions imposed by the State of New Jersey on the accumulated balance in the District's Unemployment Compensation Insurance Fund, the District has elected to treat this fund as an expendable trust fund for the purpose of financial reporting. Information relating to this fund for the year ended June 30, 2016:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Board Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ 91,312	\$ 828	\$ 83,647	\$2,065,372
2014-2015	133,243	200,626	76,149	2,056,879
2013-2014	37,466	605	65,358	1,799,159

**NOTE 13. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$	\$ 2,054,464
Special Revenue Fund		637,197
Capital Projects Fund	3,358,869	
Enterprise Funds		667,208
	<u>\$ 3,358,869</u>	<u>\$ 3,358,869</u>

**NOTE 14. INVENTORY**

Inventory in the Food Service Fund at June 30, 2016 consisted of the following:

Food	\$ 24,539
Supplies	<u>6,330</u>
	\$ <u>30,869</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

**NOTE 15. FUND BALANCE APPROPRIATED**

**General Fund (B-1)** - Of the \$25,467,194 General Fund balance at June 30, 2016, \$10,299,575 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7 \$8,799,599 has been restricted in the Capital Reserve Account; \$2,592,150 is restricted for the Maintenance Reserve Account; \$2,752,000 has been assigned and included as anticipated revenue for the year ending June 30, 2017; \$484,887 is unassigned and \$538,983 has been committed as Reserve for Encumbrances.

**Debt Service Fund** - The Debt Service Fund had unassigned fund balance at June 30, 2016 in the amount of \$1.

**Capital Projects Fund** – The fund balance at June 30, 2016 is \$2,218,707. The entire amount of \$2,218,707 is restricted. Additional funding from SDA State Aid (\$829,475) is anticipated to finance unexpended project balances of \$3,048,182 at year-end.

**NOTE 16. DEFICIT FUND BALANCES**

The District did not have any deficit fund balances at June 30, 2016 that would have been reported in the fund statements (modified accrual basis). P.L. 2003, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the State records the payable.

Pursuant to *N.J.S.A.* 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action.

**NOTE 17. FUND BALANCE RESERVED FOR TUITION ADJUSTMENTS**

The Morris School District is a "receiving district" for students domiciled in other school districts. Tentative rates for tuition per pupil for these students are established pursuant to regulations promulgated by the New Jersey Department of Education at the time the annual budget is prepared. Upon receipt of audited expenditure data from the District, the Department of Education certifies a final tuition rate per pupil. Adjustments required to bill amounts due or refund amounts owing to sending districts are made in the second year next succeeding the year that tuition was originally billed. These adjustments are made through the then current year's tuition revenue account.

**NOTE 18. CALCULATION OF EXCESS SURPLUS**

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved 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 reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$4,859,323.



**NOTE 19. OTHER RESERVE ACCOUNTS**

Pursuant to enabling legislation and rulemaking, the District is permitted to establish legally restricted Reserve funds for Maintenance. The activity of these reserved accounts and their status at June 30, 2016 is as follows:

Maintenance Reserve: The balance at the end of June 30, 2016 in this account was \$2,592,150.

**NOTE 20. PENDING LITIGATION AND CONTINGENT LIABILITIES**

- I. PENDING LITIGATION - As at the date of this report, there was no litigation pending which, in the event of an adverse or unfavorable outcome, would materially impair the financial position of the Morris School District.

**NOTE 21. SUBSEQUENT EVENTS**

No events have occurred subsequent to the close of the fiscal year that requires disclosure herein.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PART II**

**BUDGETARY COMPARISON SCHEDULES**

**SECTION – C**

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 85,246,039	\$ -	\$ 85,246,039	\$ 85,246,039	\$ -
Tuition from Individuals	85,000	-	85,000	82,473	(2,527)
Tuition from Other LEAs within the State	3,598,575	-	3,598,575	3,947,236	348,661
Maintenance Reserve Interest	350	-	350	912	562
Capital Reserve Interest	10,000	-	10,000	5,261	(4,739)
Miscellaneous	125,000	-	125,000	394,525	269,525
<b>Total - Local Sources</b>	<b>89,064,964</b>	<b>-</b>	<b>89,064,964</b>	<b>89,676,446</b>	<b>611,482</b>
State Sources:					
School Choice Aid	542,268	-	542,268	542,268	-
Categorical Special Education Aid	2,923,993	-	2,923,993	2,923,993	-
Categorical Security Aid	741,886	-	741,886	741,886	-
Adjustment Aid	569,295	-	569,295	569,295	-
Categorical Transportation Aid	1,584,914	-	1,584,914	1,584,914	-
Other State Aid	99,220	-	99,220	114,435	15,215
Extraordinary Aid	-	-	-	1,645,603	1,645,603
Nonpublic School Transportation Aid	-	-	-	81,256	81,256
On-Behalf TPAF Pension	-	-	-	3,039,956	3,039,956
Contrib. - Not Budgeted	-	-	-	3,619,747	3,619,747
On-Behalf Post Retirement Medical	-	-	-	2,884,027	2,884,027
On-Behalf TPAF Soc. Sec.	-	-	-	-	-
Contrib. - Not Budgeted	-	-	-	-	-
<b>Total - State Sources</b>	<b>6,461,576</b>	<b>-</b>	<b>6,461,576</b>	<b>17,747,380</b>	<b>11,285,804</b>
Federal Sources:					
Medicaid Reimbursements	54,165	-	54,165	171,224	117,059
Impact Aid	5,000	-	5,000	7,702	2,702
<b>Total - Federal Sources</b>	<b>59,165</b>	<b>-</b>	<b>59,165</b>	<b>178,926</b>	<b>119,761</b>
<b>Total Revenues</b>	<b>95,585,705</b>	<b>-</b>	<b>95,585,705</b>	<b>107,602,752</b>	<b>12,017,047</b>

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
<b>EXPENDITURES:</b>					
Current Expense:					
Instruction - Regular Programs					
Salaries of Teachers	\$ 1,397,247	\$ -	\$ 1,397,247	\$ 1,367,344	\$ 29,903
Preschool/Kindergarten	10,522,148	(156,681)	10,365,467	9,923,428	442,039
Grades 1- 5	5,347,390	65,793	5,413,183	5,383,693	29,490
Grades 6- 8	8,452,627	32,452	8,485,079	8,357,791	127,288
Grades 9-12					
Home Instr. - Reg. Prog.	104,818	(10,483)	94,335	94,320	15
Salaries of Teachers		9,700	9,700	180	9,520
Other Salaries for Instruction	75,000	-	75,000	45,165	29,835
Purchased Profess./Educa. Serv.					
Regular Programs - Undistrib. Instr.					
Other Salaries for Instruction	230,890	(24)	230,866	190,842.89	40,023
Purchased Profess./Educa. Serv.	150,000	1,443	151,443	142,713.18	8,730
Purchased Technical Serv.	81,439	3,699	85,138	72,030.60	13,108
Other Purchased Services	855,874	2,292	858,166	627,643.38	230,522
General Supplies	1,433,529	218,924	1,652,453	1,330,099.33	322,354
Textbooks	143,477	(77,719)	65,758	31,352.47	34,406
Other Objects	9,559	(2,609)	6,950	3,029.10	3,921
<b>Total Regular Programs</b>	<b>28,803,998</b>	<b>86,788</b>	<b>28,890,786</b>	<b>27,569,631</b>	<b>1,321,155</b>

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES (CONTD.):					
Current Expense (Cont'd.):					
Special Education (Cont'd.)					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 881,481	\$ -	\$ 881,481	\$ 825,614	\$ 55,867
Other Salaries for Instruction	112,057	53,370	165,427	160,413	5,014
Purchased Prof. Educa. Services		562	562	-	-
Other Purchased Services	2,900	-	2,900	-	2,900
General Supplies	48,895	(2,078)	46,817	16,468	30,349
Textbooks	3,600	(100)	3,500	-	3,500
Other Objects	1,705	(762)	943	-	943
Total Learning and/or Language Disabilities	1,050,638	50,992	1,101,630	1,003,057	98,573
Resource Room/Resource Center					
Salaries of Teachers	3,267,748	(200,000)	3,067,748	3,052,528	15,220
Other Salaries for Instruction	500	-	500	-	500
General Supplies	12,000	-	12,000	10,677	1,323
Total Resource Room/Resource Center	3,280,248	(200,000)	3,080,248	3,063,206	17,043
Multiple Disabilities					
Salaries of Teachers	282,576	(125,000)	157,576	135,044	22,532
Other Salaries for Instruction	1,299,425	383,378	1,682,803	1,672,589	10,214
Purchased Prof. Educational Services	80,000	-	80,000	75,750	4,250
Other Purchased Services	800	-	800	-	800
General Supplies	30,000	-	30,000	27,694	2,306
Total Multiply Handicapped	1,692,801	258,378	1,951,179	1,911,077	40,102

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
Preschool Disabilities-Full Time					
Salaries of Teachers	\$ 562,938	\$ 80,628	\$ 643,566	\$ 633,825	\$ 9,741
Other Salaries for Instruction	203,830	28,303	232,133	222,137	9,996
Purch. Prof. Educ. Services	7,400	(188)	7,212	3,450	3,762
Purchased Technical Services	1,594	-	1,594	1,395	199
Other Purchased Services	3,300	-	3,300	746	2,554
General Supplies	18,550	188	18,738	17,730	1,008
Other Objects	3,000	-	3,000	2,907	93
Total Preschool Disabilities FT	800,612	108,931	909,543	882,190	27,353
Total Special Education	6,824,299	218,301	7,042,600	6,859,529	183,070
Basic Skills/Remedial					
Salaries of Teachers	936,068	(113,076)	822,992	778,461	44,531
Other Salaries for Instruction	22,517	-	22,517	20,417	2,100
General Supplies	2,375	(674)	1,701	1,297	403
Other Objectives	200	(200)	-	-	-
Total Basic Skills/Remedial	961,160	(113,950)	847,210	800,175	47,034
Bilingual Education					
Salaries of Teachers	769,574	262,794	1,032,368	1,031,368	1,000
Other Salaries for Instr.	37,109	1,444	38,553	37,553	1,000
General Supplies	19,933	46	19,979	18,218	1,761
Textbooks	1,747	5,592	7,339	7,339	0
Other Objects	200	-	200	200	-
Total Bilingual Education	828,563	269,876	1,098,439	1,094,678	3,761

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
School-Sponsored Co/Extra Activities					
Salaries	\$ 238,251	\$ 5,524	\$ 243,775	\$ 235,194	\$ 8,581
Purchased Services	16,450	(3,035)	13,415	8,525	4,890
Supplies and Materials	15,300	(228)	15,072	14,892	180
Other Objects	10,819	(515)	10,304	8,304	2,000
Total School-Sponsored Cocurricular Activities	280,820	1,746	282,566	266,916	15,650
School-Sponsored Athletics					
Salaries	\$ 814,354	\$ 8,743	\$ 823,097	\$ 819,250	\$ 3,847
Purchased Services	91,138	(4,850)	86,288	76,518	9,770
Supplies and Materials	125,300	(2,400)	122,900	108,951	13,949
Other Objects	81,900	10,000	91,900	83,947	7,953
Total School-Sponsored Athletics	1,112,692	11,493	1,124,185	1,088,666	35,519
Before/After School Programs					
Salaries of Teachers	56,485	-	56,485	35,445	21,040
Total Before/After School Programs	56,485	-	56,485	35,445	21,040
Community Serv. Programs/Operations					
Salaries	46,627	-	46,627	-	46,627
Total Community Serv. Prog./Oper.	46,627	-	46,627	-	46,627
Total Instruction	38,914,644	474,253	39,388,897	37,715,041	1,673,857



MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES (CONTD.):					
Current Expense (Contd.):					
Undistributed Expenditures:					
Instruction					
Tuition to Other LEA's Within the State-Special	\$ 785,255	- \$	785,255 \$	543,956	241,299
Tuition to Other LEA's Within the State-Regular	121,500	25,130	25,130	2,722	22,408
Tuition to Cnty. Voc. School Reg.	32,500	96,500	218,000	160,953	57,047
Tuition to Cnty. Voc. School - Spec.	305,736	6,500	39,000	25,025	13,975
Tuition to CSSD & Reg Day Schools	4,639,205	59,379	365,115	303,933	61,182
Tuition to Priv. Sch. for the Disabled - Within State		268,765	4,907,970	4,294,399	613,570
Tuition to Priv. Sch. Disabled Other LEA's-Spl - Out of State	272,588	-	272,588	190,392	82,196
Tuition - State Facilities	109,077	20,523	129,600	109,077	20,523
Tuition - Other	96,918	119,583	216,501	216,490	11
Total Undistrib. Expend. - Instruct.	6,362,779	596,380	6,959,159	5,846,949	1,112,210
Attendance and Social Work					
Salaries	51,277	7,500	58,777	58,467	310
Purchased Prof./Tech. Services	264	(250)	14	14	
Total Attendance & Social Work	51,541	7,250	58,791	58,467	324
Health Services					
Salaries	1,032,996	19,500	1,052,496	983,594	68,902
Purchased Prof./Tech. Services	63,118	(1,959)	61,159	54,445	6,714
Other Purchased Services	950	-	950	720	230
Supplies and Materials	24,500	-	24,500	15,689	8,811
Total Health Services	1,121,564	17,541	1,139,105	1,054,448	84,656

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES (CONTD):					
Current Expense (Cont'd):					
Speech, OT, PT and Related Svcs	\$ 957,555	\$ -	\$ 957,555	\$ 935,171	\$ 22,384
Salaries	929,712	(61,000)	868,712	760,871	107,841
Purch. Profess. - Educational Svcs.	78,400	14,560	92,960	82,659	10,301
Supplies and Materials					
Total Speech, OT, PT and Related Svcs - Related Services	1,965,667	(46,440)	1,919,227	1,778,700	140,527
Other Supp. Serv. Stud.-Extra Serv.					
Salaries	2,018,241	(116,250)	1,901,991	1,823,296	78,695
Purch. Profess. - Educational Svcs.	65,000	(10,000)	55,000		55,000
Total Other Support Services Student - Extra Services	2,083,241	(126,250)	1,956,991	1,823,296	133,695
Guidance					
Salaries of Other Prof. Staff	1,902,010	-	1,902,010	1,819,565	82,445
Salaries of Secr. and Cler. Assis.	272,823	-	272,823	260,354	12,469
Purch. Profess. - Educational Svcs.	237,458	308	237,766	237,607	159
Other Purch. Prof. and Tech. Svcs.	6,345	470	6,815	6,815	-
Other Purchased Services	1,815	(225)	1,590	484	1,106
Supplies and Materials	27,000	(541)	26,459	25,499	960
Other Objects	485	175	660	350	310
Total Guidance	2,447,936	187	2,448,123	2,350,674	97,449

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES (CONTD.):					
Current Expense (Cont'd.):					
Undistributed Expenditures -					
Child Study Teams					
Salaries of Other Prof. Staff	\$ 1,806,530	(14,000)	\$ 1,792,530	\$ 1,691,486	\$ 101,044
Salaries of Sec. and Cler. Assts.	294,682	5,000	299,682	271,203	28,479
Other Purch. Prof. and Tech. Services	71,811	117,088	188,899	143,790	45,109
Misc. Purch. Svcs.	16,699	1	16,700	12,328	4,372
Supplies & Materials	51,880	(33,499)	18,381	17,897	484
Other Objects	3,000	-	3,000	2,807	193
Total Child Study Teams	2,244,602	74,590	2,319,192	2,139,512	179,680
Improvement of Instructional Services					
Salaries of Supervisors of Instruction	691,885	239,478	931,363	929,073	2,290
Salaries of Other Profess. Staff	306,461	(123,000)	183,461	148,465	34,996
Salaries of Secty. & Clerical Staff	56,424	-	56,424	54,683	1,741
Salaries of Facilitators, Math & Lit. Coaches	185,629	(175,000)	10,629	-	10,629
Purch. Prof. - Educ. Services	661	(162)	499	463	36
Other Purch. Prof. and Tech. Services	77,825	(2,750)	75,075	61,639	13,436
Other Purch. Services	5,400	95	5,495	2,667	2,828
Supplies and Materials	80,150	(14,254)	65,896	55,758	10,137
Other Objects	1,000	41	1,041	1,040	1
Total Improvement of Instruction	1,405,435	(75,553)	1,329,882	1,253,787	76,095

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES (CONTD.):					
Current Expense (Cont'd.):					
Undistributed Expenditures:					
Educational Media Serv./School Library					
Salaries	\$ 1,019,247	\$ (1,200)	\$ 1,018,047	\$ 977,212	\$ 40,835
Salaries of Technology Coordinators	521,929	38,000	559,929	557,175	2,754
Purchased Prof./Tech. Services	44,149	5,256	49,405	48,014	1,392
Other Purchased Services	5,111	(1,707)	3,404	983	2,421
Supplies and Materials	52,120	(2,346)	49,774	47,052	2,722
Other Objects	5,000	(2,509)	2,491	2,491	-
Total Educ. Media Services/ School Library	1,647,556	35,494	1,683,050	1,632,926	50,124
Instructional Staff Training Services					
Salaries of Other Profess. Staff	45,000	21,000	66,000	38,463	27,538
Salaries of Secty. & Clerical Staff	19,379	-	19,379	17,994	1,385
Purchased Prof./Educ. Services	91,000	(32,985)	58,015	7,410	50,605
Other Purchased Services	3,350	500	3,850	499	3,351
Supplies and Materials	3,200	70	3,270	1,404	1,866
Other Objects		-			
Total Instructional Staff Training Serv	161,929	(11,415)	150,514	65,770	84,745

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
<b>EXPENDITURES (CONTD.):</b>					
Undistributed Expenditures:					
Support Serv. General Administration	\$ 291,604	\$ 25,000	\$ 316,604	\$ 271,079	\$ 45,525
Salaries	175,000	95,000	270,000	235,232	34,768
Legal Services	40,000	-	40,000	38,069	1,931
Audit Fees	222,500	(60,000)	162,500	10,399	152,101
Other Purchased Professional Serv.	27,000	-	27,000	18,469	8,531
Purchased Tech. Services	400,870	40,000	440,870	319,118	121,752
Communications/Telephone	4,300	-	4,300	-	4,300
BOE Other Purchased Services	48,400	-	48,400	39,449	8,951
Misc. Purchased Services	24,300	-	24,300	20,881	3,419
General Supplies	10,000	-	10,000	6,317	3,683
BOE In-House Training/Meeting Supplies	12,000	-	12,000	6,995	5,005
Misc. Expenditures	35,100	-	35,100	26,663	8,437
BOE Membership Dues & Fees					
<b>Total Support Serv. General Administration</b>	<b>1,291,074</b>	<b>100,000</b>	<b>1,391,074</b>	<b>992,670</b>	<b>398,404</b>
Support Serv. School Administration					
Salaries of Principals/Asst. Principals	2,349,642	102,954	2,452,596	2,336,693	115,903
Salaries of Other Professional Staff	5,443	25,000	30,443	8,433	22,010
Salaries of Secty. and Cler. Assts.	947,409	-	947,409	879,024	68,385
Purchased Prof. Tech. Services	21,905	2,671	24,576	20,876	3,699
Other Purchased Services	35,535	(5,812)	29,723	14,234	15,489
Supplies and Materials	43,120	6,999	50,119	47,119	3,001
Other Objects	8,505	41	8,546	6,610	1,936
<b>Total Support Serv. School Admin.</b>	<b>3,411,559</b>	<b>131,853</b>	<b>3,543,412</b>	<b>3,312,990</b>	<b>230,422</b>
Central Services					
Salaries	1,250,012	22,000	1,272,012	1,260,416	11,596
Purchased Prof. Services	85,000	15,399	100,399	47,781	52,619
Purchased Technical Services	39,905	(107)	39,798	32,920	6,878
Misc. Purchased Services	170,819	(8,900)	161,919	110,537	51,382
Supplies and Materials	23,393	(1,201)	22,192	12,699	9,493
Misc. Expenditures	15,750	(325)	15,425	8,363	7,062
<b>Total Central Services</b>	<b>1,584,879</b>	<b>26,867</b>	<b>1,611,746</b>	<b>1,472,717</b>	<b>139,029</b>

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
<b>EXPENDITURES (CONT'D):</b>					
Undistributed Expenditures:					
Administrative Info. Technology					
Salaries	\$ 214,169	\$ 3,000	\$ 217,169	\$ 215,130	\$ 2,039
Purch. Professional Services	10,800	22,000	32,800	31,170	1,630
Purch. Technical Services	226,201	121,300	347,501	299,212	48,289
Other Purchased Services	26,050	(803)	25,247	3,326	21,921
Supplies and Materials		326	326	326	-
Other Objects	1,390	895	2,285	2,160	125
<b>Total Admin. Info. Technology</b>	<b>478,610</b>	<b>146,719</b>	<b>625,329</b>	<b>551,325</b>	<b>74,004</b>
Interest on Maintenance Reserve	350	-	350		350
Req. Maint. For School Facilities					
Salaries	678,154	-	678,154	633,730	44,424
Cleaning, Repair & Maint. Services	1,139,450	102,067	1,241,517	1,003,102	238,415
General Supplies	242,150	(36,637)	205,513	190,455	15,058
Other Objects	9,160	1,700	10,860	7,693	3,167
<b>Total Req. Maint Sch. Facilities</b>	<b>2,068,914</b>	<b>67,130</b>	<b>2,136,044</b>	<b>1,834,980</b>	<b>301,064</b>
Custodial Services					
Salaries	2,526,093	(60,050)	2,466,043	2,286,250	179,793
Salaries of Non-Instructional Aides	107,019	-	107,019	96,068	10,951
Purchased Prof. and Tech. Services	274,419	34,595	309,014	231,889	77,125
Cleaning, Repair & Maint. Services	257,500	(15,700)	241,800	211,488	30,312
Other Purchased Property Services	224,000	-	224,000	193,927	30,073
Insurance	337,800	900	338,700	328,066	10,635
Misc. Purchased Services	5,000	-	5,000	1,014	3,986
General Supplies	264,000	(4,400)	259,600	248,532	11,068
Energy (Natural Gas)	735,000	(167,500)	567,500	331,462	236,038
Energy (Electricity)	1,265,766	(167,500)	1,098,266	748,856	349,410
Energy (Gasoline)	52,500	-	52,500	19,528	32,972
Other Objects	22,600	(2,500)	20,100	20,011	89
<b>Total Custodial Services</b>	<b>6,071,697</b>	<b>(382,155)</b>	<b>5,689,542</b>	<b>4,717,091</b>	<b>972,451</b>

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
<b>EXPENDITURES (CONTD.):</b>					
Care and Upkeep of Grounds					
Salaries	\$ 440,491	\$ 15,085	\$ 455,576	\$ 450,369	\$ 5,207
Cleaning, Repair & Maint. Services	56,000	(24,500)	31,500	28,745	2,755
General Supplies	60,800	(3,050)	57,750	51,275	6,475
<b>Total Care and Upkeep of Grounds</b>	<b>557,291</b>	<b>(12,465)</b>	<b>544,826</b>	<b>530,388</b>	<b>14,438</b>
Security					
Salaries	473,407	(3,905)	469,502	408,609	60,893
Purchased Tech Service	30,000	12,000	42,000	28,984	13,016
<b>Total Security</b>	<b>503,407</b>	<b>8,095</b>	<b>511,502</b>	<b>437,593</b>	<b>73,909</b>
<b>Total Maint. &amp; Custodial Serv.</b>	<b>9,201,659</b>	<b>(319,395)</b>	<b>8,882,264</b>	<b>7,520,053</b>	<b>1,362,212</b>
Student Transportation Services					
Salaries for Pupil Transportation (Between Home & School) - Regular	848,050	15,730	863,780	863,780	1
Salaries for Pupil Transportation (Between Home & School) - Special	342,461	325	342,786	340,925	1,861
Salaries for Pupil Transportation (Other than Between Home & School)	292,695	24,627	317,322	317,322	0
Management Fee-ESC Transport. Prog.	69,413	7,100	76,513	75,890	623
Other Purch. Prof./Tech. Serv.	13,964	(910)	13,054	11,979	1,075
Cleaning, Repair, and Maint. Services	22,000	12,598	34,598	26,102	8,497
Rental Payments - School Buses	18,000	-	18,000	3,150	14,850
Contracted Services - Aid in Lieu of Payments	360,000	-	360,000	289,670	70,330
Contracted Services (Between Home & School) - Vendors	1,944,081	(303)	1,943,778	1,750,492	193,286
Contracted Services (Other than Between Home & School)-Vendors	100,500	1,000	101,500	52,819	48,681
Contracted Services (Sp. Ed. Stds) - Vendors	522,156	-	522,156	423,708	98,448
Contracted Services (Regular Students) ESCs	169,720	-	169,720	158,251	11,469
Contracted Services (Special Ed. Students) ESCs	1,704,301	(6,100)	1,698,201	1,680,765	17,436
Misc. Purch. Serv. - Transportation	54,200	6,200	60,400	60,393	7
General Supplies	322,300	(10,295)	312,005	189,489	122,516
Miscellaneous Expenditures	8,300	-	8,300	4,563	3,737
<b>Total Student Transportation Services</b>	<b>6,792,141</b>	<b>49,972</b>	<b>6,842,113</b>	<b>6,249,298</b>	<b>592,815</b>

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
<b>EXPENDITURES (CONTD.):</b>					
Current Expense (Contd.):					
Unallocated Benefits - Empl. Benefits	\$ 59,000	\$ -	\$ 59,000	\$ 52,986	\$ 6,014
Group Insurance	1,441,000	-	1,441,000	1,256,993	184,007
Social Security Contributions	1,478,500	-	1,478,500	1,348,384	130,116
Other Retirement Contrib. - PERS	315,000	(120,000)	195,000	-	195,000
Unemployment Compensation	538,000	-	538,000	408,941	129,059
Workmen's Compensation	12,101,828	416,972	12,518,800	11,542,157	976,643
Health Benefits	210,000	1,692	211,692	177,147	34,545
Tuition Reimbursements	4,000	-	4,000	368	3,632
Other Employee Benefits	385,000	-	385,000	207,874	177,126
Unused Sick Payments to Terminated/Retired Staff					
Total Unallocated Benefits	16,532,328	298,664	16,830,992	14,994,850	1,836,142
On-Behalf TPAF Pension					
Contrib. - Not Budgeted		-	-	3,039,956	(3,039,956)
On-Behalf Post Retirement Medical					
Contrib. - Not Budgeted		-	-	3,619,747	(3,619,747)
On-Behalf TPAF Soc. Sec.					
Contrib. - Not Budgeted		-	-	2,884,027	(2,884,027)
Total Undistributed Expenditures	58,784,500	906,464	59,690,964	62,642,162	(2,951,199)
Total Expenditures - Current Expense	97,699,144	1,380,717	99,079,861	100,357,203	(1,277,342)



MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
<b>CAPITAL OUTLAY:</b>					
Interest Deposit to Capital Reserve	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ 10,000
<b>Equipment:</b>					
Regular Programs - Instruction					
Grades 1-5	38,500	-	38,500		38,500
Grades 6-8	22,000	-	22,000		22,000
Grades 9-12	194,000	(50,696)	143,304	49,676	93,628
Preschool Disabilities - Full-Time	4,350	-	4,350		4,350
School-Sponsored and Other Instructional Program	40,000	-	40,000	37,782	2,218
Instructional Staff		2,424	2,424		0
School Admin	4,213	(4,213)	-		-
Central Services		1,201	1,201	1,200	1
Administration Info. Technology	101,000	-	101,000	95,673	5,327
Required Maintenance for School Facilities	245,000	(51,697)	193,303	94,083	99,220
Custodial Services	7,200	-	7,200		7,200
Care and Upkeep of Grounds	11,300	-	11,300	4,350	6,950
Student Trans - Non-Inst. Equip	3,900	95	3,995	3,995	-
School Buses - Regular	295,000	280,537	575,537	377,020	198,517
Non-Instruc. Services	31,000	15,375	46,375		46,375
<b>Total Equipment</b>	<b>997,463</b>	<b>193,026</b>	<b>1,190,489</b>	<b>666,205</b>	<b>524,284</b>
<b>Facilities Acquis. &amp; Constr. Services</b>					
Assessment for Debt Service on SIDA Funding	37,738	-	37,738	37,738	-
<b>Total Facil. Acquis. &amp; Constr. Serv.</b>	<b>37,738</b>	<b>-</b>	<b>37,738</b>	<b>37,738</b>	<b>-</b>
<b>Assets Acquired Under Capital Leases (non-budgeted)</b>					
Total Assets Acq. Under Capital Leases	-	-	-	76,074	(76,074)
<b>Total Capital Outlay</b>	<b>1,045,201</b>	<b>193,026</b>	<b>1,238,227</b>	<b>780,017</b>	<b>458,210</b>

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
<b>EXPENDITURES (CONTD.):</b>					
Total Expenditures	\$ 98,744,345	\$ 1,573,743	\$ 100,318,088	\$ 101,137,220	\$ (819,132)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,158,640)	(1,573,743)	(4,732,383)	6,465,533	11,197,915
<b>Other Financing Sources (Uses)</b>					
Capital Reserve Transf. To Capital Projects	(932,500)	(119,010)	(1,051,510)	(1,051,510)	-
Capital Outlay Transf. To Capital Projects	(200,000)	-	(200,000)	(84,388)	115,612
Capital Leases Non-Budgeted				76,074	76,074
Transfer of Funds to Charter School	(1,323,736)	-	(1,323,736)	(1,312,394)	11,342
Total Other Financing Sources (Uses)	(2,456,236)	(119,010)	(2,575,246)	(2,372,218)	203,028
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(5,614,876)	(1,692,753)	(7,307,629)	4,093,315	11,400,944
Fund Balances, July 1	23,631,619		23,631,619	23,631,619	-
Increase in Reserve for Inventory					
<b>Fund Balances, June 30</b>	<b>\$ 18,016,743</b>	<b>\$ (1,692,753)</b>	<b>\$ 16,323,990</b>	<b>\$ 27,724,934</b>	<b>\$ 11,400,944</b>

MORRIS SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
Recapitulation of Excess (Deficiency) of Revenues Under Expenditures:					
<b>Recapitulation:</b>					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for					
Subsequent Years Expenditures				5,440,252	
Reserve for Excess Surplus				4,859,323	
Maintenance Reserve				2,592,150	
Capital Reserve				8,799,599	
Committed Fund Balance:					
Year-end Encumbrances				538,983	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				840,000	
Designated for Subsequent Year's Expenditures-					
Capital Reserve				1,912,000	
Unassigned Fund Balance				2,742,627	
				<u>27,724,934</u>	
<b>Fund Balance per Budgetary Basis (GAAP)</b>				<b>\$ 27,724,934</b>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP basis				(612,137)	
Extraordinary Aid Payment				(1,645,603)	
				<u>25,467,194</u>	
<b>Fund Balance per Governmental Funds (GAAP)</b>				<b>\$ 25,467,194</b>	

Morris School District  
Budgetary Comparison Schedule  
Special Revenue Fund  
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Revenue from Local Sources	\$ 111,666	\$ 189,754	\$ 301,420	\$ 216,142	\$ (85,278)
<b>Total - Local Sources</b>	<b>111,666</b>	<b>189,754</b>	<b>301,420</b>	<b>216,142</b>	<b>(85,278)</b>
State Sources:					
Nonpublic Aid	616,164	188,046	804,210	718,940	(85,270)
Preschool Education	234,300	-	234,300	234,300	-
<b>Total - State Sources</b>	<b>850,464</b>	<b>188,046</b>	<b>1,038,510</b>	<b>953,240</b>	<b>(85,270)</b>
Federal Sources:					
Title I Part A	443,664	92,703	536,367	468,291	(68,076)
Title I Part D		69,118	69,118	68,535	(583)
Title II	139,739	32,820	172,559	157,502	(15,057)
Title III Immigrant		58,524	58,524	58,032	(492)
Title III	127,818	27,041	154,859	99,874	(54,985)
Perkins Grant	29,356	(2)	29,354	27,033	(2,321)
I.D.E.A., Part B - Regular	1,432,054	440,229	1,872,283	1,481,371	(390,912)
I.D.E.A., Part B - Preschool		51,079	51,079	49,995	(1,084)
<b>Total - Federal Sources</b>	<b>2,172,631</b>	<b>771,512</b>	<b>2,944,143</b>	<b>2,410,633</b>	<b>(533,510)</b>
<b>Total Revenues</b>	<b>3,134,761</b>	<b>1,149,312</b>	<b>4,284,073</b>	<b>3,580,015</b>	<b>(704,058)</b>
<b>EXPENDITURES:</b>					
Instruction					
Salaries of Teachers	793,921	36,237	830,158	748,688	81,470
Salaries of Other Professional Staff	29,356	40,824	70,180	31,294	38,886
Other Salaries for Instruc.	6,600	-	6,600	6,600	-
Purchased Professional - Educational Services	254,906	(95,970)	158,936	134,979	23,957

Morris School District  
Budgetary Comparison Schedule  
Special Revenue Fund  
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES (CONT'D):</b>					
Instruction (cont'd)					
General Supplies	512,891	(149,912)	362,979	259,403	103,576
Textbooks	129,265	22,279	151,544	113,213	38,331
Other Objects	90	(90)			
Total instruction	<u>1,727,029</u>	<u>(146,632)</u>	<u>1,580,397</u>	<u>1,294,177</u>	<u>286,220</u>
<b>EXPENDITURES (CONT'D):</b>					
Support Services					
Salaries of Teachers	136,514		136,514	124,859	11,655
Salaries of Other Professional Staff	69,045		69,045	67,991	1,054
Salaries of Sect. and Clerical Assist.	1,950		1,950	1,787	163
Other Salaries	7,000		7,000	1,919	5,081
Personal Services - Employee Benefits	209,938		209,938	185,850	24,088
Purchased Professional - Educational Services	407,732	749,033	1,156,765	790,334	366,431
Purchased Technical Services		4,300	4,300	4,300	-
Tuition	1,000,000	79,995	1,079,995	1,079,995	-
Travel		19,263	19,263	9,917	9,346
Supplies & Materials		18,906	18,906	18,886	20
Total support services	<u>1,407,732</u>	<u>1,295,944</u>	<u>2,703,676</u>	<u>2,285,838</u>	<u>417,838</u>
Total Expenditures	3,134,761	1,149,312	4,284,073	3,580,015	704,058
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO THE REQUIRED**  
**SUPPLEMENTARY INFORMATION – PART II**

MORRIS SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 (C-series)	(C-1)	\$ 107,602,752	(C-2)	\$ 3,580,015
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. Net				(20)
State aid payment recognized for budgetary purposes, not recognized for GAAP statements.		(2,257,740)		
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		<u>1,819,652</u>		
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)</b>	<b>(B-2)</b>	<b><u><u>107,164,664</u></u></b>	<b>(B-2)</b>	<b><u><u>3,579,995</u></u></b>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule Includes( rounding differences)	(C-1)	101,137,220	(C-2)	3,580,015
Differences - budget to GAAP				
The district budgets for claims and compensated absences, only to the extent expected to be paid, rather than on the modified accrual basis.				
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes. Net				(20)
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</b>	<b>(B-2)</b>	<b><u><u>101,137,220</u></u></b>	<b>(B-2)</b>	<b><u><u>3,579,995</u></u></b>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PART III**



**SCHEDULES RELATED TO ACCOUNTING AND  
REPORTING FOR PENSIONS (GASB 68)**

**SECTION – L**

**(Section numbering as per N.J. Department of Education  
2014-2015 Audit Program)**

MORRIS SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2013</u>	<u>2014</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.163223%	0.156220%	0.151854%
District's Proportionate Share of the Net Pension Liability	\$31,195,109	\$29,248,653	\$34,088,177
District's Covered-Employee Payroll	\$10,045,414	\$10,250,422	\$9,879,763
District's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	310.54%	285.34%	345.03%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	52.08%	47.93%

\* Amounts presented for each fiscal year were determined as of June 30.

MORRIS SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 1,229,850	\$ 1,287,855	\$ 1,305,537
Contribution in Relation to Contractually Required Contribution	<u>\$ (1,229,850)</u>	<u>\$ (1,287,855)</u>	<u>\$ (1,305,537)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's Proportionate Share of the Payroll	\$ 11,262,363	\$ 10,804,153	\$ 10,952,492
Contributions as a percentage of Covered Employee Payroll	10.92%	11.92%	11.92%

\* Amounts presented for each fiscal year were determined as of June 30.

MORRIS SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY  
TEACHERS PENSION AND ANNUITY FUND ( Non-State Employer Group)

Last 10 Fiscal Years\*

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Proportion of the Non-State Employer Group Net Pension Liability attributable to the District	0.408649%	0.399083%	0.393263%
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group	\$206,528,007	\$213,296,708	\$248,558,926
District's Covered-Employee Payroll	\$37,471,580	\$38,236,306	\$39,593,507
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group as a percentage of the District's Covered-Employee Payroll	551.16%	557.84%	627.78%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	33.76%	33.64%	28.71%

\* Amounts presented for each fiscal year were determined as of June 30.

Note: Percentages shown are Plan-wide, and include NPL and PFNP data that include employees of the State of New Jersey.

**NOTES TO THE REQUIRED**  
**SUPPLEMENTARY INFORMATION – PART III**

**MORRIS SCHOOL DISTRICT  
COUNTY OF MORRIS, NEW JERSEY**

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION  
JUNE 30, 2016**

**NOTE 1. CHANGES IN ASSUMPTIONS**

Net pension liabilities for the year ended June 30, 2015 were based on RP-2000 mortality tables utilizing actuarial experience studies covering the following periods:

TPAF: July 1, 2009 to June 30, 2012

PERS: July 1, 2008 to June 30, 2011

**OTHER SUPPLEMENTARY INFORMATION**

**SCHOOL LEVEL SCHEDULES**

**SECTION – D**



**SPECIAL REVENUE FUND**

**SECTION – E**

MORRIS SCHOOL DISTRICT  
 SPECIAL REVENUE FUND  
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Total Brought Forward (Ex. E-1a)	Title I Part A 2015-2016	I.D.E.A. Part B Basic Regular 2015-2016	Title I Part D 2015-2016	Title III IMMIGRANT 2015-2016	Title III REGULAR 2015-2016	Totals 2016
<b>REVENUES:</b>							
State Sources	\$ 953,240	\$	\$	\$	\$	\$	\$ 953,240
Federal Sources	234,530	468,291	1,481,371	68,535	58,032	99,874	2,410,633
Local Sources	216,142						216,142
<b>Total Revenues</b>	<b>1,403,912</b>	<b>468,291</b>	<b>1,481,371</b>	<b>68,535</b>	<b>58,032</b>	<b>99,874</b>	<b>3,580,015</b>
<b>EXPENDITURES:</b>							
Instruction:							
Salaries of Teachers	236,272	368,849	32,202	54,855	46,448	10,062	748,688
Salaries of Other Professional Staff	6,244		25,050				31,294
Other Salaries for Instruc.	6,600						6,600
Purch. Prof. - Educ. Services	134,979						134,979
Other Purch. Services							
General Supplies	207,587	8,551	33,091			10,174	259,403
Textbooks	113,213						113,213
Other Objects							
<b>Total Instruction</b>	<b>704,895</b>	<b>377,400</b>	<b>90,343</b>	<b>54,855</b>	<b>46,448</b>	<b>20,236</b>	<b>1,294,177</b>
Support Services:							
Salaries of Teachers			124,859			62,991	124,859
Salaries of Other Prof. Staff		5,000					67,991
Salaries of Sec. & Clerical Asst.		1,787					1,787
Other Salaries		1,919					1,919
Personal Services - Empl. Benefits	30,205	82,185	31,716	13,680	11,584	16,480	185,850
Purch. Prof. - Educ. Services	591,090		199,244				790,334
Other Purch. Prof. Services							
Purch. Technical Services	4,300		1,030,000				4,300
Tuition	49,995						1,079,995
Transportation							
Travel	4,541		5,209			167	9,917
Supplies and Materials	18,886						18,886
<b>Total Support Services</b>	<b>699,017</b>	<b>90,891</b>	<b>1,391,028</b>	<b>13,680</b>	<b>11,584</b>	<b>79,638</b>	<b>2,285,838</b>
<b>Total Expenditures</b>	<b>\$ 1,403,912</b>	<b>\$ 468,291</b>	<b>\$ 1,481,371</b>	<b>\$ 68,535</b>	<b>\$ 58,032</b>	<b>\$ 99,874</b>	<b>\$ 3,580,015</b>

MORRIS SCHOOL DISTRICT  
 SPECIAL REVENUE FUND  
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONTD)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Total Brought Forward (Ex. E-1b)	IDEA PRESCHOOL 2015-2016	TITLE II 2015-2016	CARL PERKINS	Total Carried Forward
<u>REVENUES:</u>					
State Sources	\$ 953,240	\$ 49,995	\$ 157,502	\$ 27,033	\$ 953,240
Federal Sources	216,142				234,530
Local Sources	1,169,382	49,995	157,502	27,033	216,142
Total Revenues					1,403,912
<u>EXPENDITURES:</u>					
Instruction:					
Salaries of Teachers	128,424		107,783	65	236,272
Salaries of Other Professional Staff	6,244				6,244
Other Salaries for Instruc.	6,600				6,600
Purch. Prof. - Educ. Services	132,444			2,535	134,979
Other Purch. Services	184,982			22,605	207,587
General Supplies	113,213				113,213
Textbooks					
Other Objects					
Total Instruction	571,907		107,783	25,205	704,895
Support Services:					
Salaries of Teachers					
Salaries of Other Prof. Staff					
Salaries of Sec. & Clerical Asst.					
Other Salaries					
Personal Services - Empl. Benefits	3,319		26,881	5	30,205
Purch. Prof. - Educ. Services	570,990		20,100		591,090
Other Purch. Prof. Services					
Purch. Technical Services	4,300				4,300
Tuition		49,995			49,995
Transportation					
Travel	700		2,738	1,103	4,541
Supplies and Materials	18,166			720	18,886
Miscellaneous Expenditures					
Total Support Services	597,475	49,995	49,719	1,828	699,017
Total Expenditures	\$ 1,169,382	\$ 49,995	\$ 157,502	\$ 27,033	\$ 1,403,913

MORRIS SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Total Brought Forward (Ex. E-1c)	N.J. Auxiliary Services Ch. 192 Home Instruction	Compensatory Education	N.J. Supplemental Instruction	Nonpublic Handicapped Services Ch. 193 Examination & Classification	Corrective Speech	Nonpublic Nursing	Nonpublic Technology	Nonpublic Textbooks	Nonpublic Security	Total Carried Forward
<b>REVENUES:</b>											
State Sources	\$ 234,300	\$ 5,432	\$ 57,530	\$ 30,371	\$ 81,305	\$ 59,615	\$ 239,040	\$ 69,004	\$ 113,213	\$ 63,430	\$ 953,240
Federal Sources	216,142										216,142
Local Sources	450,442	5,432	57,530	30,371	81,305	59,615	239,040	69,004	113,213	63,430	1,169,382
<b>EXPENDITURES:</b>											
Instruction:											
Salaries of Teachers	128,424										128,424
Salaries of Other Professional Staff	5,384	660									6,244
Other Salaries for Instruc.	6,600										6,600
Purch. Prof. - Educ. Services	33,871	4,772		30,371						63,430	132,444
Other Purch. Services											
General Supplies	115,978							69,004			184,982
Textbooks									113,213		113,213
Other Objects											
Total Instruction	290,457	5,432		30,371				69,004	113,213	63,430	571,907
Support Services:											
Salaries of Teachers											
Salaries of Other Prof. Staff	3,319										3,319
Personal Services - Empl. Benefits	133,500				81,305	59,615	239,040				570,990
Purch. Prof. - Educ. Services			57,530								
Other Purch. Prof. Services											
Purch. Technical Services	4,300										4,300
Tuition											
Transportation											
Travel	700										700
Supplies and Materials	18,166										18,166
Miscellaneous Expenditures											
Total Support Services	159,985		57,530		81,305	59,615	239,040				597,475
Total Expenditures	\$ 450,442	\$ 5,432	\$ 57,530	\$ 30,371	\$ 81,305	\$ 59,615	\$ 239,040	\$ 69,004	\$ 113,213	\$ 63,430	\$ 1,169,382

MORRIS SCHOOL DISTRICT  
 SPECIAL REVENUE FUND  
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONT'D)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Total Brought Forward (Ex. E-1d)	SANTORA FOUNDATION	NJSBAIG SAFETY GRANT	PRESCHOOL EDUCATION	Total Carried Forward
<b>REVENUES:</b>					
State Sources	\$	\$	\$	234,300	234,300
Federal Sources					
Local Sources	197,976	1,001	17,165		216,142
Total Revenues	197,976	1,001	17,165	234,300	450,442
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	45,724			82,700	128,424
Salaries of Other Professional Staff	5,584				5,584
Other Salaries for Instruc.				6,600	6,600
Purch. Prof. - Educ. Services	33,871				33,871
Other Purch. Services				11,500	
General Supplies	104,478				115,978
Textbooks					
Other Objects					
Total Instruction	189,657			100,800	290,457
Support Services:					
Salaries of Teachers					
Salaries of Other Prof. Staff					
Personal Services - Empl. Benefits	3,319			133,500	3,319
Purch. Prof. - Educ. Services					
Other Purch. Prof. Services					
Purch. Technical Services	4,300				4,300
Tuition					
Transportation					
Travel	700	1,001	17,165		700
Supplies and Materials					
Miscellaneous Expenditures					
Total Support Services	8,319	1,001	17,165	133,500	159,985
Total Expenditures	\$ 197,976	\$ 1,001	\$ 17,165	\$ 234,300	\$ 450,442

MORRIS SCHOOL DISTRICT  
 SPECIAL REVENUE FUND  
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONT'D)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	PFIZER	.HSA CLUBS	TARGET GRANT	BAYER	MORRIS EDUCATION FOUNDATION	Total Carried Forward
<u>REVENUES:</u>						
State Sources	\$	\$	\$	\$	\$	
Federal Sources						
Local Sources	5,584	43,943	700	30,118	117,631	197,976
Total Revenues	5,584	43,943	700	30,118	117,631	197,976
<u>EXPENDITURES:</u>						
Instruction:						
Salaries of Teachers		40,624			5,100	45,724
Salaries of Other Professional Staff	5,584					5,584
Other Salaries for Instruc.					33,871	33,871
Purch. Prof. - Educ. Services				30,118	74,360	104,478
Other Purch. Services						
General Supplies						
Textbooks						
Other Objects						
Total Instruction	5,584	40,624		30,118	113,331	189,657
Support Services:						
Salaries of Teachers						
Salaries of Other Prof. Staff						
Personal Services - Empl. Benefits		3,319				3,319
Purch. Prof. - Educ. Services						
Other Purch. Prof. Services					4,300	4,300
Purch. Technical Services						
Tuition						
Transportation			700			700
Travel						
Supplies and Materials						
Miscellaneous Expenditures						
Total Support Services		3,319	700		4,300	8,319
Total Expenditures	5,584	43,943	700	30,118	117,631	197,976

MORRIS SCHOOL DISTRICT  
 SPECIAL REVENUE FUND  
 PRESCHOOL EDUCATION AID  
 STATEMENT OF EXPENDITURES  
 BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>EXPENDITURES</u>			
Instruction:			
Salaries of Teachers	\$ 82,700	\$ 82,700	\$ -
Other Salaries for Instruc.	6,600	6,600	-
General Supplies	<u>11,500</u>	<u>11,500</u>	<u>-</u>
Total Instruction	<u>100,800</u>	<u>100,800</u>	<u>-</u>
Support Services:			
Purch. Prof. - Educ. Services	<u>133,500</u>	<u>133,500</u>	<u>-</u>
Total Support Services	<u>133,500</u>	<u>133,500</u>	<u>-</u>
Total Expenditures	<u>\$ 234,300</u>	<u>\$ 234,300</u>	<u>\$ -</u>
Total Revised 2015-16 Preschool Education Aid Allocation		\$ 234,300	
Actual Preschool Aid Carryover (June 30, 2015)		<u>-</u>	
Total Preschool Education Funds Available 2015-16 Budget		234,300	
Less: 2015-16 Budgeted Preschool Education Aid (Incl. Prior Year Budgeted Carryover)		<u>234,300</u>	
Available & Unbudgeted Preschool Education Funds as of June 30, 2016		-	
Add: June 30, 2016 Unexpended Preschool Education Aid		<u>                    </u>	
2015-2016 Actual Carryover - Preschool Education Aid		<u>                    </u>	
2015-16 Preschool Ed Aid Carryover Budgeted in 2016-2017		<u>\$                      </u>	

**CAPITAL PROJECTS FUND**

**SECTION – F**



MORRIS SCHOOL DISTRICT  
 SUMMARY STATEMENT OF PROJECT EXPENDITURES  
 CAPITAL PROJECTS FUND  
FISCAL YEAR ENDED JUNE 30, 2016

<u>PROJECT TITLE / ISSUE</u>	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>		<u>UNEXPENDED BALANCE</u>
		<u>PRIOR YEARS</u>	<u>CURRENT YEAR</u>	
<u>FY 2013</u>				
Transportation Retaining Wall	\$ 833,693	\$ 826,657	\$ 7,036	\$ -
<u>FY 2014</u>				
MHS Pool HVAC	527,490	530,409	(2,919)	-
MHS Expansion	10,755,000	1,090,105	7,204,577	2,460,318
AH Window	943,387	172,866	770,521	-
Sussex Repointing	63,320	5,667	57,653	-
<u>FY 2015</u>				
MHS Repointing	326,974	24,284	302,690	-
AH Repointing	31,272	4,664	26,608	-
MHS Fire Alarm Upgrade	720,700	53,050	588,990	78,660
<u>FY 2016</u>				
FMS Partial Roof	320,893		283,902	36,991
MHS Auditorium Lighting	200,000		4,142	195,858
MHS/SX Gym Bleachers	300,000		23,645	276,355
<b>Totals</b>	<b>\$ 15,022,729</b>	<b>\$ 2,707,702</b>	<b>\$ 9,266,845</b>	<b>\$ 3,048,182</b>

Analysis of Balance(s) - June 30, 2016:

2015/2016 Expenditures \$ 9,266,845

Reconciliation - Unexpended Capital Project Balances to Fund Balance - June 30, 2016:

Unexpended Project Balances June 30, 2016	\$ 3,048,182
Add (Less):	
Unearned State Aid/Grants	<u>(829,475)</u>
<b>Total Fund Balance (GAAP Basis) - June 30, 2016</b>	<b>\$ <u>2,218,707</u></b>

MORRIS SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGE IN FUND BALANCE - BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

Revenues and Other Financing Sources	
State Sources - SCC Grant	\$ 541,275
Bond proceeds and transfers	
Contribution from private source	
Transfer from capital reserve	1,051,510
Transfer from capital outlay	84,388
Total revenues	<u>1,677,173</u>
Expenditures and Other Financing Uses	
Purchased professional and technical services	444,445
Land and Improvements	
Construction services	8,822,400
Equipment purchases	
Total expenditures	<u>9,266,845</u>
Excess (deficiency) of revenues over (under) expenditures	(7,589,672)
Fund balance - beginning	10,349,654
<b>Fund balance - ending</b>	<b>\$ <u><u>2,759,982</u></u></b>

Reconciliation Fund Balance (Ending) Budgetary-GAAP:

Fund Balance - Budgetary Basis	\$ 2,759,982
Less:	
Unearned State Aid/Grants	<u>541,275</u>
<b>Fund Balance - GAAP Basis</b>	<b>\$ <u><u>2,218,707</u></u></b>

MORRIS SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
 TRANSPORTATION RETAINING WALL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$	\$	\$	\$
Bond proceeds and transfers				
Contribution from private source				
Transfer from capital reserve	832,657	1,036	833,693	833,693
Transfer from capital outlay			-	-
Total revenues	832,657	1,036	833,693	833,693
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	162,655	6,036	168,691	168,691
Land and Improvements			-	-
Construction services	664,002	1,000	665,002	665,002
Equipment purchases			-	-
Transfer to capital reserve				
Total expenditures	826,657	7,036	833,693	833,693
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 6,000</b>	<b>\$ (6,000)</b>	<b>\$ -</b>	<b>\$ -</b>

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$425,194
Additional Authorized Cost	\$408,499
Revised Authorized Cost	\$833,693
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	100%
Original target completion date	Sep-12
Revised target completions date	Completed

MORRIS SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
 MHS EXPANSION  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SCC Grant	\$	\$	\$	\$
Bond proceeds and transfers				
Contribution from private source				
Transfer from capital reserve	10,150,203		10,150,203	10,150,203
Transfer from capital outlay	<u>604,797</u>		<u>604,797</u>	<u>604,797</u>
Total revenues	<u>10,755,000</u>	<u>-</u>	<u>10,755,000</u>	<u>10,755,000</u>
 Expenditures and Other Financing Uses				
Purchased professional and technical services	843,209	356,738	1,199,947	1,080,000
Land and Improvements			-	-
Construction services	246,896	6,847,839	7,094,735	9,675,000
Equipment purchases			-	-
Transfer to capital reserve				
Total expenditures	<u>1,090,105</u>	<u>7,204,577</u>	<u>8,294,682</u>	<u>10,755,000</u>
 <b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ <u>9,664,895</u></b>	<b>\$ <u>(7,204,577)</u></b>	<b>\$ <u>2,460,318</u></b>	<b>\$ <u>-</u></b>

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$20,000
Additional Authorized Cost	\$10,735,000
Revised Authorized Cost	\$10,755,000

Percentage Increase over Original

Authorized Cost	N/A
Percentage completion	77%
Original target completion date	Sep-13
Revised target completions date	Sep-18

MORRIS SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
 AH WINDOW  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SCC Grant	\$	\$ 374,503	\$ 374,503	\$ 374,503
Bond proceeds and transfers			-	-
Contribution from private source			-	-
Transfer from capital reserve	75,000		75,000	75,000
Transfer from capital outlay	<u>581,250</u>	<u>(87,366)</u>	<u>493,884</u>	<u>493,884</u>
Total revenues	<u>656,250</u>	<u>287,137</u>	<u>943,387</u>	<u>943,387</u>
 Expenditures and Other Financing Uses				
Purchased professional and technical services	74,901	14,638	89,539	89,539
Land and Improvements			-	-
Construction services	97,965	755,883	853,848	853,848
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>172,866</u>	<u>770,521</u>	<u>943,387</u>	<u>943,387</u>
 <b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ <u>483,384</u></b>	<b>\$ <u>(483,384)</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>

Additional project information:

Project Number	3385-060-13-G2XG
Grant Date	03/31/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$75,000
Additional Authorized Cost	\$868,387
Revised Authorized Cost	\$943,387

Percentage Increase over Original

Authorized Cost	N/A
Percentage completion	100%
Original target completion date	Sep-13
Revised target completions date	Completed

MORRIS SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
 SUSSEX REPOINTING  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$	\$ 24,831	\$ 24,831	\$ 24,831
Bond proceeds and transfers			-	-
Contribution from private source			-	
Transfer from capital reserve	6,500		6,500	6,500
Transfer from capital outlay	40,500	(8,511)	31,989	31,989
Total revenues	<u>47,000</u>	<u>16,320</u>	<u>63,320</u>	<u>63,320</u>
 <b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	5,667	833	6,500	6,500
Land and Improvements			-	-
Construction services		56,820	56,820	56,820
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>5,667</u>	<u>57,653</u>	<u>63,320</u>	<u>63,320</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ <u>41,333</u></b>	<b>\$ <u>(41,333)</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>

Additional project information:

Project Number	3385-105-13-G2HD
Grant Date	03/31/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$6,500
Additional Authorized Cost	\$56,820
Revised Authorized Cost	\$63,320

Percentage Increase over Original

Authorized Cost	N/A
Percentage completion	100%
Original target completion date	Sep-13
Revised target completions date	Completed

MORRIS SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
MHS REPOINTING  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$	\$ 129,884	\$ 129,884	\$ 129,884
Bond proceeds and transfers			-	-
Contribution from private source			-	-
Transfer from capital reserve			-	-
Transfer from capital outlay			197,090	197,090
Total revenues	<u>213,000</u>	<u>(15,910)</u>	<u>197,090</u>	<u>197,090</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	24,284	4,980	29,264	29,264
Land and Improvements			-	-
Construction services		297,710	297,710	297,710
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>24,284</u>	<u>302,690</u>	<u>326,974</u>	<u>326,974</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ <u>188,716</u></b>	<b>\$ <u>(188,716)</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>

## Additional project information:

Project Number	3385-050-13-G2HB
Grant Date	03/31/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$142,000
Additional Authorized Cost	\$184,974
Revised Authorized Cost	\$326,974

## Percentage Increase over Original

Authorized Cost	N/A
Percentage completion	100%
Original target completion date	Sep-14
Revised target completions date	Completed

MORRIS SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
 ALEXANDER HAMILTON REPOINTING  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$	\$ 12,057	\$ 12,057	\$ 12,057
Bond proceeds and transfers			-	-
Contribution from private source			-	-
Transfer from capital reserve			-	-
Transfer from capital outlay	23,040	(3,825)	19,215	19,215
Total revenues	23,040	8,232	31,272	31,272
 <b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	4,664	965	5,629	5,629
Land and Improvements			-	-
Construction services		25,643	25,643	25,643
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	4,664	26,608	31,272	31,272
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 18,376</b>	<b>\$ (18,376)</b>	<b>\$ -</b>	<b>\$ -</b>

Additional project information:

Project Number	3385-060-14-G2XH
Grant Date	03/31/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$15,360
Additional Authorized Cost	\$15,912
Revised Authorized Cost	\$31,272

Percentage Increase over Original Authorized Cost	N/A
Percentage completion	100%
Original target completion date	Sep-14
Revised target completions date	Completed



MORRIS SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
MHS FIRE ALARM UPGRADE  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SCC Grant	\$	\$	\$ -	\$ 288,200
Bond proceeds and transfers			-	-
Contribution from private source			-	-
Transfer from capital reserve		432,500	432,500	432,500
Transfer from capital outlay			-	-
Total revenues	<u>-</u>	<u>432,500</u>	<u>432,500</u>	<u>720,700</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services	53,050	5,396	58,446	120,500
Land and Improvements			-	-
Construction services		583,594	583,594	600,200
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>53,050</u>	<u>588,990</u>	<u>642,040</u>	<u>720,700</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ <u>(53,050)</u></b>	<b>\$ <u>(156,490)</u></b>	<b>\$ <u>(209,540)</u></b>	<b>\$ <u>-</u></b>

## Additional project information:

Project Number	3385-050-14-G2HC
Grant Date	03/31/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$288,200
Additional Authorized Cost	\$432,500
Revised Authorized Cost	\$720,700

## Percentage Increase over Original

Authorized Cost	N/A
Percentage completion	89%
Original target completion date	Sep-14
Revised target completions date	Dec-17

MORRIS SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
FMS PARTIAL ROOF  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$	\$	\$ -	\$ -
Bond proceeds and transfers			-	-
Contribution from private source			-	
Transfer from capital reserve		320,893	320,893	320,893
Transfer from capital outlay			-	-
Total revenues	<u>-</u>	<u>320,893</u>	<u>320,893</u>	<u>320,893</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services		27,070	27,070	27,070
Land and Improvements			-	-
Construction services		256,832	256,832	293,823
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>-</u>	<u>283,902</u>	<u>283,902</u>	<u>320,893</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 36,991</b>	<b>\$ 36,991</b>	<b>\$ -</b>

## Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$320,893
Additional Authorized Cost	\$0
Revised Authorized Cost	\$320,893

## Percentage Increase over Original

Authorized Cost	N/A
Percentage completion	88%
Original target completion date	Sep-14
Revised target completions date	Sep-16

MORRIS SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
 MHS AUDITORIUM LIGHTING  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$	\$	\$	-
Bond proceeds and transfers				-
Contribution from private source				-
Transfer from capital reserve				-
Transfer from capital outlay		200,000	200,000	200,000
<b>Total revenues</b>	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services		4,142	4,142	20,000
Land and Improvements			-	-
Construction services			-	180,000
Equipment purchases			-	-
Transfer to capital reserve			-	-
<b>Total expenditures</b>	<u>-</u>	<u>4,142</u>	<u>4,142</u>	<u>200,000</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 195,858</u>	<u>\$ 195,858</u>	<u>\$ -</u>

Additional project information:

Project Number	N/A	
Grant Date	N/A	
Bond Authorization Date	N/A	
Bonds Authorized	N/A	
Bonds Issued	N/A	
Original Authorized Cost	\$200,000	
Additional Authorized Cost	\$0	
Revised Authorized Cost	\$200,000	

Percentage Increase over Original Authorized Cost	N/A	
Percentage completion	2%	
Original target completion date	Sep-14	
Revised target completions date	Dec-16	

MORRIS SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
 MHS/SX GYM BLEACHERS  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$	\$	\$ -	\$
Bond proceeds and transfers			-	
Contribution from private source			-	
Transfer from capital reserve		300,000	300,000	300,000
Transfer from capital outlay			-	
Total revenues	-	300,000	300,000	300,000
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services		23,645	23,645	30,000
Land and Improvements			-	-
Construction services			-	270,000
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	-	23,645	23,645	300,000
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	\$ 276,355	\$ 276,355	\$ -

Additional project information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$300,000
Additional Authorized Cost	\$0
Revised Authorized Cost	\$300,000

Percentage Increase over Original

Authorized Cost	N/A
Percentage completion	8%
Original target completion date	Sep-14
Revised target completions date	Sep-16

MORRIS SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
 MHS POOL HVAC  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$	\$	\$ -	\$
Bond proceeds and transfers			-	
Contribution from private source			-	
Transfer from capital reserve	530,409	(2,919)	527,490	527,490
Transfer from capital outlay			-	-
<b>Total revenues</b>	<b>530,409</b>	<b>(2,919)</b>	<b>527,490</b>	<b>527,490</b>
 <b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	41,409		41,409	41,409
Land and Improvements			-	-
Construction services	489,000	(2,919)	486,081	486,081
Equipment purchases			-	-
Transfer to capital reserve			-	-
<b>Total expenditures</b>	<b>530,409</b>	<b>(2,919)</b>	<b>527,490</b>	<b>527,490</b>
 <b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Additional project information:

Project Number	N/A	
Grant Date	N/A	
Bond Authorization Date	N/A	
Bonds Authorized	N/A	
Bonds Issued	N/A	
Original Authorized Cost	\$40,000	
Additional Authorized Cost	\$487,490	
Revised Authorized Cost	\$527,490	
 Percentage Increase over Original Authorized Cost	 N/A	
Percentage completion	100%	
Original target completion date	Sep-13	
Revised target completions date	Completed	

**PROPRIETARY FUNDS**

**SECTION – G**

**ENTERPRISE FUND**

MORRIS SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 ENTERPRISE FUND  
AS OF JUNE 30, 2016

	<u>FOOD SERVICE</u>	<u>COMMUNITY SCHOOL</u>	<u>TOTALS</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 184,515	\$ 1,310,225	\$ 1,494,740
Accounts Receivable:			
State	2,964		2,964
Federal	184,789		184,789
Other	14,996	61,406	76,402
Prepaid Expenses		45,038	45,038
Inventories	30,869		30,869
<b>Total Current Assets</b>	<u>418,133</u>	<u>1,416,669</u>	<u>1,834,802</u>
<b>Noncurrent Assets:</b>			
<b>Fixed Assets:</b>			
Equipment	641,623	16,528	658,151
Accumulated Depreciation	<u>(552,453)</u>	<u>(10,541)</u>	<u>(562,994)</u>
<b>Total Noncurrent Assets</b>	<u>89,170</u>	<u>5,987</u>	<u>95,157</u>
<b>Total Assets</b>	<u>\$ 507,303</u>	<u>\$ 1,422,656</u>	<u>\$ 1,929,959</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 117,066	102,580	\$ 219,646
Unearned Revenue	20,958	495,038	515,996
Interfunds Payable	269,805	397,403	667,208
<b>Total Current Liabilities</b>	<u>407,829</u>	<u>995,021</u>	<u>1,402,850</u>
<b>Noncurrent Liabilities:</b>			
Compensated Absences Payable		15,498	15,498
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>15,498</u>	<u>15,498</u>
<b>Total Liabilities</b>	<u>407,829</u>	<u>1,010,519</u>	<u>1,418,348</u>
<b>Net Position</b>			
Net Investment in Capital Assets	89,170	5,987	95,157
Unrestricted (Deficit)	10,304	406,150	416,454
<b>Total Net Position</b>	<u>\$ 99,474</u>	<u>\$ 412,137</u>	<u>\$ 511,611</u>



MORRIS SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION  
 ENTERPRISE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>FOOD SERVICE</u>	<u>COMMUNITY SCHOOL</u>	<u>TOTALS</u>
Operating Revenues:			
Charges for Daily Services:			
Daily Sales - Reimbursable Programs:			
School Lunch/Breakfast Program	\$ 527,826	\$	\$ 527,826
Total - Daily Sales-Reimbursable Programs	<u>527,826</u>		<u>527,826</u>
Special Functions	51,507		51,507
Program Fees		1,651,902	1,651,902
Total Operating Revenues	<u>579,333</u>	<u>1,651,902</u>	<u>2,231,235</u>
Operating Expenses:			
Salaries		1,127,683	1,127,683
Employee Benefits	45,956	161,499	207,455
Purchased Professional Services	806,657	98,305	904,962
Other Purchased Services	18,165	82,453	100,618
Supplies and Materials	4,907	80,335	85,242
Depreciation	8,021	830	8,851
Rent		102,229	102,229
Other Expenses	72,131	154,340	226,471
Cost of Sales	659,069		659,069
Total Operating Expenses	<u>1,614,906</u>	<u>1,807,674</u>	<u>3,422,580</u>
Operating Income (Loss)	<u>(1,035,573)</u>	<u>(155,772)</u>	<u>(1,191,345)</u>
Nonoperating Revenues:			
State Sources:			
State School Lunch Program	16,508		16,508
Federal Sources:			
National School Lunch Program	699,536		699,536
National School Breakfast Program	292,962		292,962
Food Distribution Program	125,828		125,828
Interest Revenue	213	1,475	1,688
Total Non-Operating Revenues	<u>1,135,047</u>	<u>1,475</u>	<u>1,136,522</u>
Change in Net Position	99,474	(154,297)	(54,823)
Total Net Position Beginning	<u>-</u>	<u>566,434</u>	<u>566,434</u>
Total Net Position Ending	<u>\$ 99,474</u>	<u>\$ 412,137</u>	<u>\$ 511,611</u>

MORRIS SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>FOOD SERVICE</u>	<u>COMMUNITY SCHOOL</u>	<u>TOTALS</u>
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 582,677	\$ 1,687,373	\$ 2,270,050
Cash Payments to Suppliers for Goods and Services	(1,352,646)	(76,395)	(1,429,041)
Cash Payments for Employee Benefits	(45,956)	(173,405)	(219,361)
Cash Payments to Employees for Services	(1,127,683)	(1,127,683)	(1,127,683)
Net Cash Provided by Operating Activities	<u>(815,925)</u>	<u>309,890</u>	<u>(506,035)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash Received from State and Federal Sources	1,028,120		1,028,120
Net Cash Provided by Non-Capital Financing Activities	<u>1,028,120</u>	<u>-</u>	<u>1,028,120</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchases of Capital Assets	(28,509)	(1,200)	(29,709)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(28,509)</u>	<u>(1,200)</u>	<u>(29,709)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on Deposits	213	1,475	1,688
Net Cash Provided by Investing Activities	<u>213</u>	<u>1,475</u>	<u>1,688</u>
Net Increase in Cash and Cash Equivalents	183,899	310,165	494,064
Cash and Cash Equivalents at Beginning of Year	616	1,000,060	988,228
Cash and Cash Equivalents at End of Year	<u>\$ 184,515</u>	<u>\$ 1,310,225</u>	<u>\$ 1,482,292</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income/(Loss)	\$ (1,035,573)	\$ (155,772)	\$ (1,191,345)
Adjustments to Reconcile Operating Income to Net cash Provided by Operating Income:			-
Depreciation Expense	8,021	830	8,851
Changes in Assets and Liabilities			
(Increase) Decrease in Prepaid Expenses		23,820	23,820
(Increase) Decrease in Accounts Receivable - Net	3,344	(21,127)	(17,783)
(Increase) Decrease in Inventory	(12,928)		(12,928)
Increase (Decrease) in Interfunds Payable	120,578	395,609	516,187
Increase (Decrease) in Compensated Absences		(11,906)	(11,906)
Increase (Decrease) in Accounts Payable	(46,153)	66,785	20,632
Increase (Decrease) in Unearned Revenue	20,958	11,651	32,609
Food Distribution Program	125,828		125,828
Net Cash Provided by Operating Activities	<u>\$ (815,925)</u>	<u>\$ 309,890</u>	<u>\$ (506,035)</u>

**INTERNAL SERVICE FUND**

**FIDUCIARY FUNDS**

**SECTION - H**

MORRIS SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 FOR YEAR ENDED JUNE 30, 2016

	<u>TRUST FUND</u>			
	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>PRIVATE PURPOSE SCHOLARSHIP</u>	<u>STUDENT ACTIVITY</u>	<u>AGENCY FUND PAYROLL</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 2,066,689	\$ 128,412	\$ 142,020	\$ 2,300,535
<b>Total Assets</b>	<b>\$ 2,066,689</b>	<b>\$ 128,412</b>	<b>\$ 142,020</b>	<b>\$ 2,300,535</b>
<u>LIABILITIES AND NET POSITION</u>				
Liabilities:				
Accounts Payable	\$ 1,317			\$ 2,300,535
Payroll Deductions and Withholdings Due to Student Groups			142,020	
Total Liabilities	1,317	-	142,020	2,300,535
Net Position:				
Held in trust for unemployment claims and other purposes	2,065,372			
Reserved for Scholarships		128,412		
Total Net Position	\$ 2,065,372	\$ 128,412		

MORRIS SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	TRUST FUND	
	<u>UNEMPLOYMENT COMPENSATION</u>	<u>PRIVATE PURPOSE SCHOLARSHIP</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 91,312	
Other		22,707
	<u>91,312</u>	<u>22,707</u>
Total Contributions	<u>91,312</u>	<u>22,707</u>
Investment Earnings:		
Interest	828	135
	<u>828</u>	<u>135</u>
Total investment earnings	<u>828</u>	<u>135</u>
Total Additions	<u>92,140</u>	<u>22,842</u>
DEDUCTIONS		
Unemployment Claims	83,647	
Scholarships Awarded		22,300
	<u>83,647</u>	<u>22,300</u>
Total Deductions	<u>83,647</u>	<u>22,300</u>
Change in Net Position	<u>8,493</u>	<u>542</u>
Net Position - beginning of the year	<u>2,056,879</u>	<u>127,870</u>
Net Position - end of the year	<u>\$ 2,065,372</u>	<u>\$ 128,412</u>

MORRIS SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>ELEMENTARY SCHOOLS:</u>	<u>BALANCE JUNE 30, 2015</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2016</u>
Thomas Jefferson	\$ 4,196	\$ 5,019	\$ 6,576	\$ 2,639
Woodland	1,144	3,929	3,819	1,254
Sussex Ave.	111	5,084	4,866	329
Alfred Vail	1,267	5,220	5,259	1,228
Hillcrest	1,178	5,336	6,190	324
Normandy Park	1,254	6,888	6,159	1,983
Alexander Hamilton	1,678	7,100	7,522	1,256
Coins for a Cause	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total Elementary Schools	<u>10,829</u>	<u>38,576</u>	<u>40,391</u>	<u>9,014</u>
 <u>MIDDLE SCHOOLS:</u>				
Frelinghuysen MS	<u>31,984</u>	<u>77,796</u>	<u>73,891</u>	<u>35,889</u>
 <u>HIGH SCHOOLS:</u>				
Morristown High School	<u>111,773</u>	<u>312,922</u>	<u>327,578</u>	<u>97,117</u>
<b>Total All Schools</b>	<b><u>\$ 154,586</u></b>	<b><u>\$ 429,294</u></b>	<b><u>\$ 441,860</u></b>	<b><u>\$ 142,020</u></b>

MORRIS SCHOOL DISTRICT  
 PAYROLL AGENCY FUND  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>BALANCE</u> JUNE 30, 2015	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> JUNE 30, 2016
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>2,198,069</u>	\$ <u>67,801,911</u>	\$ <u>67,699,445</u>	\$ <u>2,300,535</u>
<b>Total Assets</b>	\$ <u><b>2,198,069</b></u>	\$ <u><b>67,801,911</b></u>	\$ <u><b>67,699,445</b></u>	\$ <u><b>2,300,535</b></u>
<u>LIABILITIES</u>				
Payroll Deductions and Withholdings	\$ <u>2,198,069</u>	\$ <u>67,801,911</u>	<u>67,699,445</u>	\$ <u>2,300,535</u>
<b>Total Liabilities</b>	\$ <u><b>2,198,069</b></u>	\$ <u><b>67,801,911</b></u>	\$ <u><b>67,699,445</b></u>	\$ <u><b>2,300,535</b></u>



**LONG-TERM DEBT**

**SECTION - I**

MORRIS SCHOOL DISTRICT  
 SCHEDULE OF SERIAL BONDS  
 LONG-TERM DEBT  
JUNE 30, 2016

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES DATE	AMOUNT	INTEREST RATE	BALANCE JUNE 30, 2015	RETIRED	BALANCE JUNE 30, 2016
School Refunding Bonds - Series 2007	11/14/07	\$ 6,820,000	03/15/17	\$ 670,000	5.000%	\$ 2,765,000	\$ 750,000	\$ 2,015,000
			03/15/18	670,000	5.000%			
			03/15/19	675,000	4.000%			
<b>Total</b>						<b>\$ 2,765,000</b>	<b>\$ 750,000</b>	<b>\$ 2,015,000</b>

MORRIS SCHOOL DISTRICT  
 STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES  
 LONG-TERM DEBT  
JUNE 30, 2016

PURPOSE	DATE OF LEASE	TERM OF LEASE	AMOUNT OF ORIGINAL LEASE PRINCIPAL	INTEREST	INTEREST RATE	BALANCE JUNE 30, 2015	ADDITIONS	RETIRED	BALANCE JUNE 30, 2016
2 Postage Machines	10/01/10	5 Years	\$ 37,734	\$ -		2,359		2,359	-
9 Copy Machines	11/01/10	5 Years	84,196	11,924	5.33%	6,408		6,408	-
Various Equipment	09/01/11	5 Years	105,825	13,939	4.97%	27,945		23,953	3,992
Various Equipment	11/01/11	5 Years	17,077	2,884	6.31%	5,323		3,992	1,331
Various Equipment	07/01/12	5 Years	66,814	5,786	5.30%	29,040		14,520	14,520
Various Equipment	09/01/13	5 Years	62,985	10,095	5.34%	46,284		14,616	31,668
Various Equipment	09/01/14	5 Years	73,744	9,551	4.90%	69,412		16,659	52,753
Various Equipment	07/01/15	5 Years	58,872	7,126	4.59%		65,998	12,099	53,899
Copy Machine	01/01/16	5 Years	17,202	2,066	4.59%		19,268	1,606	17,662
<b>Total</b>						<b>\$ 186,771</b>	<b>\$ 85,266</b>	<b>\$ 96,212</b>	<b>\$ 175,825</b>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual (GAAP Basis)	Variance Positive (Negative) Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 664,905	\$	664,905	\$ 664,905	\$
Total - Local Sources	664,905		664,905	664,905	
State Sources:					
Debt Service Aid - Type II	216,595		216,595	216,595	
Total - State Sources	216,595		216,595	216,595	
Total Revenues	881,500		881,500	881,500	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest Payments - Bonds	131,500		131,500	131,500	
Redemption of Bond Principal	750,000		750,000	750,000	
Total Expenditures	881,500		881,500	881,500	
Excess (Deficiency) of Revenues Over (Under) Expenditures	-		-	-	
Fund Balances, July 1	1		1	1	
<b>Fund Balances, June 30</b>	<b>1</b>	<b>\$</b>	<b>1</b>	<b>\$ 1</b>	<b>\$</b>

**STATISTICAL SECTION**

**SECTION – J**

## Financial Trends

Morris School District  
 Net Position by Component,  
 Last Ten Fiscal Years  
 Unaudited  
*(accrual basis of accounting)*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net Investment in capital assets	\$ 20,664,877	\$ 20,822,948	\$ 20,238,650	\$ 22,464,228	\$ 23,540,438	\$ 27,001,462	\$ 29,494,829	\$ 32,902,621	\$ 34,762,605	\$ 43,696,718
Restricted	6,645,285	9,738,707	9,733,392	14,680,063	14,276,096	16,999,113	16,211,969	26,706,016	30,024,003	23,910,031
Unrestricted	158,909	(1,341,431)	1,354,327	(4,777,120)	41,629	1,344,484	5,646,252	(32,520,686)	(32,984,938)	(31,840,835)
Total governmental activities net position/net assets	\$ 27,469,071	\$ 29,220,224	\$ 31,326,369	\$ 32,367,171	\$ 37,858,163	\$ 45,345,059	\$ 51,353,050	\$ 27,087,951	\$ 31,801,670	\$ 35,765,914
<b>Business-type activities</b>										
Net Investment in capital assets	\$ 22,904	\$ 22,831	\$ 18,207	\$ 65,338	\$ 87,599	\$ 105,258	\$ 95,899	\$ 107,935	\$ 74,299	\$ 95,157
Unrestricted	377,584	404,810	605,358	637,792	779,534	779,654	925,849	388,386	492,135	416,454
Total business-type activities net position/net assets	\$ 400,488	\$ 427,641	\$ 623,565	\$ 703,130	\$ 867,133	\$ 884,912	\$ 1,021,748	\$ 496,321	\$ 566,434	\$ 511,611
<b>District-wide</b>										
Net Investment in capital assets	\$ 20,687,781	\$ 20,845,779	\$ 20,256,857	\$ 22,529,566	\$ 23,628,037	\$ 27,106,720	\$ 29,590,728	\$ 33,010,556	\$ 34,836,904	\$ 43,791,875
Restricted	6,645,285	9,738,707	9,733,392	14,680,063	14,276,096	16,999,113	16,211,969	26,706,016	30,024,003	23,910,031
Unrestricted	536,493	(936,621)	1,959,685	(4,139,328)	821,163	2,124,138	6,572,101	(32,132,300)	(32,492,803)	(31,424,381)
Total district net position/net assets	\$ 27,869,559	\$ 29,647,865	\$ 31,949,934	\$ 33,070,301	\$ 38,725,296	\$ 46,229,971	\$ 52,374,798	\$ 27,584,272	\$ 32,368,104	\$ 36,277,525

Source: CAFR Schedule A-1

Note: Reflects Implementation of GASB 68 for 2014 and subsequent years

Morris School District  
 Changes in Net Position/Net Assets, Last Ten Fiscal Years  
 Unaudited  
*facrual basis of accounting*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 24,559,670	\$ 25,220,172	\$ 27,669,918	\$ 29,354,756	\$ 27,466,369	\$ 26,641,131	\$ 28,339,724	\$ 28,269,563	\$ 28,387,065	\$ 29,227,127
Special education	9,387,568	8,676,992	7,986,210	6,002,654	7,505,971	7,403,544	7,403,544	7,534,259	7,781,595	8,133,686
Other special education	2,476,835	2,458,168	3,107,969	2,668,521	1,808,002	1,622,266	1,496,020	1,508,020	1,496,083	1,894,853
Other instruction	1,584,256	1,596,919	1,617,064	1,516,716	1,372,398	1,282,083	1,233,558	1,282,881	1,371,203	1,391,027
Support Services:										
Tuition	5,384,802	5,698,645	5,514,189	5,104,929	5,491,794	5,661,436	5,240,128	5,718,344	5,628,722	5,846,949
Student & instruction related services	11,225,989	12,616,202	12,961,905	14,675,746	13,531,382	13,271,969	14,126,628	13,713,695	14,330,155	14,443,418
General administrative services	2,196,166	2,488,132	2,587,283	2,685,799	2,378,544	3,165,353	3,176,661	3,251,357	3,384,791	3,312,990
School administrative services	2,648,908	2,615,342	2,677,054	3,104,689	3,049,380	2,719,314	3,025,750	2,770,823	2,832,511	3,016,712
Unallocated Benefits	20,151,987	21,608,662	17,215,619	18,659,036	19,616,582	20,179,876	22,097,857	20,932,645	21,966,032	25,046,260
Plant operations and maintenance	8,257,745	8,492,806	8,749,248	7,860,570	7,350,373	7,249,905	6,688,214	7,393,248	7,784,633	7,443,979
Pupil transportation	6,010,028	6,157,085	6,296,923	6,282,479	5,765,837	5,774,002	5,842,404	6,019,131	6,041,059	6,249,298
Special Schools	47,406	85,496	91,661	97,606	97,606					
Interest on long-term debt	425,164	390,200	357,498	332,919	297,021	265,992	233,418	196,352	157,708	120,563
Unallocated depreciation	374,418	151,214	68,370	163,927	175,886	149,010	172,922	159,496	162,785	192,659
Total governmental activities expenses	94,720,962	98,256,035	96,900,911	97,910,347	95,621,803	95,573,731	99,246,318	98,769,814	101,324,342	106,349,321
Business-type activities:										
Food service	1,686,480	1,813,075	1,802,512	1,844,712	1,802,122	2,012,988	2,040,754	2,184,170	1,950,021	1,614,906
Community School	1,207,686	1,359,867	1,363,231	1,422,863	1,420,350	1,509,497	1,523,104	2,249,326	1,651,378	1,807,674
Total business-type activities expense	2,894,166	3,152,942	3,167,743	3,267,575	3,222,472	3,522,485	3,563,858	4,433,496	3,601,399	3,422,580
Total district expenses	\$ 97,625,128.00	\$ 101,408,977.00	\$ 100,068,654.00	\$ 101,177,922.00	\$ 98,844,275.00	\$ 99,096,216.00	\$ 102,810,176.00	\$ 103,203,310.00	\$ 104,923,741.00	\$ 109,772,101.00
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Business and other support services	8,747,735	8,782,715	5,661,060	5,874,425	5,895,285	6,931,352	8,748,281	18,324,772	18,867,263	20,675,124
Operating grants and contributions	8,747,735	8,782,715	5,661,060	5,874,425	5,895,285	6,931,352	8,748,281	18,324,772	18,867,263	20,675,124
Total governmental activities program revenues										
Business-type activities:										
Charges for services										
Food service	867,828	872,612	885,542	888,683	862,559	798,012	744,119	742,271	660,566	579,333
Community School	1,362,389	1,388,247	1,532,706	1,510,954	1,579,978	1,524,873	1,658,694	1,721,927	1,719,989	1,651,902
Operating grants and contributions	586,800	631,366	684,504	782,515	860,749	953,495	985,958	1,074,132	1,153,151	1,134,834
Total business-type activities program revenues	2,817,017	2,892,225	3,102,752	3,182,152	3,303,286	3,276,380	3,388,771	3,538,330	3,533,706	3,366,069
Total district program revenues	\$ 11,564,752.00	\$ 11,674,940.00	\$ 8,763,812.00	\$ 9,056,577.00	\$ 9,198,571.00	\$ 10,207,732.00	\$ 12,137,052.00	\$ 21,866,102.00	\$ 22,400,969.00	\$ 24,041,193.00
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (85,983,227)	\$ (89,473,320)	\$ (91,239,851)	\$ (92,035,922)	\$ (89,726,518)	\$ (88,642,379)	\$ (90,498,037)	\$ (80,445,042)	\$ (82,457,079)	\$ (85,674,397)
Business-type activities	(77,149)	(260,717)	(64,991)	(85,423)	80,814	(246,105)	(175,087)	(895,166)	(67,693)	(56,511)
Total district-wide net expense	\$ (86,060,376)	\$ (89,734,037)	\$ (91,304,842)	\$ (92,121,345)	\$ (89,645,704)	\$ (88,888,484)	\$ (90,673,124)	\$ (81,340,208)	\$ (82,524,772)	\$ (85,730,908)
<b>General Revenues and Other Changes in Net Position/Net Assets</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 71,829,348	\$ 74,593,144	\$ 77,058,100	\$ 76,445,575	\$ 79,468,289	\$ 80,807,655	\$ 80,807,655	\$ 82,423,847	\$ 83,248,085	\$ 85,246,039
Taxes levied for debt service	1,005,812	980,932	940,370	902,895	940,450	871,393	863,548	863,548	685,270	664,905
Unrestricted grants and contributions	10,897,897	11,591,539	12,318,799	10,635,779	9,733,264	10,512,791	10,769,607	153,828	296,780	609,684
Payments in lieu of taxes (tuition)	3,235,339	3,730,351	3,166,688	5,249,858	4,625,182	4,473,185	4,666,255	4,362,470	3,962,529	4,029,709
Investment earnings	644,283	699,381	603,444	211,478	187,886	500,381	450,036	824,673	212,423	400,698
Miscellaneous income	186,695	247,454	273,292	140,252	185,681	122,903	66,814			
Transfers	(599,429)	(618,328)	(828,832)	(694,982)	(675,523)	(1,205,128)	(1,125,732)	(1,196,555)	(1,234,289)	(1,312,394)
Total governmental activities	87,199,945	91,224,473	93,531,861	92,890,855	94,296,129	96,129,275	96,506,028	87,431,811	87,170,798	89,638,641
Business-type activities:										
Investment earnings	11,181	44,187	34,219	13,120	5,414	2,992	1,971	2,440	1,743	1,688
Miscellaneous earnings										
Transfers	230,821	298,020	226,695	151,868	77,774	260,892	309,952	367,299	136,063	
Total business-type activities	242,002	342,207	260,914	164,988	83,188	263,884	311,923	369,739	137,806	1,688
Total district-wide	\$ 87,441,947	\$ 91,566,680	\$ 93,792,775	\$ 93,055,843	\$ 94,379,317	\$ 96,393,159	\$ 96,817,951	\$ 87,801,550	\$ 87,308,604	\$ 89,640,329
<b>Change in Net Position/Net Assets</b>										
Governmental activities	\$ 1,216,718	\$ 1,751,153	\$ 2,292,010	\$ 854,933	\$ 4,569,611	\$ 7,486,896	\$ 6,007,991	\$ 6,986,769	\$ 4,713,719	\$ 3,964,244
Business-type activities	164,853	81,490	195,923	79,565	164,003	17,779	136,836	(525,427)	70,113	(54,823)
Total district	\$ 1,381,571	\$ 1,832,643	\$ 2,487,933	\$ 934,498	\$ 4,733,614	\$ 7,504,675	\$ 6,144,827	\$ 6,461,342	\$ 4,783,832	\$ 3,909,421

Source: CAFR Schedule A-2



Morris School District  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
Unaudited  
*(modified accrual basis of accounting)*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Restricted	\$ 11,238,236	\$ 12,793,190	\$ 12,235,395	\$ 13,859,734	\$ 11,397,332	\$ 16,999,112	\$ 16,211,969	\$ 23,506,957	\$ 19,674,349	\$ 21,691,324
Committed						332,766	255,390	256,124	356,771	538,983
Assigned				2,944,943		2,773,059	5,488,514	1,170,607	1,570,516	2,752,000
Unassigned	1,299,779	1,664,586	4,635,012	1,390,399	1,520,217	1,266,338	1,311,052	1,311,515	210,331	484,887
Total general fund	\$ 12,538,015	\$ 14,457,776	\$ 16,870,407	\$ 15,250,133	\$ 15,862,492	\$ 21,371,275	\$ 23,266,925	\$ 26,245,203	\$ 21,811,967	\$ 25,467,194
All Other Governmental Funds										
Reserved	\$ 185,194	\$ 260,684	\$	\$ 113,618	\$	\$ 1,330,575	\$ 2,695,033	\$ 3,199,059	\$ 10,349,654	\$ 2,218,707
Committed										
Unassigned, reported in:										
Special revenue fund	(51,437)	(51,422)								
Capital projects fund	292,663	28,305	238,989	250,511						
Debt service fund	15,212	39,993	28,393							
Total all other governmental funds	\$ 441,632	\$ 277,560	\$ 267,382	\$ 364,129	\$ -	\$ 1,330,576	\$ 2,695,034	\$ 3,199,060	\$ 10,349,655	\$ 2,218,708

Morris School District  
Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Tax levy	\$72,835,160	\$ 75,574,076	\$ 77,998,470	\$ 77,348,470	\$ 80,408,739	\$ 81,725,143	\$ 81,679,048	\$ 83,287,395	\$ 83,933,355	\$ 85,910,944
Tuition charges	3,235,339	3,730,351	4,118,787	5,052,922	4,625,182	4,473,185	4,666,255	4,362,470	3,962,529	4,029,709
Miscellaneous	830,978	847,412	918,943	351,730	220,454	293,398	268,313	824,673	212,423	400,698
Local sources	90,476	96,423	99,542	653,533	249,463	206,983	181,723	111,633	216,109	216,142
State sources	17,365,684	18,131,511	15,103,676	13,021,649	11,952,227	14,471,467	16,719,016	15,852,446	16,887,795	18,479,127
Federal sources	2,189,472	2,245,743	2,066,743	3,031,958	3,426,859	2,972,676	2,798,872	2,514,521	2,591,004	2,589,539
Total revenue	96,547,109	100,625,516	100,306,161	99,460,262	100,882,924	104,142,852	106,313,227	106,953,138	107,803,215	111,626,159
<b>Expenditures</b>										
Instruction										
Regular instruction	23,504,145	24,182,626	26,177,155	28,013,564	26,595,502	25,575,527	27,080,647	27,012,226	27,021,640	27,569,631
Special education instruction	9,320,814	8,655,795	7,871,986	6,033,270	7,437,821	7,405,658	7,403,544	7,534,259	7,781,595	8,153,686
Other special instruction	2,452,409	2,447,892	3,038,265	2,259,620	1,648,646	1,808,002	1,665,510	1,508,020	1,496,083	1,894,853
Other instruction	1,584,267	1,595,299	1,632,232	1,510,789	1,398,293	1,282,083	1,233,558	1,282,881	1,371,203	1,391,027
Support Services:										
Tuition	5,384,802	5,698,645	5,514,189	5,104,929	5,491,794	5,661,436	5,240,128	5,718,344	5,628,722	5,846,949
Student & instruction related services	11,160,478	12,659,100	12,894,528	15,462,628	13,555,244	13,271,969	14,126,628	13,713,695	14,330,155	14,443,418
Other administrative services	2,209,072	2,457,672	2,678,674	3,042,325	2,403,057	3,165,353	3,176,661	2,770,823	2,832,511	3,312,990
School Administrative services	2,602,064	2,597,384	2,688,528	2,737,770	3,051,208	2,719,314	3,025,750	3,251,357	3,384,791	3,016,712
Plant operations and maintenance	8,137,969	8,714,501	8,271,667	7,819,622	7,292,802	7,249,905	7,077,611	7,456,233	7,858,377	7,520,053
Pupil transportation	5,981,581	6,149,953	6,296,899	6,276,228	5,755,818	5,774,002	5,842,404	6,019,131	6,041,059	6,249,298
Unallocated employee benefits	20,133,755	21,575,931	17,685,893	18,639,109	19,616,582	19,975,591	22,355,941	21,050,299	22,638,339	24,538,580
Special Schools	47,406	85,496	91,661	97,606						
Capital outlay	1,484,407	477,242	1,362,008	2,125,502	1,826,848	4,096,409	2,786,532	3,957,666	2,632,336	10,046,862
Debt service:										
Principal	820,000	855,000	820,000	830,000	835,000	840,000	815,000	855,000	740,000	750,000
Interest and other charges	429,358	347,554	365,595	335,845	305,645	274,783	243,320	207,330	168,500	131,500
Total expenditures	95,252,527	98,500,090	97,389,280	100,288,807	97,214,260	99,100,032	102,073,234	102,337,264	103,925,311	114,865,559
Excess (Deficiency) of revenues over (under) expenditures	1,294,582	2,125,426	2,916,881	(828,545)	3,668,664	5,042,820	4,239,993	4,615,874	3,877,904	(3,239,400)
<b>Other Financing sources (uses)</b>										
Capital leases (non-budgeted)										
Capital Asset - Super Storm Sandy							66,814	62,985	73,744	76,074
Transfers in	523,629	402,923	54,938	1,046,159	3,405,026	1,802,239	3,198,178	3,630,734	8,937,439	1,135,898
Transfers out	(463,320)	(587,469)	(755,233)	(1,741,141)	(3,946,696)	(2,884,466)	(4,323,910)	(4,827,289)	(10,171,728)	(2,448,292)
Total other financing sources (uses)	60,309	(184,546)	(700,295)	(694,982)	(541,670)	(1,082,227)	(979,885)	(1,133,570)	(1,160,545)	(1,236,320)
Net change in fund balances	\$ 1,354,891	\$ 1,940,880	\$ 2,216,586	\$ (1,523,527)	\$ 3,126,994	\$ 3,960,593	\$ 3,260,108	\$ 3,482,304	\$ 2,717,359	\$ (4,475,720)
Debt service as a percentage of noncapital expenditures	1.3%	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%	1.1%	0.9%	0.8%

MORRIS SCHOOL DISTRICT  
 GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
 LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Interest on Investments	Refund of Prior Year Expenditures	E-Rate	Rentals	Misc.	Total
2007	\$ 643,833		\$ 17,642	\$ 74,573	\$ 94,705	\$ 830,753
2008	687,822			88,426	59,605	835,853
2009	603,444			119,460	196,037	918,941
2010	211,478			126,316	13,937	351,730
2011	80,013			116,341	24,101	220,454
2012	45,344			121,609	97,911	264,864
2013	28,668			151,284	51,347	231,299
2014	25,960			769,053	23,428	818,441
2015	30,769			162,085	12,565	205,419
2016	33,427	193,821		147,790	19,487	394,525

Source: District Records

## Revenue Capacity

Morris School District  
Assessed Value and Actual Value of Taxable Property,  
Last Ten Fiscal Years  
Unaudited

N/A - Information not available

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total General Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2007	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$6,033,456,642	2.391	\$8,244,697,723
2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$6,019,300,992	\$19,261,697	\$19,261,697	6,038,562,689	2.480	8,598,168,204
2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5,985,063,692	19,374,439	19,374,439	6,004,438,131	2.531	8,544,575,941
2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6,003,022,592	17,914,894	17,914,894	6,020,937,486	2.454	9,207,157,783
2011	\$2,772,364,270	\$3,179,827,892	n/a	n/a	n/a	n/a	n/a	5,952,192,162	18,375,853	18,375,853	5,970,568,015	2.507	8,556,080,360
2012	2,765,887,570	3,160,675,492	n/a	n/a	n/a	n/a	n/a	5,926,563,062	17,941,508	17,941,508	5,944,504,570	2.524	8,283,785,483
2013	2,763,442,370	3,111,504,567	n/a	n/a	n/a	n/a	n/a	5,874,946,937	8,529	8,529	5,874,955,466	2.543	7,859,394,521
2014	2,769,065,270	3,123,447,767	n/a	n/a	n/a	n/a	n/a	5,892,513,037	8,529	8,529	5,892,521,566	2.550	7,759,749,747
2015	2,770,110,170	3,129,238,667	n/a	n/a	n/a	n/a	n/a	5,899,348,837	8,555	8,555	5,899,357,392	2.581	7,720,859,104
2016	3,424,205,800	4,092,368,100	n/a	n/a	n/a	n/a	n/a	7,516,573,900	8,555	8,555	7,516,582,455	2.231	7,823,533,777

Source(s): District Records, Tax List Summary & Municipal Tax Assessor.

No 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

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

<sup>b</sup> Tax rates are per \$100

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

Exhibit J-7

Fiscal Year Ended June 30,	Morris School District		Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct School Tax Rate	Municipal	Morris County	
	Morris Township					
2007	1.307	0.017	1.324	0.537	0.353	2.214
2008	1.353	0.017	1.370	0.554	0.034	1.958
2009	1.334	0.016	1.510	n/a	n/a	n/a
2010	1.339	0.016	1.355	n/a	n/a	n/a
2011	1.339	0.016	1.355	n/a	n/a	n/a
2012	1.431	0.017	1.448	0.630	0.362	2.440
2013	1.485	0.015	1.500	0.640	0.360	2.500
2014	1.506	0.012	1.518	0.646	0.339	2.503
2015	1.520	0.012	1.532	0.658	0.346	2.536
2016	1.063	0.008	1.071	0.461	0.241	1.773
	Morristown					
2007	1.053	0.014	1.067	0.934	0.279	2.280
2008	1.096	0.014	1.110	n/a	n/a	n/a
2009	1.165	0.014	0.014	n/a	n/a	n/a
2010	1.230	0.015	1.244	n/a	n/a	n/a
2011	1.230	0.014	1.244	n/a	n/a	n/a
2012	1.228	0.014	1.242	1.077	0.289	2.608
2013	1.227	0.013	1.240	1.049	0.296	2.585
2014	1.237	0.008	1.245	1.052	0.299	2.596
2015	1.268	0.010	1.278	1.051	0.296	2.625
2016	1.328	0.008	1.336	1.034	0.319	2.689

Source: District Records and Municipal Tax Collector

**Note:**

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

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

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

Morris School District  
Principal Property Tax Payers,  
Current Year and Ten Years Ago  
Unaudited

Exhibit J-8

Taxpayer	2015			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
<b>Morris Township</b>						
H'Y2 Mt. Kemble, LLC	\$ 59,240,000		1.13%			
Morristown Southgate LLC	50,680,000		0.96%			
Kemble Plaza II Realty, LLC				\$ 79,211,000		2.08%
Southgate Two, LLC	34,040,000		0.65%			
Kemble Assoc. c/o AT&T				52,500,000		1.38%
Columbia Assoc./Advance Realty	30,902,000		0.59%	27,835,000		0.73%
Advanced at Southgate				36,184,000		0.92%
AO Mt Kemble, LLC	28,620,000		0.54%			
Brickman Mt. Kemble				35,244,000		0.95%
Olde Forge East	28,373,000		0.54%			
44 Whippany Rd./Rexcore	28,113,600		0.53%			
Reckson Operating Partners				27,557,400		0.72%
Morristown Realty	25,930,000		0.49%	21,535,200		0.06%
Grand Prix Morristown	25,825,800		0.49%			
JCP&L				21,000,000		0.06%
Honeywell/Allied Signal Corporation	24,691,500		0.47%	89,090,000		2.33%
Massachusettes Mutual				20,833,300		0.06%
<b>Morristown</b>						
Morristown Memorial Hospital	40,000,000	1	1.77%			
4th Roc Jersey Assoc				32,500,000	1	1.76%
Parsons Village	27,300,000	2	1.21%	27,300,000	2	1.53%
Rosewood Lafayette Commons	26,474,000	3	1.17%			
Epsteins B. Metrop	25,500,000	4	1.13%			
LF Associates				24,300,000	4	1.47%
5th Roc Jersey Assoc	24,500,000	5	1.09%	27,000,000	3	1.43%
3rd Roc Jersey Assoc				24,300,000	5	1.36%
Morr NJ MOB LLC	23,900,000	6	1.06%	23,900,000	6	1.36%
GS Morristown Plaza LLC	20,160,800	7	0.89%	19,433,700	10	1.06%
Morgan Stanley				22,000,000	7	1.36%
Memorial Investment/AHS Invest	19,300,000	8	0.86%			
The Realty Assoc. Fund				21,400,000	8	1.28%
2nd Roc Jersey Assoc	18,115,200	9	0.80%	20,247,993	9	1.21%
Verizon						
The Green at Park Place	18,100,000	10	0.80%			
<b>Total</b>	<b>\$ 579,765,900</b>		<b>16.05%</b>	<b>\$ 653,371,593</b>		<b>23.11%</b>

Source(s): Municipal Tax Assessor, Abstract of Ratables.

See Exhibit J-6 District Combined Taxable Value.

Morris School District  
Property Tax Levies and Collections,  
Last Ten Fiscal Years  
Unaudited

**Exhibit J-9**

<u>Year Ended June 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>
<b>Morris Township</b>			
2007	\$ 49,086,585	\$ 49,086,585	100.00%
2008	51,623,100	51,623,100	100.00%
2009	51,547,261	51,547,261	100.00%
2010	49,600,376	49,600,376	100.00%
2011	52,185,620	52,185,620	100.00%
2012	53,431,898	53,431,898	100.00%
2013	53,768,317	53,768,317	100.00%
2014	55,244,776	55,244,776	100.00%
2015	55,974,957	55,974,957	100.00%
2016	56,938,423	56,938,423	100.00%
<b>Morristown</b>			
2007	\$ 23,748,575	\$ 23,748,575	100.00%
2008	23,950,976	23,950,976	100.00%
2009	26,451,209	26,451,209	100.00%
2010	26,845,199	26,845,199	100.00%
2011	28,223,119	28,223,119	100.00%
2012	28,293,245	28,293,245	100.00%
2013	27,039,338	27,039,338	100.00%
2014	27,179,071	27,179,071	100.00%
2015	27,958,398	27,958,398	100.00%
2016	28,972,521	28,972,521	100.00%

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

a Includes \$2,076,164 collected during the 2014/2015 school year



## Debt Capacity

Morris School District  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
Unaudited

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities			Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District			
<b>Morris Township</b>									
2007	\$ 6,519,504	-	\$ 378,499	-	-	\$ 6,898,003	0.49%	331	
2008	5,806,350	-	489,742	-	-	6,296,092	0.40%	301	
2009	5,075,482	-	341,885	-	-	5,417,367	0.37%	258	
2010	4,526,960	-	202,290	-	-	4,729,250	0.29%	211	
2011	3,902,728	-	135,496	-	-	4,038,223	0.24%	179	
2012	3,358,575	-	132,894	-	-	3,491,469	0.20%	155	
2013	2,901,144	-	138,804	-	-	3,039,948	0.17%	135	
2014	2,349,402	-	134,555	-	-	2,483,957	0.13%	110	
2015	1,844,255	-	124,576	-	-	1,968,831	0.11%	87	
2016	1,283,555	-	112,001	-	-	1,395,556	N/A	N/A	
<b>Morristown</b>									
2007	3,045,496	-	176,810	-	-	3,222,306	0.26%	169	
2008	2,693,650	-	227,198	-	-	2,920,848	0.21%	153	
2009	2,604,518	-	175,440	-	-	2,779,959	0.21%	145	
2010	2,323,040	-	103,806	-	-	2,426,846	0.18%	132	
2011	2,112,272	-	73,334	-	-	2,185,607	0.16%	118	
2012	1,816,425	-	71,873	-	-	1,888,298	0.13%	102	
2013	1,458,856	-	69,798	-	-	1,528,654	0.10%	82	
2014	1,155,598	-	66,184	-	-	1,221,782	0.08%	66	
2015	920,745	-	62,195	-	-	982,940	0.06%	53	
2016	731,445	-	63,824	-	-	795,269	N/A	N/A	

Source: District CAFR Schedules I-1, I-2

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

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

N/A = Not Available

Morris School District  
 Ratios of Net General Bonded Debt Outstanding  
 Last Ten Fiscal Years  
Unaudited

**Exhibit J-11**

<u>General Bonded Debt Outstanding</u>						
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>	
2007	\$ 9,565,000	-	\$ 9,565,000	0.16%	240	
2008	8,500,000	-	8,500,000	0.14%	213	
2009	7,680,000	-	7,680,000	0.13%	191	
2010	6,850,000	-	6,850,000	0.11%	168	
2011	6,015,000	-	6,015,000	0.10%	147	
2012	5,175,000	-	5,175,000	0.09%	126	
2013	4,360,000	-	4,360,000	0.07%	106	
2014	3,505,000	-	3,505,000	0.06%	85	
2015	2,765,000	-	2,765,000	0.05%	67	
2016	2,015,000	-	2,015,000	0.03%	N/A	

**Note:** Details regarding the district's outstanding debt can be found in the notes to the financial statements.  
**a** See Exhibit J-6 for property tax data.  
**b** Per Capita data can be found in Exhibit J-14.

N/A = Not Available

Morris School District  
 Ratios of Overlapping Governmental Activities Debt  
 As of June 30, 2016  
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>			
Morristown Town	\$ 24,041,735	100%	\$ 24,041,735
Morris Township	26,226,560	100%	26,226,560
<b>Other debt</b>			
Morris County - Morristown	226,745,317	3.092%	7,011,462
Morris County - Morris Township	226,745,317	5.436%	12,324,897
Subtotal, overlapping debt			69,604,654
<b>Morris School District Direct Debt</b>			
Morristown			920,745
Morris Township			1,844,255
<b>Total direct and overlapping debt</b>			<u>\$ 72,369,654</u>

**Sources:** Morristown Town  
 Morris Township

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Morristown and Morris Township. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

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

Morris School District  
Legal Debt Margin Information,  
Last Ten Fiscal Years  
Unaudited

Year	Morris Twsp Equal Valuation	Morristown Equal Valuation	Total Equalized valuation basis
2015	\$4,918,018,005	\$2,762,474,216	\$7,680,492,221
2014	5,079,710,534	2,584,752,534	7,664,463,068
2013	5,127,591,810	2,561,123,508	7,688,715,318
			<u>[A] \$ 23,033,670,607</u>
			[A/3] \$ 7,677,890,202
			[B] 230,336,706 <sup>a</sup>
			[C] 2,015,000
			<u>[B-C] \$ 228,321,706</u>

Legal Debt Margin Calculation for Fiscal Year 2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 224,832,408	\$ 233,540,606	\$ 249,394,409	\$ 259,338,469	\$ 271,020,708	\$ 266,701,712	\$ 246,797,070	\$ 238,195,198	\$ 232,335,133	\$ 230,336,706
Total net debt applicable to limit	<u>9,565,000</u>	<u>8,500,000</u>	<u>7,680,000</u>	<u>6,850,000</u>	<u>6,015,000</u>	<u>5,175,000</u>	<u>4,360,000</u>	<u>3,505,000</u>	<u>2,765,000</u>	<u>2,015,000</u>
Legal debt margin	<u>\$ 215,267,408</u>	<u>\$ 225,040,606</u>	<u>\$ 241,714,409</u>	<u>\$ 252,488,469</u>	<u>\$ 265,005,708</u>	<u>\$ 261,526,712</u>	<u>\$ 242,437,070</u>	<u>\$ 234,690,198</u>	<u>\$ 229,570,133</u>	<u>\$ 228,321,706</u>
Total net debt applicable to the limit as a percentage of debt limit	4.25%	3.64%	3.08%	2.64%	2.22%	1.94%	1.77%	1.47%	1.19%	0.87%

Average equalized valuation of taxable property

Debt limit (3 % of average equalization value)  
Net bonded school debt  
Legal debt margin

Source: Abstract of Rates and District Records CAFR Schedule J-7

<sup>a</sup> Limit set by NISA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

## Demographic and Economic Information

Morris School district  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
Unaudited

Exhibit J-14

Year	Population <sup>a</sup>	Personal Income (thousands of dollars) <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
Morris Twp				
2006	20,976	1,436,751,120	R 68,495	3.3%
2007	20,867	1,506,826,937	R 72,211	3.3%
2008	20,908	1,560,489,488	R 74,636	4.0%
2009	21,014	1,481,823,224	R 70,516	6.8%
2010	22,449 R	1,633,838,220	R 72,780	9.2%
2011	22,533 R	1,716,879,402	R 76,194	9.1%
2012	22,560 R	1,775,314,080	R 78,693	7.0%
2013	22,580 R	1,785,942,520	R 79,094	6.3%
2014	22,542 R	1,866,703,020	R 82,810	4.2%
2015	22,633	1,874,238,730	82,810	3.5%
Morristown				
2006	18,519	1,268,458,905	R 68,495	3.4%
2007	19,033	1,374,391,963	R 72,211	3.4%
2008	19,067	1,423,084,612	R 74,636	4.1%
2009	19,126	1,348,689,016	R 70,516	7.0%
2010	18,370 R	1,336,968,600	R 72,780	9.2%
2011	18,483 R	1,408,293,702	R 76,194	9.1%
2012	18,540 R	1,458,968,220	R 78,693	7.1%
2013	18,618 R	1,472,572,092	R 79,094	5.1%
2014	18,572 R	1,537,947,320	R 82,810	4.3%
2015	18,594	1,539,769,140	82,810	3.8%

Source:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon population and per capita personal income

<sup>c</sup> Per Capita income provided by US Dept of Commerce, Bureau of Economic Analysis

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

R - Revised

Exhibit J-15

Morris School District  
 Schedule of Principal Employers,  
 Current Year and Ten Years Ago  
Unaudited

		2016		2007		
Employer	Approximate Number of Employees	Rank (Optional)	Percentage of Total Employment	Approximate Number of Employees	Rank (Optional)	Percentage of Total Employment
n/a	n/a		n/a	n/a		n/a

n/a - information not available for audit period



## Operating Information

Morris School District  
 Full-time Equivalent District Employees by Function/Program,  
 Last Ten Fiscal Years  
 Unaudited

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction	338	478	489	464	326	318	340	341	345	353
Regular	72	58	56	102	99	95	92	96	107	109
Special education	-	28	26	25	23	24	24	24	25	25
Other special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	31	32	3	3	3	3	3	3
Other instruction	-	32	-	-	-	-	-	-	-	-
Support Services:										
Tuition	-	-	-	-	-	-	-	-	-	-
Student & instruction related services	149	70	88	36	154	164	176	178	168	172
General administrative services	7	22	22	21	2	2	2	2	2	3
School administrative services	77	46	53	51	35	35	35	34	35	35
Business administrative services	1	1	1	1	19	19	19	18	18	18
Plant operations and maintenance	75	85	79	82	86	85	82	82	84	85
Pupil transportation	34	14	23	13	26	24	32	33	34	39
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	41	44	44	33	29	28	26	26	24	-
<b>Total</b>	<b>794</b>	<b>878</b>	<b>912</b>	<b>860</b>	<b>801</b>	<b>796</b>	<b>829</b>	<b>837</b>	<b>844</b>	<b>842</b>

Source: District Personnel Records

N/A: Information not available

Morris School District  
Operating Statistics  
Last Ten Fiscal Years  
Unaudited

Exhibit J-17

Fiscal Year	Pupil/Teacher Ratio										Student Attendance Percentage	
	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Elementary	Middle School	High School	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>		% Change in Average Daily Enrollment
2007	4,739	\$ 92,518,762	\$ 19,523	11.11%	528	10.1:1	11.3:1	11.3:1	4,627	4,421	0.13%	95.55%
2008	4,694	96,820,294	20,626	5.65%	534	10:1	10.0:8	11.0:2	4,667	4,463	0.86%	95.63%
2009	4,794	94,371,403	19,685	-4.56%	538	8.9:1	9.7:1	10.8:1	4,750	4,533	1.78%	95.43%
2010	4,841	98,163,305	20,277	3.01%	505	8.9:1	9.7:1	10.8:1	4,796	4,584	0.97%	95.58%
2011	4,940	90,587,820	18,338	-9.57%	518	8.9:1	9.7:1	10.8:1	4,892	4,686	2.01%	95.78%
2012	4,986	90,779,829	18,207	-0.71%	517	8.9:1	9.7:1	10.8:1	4,927	4,719	3.73%	95.78%
2013	5,076	98,228,382	19,352	6.29%	524	9.7:1	9.6:1	10.2:1	4,996	4,774	4.17%	95.56%
2014	5,076	97,317,268	19,172	-0.93%	529	9.6:1	9.5:1	10.1:1	5,111	4,889	4.47%	95.66%
2015	5,225	100,384,475	19,212	0.21%	544	9.7:1	9.1:1	9.8:1	5,239	5,012	6.33%	95.67%
2016	5,249	103,937,197	19,801	3.07%	557	9.9:1	9.0:1	10.1:1	5,249	5,002	5.06%	95.29%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

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

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

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

Morris School District  
School Building Information  
Last Ten Fiscal Years  
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>District Building</b>										
<b>Early Learning Center</b>										
Early Learning Center	35,277	35,277	35,277	35,277	35,277	35,277	35,277	35,277	35,277	35,277
Square Feet	74	74	74	74	74	74	74	74	74	74
Capacity (students)										
Enrollment										
<b>Elementary</b>										
<b>Alexander Hamilton (1933)</b>										
Square Feet	90,078	90,078	90,078	90,078	90,078	90,078	90,078	90,078	90,078	90,078
Capacity (students)	652	652	652	652	652	652	652	652	652	652
Enrollment										
<b>Alfred Vail (1930)</b>										
Square Feet	119,628	119,628	119,628	119,628	119,628	119,628	119,628	119,628	119,628	119,628
Capacity (students)	859	859	859	859	859	859	859	859	859	859
Enrollment *										
<b>Hillcrest (1956)</b>										
Square Feet	80,116	80,116	80,116	80,116	80,116	80,116	80,116	80,116	80,116	80,116
Capacity (students)	574	574	574	574	574	574	574	574	574	574
Enrollment										
<b>Normandy Park (1964)</b>										
Square Feet	75,438	75,438	75,438	75,438	75,438	75,438	75,438	75,438	75,438	75,438
Capacity (students)	547	547	547	547	547	547	547	547	547	547
Enrollment										
<b>Sussex Ave. (1954)</b>										
Square Feet	83,119	83,119	83,119	83,119	83,119	83,119	83,119	83,119	83,119	83,119
Capacity (students)	596	596	596	596	596	596	596	596	596	596
Enrollment										
<b>Thomas Jefferson (1958)</b>										
Square Feet	75,726	75,726	75,726	75,726	75,726	75,726	75,726	75,726	75,726	75,726
Capacity (students)	531	531	531	531	531	531	531	531	531	531
Enrollment										
<b>Woodland Ave (1967)</b>										
Square Feet	72,234	72,234	72,234	72,234	72,234	72,234	72,234	72,234	72,234	72,234
Capacity (students)	518	518	518	518	518	518	518	518	518	518
Enrollment										
<b>Middle School</b>										
<b>Frelinghuysen (1965)</b>										
Square Feet	227,837	227,837	227,837	227,837	227,837	227,837	227,837	227,837	227,837	227,837
Capacity (students)	1,553	1,553	1,553	1,553	1,553	1,553	1,553	1,553	1,553	1,553
Enrollment										
<b>High School</b>										
<b>Morristown (1928)</b>										
Square Feet	415,631	415,631	415,631	415,631	415,631	415,631	415,631	415,631	415,631	415,631
Capacity (students)	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629
Enrollment										
<b>Maintenance Offices</b>										
Square Feet	900	900	900	900	900	900	900	900	900	900
<b>Number of Schools at June 30, 2016</b>										
Early Learning Center = 1										
Elementary = 7										
Middle School = 1										
High School = 1										

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

Morris School District  
 General Fund  
 Schedule Of Required Maintenance For School Facilities  
 Last Ten Fiscal Years

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

School Facilities	Project# (s)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Morristown High	N/A	\$ 525,289	\$ 756,167	\$ 565,937	\$ 513,709	\$ 697,495	\$ 639,642	\$ 601,429	\$ 572,243	\$ 913,479	\$ 655,046
Alexander Hamilton	N/A	179,087	120,916	129,662	120,494	121,110	173,975	114,799	153,071	191,243	136,719
Alfred Vail	N/A	153,754	141,462	75,124	123,806	73,822	128,526	195,826	219,208	384,074	280,109
Frelinghuysen	N/A	428,258	309,925	231,782	216,145	186,878	217,936	188,806	229,456	300,414	224,057
Lafayette Learning Center	N/A	117,114	85,746	84,516	79,898	89,984	49,955	74,719	189,286	108,462	78,008
Hillcrest	N/A	91,097	145,466	196,806	104,935	169,749	90,187	111,705	103,819	132,324	100,062
Normandy Park	N/A	78,049	121,527	104,759	74,866	89,131	103,184	80,565	90,954	110,830	72,872
Sussex Avenue	N/A	70,432	87,518	74,489	80,133	92,090	99,063	73,491	133,583	153,490	83,482
Thomas Jefferson	N/A	69,863	121,654	104,528	110,188	124,690	109,277	115,355	86,020	114,411	75,545
Woodland Avenue	N/A	122,037	96,666	78,257	80,938	99,813	68,662	69,120	184,611	305,921	220,707
<b>Total School Facilities</b>		<b>\$ 1,834,980</b>	<b>\$ 1,987,047</b>	<b>\$ 1,645,860</b>	<b>\$ 1,505,112</b>	<b>\$ 1,744,762</b>	<b>\$ 1,680,407</b>	<b>\$ 1,625,815</b>	<b>\$ 1,962,251</b>	<b>\$ 2,714,648</b>	<b>\$ 1,926,607</b>

\*School Facilities as defined under EFCFA.  
 (N.J.A.C. 6A:26-1.2 and J.J.A.C. 6:24-1.3)

MORRIS SCHOOL DISTRICT  
INSURANCE SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

Company	Type of Coverage	Coverage	Deductible	
Utica Mutual	Property/Inland Marine & Crime			
	Blkt Bldgs/ Cts. All Locations	\$174,487,349	\$1,000	
	See Policy for Additional Limits & Inland marine, and fringes			
	Employee Fidelity	250,000	\$500	
	Computer & Fund Transfer Fraud	250,000	\$500	
	Depositors Forgery & Alteration	250,000	\$500	
NJ School Boards Association Ins. Group	Automobile Insurance on all vehicles			
	BI/PD Each Occurrence Liability Limit	16,000,000		
	Medical Payments Physical Damage	10,000 Private Pass/5,000 All Others Comprehensive/Collision	\$1000/\$1000	
NJ School Boards Association Ins. Group	General Liability -			
	BI/PD Each Occurrence Liability Limit	16,000,000	nil	
	Aggregate (when applicable)	16,000,000	nil	
NJ School Boards Association Ins. Group	Workmen's Compensation			
	Coverage A	Statutory		
	Coverage B (Employer Liability)	2,000,000		
Bollinger Specialty Group	Student Accident Insurance (Includes Athletes)	(Excess of Parents coverage) \$5,000,000		
	Catastrophe Cash option	\$1,000,000		
Western World	School Board Legal Liability including Employment Practices Liability			
	Liability Limit/aggregate limit	2,000,000	25,000	
	Claims Made basis			
NJ School Boards Association Ins. Group	Blanket/Public Official Fidelity Bond			
	Board Sec/Assist B.A.	420,000	1,000	
	Assist Bd Sec	200,000	1,000	
NJCAP	Catastrophe Excess Liability			
	Occurrence Limit (BI & PD)	50,000,000 (shared limits) 150,000,000 agg for 2 school group	16,000,000	
National Flood Program	Flood Coverage-Alexander Hamilton			
	Building	500,000	1,000	
	Contents	500,000	1,000	
	Flood Coverage-Woodland			
	Building	500,000	1,000	
	Contents	500,000	1,000	
	Flood Coverage-Frelinghuysn Middle School			
	Building	500,000	1,000	
	Contents	500,000	1,000	
	Flood Coverage-Maintenance Building at Frelinghuysen			
	Building	200,000	1,000	
	Contents	150,000	1,000	
	Builders Risk	Chubb Builders Risk (High School Addition)	9,500,000	10,000

Source: District Records

**SINGLE AUDIT SECTION**

**SECTION – K**

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
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**K-1**

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
Morris School District  
Morristown, New Jersey

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Morris School District, in the County of Morris, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

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

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



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

#### Compliance and Other Matters

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

We noted other matters that we reported to the Board of Education of the Morris School District in a separate report entitled, Auditors Management Report on Administrative Findings dated November 28, 2016.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Public School Accountants

Highland Park, New Jersey  
November 28, 2016

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
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**K - 2**

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Education  
Morris School District  
Morristown, New Jersey

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

We have audited the Morris School District, County of Morris, New Jersey compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Compliance Supplement" and the New Jersey Compliance Manual "State Grant Compliance Supplement" that could have a direct and material effect on each of the Morris School District's major federal and state programs for the year ended June 30, 2016. The Morris School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Morris School 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants and State Aid. Those standards, Uniform Guidance and New Jersey OMB's Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred.

An audit includes examining, on a test basis, evidence about the Morris School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the Morris School District's compliance.

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

In our opinion, the Morris School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

#### Report on Internal Control Over Compliance

Management of the Morris School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Morris School 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 the Uniform Guidance and NJ OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Morris School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a 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 a 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJ OMB Circular 15-08. Accordingly, this report is not suitable for any other purposes.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Public School Accountants

Highland Park, New Jersey  
November 28, 2016

MORRIS SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL C.F.D.A. NO.	FEDERAL FAIN NO.	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	DEFERRED REVENUE/ (ACCTS. REC.) AT JUNE 30, 2015	DUE TO GRANTOR JUNE 30, 2015	ADJUSTMENTS	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAY PR. YRS. BALANCES	BALANCE JUNE 30, 2016 ACCOUNTS RECEIVABLE
U.S. Department of Agriculture Passed-through NIDOE: Enterprise Fund:												
Child Nutrition Cluster												
Food Distribution Program	10.555	16161NJ304N1099	N/A	07/01/15-06/30/16	\$ 125,828	\$ -	\$ -	\$ 125,828	(125,828)	\$ -	\$ -	(55,159)
School Breakfast Program	10.553	16161NJ304N1099	N/A	07/01/15-06/30/16	292,962			237,803	(292,962)			-
School Breakfast Program	10.553	16161NJ304N1099	N/A	07/01/14-06/30/15	289,221	(60,122)		60,122				(129,630)
National School Lunch Program	10.555	16161NJ304N1099	N/A	07/01/15-06/30/16	699,536			569,906	(699,536)			-
National School Lunch Program	10.555	16161NJ304N1099	N/A	07/01/14-06/30/15	719,689	(143,426)		143,426				(184,789)
Total Enterprise Fund						(203,548)		1,137,085	(1,118,326)			
U.S. Department of Education Passed-through NIDOE:												
General Fund:												
Special Education Medicaide Initiative (SEMI) Impact Aid	93.778 84.041	1605NJ5MAP	N/A N/A	07/01/15-06/30/16 07/01/15-06/30/16	171,224 7,702	- -	- -	171,224 7,702	(171,224) (7,702)	- -	- -	- -
Total General Fund								178,926	(178,926)			
U.S. Department of Education Passed-through NIDOE:												
Special Revenue Fund												
Title I Cluster:												
Title I, Part A	84.010	S010A150030	NCLB-16	07/01/15-06/30/16	536,367	(157,425)		379,635	(468,291)			(246,081)
Title I, Part D	84.013	S013A150030	NCLB-16	07/01/15-06/30/16	69,118	(25,151)		57,181	(68,535)			(36,505)
Total Title I						(182,576)		436,816	(536,826)			(282,586)
Special Education Cluster:												
I.D.E.A. Part B, Full-time	84.027	H027A150100	IDEA-16	07/01/15-06/30/16	1,872,283	(637,175)		1,609,429	(1,481,371)			(509,117)
I.D.E.A. Part B, Preschool	84.173	H173A150114	IDEA-16	07/01/15-06/30/16	51,079	(13,847)		63,842	(49,995)			-
Total Special Education Cluster						(651,022)		1,673,271	(1,531,366)			(509,117)
Title II Part A	84.367	S367A150029	NCLB-16	07/01/15-06/30/16	172,559	(75,042)		150,884	(157,502)			(81,660)
Total Title II						(75,042)		150,884	(157,502)			(81,660)
Title III	84.365	S365A150030	NCLB-16	07/01/15-06/30/16	154,859	(129,656)		184,413	(99,874)			(45,117)
Title III - Immigrant	84.365	S365A150030	NCLB-16	07/01/15-06/30/16	58,524	(10,382)		37,307	(58,032)			(31,107)
Total Title III						(140,038)		221,720	(157,906)			(76,224)
Career Academy	84.048	V048A140030	N/A	07/01/09-06/30/10		(3,985)						(3,985)
Race to the Top 3 - ARRA	84.413	B413A120008	N/A	07/01/13-06/30/14	43,769	(4,955)		4,955				-
Vocational Education: Secondary (Carl Perkins) Total Carl Perkins	84.048	V048A140030	PERK-16	07/01/15-06/30/16	29,354	(7,749)		7,750	(27,033)			(27,032)
Total Special Revenue Fund						(1,065,367)		2,495,396	(2,410,633)			(980,604)
Total Federal Financial Assistance						\$ (1,268,915)		\$ 3,811,407	\$ (3,707,885)			\$ (1,165,393)

Note: See Accompanying Notes to Schedules of Financial Assistance.



MORRIS SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF AWARDS  
AND FINANCIAL ASSISTANCE  
JUNE 30, 2016

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Morris School District. The Board of Education is defined in Note 1 to the Boards' basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of the OMB Uniform Guidance, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District did not allocate any indirect costs to any of its federal and/or state financial assistance programs during the 2015-2016 school year.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget, consistent with *N.J.S.A. 18A:22-4.2*.

MORRIS SCHOOL DISTRICT  
 NOTES TO THE SCHEDULES OF AWARDS  
 AND FINANCIAL ASSISTANCE  
JUNE 30, 2016

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D.):

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$438,088 for the general fund and \$20 for the special revenue fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$178,926	\$17,309,292	\$17,488,218
Special Revenue Fund	2,410,613	953,240	3,363,853
Capital Projects Fund		0	0
Debt Service Fund		216,595	216,595
Food Service Fund	<u>1,118,326</u>	<u>16,508</u>	<u>1,134,834</u>
Total Awards & Financial Assistance	<u>\$3,707,865</u>	<u>\$18,495,635</u>	<u>\$22,203,500</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

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions and Post Retirement Medical represents the amount paid by the state on behalf of the District for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.



MORRIS SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section 1 - Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal Control over financial reporting:

1) Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

2) Significant Deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  No

Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes  X  No

**Federal Awards**

Internal Control over major programs:

1) Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

2) Significant Deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a)? \_\_\_\_\_ Yes  X  No

Identification of major programs:

CFDA Number(s)	FAIN Numbers	Name of Federal Program or Cluster
84.027	H027A150100	Special Education Cluster I.D.E.A. Part B, Full-time
84.173	H173A150114	I.D.E.A. Part B, Preschool

Dollar threshold used to distinguish between Type A and B programs: \$750,000.00

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

MORRIS SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section 1 - Summary of Auditor's Results (cont'd)

**State Awards**

Dollar threshold used to distinguish between Type A and B programs:                     \$ 750,000.00                    

Auditee qualified as low-risk auditee?           X           Yes                      No

Type of auditor's report issued on compliance for major programs:           Unmodified          

Internal Control over major programs:

1) Material weakness(es) identified?                      Yes           X           No

2) Significant Deficiency(s) identified that are not considered to be material weaknesses?                      Yes           X           No

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08                      Yes           X           No

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>16-495-034-5120-089</u>	<u>State Aid Cluster</u>
<u>16-495-034-5120-084</u>	<u>Categorical Special Education Aid</u>
<u>16-495-034-5120-068</u>	<u>Categorical Security Aid</u>
<u>15-495-034-5120-085</u>	<u>School Choice Aid</u>
<u>16-495-034-5120-097</u>	<u>Adjustment Aid</u>
<u>16-495-034-5120-098</u>	<u>Per Pupil Growth Aid</u>
<u>3385-060-13-G2XG</u>	<u>PARCC Readiness Aid</u>
	<u>School Development Agency</u>

MORRIS SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

K-6  
Page 3 of 3

Section II - Financial Statement Findings

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance related to the general-purpose financial statements that are required to be reported in accordance with chapter 5.18 of *Governmental Auditing Standards*.

**Significant Deficiency(ies)/Material Weaknesses**

None Noted.

**Noncompliance**

None Noted.

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Uniform Guidance and New Jersey OMB circular 15-08.

**Federal and State Award Programs:**

**Significant Deficiency(ies)/Material Weaknesses**

None Noted.

**Noncompliance**

None Noted.

MORRIS SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I – Summary of Prior Year Federal and State Findings

N/A

Section II – Current Year Status

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year findings.