

***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, 2017***

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2017**

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# **INTRODUCTORY SECTION**



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

November 30, 2017

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, 2017 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 2016-17 fiscal year with an average daily enrollment of 5,198 students, which represented an decrease of 51 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 Percent</u>		<u>ADA</u>
	<u>ADE</u>	<u>Change</u>	
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
2016-17	5,198	(0.97%)	4,925

**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 11.4%.

The estimated population in the Township has increased from 20,867 in 2007 to 22,580 in 2016, or a cumulative increase of 8.6% over ten years. The Town's population has increased from 19,033 in 2007 to an estimate of 19,065 in 2016 or a cumulative increase of .2% 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 for the 2016-17 school year 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, 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 2016-2017 school year included:

**Curriculum Programs**

<b>Program</b>	<b>Project</b>
ESL Programs (Gr. K- 12)	<ul style="list-style-type: none"> <li>➤ Implemented improved EL 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>➤ Director of K5/Bilingual K-8 worked with building principals to ensure EL programs implemented with fidelity</li> <li>➤ Researched and recommended online platform for EL data/learning plan creation</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 Bilingual instruction related to WIDA standards provided for teachers grades K-12.</li> <li>➤ Purchased resources (all content areas) for Bilingual classrooms</li> <li>➤ Continued utilizing online learning systems (ESL Reading Smart, iReady) for students and provided related PD for teachers to support a blended learning environment in all classrooms</li> <li>➤ Researched and recommended online platform for EL data/learning plan creation</li> <li>➤ Implemented Latino Family Literacy Project for grades K-12</li> <li>➤ Refined Bilingual Outreach programs for grades K-12</li> </ul>
K-5 Language Arts	<ul style="list-style-type: none"> <li>➤ Created ELA Curriculum Planning Team to create curriculum frameworks aligned to NJSLs for ELA.</li> <li>➤ Provided PD for teachers in utilizing data to plan targeted learning opportunities for all students.</li> <li>➤ Trained teachers in use of Phonics materials</li> <li>➤ Trained teachers in use of Benchmark Assessment System as a data point for learning plans</li> <li>➤ Implemented online diagnostic to provide teachers and parents with specific data related to core standards in ELA.</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 2016-17 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> <li>➤ Held parent sessions (2) to provide overview of ELA curriculum and give opportunity for comment/feedback from parents</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>➤ Purchased classroom library books</li> <li>➤ Completed revised Units of Study for grades 6-8 that are fully aligned to NJSL.</li> <li>➤ Provided PD for Balanced Literacy</li> <li>➤ Created/Implemented a "Night Write" system that helps to target increased student writing and improved teacher feedback for writing.</li> <li>➤ Utilized PLC time to create and discuss common assessments</li> <li>➤ Utilized online diagnostic (iReady) to determine student needs in reading, comprehension</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> <li>➤ Created/staffed 6-12 English Supervisor position</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 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> <li>➤ Held parent sessions (2) to provide overview of ELA curriculum and give opportunity for comment/feedback from parents</li> <li>➤ Created/staffed 6-12 Math Supervisor position</li> </ul>

K-12 Science	<ul style="list-style-type: none"> <li>➤ Completed NGSS alignment for 9-12</li> <li>➤ Continued/completed NGSS alignment for K-5</li> <li>➤ Upgraded Science materials 6-8 to Fusion/online resources</li> <li>➤ Research/selected materials for Science K-5</li> <li>➤ STEM Academy cohort expansion at Morristown High School</li> <li>➤ Provided Summer STEM academy for entering 9<sup>th</sup> graders</li> <li>➤ Provided PD for teachers in the use of Science Note booking strategies (K-5) and provided resources</li> <li>➤ Provided PD for teachers on NGSS/Math Integration and Engineering for K-5</li> <li>➤ Created/staffed PreK-12 STEM Supervisor position</li> </ul>
Social Studies (K-12)	<ul style="list-style-type: none"> <li>➤ PD Grades provided through Gilder Lehrman partnership</li> <li>➤ Purchased History resources (9-12)</li> <li>➤ Provided online AP preparation through Albert i.o</li> <li>➤ Provided Blended Learning PD for teachers at all levels</li> <li>➤ 9-12 Teachers designed playlists to support self-paced learning for students</li> <li>➤ Purchased texts and support texts for classroom libraries</li> <li>➤ Provided articulation time for SS/ELA (6-8) to discuss upcoming curriculum revisions (2018)</li> <li>➤ Created/staffed 6-12 History/SS Supervisor position</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> <li>➤ Provided PD on G&amp;T practices and strategies for G&amp;T and General Education teachers.</li> </ul>
Summer Academy Programs	<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>➤ Summer Transition Program provided for rising 9<sup>th</sup> graders identified as struggling learners.</li> <li>➤ Utilized blended practices to integrated online supports in reading and math for all summer program students.</li> <li>➤ Implemented attendance incentives for personal/social development groups for summer program students</li> <li>➤ Provided parent information, progress reports and visitations for summer program 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> <li>➤ Provided student reflection narratives to administration in charge of 9<sup>th</sup> grade</li> </ul>
K-12 Media & Library	<ul style="list-style-type: none"> <li>➤ STEM and Gifted and Talented training for all librarians</li> <li>➤ Digital Citizenship Training for all librarians</li> <li>➤ Google Certification Training for all librarians</li> <li>➤ Installation of chromebases in all K-5 libraries</li> </ul>

K-12 Computer Education	<ul style="list-style-type: none"> <li>➤ Continue one-to-one initiative at middle school and high school</li> <li>➤ Technology infusion at K-5 continued (additional chromebooks purchased).</li> <li>➤ PD for teachers provided to increase level of technology integration and implementation of Canvas (grades 6-8) and Google Classroom (grades 3-5)</li> <li>➤ Parent sessions held to increase parent interaction and responsibility around one-to-one and increased technology access for students as well as parent portals for both Canvas and PowerSchool</li> <li>➤ Curation of 45 digital content providers for grades Prek - 12</li> </ul>
World Language (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 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 approved.</li> </ul>
K-12 Health and Physical Education	<ul style="list-style-type: none"> <li>➤ Implemented K-12 Health Curriculum</li> <li>➤ Implemented of anti-bullying Curriculum K-5</li> <li>➤ Implemented K-12 PE Curriculum</li> <li>➤ PD provided for PE teachers K-12 on inclusive practice and adaptive PE.</li> <li>➤ Provided opportunity for out of district PD for PE teachers to articulate with surrounding districts.</li> <li>➤ Participated in SNAP program (Special Needs Athletic Programs) in K-5 schools</li> <li>➤ Hosted ALL IN Inclusive sports events</li> <li>➤ Participated in Special Olympics</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. In our classrooms and on our playgrounds children of diverse races, religions, and economic backgrounds come together to learn with and from each other.

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 Preschool, 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 1,080 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. Each FMS student is 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 provides 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 activities are available to augment the academic and emotional development of Frelinghuysen students.

Morristown High School is a comprehensive high school serving approximately 1,800 students. The school provides a rigorous college preparatory curriculum which includes 28 Advanced Placement courses and 35 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 40 academic/cultural activities, 27 varsity and 29 interscholastic athletic teams. The school's facilities include a new state-of-the-art technology center and student learning commons, an indoor Olympic-size swimming pool, 700-seat auditorium, TV and radio station, and turf field, and an all-weather track. Eighty percent of the student body participates 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 2017* – National Merit Honors were awarded to 17 individual members of the Class of 2017. Included among these are 1 National Merit Semifinalist, 16 National Merit Commended Students, Additional national honors included 3 National AP Scholars, 34 AP Scholars with Distinction, 22 AP Scholars with Honor, and 39 AP Scholars. The MHS Class of 2017 was recognized for exceptional achievement in rocketry & engineering, film, theatre, the arts, athletics, academics, inclusion, and service to community. Members of the class were admitted to the most competitive colleges and universities in the country, including U.S. Air Force Academy, Harvard, Princeton, Cornell, Columbia, Boston College, N.Y.U., Yale, U. Penn, Williams, and University of Michigan, among others.

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. Frelinghuysen Middle band won first place honors in the Morris County College Teen Arts Festival. Morristown High School athletes competed successfully in numerous county, conference, and state championship games. The MHS Girls' Basketball Team captured the NJ Group IV State Championship and the Field Hockey team captured the state sectional title. MHS theatre was honored by Paper Mill Playhouse with the "Theatre for All" award, and the District's ALL IN initiative was honored by the State Department of Education.

Frelinghuysen Middle School students competed successfully in the NJ Technology Student Association competition and captured 10<sup>th</sup> place in the national TSA finals in Orlando, Florida. FMS wrestling and baseball teams again won Morris County Championship titles. FMS musicians took top honors at the 2017 County College of Morris Teen Arts Festival. The FMS band took top honors at the festival for Best Performance in Instrumental Music and the FMS Jazz Band was honored as the "Hardest Groovin' Band."

Morris School District students continue to give generously of their time to numerous school and community service programs including Habitat for Humanity, American Cancer Society, Community Food Bank, Morris Minute Men, and the Morristown and Morris Township Fire Departments, among other organizations.

## **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, 2017 and the amount and percentage of increases in relation to prior year revenues.

<u>Revenue</u>	<u>FY 2017 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2016</u>	<u>Percent of Increase (Decrease)</u>
Local Sources	\$92,017,119	79.81%	\$1,459,626	1.61%
State Sources	20,561,821	17.83%	2,082,694	11.27%
Federal Sources	<u>2,716,579</u>	<u>2.36%</u>	<u>127,040</u>	<u>4.91%</u>
<b>Total</b>	<b><u>\$115,295,519</u></b>	<b><u>100.00%</u></b>	<b><u>\$3,669,360</u></b>	<b><u>3.29%</u></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, 2017 and the amount and percentage of increases in relation to prior year expenditures.

<u>Expenditures</u>	<u>FY 2017 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2016</u>	<u>Percent of Increase (Decrease)</u>
Current Expense:				
Instruction	38,635,729	34.16%	920,689	2.44%
Undistributed	66,507,428	58.79%	3,865,266	6.17%
Capital Outlay	3,474,518	3.07%	2,694,501	345.44%
Special Revenue	3,740,926	3.31%	160,931	4.50%
Debt Service:				
Principal	670,000	0.59%	(80,000)	(10.67)%
Interest	<u>94,000</u>	<u>0.08%</u>	<u>(37,500)</u>	<u>(28.52)%</u>
<b>Total</b>	<b><u>113,122,601</u></b>	<b><u>100.00%</u></b>	<b><u>7,523,887</u></b>	<b><u>7.12%</u></b>

**9. DEBT ADMINISTRATION:** The District's outstanding debt of \$1,345,000 includes one refunding bond issuance for the year 2007. This bond is payable in annual installments ranging from \$670,000 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

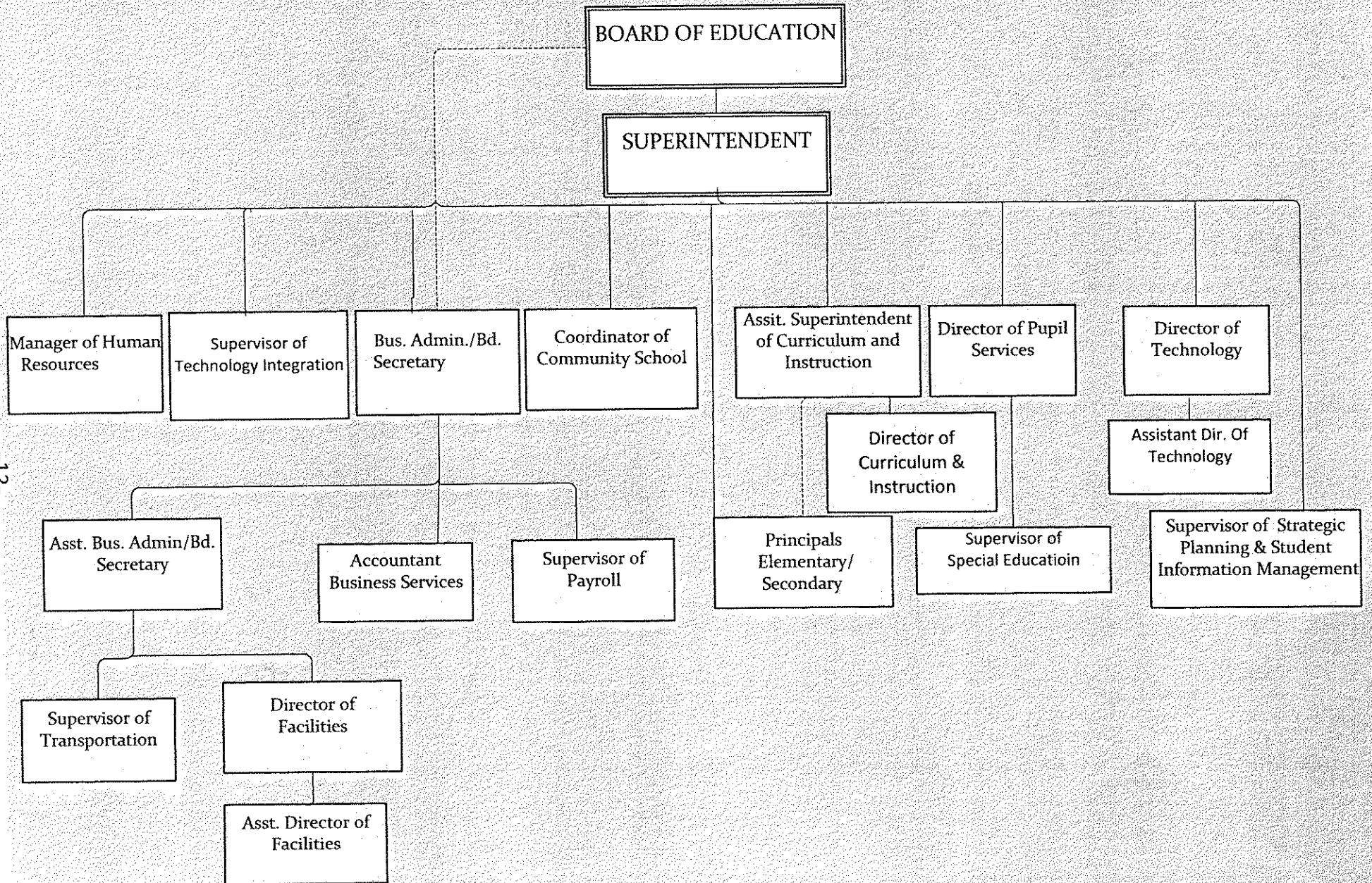


Anthony Lo Franco  
Business Administrator/Board Secretary

# MORRIS SCHOOL DISTRICT

CENTRAL OFFICE

2016-2017



-12-

MORRIS SCHOOL DISTRICT  
BOARD OF EDUCATION  
MORRIS COUNTY, NEW JERSEY

ROSTER OF OFFICIALS  
JUNE 30, 2017

**PRESIDENT**

Mr. Leonard Posey 2017

**VICE-PRESIDENT**

Ms. Teresa Murphy 2017

**MEMBERS**

Mrs. Nancy Bangiola 2019

Ms. Lisa J. Pollak 2017

Mrs. Ann Rhines 2018

Dr. Peter Gallerstein 2019

Dr. Jennifer van Frank 2019

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 NJ

**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, 2017, 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 statements.

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, 2017 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 30, 2017 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 30, 2017



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PART I**

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

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
**June 30, 2017**

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, 2017. 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 2016-2017 fiscal year include the following:

Governmental funds reported a total fund balance of \$29,749,663, which is a 7.5% increase over last year's total governmental fund balance. The general or operating fund balance was reported at \$28,778,319 of which \$6,348,323 was appropriated toward the 2017-2018 budget. The unassigned general fund balance is reported at \$1,959,522. Total spending for all governmental funds was \$117,542,964. Total revenues were \$115,295,519 resulting in a deficit of revenues over expenditures of \$2,247,445 for the year. Revenues increased approximately \$3,669,000 over last year and included \$23.3 million in state and federal aid and \$87.4 million in local taxes.

The district held \$11.1 million in its capital reserve account as of 06/30/16 and \$3.1 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*

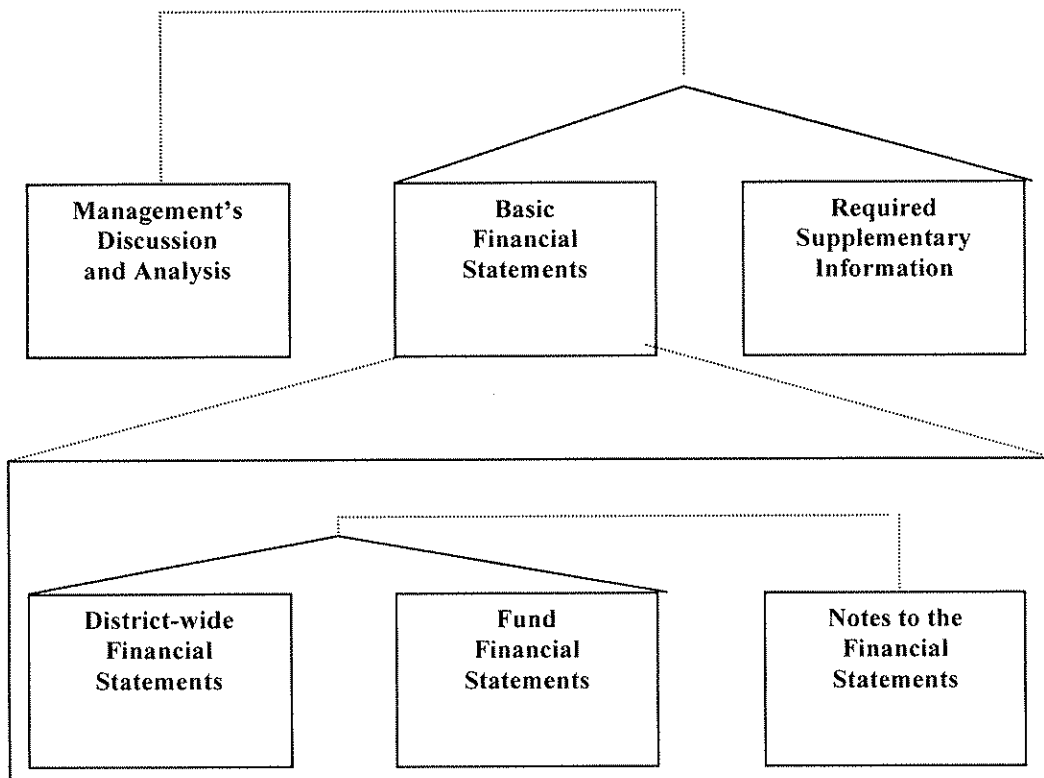


Figure A-2 summarizes the major features of the district’s financial statements, including the portion of the district’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents 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 \$36,617,275 at June 30, 2017. Of this amount, \$31,675,438 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>2017</u>	Governmental Activities <u>2016</u>	% Increase/ -Decrease
Current and Other Assets	\$32,101,870	\$31,153,434	3.0
Capital Assets	<u>49,226,532</u>	<u>45,887,543</u>	7.3
Total Assets	<u>\$81,328,402</u>	<u>\$77,040,977</u>	5.6
Deferred Outflows of Resources	<u>\$13,225,132</u>	<u>\$5,889,936</u>	<u>124.5</u>
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>	% Increase/ -Decrease
Current and Other Liabilities	\$4,918,110	\$5,573,550	-11.8
Long-term Liabilities	<u>51,607,815</u>	<u>39,427,139</u>	30.9
Total Liabilities	<u>\$56,525,925</u>	<u>\$45,000,689</u>	25.6
Deferred Inflows of Resources	<u>1,419,597</u>	<u>2,164,310</u>	-34.4
Net Position			
Net Investment in capital assets	\$44,935,291	\$43,696,718	2.8
Restricted	23,357,402	23,910,031	-2.3
Unrestricted	<u>(31,684,701)</u>	<u>(31,840,835)</u>	-0.5
Total Net Position	<u>\$36,608,012</u>	<u>\$35,765,914</u>	2.4

The \$31,684,701 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 \$31,684,701.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

The results of this year's operations for the school district's Governmental Activities as a whole are reported in the Statement of Activities. Figure A-4, below, takes the information from that Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues and expenses for the year.

**Figure A - 4**  
**Change in Net Position**

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Revenues:			
Program revenue			
State grants & entitlements	\$ 23,212,385	\$ 20,675,124	\$ 2,537,261
General revenue			
Local tax levy	87,411,235	85,910,944	1,500,291
Federal and state aid	279,622	609,684	(330,062)
Miscellaneous revenues (Incl. special items & transfers)	<u>3,053,160</u>	<u>3,118,013</u>	<u>(64,853)</u>
Total general revenues	<u>90,744,017</u>	<u>89,638,641</u>	<u>1,105,376</u>
Total revenues	<u>\$ 113,956,402</u>	<u>\$ 110,313,765</u>	<u>\$ 3,642,637</u>
Function/program expense:			
Instruction			
Regular programs	31,710,468	29,237,127	2,473,341
Special programs	6,421,612	8,153,686	(1,732,074)
Other Instructional programs	3,424,671	3,285,880	138,791
Support services			
Student services	15,362,877	14,443,418	919,459
Tuition	5,681,478	5,846,949	(165,471)
Instructional staff support			
General administration and business services	3,299,714	3,312,990	(13,276)
School administration	3,096,687	3,016,712	79,975
Plant services	7,703,340	7,443,979	259,361
Student transportation	6,961,605	6,249,298	712,307
Unallocated benefits	29,182,275	25,046,260	4,136,015
Unallocated depreciation and amortization	93,492	120,563	(27,071)
Interest on long-term debt	<u>176,085</u>	<u>192,659</u>	<u>(16,574)</u>
Total expenses	<u>\$ 113,114,304</u>	<u>\$ 106,349,521</u>	<u>\$ 6,764,783</u>
Increase (Decrease) net assets	<u>\$ 842,098</u>	<u>\$ 3,964,244</u>	<u>\$ (3,122,146)</u>



## 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 \$113,114,304. These costs were financed by \$87,411,235 in local property school taxes \$23,492,007 in federal and state aid and \$3,053,160 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, 2017</b> <b>Governmental Activities</b> <b>Total Cost of Services</b> <b><u>2017</u></b>	<b>Year Ended June 30, 2016</b> <b>Governmental Activities</b> <b>Total Cost of Services</b> <b><u>2016</u></b>
Regular Programs Instruction	\$31,710,468	\$29,237,127
Unallocated Benefits	29,182,275	25,046,260
Student Services	15,362,877	14,443,418
Plant Services	7,703,340	7,443,979
Transportation	6,961,605	6,249,298
Special Programs Instruction	6,421,612	8,153,686
Tuition	5,681,478	5,846,949
All Others	<u>10,090,649</u>	<u>9,928,804</u>
	<u>\$113,114,304</u>	<u>\$106,349,251</u>

### 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 \$29,749,663, which is an increase of \$2,063,761 from last year. The increase largely was due to positive budget variances net of capital project expenditures.

## 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 \$13.0 million. This is due primarily to:

1. The State reimbursement in the amount of \$10.8 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 positive variance of \$240,377. This is due to the State requirement to include TPAF and social security contributions totaling \$10.8 million in the audit. Absent the TPAF adjustment the variance is a positive \$10.9 million due to the savings mentioned above.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2017, the school district had \$81,657,772 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 \$4,917,258 or 0.6% percent, from last year.

Figure A-6

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

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
Land	\$3,331,700	\$3,331,700
Construction in Progress	4,420,363	9,266,845
Building and Improvements	63,785,977	54,519,132
Furniture, Equip. & Vehicles	<u>10,119,732</u>	<u>9,622,837</u>
Total	<u>\$81,657,772</u>	<u>\$76,740,514</u>

Construction in progress decreased due to several projects being completed and other projects being started by the board at June 30, 2017.

## Long-Term Debt

At the end of this year, the school district had \$4,291,241 in bonds and lease purchase obligations outstanding versus \$2,190,825 in bonds and capital leases last year – an increase of 95.9%. The increase is due to the leasing of buses. The long-term debt consisted of:

	<b>Outstanding Debt, at Year-End</b>	
	<b>(Rounded)</b>	
	<b>Governmental</b>	<b>Governmental</b>
	<b>Activities</b>	<b>Activities</b>
	<b><u>2017</u></b>	<b><u>2016</u></b>
Lease Purchase Obligations	\$2,946,241	\$175,825
General Obligation Bonds	1,345,000	2,015,000

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 \$4,291,241 is significantly below the \$234,866,986 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 and demographic of our student population throughout the district. Overall enrollment has increased 11.4% 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, additional renovation to be completed by September 2018.
- 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.
- 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, 2017 balance was \$9.6 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 SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 21,506,785	\$ 964,357	\$ 22,471,142
Receivables, net	1,208,732	270,271	1,479,003
Receivables from other funds	77,898		77,898
Prepaid Expenses		49,138	49,138
Inventory		17,284	17,284
Restricted Assets:			
Capital Reserve Account - cash	7,215,260		7,215,260
Maintenance Reserve Account - cash	2,093,195		2,093,195
Capital assets, net (Note 3)	<u>49,226,532</u>	<u>117,324</u>	<u>49,343,856</u>
 Total Assets	 <u>81,328,402</u>	 <u>1,418,374</u>	 <u>82,746,776</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Difference between expected and actual experience	831,051		831,051
Change in Pension Assumptions	9,256,853		9,256,853
Pension Payment Subsequent to Measurement Date	1,378,853		1,378,853
Difference in Pension Earnings	1,703,973		
Deferred amount on refinancing	<u>54,402</u>		<u>54,402</u>
 Total Deferred Outflows of Resources	 <u>13,225,132</u>		 <u>11,521,159</u>
<b>LIABILITIES</b>			
Accounts payable	3,694,481	236,952	3,931,433
Accrued interest payable	26,909		26,909
Interfund payable		77,898	77,898
Payable to state government			
Unearned Revenue		498,814	498,814
Advance from Grantor	36,579		36,579
Noncurrent liabilities (Note 4):			
Due within one year	1,160,141		1,160,141
Due beyond one year	6,920,365	19,232	6,939,597
Net Pension Liability	<u>44,687,450</u>		<u>44,687,450</u>
 Total Liabilities	 <u>56,525,925</u>	 <u>832,896</u>	 <u>57,358,821</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Change in Pension Proportion	<u>1,419,597</u>		<u>1,419,597</u>
 Total Deferred Inflows of Resources	 <u>1,419,597</u>	 <u>-</u>	 <u>1,419,597</u>
<b>NET POSITION</b>			
Net investment in capital assets	44,935,291	117,324	45,052,615
Restricted for:			
Capital projects	971,344		971,344
Other purposes	22,386,078		22,386,078
Unrestricted(Deficit)	<u>(31,684,701)</u>	<u>468,154</u>	<u>(31,216,547)</u>
 Total Net Position	 <u>\$ 36,608,012</u>	 <u>\$ 585,478</u>	 <u>\$ 37,193,490</u>

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, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 31,710,468			\$ (31,710,468)	\$	\$ (31,710,468)
Special education	6,421,612	-	8,132,121	1,710,509	-	1,710,509
Other special instruction	1,953,758	-	-	(1,953,758)	-	(1,953,758)
Other instruction	1,470,913	-	-	(1,470,913)	-	(1,470,913)
Support services:						
Tuition	5,681,478	-	1,444,541	(4,236,937)	-	(4,236,937)
Student & instruction related services	15,362,877	-	-	(15,362,877)	-	(15,362,877)
School administrative services	3,299,714	-	955,927	(2,343,787)	-	(2,343,787)
General and business administrative services	3,096,687	-	-	(3,096,687)	-	(3,096,687)
Plant operations and maintenance	7,703,340	-	-	(7,703,340)	-	(7,703,340)
Pupil transportation	6,961,605	-	1,659,602	(5,302,003)	-	(5,302,003)
Unallocated benefits	29,182,275	-	10,832,469	(18,349,806)	-	(18,349,806)
Interest on long-term debt	93,492	-	187,725	94,233	-	94,233
Unallocated depreciation and amortization	176,085	-	-	(176,085)	-	(176,085)
Total governmental activities	<u>113,114,304</u>	<u>-</u>	<u>23,212,385</u>	<u>(89,901,919)</u>	<u>-</u>	<u>(89,901,919)</u>
Business-type activities:						
Food Service	1,576,399	607,973	1,034,351		65,925	65,925
Community School	1,714,323	1,720,765			6,442	6,442
Total business-type activities	<u>3,290,722</u>	<u>2,328,738</u>	<u>1,034,351</u>	<u>-</u>	<u>72,367</u>	<u>72,367</u>
Total primary government	<u>\$ 116,405,026</u>	<u>\$ 2,328,738</u>	<u>\$ 24,246,736</u>	<u>\$ (89,901,919)</u>	<u>\$ 72,367</u>	<u>\$ (89,829,552)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				\$ 86,834,961		\$ 86,834,961
Taxes levied for debt service				576,274		576,274
Federal and State aid not restricted				279,622	-	279,622
Tuition received				4,148,439	-	4,148,439
Investment/Miscellaneous Earnings				228,126	1,500	229,626
Transfer of Funds to Charter School				(1,323,405)		(1,323,405)
Total general revenues, extraordinary items and transfers				<u>90,744,017</u>	<u>1,500</u>	<u>90,745,517</u>
Change in Net Position				842,098	73,867	915,965
Net Position—beginning				35,765,914	511,611	36,277,525
Net Position—ending				<u>\$ 36,608,012</u>	<u>\$ 585,478</u>	<u>\$ 37,193,490</u>

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, 2017

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	\$ 21,506,785				\$ 21,506,785
Accounts Receivable:					
Interfunds			1,179,747		1,179,747
Due from other governments	105,338	524,486			629,824
Tuition	576,943				576,943
Other Accounts Receivable	1,965				1,965
Restricted cash and cash equivalents	<u>9,308,455</u>				<u>9,308,455</u>
<b>Total Assets</b>	<u>31,499,486</u>	<u>524,486</u>	<u>1,179,747</u>		<u>33,203,719</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	1,806,560	258,595	208,403		2,273,558
Intergovernmental Payable		42,070			42,070
Interfund Payable	914,607	187,242			1,101,849
Unearned Revenue		<u>36,579</u>			<u>36,579</u>
<b>Total Liabilities</b>	<u>2,721,167</u>	<u>524,486</u>	<u>208,403</u>	-	<u>3,454,056</u>
<b>Fund Balances:</b>					
<b>Restricted Fund Balance:</b>					
Capital Reserve Account	9,568,972				9,568,972
Maintenance Reserve Account	3,093,195				3,093,195
Excess Surplus - Designated for Subsequent Years Expenditures	4,859,323				4,859,323
Reserve for Excess Surplus	4,809,189				4,809,189
Capital Projects			971,344		971,344
<b>Committed Fund Balance:</b>					
Year-end Encumbrances	2,999,118				2,999,118
<b>Assigned Fund Balance:</b>					
Designated for Subsequent Year's Expenditures	1,594,444				1,594,444
Designated for Subsequent Year's Expenditures - Capital Reserve	1,489,000				1,489,000
Unassigned Fund Balance	<u>365,078</u>				<u>365,078</u>
<b>Total Fund Balances</b>	<u>28,778,319</u>		<u>971,344</u>	-	<u>29,749,663</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 31,499,486</u>	<u>\$ 524,486</u>	<u>\$ 1,179,747</u>	<u>\$ -</u>	<u>\$ 33,203,719</u>

MORRIS SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

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:	\$ 29,749,663
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$81,657,772, and the accumulated depreciation is \$32,431,240.	49,226,532
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.	(8,030,019)
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.	(26,909)
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	831,051
Change in Pension Assumptions	9,256,853
Difference in Pension Earnings	1,703,973
Pension Payment Subsequent to Measurement Date	1,378,853
Accounts Payable for Pension Expense	(1,378,853)
Net Pension Liability	(44,687,450)
Deferred Inflows of Resources:	
Change in Pension Proportion	(1,419,597)
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	(50,487)
Deferred amount on refunding, net of amortization	<u>54,402</u>
<b>Net assets of governmental activities.</b>	<b>\$ <u>36,608,012</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, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local tax levy	\$ 86,834,961			\$ 576,274	\$ 87,411,235
Tuition charges	4,148,439				4,148,439
Miscellaneous	228,126				228,126
Local sources		229,319			229,319
State sources	19,311,025	1,047,359	15,712	187,725	20,561,821
Federal sources	252,331	2,464,248			2,716,579
<b>Total revenues</b>	<u>110,774,882</u>	<u>3,740,926</u>	<u>15,712</u>	<u>763,999</u>	<u>115,295,519</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Regular instruction	28,789,446	1,340,458			30,129,904
Special education instruction	6,421,612				6,421,612
Other special instruction	1,953,758				1,953,758
Other instruction	1,470,913				1,470,913
<b>Support services and undistributed costs:</b>					
Tuition	5,681,478				5,681,478
Student & instruction related services	12,962,409	2,400,468			15,362,877
School administrative services	3,299,714				3,299,714
Other administrative services	3,096,687				3,096,687
Plant operations and maintenance	7,797,969				7,797,969
Pupil transportation	6,961,605				6,961,605
Unallocated Benefits	26,707,566				26,707,566
<b>Debt service:</b>					
Principal				670,000	670,000
Interest and other charges				94,000	94,000
Capital outlay	3,474,518		4,420,363		7,894,881
<b>Total expenditures</b>	<u>108,617,675</u>	<u>3,740,926</u>	<u>4,420,363</u>	<u>764,000</u>	<u>117,542,964</u>
Excess (Deficiency) of revenues over expenditures	<u>2,157,207</u>	<u>-</u>	<u>(4,404,651)</u>	<u>(1)</u>	<u>(2,247,445)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital leases (non-budgeted)	2,864,620				2,864,620
Lease Purchase Agreement - Buses	2,769,991				2,769,991
Transfers in			3,157,288		3,157,288
Transfers out	(4,480,693)				(4,480,693)
<b>Total other financing sources and uses</b>	<u>1,153,918</u>	<u>-</u>	<u>3,157,288</u>	<u>-</u>	<u>4,311,206</u>
Net change in fund balances	3,311,125	-	(1,247,363)	(1)	2,063,761
Fund balance—July 1	25,467,194		2,218,707	1	27,685,902
<b>Fund balance—June 30</b>	<u>\$ 28,778,319</u>	<u>\$ -</u>	<u>\$ 971,344</u>	<u>\$ -</u>	<u>\$ 29,749,663</u>

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, 2017

Total net change in fund balances - governmental funds (from B-2) \$ 2,063,761

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	(1,723,862)	
Capital outlays	<u>5,062,851</u>	3,338,989

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. 764,204

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 (2,864,620)

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. 508

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 (+). 62,421

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. (2,536,705)

Amortization Expenses - Net 13,540

**Change in net position of governmental activities \$ 842,098**

## **PROPRIETARY FUNDS**

MORRIS SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

	<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	\$ 3,190	\$ 961,167	\$ 964,357
Receivables from other governments	207,383		207,383
Accounts receivable	24,396	38,492	62,888
Prepaid Expenses		49,138	49,138
Inventories	17,284		17,284
Total current assets	<u>252,253</u>	<u>1,048,797</u>	<u>1,301,050</u>
Noncurrent assets:			
Furniture, machinery & equipment	673,473	16,528	690,001
Less accumulated depreciation	<u>(561,261)</u>	<u>(11,416)</u>	<u>(572,677)</u>
Total noncurrent assets	<u>112,212</u>	<u>5,112</u>	<u>117,324</u>
Total assets	<u><b>364,465</b></u>	<u><b>1,053,909</b></u>	<u><b>1,418,374</b></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	139,224	97,728	236,952
Unearned revenue	21,307	477,507	498,814
Interfunds payable	38,299	39,599	77,898
Total current liabilities	<u>198,830</u>	<u>614,834</u>	<u>813,664</u>
Noncurrent Liabilities:			
Compensated absences		<u>19,232</u>	<u>19,232</u>
Total noncurrent liabilities	<u>-</u>	<u>19,232</u>	<u>19,232</u>
Total liabilities	<u>198,830</u>	<u>634,066</u>	<u>832,896</u>
<b>NET POSITION</b>			
Net Investment in capital assets	112,212	5,112	117,324
Unrestricted (Deficit)	<u>53,423</u>	<u>414,731</u>	<u>468,154</u>
Total net position	<u>165,635</u>	<u>419,843</u>	<u>585,478</u>

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



MORRIS SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<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	\$ 565,562	\$	\$ 565,562
Special Functions	42,411		42,411
Program Fees		1,720,765	1,720,765
Total operating revenues	<u>607,973</u>	<u>1,720,765</u>	<u>2,328,738</u>
Operating expenses:			
Cost of sales - program	690,912		690,912
Cost of sales - nonprogram	20,167		20,167
Salaries		1,011,928	1,011,928
Employee benefits		168,851	168,851
Rent		116,230	116,230
Other purchased professional services	810,835	97,457	908,292
Other purchased services	18,984	65,156	84,140
General supplies	90,875	99,086	189,961
Other Expenses	44,473	154,740	199,213
Depreciation	8,808	875	9,683
Total Operating Expenses	<u>1,685,054</u>	<u>1,714,323</u>	<u>3,399,377</u>
Operating income (loss)	<u>(1,077,081)</u>	<u>6,442</u>	<u>(1,070,639)</u>
Nonoperating revenues (expenses):			
State sources:			
State school lunch program	16,494		16,494
Federal sources:			
National school lunch program	740,872		740,872
National school breakfast program	276,985		276,985
Food distribution program	108,655		108,655
Interest and investment revenue	236	1,264	1,500
Total nonoperating revenues (expenses)	<u>1,143,242</u>	<u>1,264</u>	<u>1,144,506</u>
Change in net position	66,161	7,706	73,867
Total net position—beginning	99,474	412,137	511,611
<b>Total net position—ending</b>	<b><u>165,635</u></b>	<b><u>419,843</u></b>	<b><u>585,478</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, 2017

	<u>Food Service Fund</u>	<u>Community School</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 598,573	\$ 1,726,148	\$ 2,324,721
Payments to employees		(1,011,928)	(1,011,928)
Payments for employee benefits		(165,117)	(165,117)
Payments to suppliers	<u>(1,763,005)</u>	<u>(899,425)</u>	<u>(2,662,430)</u>
<b>Net cash provided by (used for) operating activities</b>	<b><u>(1,164,432)</u></b>	<b><u>(350,322)</u></b>	<b><u>(1,514,754)</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal and State Sources	<u>1,014,721</u>		<u>1,014,721</u>
Net cash provided by (used for) non-capital financing activities	<u>1,014,721</u>	<u>-</u>	<u>1,014,721</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase Capital Assets	<u>(31,850)</u>		<u>(31,850)</u>
Net cash provided by (used for) capital and related financing activities	<u>(31,850)</u>	<u>-</u>	<u>(31,850)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>236</u>	<u>1,264</u>	<u>1,500</u>
Net cash provided by (used for) investing activities	<u>236</u>	<u>1,264</u>	<u>1,500</u>
Net increase (decrease) in cash and cash equivalents	<u>(181,325)</u>	<u>(349,058)</u>	<u>(530,383)</u>
Balances—beginning of year	<u>184,515</u>	<u>1,310,225</u>	<u>1,494,740</u>
<b>Balances—end of year</b>	<b><u>\$ 3,190</u></b>	<b><u>\$ 961,167</u></b>	<b><u>\$ 964,357</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (1,077,081)	\$ 6,442	\$ (1,070,639)
Adjustments to reconcile operating income (loss) to net cash provided by (used for)(used for) operating activities			
Depreciation and net amortization	8,808	875	9,683
(Increase) decrease in other accounts receivable	(9,400)	22,914	13,514
(Increase) decrease in inventories	13,585		13,585
Increase (decrease) in prepaid expenses		(4,100)	(4,100)
Increase (decrease) in compensated absences payable		3,734	3,734
Increase (decrease) in accounts payable	22,158	(4,852)	17,306
Increase (decrease) in unearned revenue	349	(17,531)	(17,182)
Increase (decrease) in Interfunds Payable	(231,506)	(357,804)	(589,310)
Food Distribution Program	<u>108,655</u>		<u>108,655</u>
Total adjustments	<u>(87,351)</u>	<u>(356,764)</u>	<u>(444,115)</u>
<b>Net cash provided by (used for) operating activities</b>	<b><u>\$ (1,164,432)</u></b>	<b><u>\$ (350,322)</u></b>	<b><u>\$ (1,514,754)</u></b>

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

## **FIDUCIARY FUNDS**

MORRIS SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY NET POSITION  
JUNE 30, 2017

	Unemployment Compensation <u>Trust</u>	Private Purpose <u>Scholarship</u>	Agency <u>Fund</u>	<u>Totals</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ <u>2,080,153</u>	\$ <u>124,877</u>	\$ <u>2,632,236</u>	\$ <u>4,837,266</u>
Total Assets	\$ <u><u>2,080,153</u></u>	\$ <u><u>124,877</u></u>	\$ <u><u>2,632,236</u></u>	\$ <u><u>4,837,266</u></u>
<b>LIABILITIES:</b>				
Payable to Student Groups	\$	\$	\$ 151,169	\$ 151,169
Accounts Payable	1,416			1,416
Payroll Deductions and Withholdings	<u>                    </u>	<u>                    </u>	<u>2,481,067</u>	<u>2,481,067</u>
Total Liabilities	<u>1,416</u>	<u>                    </u>	\$ <u><u>2,632,236</u></u>	\$ <u><u>2,633,652</u></u>
<b>NET POSITION:</b>				
Held in trust for unemployment claims and other purposes	2,078,737			2,078,737
Reserved for Scholarships	<u>                    </u>	<u>124,877</u>	<u>                    </u>	<u>124,877</u>
Total Net Position	\$ <u><u>2,078,737</u></u>	\$ <u><u>124,877</u></u>	\$ <u>                    </u>	\$ <u><u>2,203,614</u></u>

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

MORRIS SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship</u>
<b>ADDITIONS</b>		
Contributions:		
Plan member	\$ 91,809	\$
Other	<u>8,000</u>	<u>21,540</u>
Total Contributions	<u>99,809</u>	<u>21,540</u>
Interest	<u>231</u>	<u>175</u>
Net investment earnings	<u>231</u>	<u>175</u>
Total additions	<u>100,040</u>	<u>21,715</u>
<b>DEDUCTIONS</b>		
Unemployment claims	86,675	
Scholarships awarded		<u>25,250</u>
Total deductions	<u>86,675</u>	<u>25,250</u>
Change in net position	13,365	(3,535)
Net position—beginning of the year	<u>2,065,372</u>	<u>128,412</u>
<b>Net position—end of the year</b>	<b>\$ <u><u>2,078,737</u></u></b>	<b>\$ <u><u>124,877</u></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, 2017**

**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, 2017 of 5,198 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.

NOTES TO 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:

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary) “revenues” from The budgetary comparison schedules	\$110,782,467	\$3,740,926
Difference – budget to GAAP:		
Grant accounting budgetary differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized - net		
State aid payment recognized for budgetary purposes, not recognized for GAAP statements	(2,265,325)	
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	<u>2,257,740</u>	<u>0</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance – governmental funds	<u>110,774,882</u>	<u>3,740,926</u>
Uses/Outflows of resources:		
Actual amounts (budgetary basis) “total outflows” from the budgetary comparison schedule	108,617,675	3,740,926
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>0</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (B-2)	<u>\$108,617,675</u>	<u>\$3,740,926</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 2015-2016 and 2016-2017 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 2017-2018 school year based upon the certification of 2015-2016 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, 2017 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, 2017, 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 five 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, the Difference in Pension Earnings which represents the District's proportionate share of plan earnings in excess of assumed amounts, 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 Difference between expected and actual experiences and Changes in Pension Assumptions future outflows of resources resulting from changes in actuarial assumptions used in the valuation of the 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, 2016.

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 one item in this category, the Change in Pension Proportion. This 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)	\$29,749,663
Adjustments to District-Wide Net Position:	
Capital Assets (see Note 3)	49,226,532
Long-Term Liabilities (see Note 4)	(8,080,506)
Net Pension Liability	(44,687,450)
Other Items not recognized in Fund Financial Statements:	
Deferred Inflows of Financial Resources	(1,419,597)
Deferred Outflows of Financial Resources	13,225,132
Accrued Current Period Pension Liability	(1,378,853)
Accrued Interest on Long-term Debt	<u>(26,909)</u>
Net Position of Governmental Activities	<u>\$36,608,012</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)	\$2,063,761
Adjustments to District-Wide Net Position:	
Depreciation on Capital Assets (see Note 3)	(1,723,862)
Capital Outlays	5,062,851
Repayment of Long-Term Liabilities (see Note 4)	764,204
Proceeds from debt issues, Capital Leases	(2,864,620)
Net Increase in Pension Expense	(2,536,705)
Decrease in Value of Compensated Absences	62,421
Interest on Long-term Debt (Accrual Basis for District-Wide)	508
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>\$842,098</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, 2017, the book value of the District's cash, cash equivalents and investments were \$36,635,240.

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	\$ 750,000
Insured – NJGUDPA (N.J.S.A.17:941)	<u>36,792,920</u>
Total Deposits	<u>\$37,542,920</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, 2017, \$0.00 of the Board's bank balance of \$37,542,920 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, 2017, 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, 2017, 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	\$ 81,657,772
Less: accumulated depreciation	<u>(32,431,240)</u>
Government Activities Capital Assets, Net	<u>\$ 49,226,532</u>

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets That Are Not Being Depreciated:				
Land	\$ 3,331,700	\$	\$	\$ 3,331,700
Construction in Progress	<u>9,266,845</u>	<u>4,420,363</u>	<u>(9,266,845)</u>	<u>4,420,363</u>
Total Capital Assets Not Being Depreciated	<u>12,598,545</u>	<u>4,420,363</u>	<u>(9,266,845)</u>	<u>7,752,063</u>
Building and Building Improvements	54,519,132		9,266,845	63,785,977
Machinery, Equipment, Furniture & Vehicles	<u>9,622,837</u>	<u>642,488</u>	<u>(145,593)</u>	<u>10,119,732</u>
Totals at Historical Cost	<u>64,141,969</u>	<u>642,488</u>	<u>9,121,252</u>	<u>73,905,709</u>
Less Accumulated Depreciation For:				
Building and Building Improvements	(23,822,052)	(1,080,627)		(24,902,679)
Equipment, Furniture, and Vehicles	<u>(7,030,919)</u>	<u>(643,235)</u>	<u>145,593</u>	<u>(7,528,561)</u>
Total Accumulated Depreciation	<u>(30,852,971)</u>	<u>(1,723,862)</u>	<u>145,593</u>	<u>(32,431,240)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>33,288,998</u>	<u>(1,081,374)</u>	<u>9,266,845</u>	<u>41,474,469</u>
Government Activities Capital Assets, Net	<u>\$ 45,887,543</u>	<u>\$ 3,338,989</u>	<u>\$</u>	<u>\$ 49,226,532</u>
Business-type Activities				
Equipment	\$ 658,151	\$	\$	\$ 658,151
Less Accumulated Depreciation for:				
Equipment	<u>(562,994)</u>			<u>(562,994)</u>
Business-type Activities Capital Assets, Net	<u>\$ 95,157</u>	<u>\$ -</u>	<u>\$</u>	<u>\$ 95,157</u>

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

Instruction	\$ 1,534,237
Direct expense of various functions	<u>189,625</u>
Total depreciation expense	<u>\$ 1,723,862</u>

NOTES TO FINANCIAL STATEMENTS

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, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$ 2,015,000	\$ _____	\$ 670,000	\$ 1,345,000	\$ 670,000
Total Bonds Payable	<u>2,015,000</u>	<u>_____</u>	<u>670,000</u>	<u>1,345,000</u>	<u>670,000</u>
Other Liabilities:					
Obligations Under Capital Lease	175,825	2,864,620	94,204	2,946,241	490,141
Compensated Absences Payable	<u>3,801,199</u>	<u>_____</u>	<u>62,421</u>	<u>3,738,778</u>	<u>_____</u>
Total Other Liabilities	<u>3,977,024</u>	<u>2,864,620</u>	<u>156,625</u>	<u>6,685,019</u>	<u>490,141</u>
Subtotal Bonds and Other Liabilities	5,992,024	2,864,620	826,625	8,030,019	1,160,141
Bond Premiums/(Discount)	85,109		34,622	50,487	
Net Pension Liability (PERS)	<u>34,088,177</u>	<u>10,599,273</u>	<u>_____</u>	<u>44,687,450</u>	<u>_____</u>
Total Liabilities	<u>\$ 40,165,310</u>	<u>\$ 13,463,893</u>	<u>\$ 861,247</u>	<u>\$ 52,767,956</u>	<u>\$ 1,160,141</u>
Business-type activities					
Enterprise fund:					
Compensated Absences Payable	\$ 15,498	\$ 3,734	\$ _____	\$ 19,232	\$ _____
Total Liabilities	<u>\$ 15,498</u>	<u>\$ 3,734</u>	<u>\$ -</u>	<u>\$ 19,232</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:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30,			
2018	\$ 670,000	\$ 60,500	\$ 730,500
2019	<u>675,000</u>	<u>27,000</u>	<u>702,000</u>
	<u>\$ 1,345,000</u>	<u>\$ 87,500</u>	<u>\$ 1,432,500</u>

**B. Bonds Authorized But Not Issued** -- As of June 30, 2017, the District had no bonds authorized but not issued.

**C. Capital Leases** --The District is leasing various equipment totaling \$2,946,241. The following is a schedule of the future minimum lease payments under this capital lease and the net minimum lease payments at June 30, 2017.

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 468,434	\$ 21,707	\$ 490,141
2019	427,048	50,914	477,961
2020	419,775	41,868	461,643
2021	412,342	32,819	445,161
2022	403,080	23,550	426,630
2023	<u>815,562</u>	<u>15,435</u>	<u>830,997</u>
Total	<u>\$ 2,946,241</u>	<u>\$ 186,293</u>	<u>\$ 3,132,534</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, 2016:

Inactive plan members or beneficiaries currently receiving benefits	171,422
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>261,171</u>
 Total	 <u>433,296</u>

Contributing Employers – 1,713.

*Significant Legislation* - Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PFRS and 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 those retirement systems, 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, 2017 the Board's total payroll for all employees was \$61,581,011. Total PERS covered payroll was \$9,994,439. 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. 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 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions 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, 2016 and 2017 were \$1,305,537 and \$1,340,430, 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 tiers 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 tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62, and tier 5 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. 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.



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

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

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – At June 30, 2017, the School Board reported a liability of \$44,687,450 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, which was rolled forward to that date. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Board's proportion was 0.150884%, which was a decrease of 0.000970% from its proportion measure as of June 30, 2015.

For the year ended June 30, 2017, the Board recognized pension expenses of \$3,877,056. At June 30, 2017, 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	\$9,256,853	\$
Difference between expected and actual experience	831,051	
Net difference between projected and actual earnings on pension plan investments	1,703,973	
Changes in proportion and differences between Board contributions and proportionate share of contributions		1,419,597
Board contributions subsequent to the measurement date	<u>1,378,853</u>	<u>0</u>
Total	<u>\$13,170,730</u>	<u>\$1,419,597</u>

The \$1,378,853 of deferred outflows of resources resulting from the Board's 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 <u>June 30,</u>	
2018	(\$2,262,158)
2019	(\$2,262,158)
2020	(\$2,697,924)
2021	(\$2,350,082)
2022	(\$799,957)

*Actuarial Assumptions* - The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	3.08%
Salary Increases: Through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.65%

**NOTE 5. PENSION PLANS (CONT'D)****A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)**

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience 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 (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 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%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

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

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

*Discount Rate* – The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 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 collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease <u>(2.98%)</u>	At current discount rate <u>(3.98%)</u>	At 1% increase <u>(4.98%)</u>
State	\$34,422,851,197	\$29,390,685,705	\$25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
PERS Plan Total	<u>\$70,715,189,252</u>	<u>\$59,007,817,464</u>	<u>\$49,352,744,647</u>
District’s proportionate share of the net pension liability	<u>\$54,759,254</u>	<u>\$44,687,450</u>	<u>\$36,372,302</u>

*Components of Net Pension Liability* – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2016 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$36,295,189,928	\$49,474,698,146	\$85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net Pension Liability	<u>\$29,390,685,705</u>	<u>\$29,617,131,759</u>	<u>\$59,007,817,464</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.

**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, 2016:

Inactive plan members or beneficiaries currently receiving benefits	101,263
Inactive plan members entitled to but not yet receiving benefits	210
Active plan members	<u>155,882</u>
 Total	 <u>257,355</u>

Contributing Employers – 24.

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, 2017 the Board's total payroll for all employees was \$61,581,011. Total TPAF covered payroll was \$40,870,999. 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 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 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's contribution 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 1/55th 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 1/60th 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 tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62, 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</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
06/30/17	\$4,320,059	Unknown	\$0
06/30/16	3,039,956	Unknown	0
06/30/15	2,126,123	Unknown	0

At June 30, 2016, the TPAF reported a net pension liability of \$78,666,367,052 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 \$298,689,277 or 0.379691%. State non-employer contributions allocated to the District were \$3,023,857 and \$2,113,500 for 2016 and 2015, 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, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. 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, 2016 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%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equities Market	26.00%	5.14%
Foreign-Developed Equities	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

**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 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. The State contributed 30% of the 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 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, 2016 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 (2.22%)</u>	<u>At current discount rate (3.22%)</u>	<u>At 1% Increase (4.22%)</u>
TPAF	\$94,378,176,033	\$79,028,907,033	\$66,494,248,033

*Components of Net Pension Liability* – The components of the net pension liability for TPAF, including the State of New Jersey, at June 30, 2016 is as follows:

Total pension liability	\$ 101,746,770,000
Plan fiduciary net position	<u>22,717,862,967</u>
Net pension liability	<u>\$ 79,028,907,033</u>
Plan fiduciary net position as a percentage of the total pension liability	22.33%

**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, 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557.

*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, 2017 the Board's total payroll for all employees was \$61,581,011. Total DCRP covered payroll was \$1,265,083. 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, 2017 were \$37,953 and \$69,577, 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, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members for Fiscal Year 2016.

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**

**Three-Year Trend Information for TPAF (Paid on-behalf of the District)**

<u>Year Funding</u>	<u>Annual Post-Retirement Medical Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/17	\$3,599,592	100%	\$0
06/30/16	3,619,747	100%	0
06/30/15	3,375,221	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, 2017, a liability existed for compensated absences in the Community School in the amount of \$19,232.

**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.

NOTES TO FINANCIAL STATEMENTS

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

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance, July 1, 2016	\$8,799,599
Board Resolution	3,500,000
Refund of Prior Year Expenditure	15,712
Appropriated 16/17 Budget	1,912,000
Interest Earnings	<u>3,661</u>
Total Deposits	<u>5,431,373</u>
Withdrawal	
Appropriated 17/18 Budget	1,489,000
Transferred to Capital Projects Fund – (Net)	<u>3,173,000</u>
	<u>4,662,000</u>
Ending Balance June 30, 2017	<u>\$9,568,972</u>

The LRFPS balance of local support costs of uncompleted capital projects at June 30, 2017 is \$1,800,819. 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, 2017, the district did not transfer any 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, 2017, 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, 2017, 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, 2017:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Board Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ 91,809	\$ 8,231	\$ 86,675	\$2,078,737
2015-2016	91,312	828	83,647	2,065,372
2014-2015	133,243	200,626	76,149	2,056,879

**NOTE 13. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$	\$ 914,607
Special Revenue Fund		187,242
Capital Projects Fund	1,179,747	
Enterprise Funds		77,898
	<u>\$ 1,179,747</u>	<u>\$ 1,179,747</u>

**NOTE 14. INVENTORY**

Inventory in the Food Service Fund at June 30, 2017 consisted of the following:

Food	\$ 11,801
Supplies	<u>5,483</u>
	<u>\$ 17,284</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 \$28,778,319 General Fund balance at June 30, 2017, \$9,668,512 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7 \$9,568,972 has been restricted in the Capital Reserve Account; \$3,093,195 is restricted for the Maintenance Reserve Account; \$3,083,444 has been assigned and included as anticipated revenue for the year ending June 30, 2018; \$365,078 is unassigned and \$2,999,118 has been committed as Reserve for Encumbrances.

**Debt Service Fund** - The Debt Service Fund had unassigned fund balance at June 30, 2017 in the amount of \$0.

**Capital Projects Fund** - The fund balance at June 30, 2017 is \$971,344. The entire amount of \$971,344 is restricted. Additional funding from SDA State Aid (\$829,475) is anticipated to finance unexpended project balances of \$1,800,819 at year-end.

**NOTE 16. DEFICIT FUND BALANCES**

The District did not have any deficit fund balances at June 30, 2017 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, 2017 is \$4,864,588.

**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, 2017 is as follows:

Maintenance Reserve: The balance at the end of June 30, 2017 in this account was \$3,093,195.

**NOTE 20. TAX ABATEMENTS**

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The Division of Local Government Services, in the Department of Community Affairs, State of New Jersey, requires each municipality to submit annually a "User Friendly Budget", which, among other disclosures, includes a listing of all properties which have been granted tax abatements, including assessed values and any In-Lieu-Of-Tax-Payments made to the municipality. The 2017 User Friendly Budget for Morris Township recognized revenue of \$10,000 from the annual service charge in lieu of payment of taxes in 2016 and taxes in 2016 that otherwise would have been due on these long-term tax exemptions amounted to \$430,194, based upon the assessed valuations of the long-term tax exemptions properties. A portion of the \$420,194 abatement would have been allocated to the District. The 2017 User Friendly Budget for the Town of Morristown recognized revenue of \$613,040 from the annual service charge in lieu of payment of taxes in 2016 and taxes in 2016 that otherwise would have been due on these long-term tax exemptions amounted to \$252,075, based upon the assessed valuations of the long-term tax exemptions properties.

**NOTE 21. 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 22. 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**

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit - C-1  
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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 86,834,961	\$ -	\$ 86,834,961	\$ 86,834,961	\$ -
Tuition from Individuals	35,451	-	35,451	102,156	66,705
Tuition from Other LEAs within the State	3,886,205	-	3,886,205	4,046,283	160,078
Maintenance Reserve Interest	350	-	350	1,045	695
Capital Reserve Interest	10,000	-	10,000	3,661	(6,339)
Miscellaneous	125,000	-	125,000	257,237	132,237
<b>Total - Local Sources</b>	<b>90,891,967</b>	<b>-</b>	<b>90,891,967</b>	<b>91,245,343</b>	<b>353,376</b>
State Sources:					
School Choice Aid	723,024	-	723,024	723,024	-
Categorical Special Education Aid	2,977,010	-	2,977,010	2,977,010	-
Categorical Security Aid	755,191	-	755,191	755,191	-
Adjustment Aid	569,295	-	569,295	569,295	-
Categorical Transportation Aid	1,581,555	-	1,581,555	1,581,555	-
PARCC Readiness Aid	49,610	-	49,610	49,610	-
Per Pupil Growth Aid	49,610	-	49,610	49,610	-
Professional Learning Community Aid	51,460	-	51,460	51,460	-
Host District Support Aid	43,795	-	43,795	43,795	-
Extraordinary Aid	-	-	-	1,580,253	1,580,253
Nonpublic School Transportation Aid	-	-	-	78,047	78,047
Homeless Tuition Reimbursement	-	-	-	27,291	27,291
On-Behalf TPAF Pension	-	-	-	-	-
Contrib. - Not Budgeted	-	-	-	4,320,059	4,320,059
On-Behalf Post Retirement Medical	-	-	-	-	-
Contrib. - Not Budgeted	-	-	-	3,599,592	3,599,592
On-Behalf Long-Term Disability Insurance	-	-	-	-	-
Contrib. - Not Budgeted	-	-	-	12,060	12,060
On-Behalf TPAF Soc. Sec.	-	-	-	-	-
Contrib. - Not Budgeted	-	-	-	2,900,758	2,900,758
<b>Total - State Sources</b>	<b>6,800,550</b>	<b>-</b>	<b>6,800,550</b>	<b>19,318,610</b>	<b>12,518,060</b>
Federal Sources:					
Medicaid Reimbursements	86,370	-	86,370	202,968	116,598
Impact Aid	5,000	-	5,000	15,546	10,546
<b>Total - Federal Sources</b>	<b>91,370</b>	<b>-</b>	<b>91,370</b>	<b>218,514</b>	<b>127,144</b>
<b>Total Revenues</b>	<b>97,783,887</b>	<b>-</b>	<b>97,783,887</b>	<b>110,782,467</b>	<b>12,998,580</b>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit - C-1  
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	<u>BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</u>
EXPENDITURES:					
Current Expense:					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool/Kindergarten	\$ 1,483,631	\$ -	\$ 1,483,631	\$ 1,366,531	\$ 117,100
Grades 1- 5	10,586,074	(54,500)	10,531,574	10,128,046	403,528
Grades 6- 8	6,027,224	(3,008)	6,024,216	5,889,284	134,932
Grades 9-12	8,843,698	(30,270)	8,813,428	8,596,520	216,908
Home Instr. - Reg. Prog.					
Salaries of Teachers	99,801	20,000	119,801	119,136	665
Other Salaries for Instruction	10,000	(10,000)			-
Purchased Profess./Educa. Serv.	75,000	11,000	86,000	55,996	30,004
Regular Programs - Undistrib. Instr.					
Other Salaries for Instruction	213,467	24,270	237,737	165,614.00	72,123
Purchased Profess./Educa. Serv.	160,000	5,832	165,832	164,245.00	1,587
Purchased Technical Serv.	82,554	(1,207)	81,347	64,129.00	17,218
Other Purchased Services	861,326	(6,728)	854,598	632,954.00	221,644
General Supplies	1,402,253	208,887	1,611,140	1,534,356.00	76,784
Textbooks	171,850	(50,769)	121,081	71,637.00	49,444
Other Objects	3,800	(1,682)	2,118	998.00	1,120
<b>Total Regular Programs</b>	<b>30,020,678</b>	<b>111,825</b>	<b>30,132,503</b>	<b>28,789,446</b>	<b>1,343,057</b>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit - C-1  
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	<u>BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Special Education (Cont'd.)					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 860,298	\$ (340,136)	\$ 520,162	\$	\$ 520,162
Other Salaries for Instruction	170,127	(3,000)	167,127		167,127
Other Purchased Services	5,923	(2,370)	3,553		3,553
General Supplies	45,005	(11,495)	33,510		33,510
Textbooks	2,100	-	2,100		2,100
Other Objects	200	(50)	150		150
<b>Total Learning and/or Language Disabilities</b>	<b>1,083,653</b>	<b>(357,051)</b>	<b>726,602</b>	<b>-</b>	<b>726,602</b>
Resource Room/Resource Center					
Salaries of Teachers	3,253,378	189,000	3,442,378	3,437,953	4,425
Other Salaries for Instruction	500	22,000	22,500	21,632	868
General Supplies	12,000	(8,000)	4,000	1,786	2,214
<b>Total Resource Room/Resource Center</b>	<b>3,265,878</b>	<b>203,000</b>	<b>3,468,878</b>	<b>3,461,371</b>	<b>7,507</b>
Multiple Disabilities					
Salaries of Teachers	153,316	67,500	220,816	218,581	2,235
Other Salaries for Instruction	1,681,222	86,636	1,767,858	1,669,443	98,415
Purchased Prof. Educational Services	80,000	10,900	90,900	90,900	-
Other Purchased Services	800	-	800		800
General Supplies	30,000	44,000	74,000	71,697	2,303
<b>Total Multiply Disabilities</b>	<b>1,945,338</b>	<b>209,036</b>	<b>2,154,374</b>	<b>2,050,621</b>	<b>103,753</b>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit - C-1  
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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
Preschool Disabilities-Full Time					
Salaries of Teachers	\$ 790,464	\$ (5,500)	\$ 784,964	\$ 669,067	\$ 115,897
Other Salaries for Instruction	279,945	13,500	293,445	208,650	84,795
Purch. Prof. Educ. Services	1,400	-	1,400	150	1,250
Purchased Technical Services	1,474	-	1,474	1,304	170
Other Purchased Services	3,300	(2,500)	800	750	50
General Supplies	24,550	2,500	27,050	26,977	73
Other Objects	3,000	-	3,000	2,722	278
	<u>1,104,133</u>	<u>8,000</u>	<u>1,112,133</u>	<u>909,620</u>	<u>202,513</u>
Total Preschool Disabilities FT					
	<u>1,104,133</u>	<u>8,000</u>	<u>1,112,133</u>	<u>909,620</u>	<u>202,513</u>
Total Special Education	<u>7,399,002</u>	<u>62,985</u>	<u>7,461,987</u>	<u>6,421,612</u>	<u>1,040,375</u>
Basic Skills/Remedial					
Salaries of Teachers	808,277	-	808,277	761,139	47,138
Other Salaries for Instruction	21,349	-	21,349	20,549	800
General Supplies	2,800	(973)	1,827	1,819	8
	<u>832,426</u>	<u>(973)</u>	<u>831,453</u>	<u>783,507</u>	<u>47,946</u>
Total Basic Skills/Remedial					
	<u>832,426</u>	<u>(973)</u>	<u>831,453</u>	<u>783,507</u>	<u>47,946</u>
Bilingual Education					
Salaries of Teachers	1,115,780	-	1,115,780	1,073,330	42,450
Other Salaries for Instr.	40,775	-	40,775	39,775	1,000
Other Purchased Services		3,248	3,248	1,968	1,280
General Supplies	49,850	6,414	56,264	55,178	1,086
Textbooks	800	(400)	400		400
	<u>1,207,205</u>	<u>9,262</u>	<u>1,216,467</u>	<u>1,170,251</u>	<u>46,216</u>
Total Bilingual Education					
	<u>1,207,205</u>	<u>9,262</u>	<u>1,216,467</u>	<u>1,170,251</u>	<u>46,216</u>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</u>
School-Sponsored Co./Extra Activities					
Salaries	\$ 251,363	\$ 4,000	\$ 255,363	\$ 245,529	\$ 9,834
Purchased Services	15,500	(4,000)	11,500	5,950	5,550
Supplies and Materials	12,500	3,850	16,350	9,418	6,932
Other Objects	9,000	150	9,150	8,070	1,080
	<u>288,363</u>	<u>4,000</u>	<u>292,363</u>	<u>268,967</u>	<u>23,396</u>
Total School-Sponsored Cocurricular Activities					
School-Sponsored Athletics					
Salaries	846,674	\$ 20,000	866,674	844,079	22,595
Purchased Services	103,838	37,526	141,364	127,103	14,261
Supplies and Materials	108,500	(1,180)	107,320	103,922	3,398
Other Objects	86,900	6,502	93,402	93,137	265
	<u>1,145,912</u>	<u>62,848</u>	<u>1,208,760</u>	<u>1,168,241</u>	<u>40,519</u>
Total School-Sponsored Athletics					
Before/After School Programs					
Salaries of Teachers	57,615	-	57,615	33,705	23,910
	<u>57,615</u>	<u>-</u>	<u>57,615</u>	<u>33,705</u>	<u>23,910</u>
Total Before/After School Programs					
Community Serv. Programs/Operations					
Salaries	524	-	524	-	524
	<u>524</u>	<u>-</u>	<u>524</u>	<u>-</u>	<u>524</u>
Total Community Serv. Prog./Oper.					
Total Instruction	<u>40,951,725</u>	<u>249,947</u>	<u>41,201,672</u>	<u>38,635,729</u>	<u>2,565,943</u>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit - C-1  
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	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE POSITIVE (NEGATIVE) <u>FINAL TO ACTUAL</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures:					
Instruction					
Tuition to Other LEA's Within the State-Special	\$ 688,498	(93,000)	\$ 595,498	\$ 520,048	\$ 75,450
Tuition to Other LEA's Within the State-Regular	30,000	-	30,000		30,000
Tuition to Cnty. Voc. School Reg.	183,150	76,713	259,863	258,641	1,222
Tuition to Cnty. Voc. School - Spec.	35,750	(1,713)	34,037	29,658	4,379
Tuition to CSSD & Reg Day Schools	366,597	-	366,597	276,357	90,240
Tuition to Priv. Sch. for the Disabled - Within State	4,249,670	87,478	4,337,148	4,077,360	259,788
Tuition to Priv. Sch. Disabled Other LEAs-Spl - Out of State	234,059	-	234,059	65,946	168,113
Tuition - State Facilities	190,805	-	190,805	190,805	-
Tuition - Other	209,550	86,823	296,373	262,663	33,710
<b>Total Undistrib. Expend. - Instruc.</b>	<b>6,188,079</b>	<b>156,301</b>	<b>6,344,380</b>	<b>5,681,478</b>	<b>662,902</b>
Attendance and Social Work					
Salaries	60,651	-	60,651	60,650	1
<b>Total Attendance &amp; Social Work</b>	<b>60,651</b>	<b>-</b>	<b>60,651</b>	<b>60,650</b>	<b>1</b>
Health Services					
Salaries	1,043,487	(26,500)	1,016,987	1,011,488	5,499
Purchased Prof./Tech. Services	63,161	45,683	108,844	89,271	19,573
Other Purchased Services	950	500	1,450	601	849
Supplies and Materials	24,500	-	24,500	18,779	5,721
<b>Total Health Services</b>	<b>1,132,098</b>	<b>19,683</b>	<b>1,151,781</b>	<b>1,120,139</b>	<b>31,642</b>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit - C-1  
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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Speech, OT, PT and Related Svcs					
Salaries	\$ 968,625	\$ 25,000	\$ 993,625	\$ 987,939	\$ 5,686
Purch. Profess. - Educational Svcs.	1,037,712	(59,350)	978,362	972,693	5,669
Supplies and Materials	78,400	(19,723)	58,677	51,440	7,237
<b>Total Speech, OT, PT and Related Svcs - Related Services</b>	<b>2,084,737</b>	<b>(54,073)</b>	<b>2,030,664</b>	<b>2,012,072</b>	<b>18,592</b>
Other Supp. Serv. Stud.-Extra Serv.					
Salaries	1,978,345	35,889	2,014,234	1,986,501	27,733
Purch. Profess. - Educational Svcs.	65,000	(50,600)	14,400	1,200	13,200
<b>Total Other Support Services Student - Extra Services</b>	<b>2,043,345</b>	<b>(14,711)</b>	<b>2,028,634</b>	<b>1,987,701</b>	<b>40,933</b>
Guidance					
Salaries of Other Prof. Staff	1,892,534	87,000	1,979,534	1,946,829	32,705
Salaries of Secr. and Cler. Assts.	271,387	-	271,387	264,034	7,353
Purch. Profess. - Educational Svcs.	237,784	194	237,978	237,978	-
Other Purch. Prof. and Tech. Svcs.	8,495	(1,485)	7,010	7,010	-
Other Purchased Services	3,025	(1,050)	1,975	715	1,260
Supplies and Materials	27,400	2,535	29,935	28,273	1,662
Other Objects	450	(100)	350	285	65
<b>Total Guidance</b>	<b>2,441,075</b>	<b>87,094</b>	<b>2,528,169</b>	<b>2,485,124</b>	<b>43,045</b>



MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	<u>ORIGINAL</u>	<u>BUDGET</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>BUDGET</u>	<u>TRANSFERS</u>	<u>BUDGET</u>		<u>POSITIVE (NEGATIVE)</u>
					<u>FINAL TO ACTUAL</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures -					
Child Study Teams					
Salaries of Other Prof. Staff	\$ 1,756,723	29,463	\$ 1,786,186	\$ 1,785,010	\$ 1,176
Salaries of Secr. and Cler. Assts.	302,770	(33,669)	269,101	259,126	9,975
Unused Vacation Payment to Terminated/Retired Staff		13,669	13,669	13,668	1
Other Purch. Prof. and Tech. Services	102,448	31,863	134,311	131,614	2,697
Misc. Purch. Svcs.	15,286	-	15,286	11,681	3,605
Supplies & Materials	32,775	(8,146)	24,629	23,014	1,615
Other Objects	3,000	-	3,000	2,571	429
	<u>2,213,002</u>	<u>33,180</u>	<u>2,246,182</u>	<u>2,226,684</u>	<u>19,498</u>
Improvement of Instructional Services					
Salaries of Supervisors of Instruction	989,202	1,600	990,802	986,961	3,841
Salaries of Other Profess. Staff	152,548	4,500	157,048	157,000	48
Salaries of Secty. & Clerical Staff	55,765	250	56,015	55,489	526
Unused Vacation Payment to Terminated/Retired Staff	-	10,500	10,500	10,307	193
Purch. Profess. - Educational Svcs.	2,874	(1,191)	1,683	665	1,018
Other Purch. Prof. and Tech. Services	65,675	35,862	101,537	83,280	18,257
Other Purch. Services	500	15,928	16,428	15,331	1,097
Supplies and Materials	16,541	(1,372)	15,169	13,838	1,331
Other Objects	5,000	(1,518)	3,482	3,074	408
	<u>1,288,105</u>	<u>64,559</u>	<u>1,352,664</u>	<u>1,325,945</u>	<u>26,719</u>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit - C-1  
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	<u>ORIGINAL</u> <u>BUDGET</u>	<u>BUDGET</u> <u>TRANSFERS</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>POSITIVE (NEGATIVE)</u> <u>FINAL TO ACTUAL</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures:					
Educational Media Serv./School Library					
Salaries	\$ 1,012,256	\$ (21,400)	\$ 990,856	\$ 982,921	\$ 7,935
Salaries of Technology Coordinators	574,760	1	574,761	574,760	1
Purchased Prof./Tech. Services	41,891	6,515	48,406	46,974	1,432
Other Purchased Services	11,100	(7,333)	3,767	740	3,027
Supplies and Materials	53,800	(7,208)	46,592	45,232	1,360
Other Objects	<u>2,105</u>	<u>2,105</u>	<u>2,105</u>	<u>2,100</u>	<u>5</u>
 Total Educ. Media Services/ School Library	 <u>1,693,807</u>	 <u>(27,320)</u>	 <u>1,666,487</u>	 <u>1,652,727</u>	 <u>13,760</u>
 Instructional Staff Training Services					
Salaries of Other Profess. Staff	55,000	-	55,000	49,700	5,300
Salaries of Secty. & Clerical Staff	18,188	-	18,188	18,188	-
Purchased Prof./Educ. Services	60,000	(2,460)	57,540	22,825	34,715
Other Purchased Services	99	99	99	99	-
Supplies and Materials	<u>6,220</u>	<u>(665)</u>	<u>5,555</u>	<u>555</u>	<u>5,000</u>
 Total Instructional Staff Training Serv	 <u>139,408</u>	 <u>(3,026)</u>	 <u>136,382</u>	 <u>91,367</u>	 <u>45,015</u>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES (CONT'D.):					
Undistributed Expenditures:					
Support Serv. General Administration					
Salaries	\$ 293,551	\$ 1	\$ 293,552	\$ 286,460	\$ 7,092
Legal Services	225,000	25,000	250,000	177,341	72,659
Audit Fees	40,000	-	40,000	38,669	1,331
Other Purchased Professional Serv.	168,750	(5,323)	163,427	23,185	140,242
Purchased Tech. Services	24,450	100	24,550	24,542	8
Communications/Telephone	423,920	90,000	513,920	373,894	140,026
BOE Other Purchased Services	3,500	(60)	3,440		3,440
Misc. Purchased Services	48,605	3,786	52,391	47,611	4,780
General Supplies	17,500	27	17,527	17,171	356
BOE In-House Training/Meeting Supplies	12,000	-	12,000	7,545	4,455
Misc. Expenditures	12,000	-	12,000	9,573	2,427
BOE Membership Dues & Fees	34,000	-	34,000	28,448	5,552
	<u>1,303,276</u>	<u>113,531</u>	<u>1,416,807</u>	<u>1,034,439</u>	<u>382,368</u>
Total Support Serv. General Administration					
Support Serv. School Administration					
Salaries of Principals/					
Asst. Principals	2,373,978	102,800	2,476,778	2,252,946	223,832
Salaries of Other Professional Staff	5,552	49,300	54,852	54,747	105
Salaries of Secty. and Cler. Assts.	922,278	-	922,278	905,178	17,100
Purchased Prof. Tech. Services	21,838	5,090	26,928	25,761	1,167
Other Purchased Services	34,250	(2,746)	31,504	17,682	13,822
Supplies and Materials	45,610	(1,629)	43,981	35,674	8,307
Other Objects	11,820	214	12,034	7,726	4,308
	<u>3,415,326</u>	<u>153,029</u>	<u>3,568,355</u>	<u>3,299,714</u>	<u>268,641</u>
Total Support Serv. School Admin.					
Central Services					
Salaries	1,286,624	(42,200)	1,244,424	1,215,768	28,656
Unused Vacation Payment to Terminated/Retired Staff	-	6,200	6,200	6,170	30
Purchased Prof. Services	55,000	(11,560)	43,440	7,065	36,375
Purchased Technical Services	39,192	258,583	297,775	31,693	266,082
Misc. Purchased Services	166,948	53,387	220,335	189,040	31,295
Supplies and Materials	22,443	(507)	21,936	10,268	11,668
Misc. Expenditures	19,270	600	19,870	9,387	10,483
	<u>1,589,477</u>	<u>264,503</u>	<u>1,853,980</u>	<u>1,469,391</u>	<u>384,589</u>
Total Central Services					

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES (CONT'D.):					
Undistributed Expenditures:					
Administrative Info. Technology					
Salaries	\$ 221,047	\$ -	\$ 221,047	\$ 221,046	\$ 1
Purch. Professional Services	188,460	(76,329)	112,131	79,719	32,412
Purch. Technical Services	267,024	11,668	278,692	273,249	5,443
Other Purchased Services	18,950	160	19,110	4,853	14,257
Supplies and Materials	11,250	(131)	11,119	11,119	-
Other Objects	1,400	1,481	2,881	2,871	10
<b>Total Admin. Info. Technology</b>	<b>708,131</b>	<b>(63,151)</b>	<b>644,980</b>	<b>592,857</b>	<b>52,123</b>
Interest on Maintenance Reserve	350	-	350		350
Req. Maint. For School Facilities					
Salaries	688,874	-	688,874	626,693	62,181
Unused Vacation Payment to Terminated/Retired Staff	-	2,660	2,660	2,659	1
Cleaning, Repair & Maint. Services	1,157,454	149,589	1,307,043	1,033,256	273,787
General Supplies	244,250	(47,935)	196,315	152,446	43,869
Other Objects	10,080	2	10,082	5,889	4,193
<b>Total Req. Maint Sch. Facilities</b>	<b>2,100,658</b>	<b>104,316</b>	<b>2,204,974</b>	<b>1,820,943</b>	<b>384,031</b>
Custodial Services					
Salaries	2,458,667	(42,341)	2,416,326	2,378,829	37,497
Salaries of Non-Instructional Aides	111,151	29,000	140,151	137,212	2,939
Unused Vacation Payment to Terminated/Retired Staff	-	5,000	5,000	4,823	177
Purchased Prof. and Tech. Services	278,117	26,820	304,937	157,289	147,648
Cleaning, Repair & Maint. Services	262,200	(3,605)	258,595	251,402	7,193
Other Purchased Property Services	226,000	-	226,000	182,067	43,933
Insurance	397,321	(3,786)	393,535	376,092	17,443
Misc. Purchased Services	5,000	-	5,000	784	4,216
General Supplies	272,250	-	272,250	267,697	4,553
Energy (Natural Gas)	743,000	(215,000)	528,000	414,192	113,808
Energy (Electricity)	1,243,600	(215,000)	1,028,600	785,931	242,669
Energy (Gasoline)	52,500	-	52,500	22,871	29,629
Other Objects	24,020	-	24,020	18,904	5,116
<b>Total Custodial Services</b>	<b>6,073,826</b>	<b>(418,912)</b>	<b>5,654,914</b>	<b>4,998,093</b>	<b>656,821</b>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES (CONT'D.):					
Care and Upkeep of Grounds					
Salaries	\$ 466,096	\$ -	\$ 466,096	\$ 464,910	\$ 1,186
Cleaning, Repair & Maint. Services	60,000	(26,766)	33,234	33,095	139
General Supplies	67,300	(34)	67,266	54,997	12,269
Total Care and Upkeep of Grounds	<u>593,396</u>	<u>(26,800)</u>	<u>566,596</u>	<u>553,002</u>	<u>13,594</u>
Security					
Salaries	517,877	(3,541)	514,336	391,172	123,164
Purchased Prof. and Tech. Services	47,000	-	47,000	32,068	14,932
General Supplies	-	2,691	2,691	2,691	-
Total Security	<u>564,877</u>	<u>(850)</u>	<u>564,027</u>	<u>425,931</u>	<u>138,096</u>
Total Maint. & Custodial Serv.	<u>9,332,757</u>	<u>(342,246)</u>	<u>8,990,861</u>	<u>7,797,969</u>	<u>1,192,892</u>
Student Transportation Services					
Salaries for Pupil Transportation (Between Home & School) - Regular	873,400	121,000	994,400	992,623	1,777
Salaries for Pupil Transportation (Between Home & School) - Special	377,421	(99,000)	278,421	277,801	620
Salaries for Pupil Transportation (Other than Between Home & School)	268,549	86,000	354,549	353,615	934
Unused Vacation Payment to Terminated/Retired Staff	-	1,700	1,700	1,650	50
Management Fee-ESC Transport. Prog.	68,636	19,733	88,369	77,520	10,849
Other Purch. Prof./Tech. Serv.	10,060	37	10,097	7,421	2,676
Cleaning, Repair, and Maint. Services	35,000	596	35,596	19,841	15,755
Rental Payments - School Buses	18,000	64,080	82,080	82,080	-
Contracted Services - Aid in Lieu of Payments	331,500	-	331,500	292,467	39,033
Contracted Services (Between Home & School) - Vendors	1,947,482	(145,289)	1,802,193	1,674,317	127,876
Contracted Services (Other than Between Home & School)-Vendors	99,500	(6,086)	93,414	45,994	47,420
Contracted Services (Sp. Ed. Stds) - Vendors	595,520	169,480	765,000	764,128	872
Contracted Services (Regular Students) ESCs	172,713	2,300	175,013	166,269	8,744
Contracted Services (Special Ed. Students) ESCs	1,711,886	218,552	1,930,438	1,906,880	23,558
Misc. Purch. Serv. - Transportation	65,600	-	65,600	51,992	13,608
General Supplies	311,000	(3,339)	307,661	242,057	65,604
Miscellaneous Expenditures	8,300	-	8,300	4,950	3,350
Total Student Transportation Services	<u>6,894,567</u>	<u>429,764</u>	<u>7,324,331</u>	<u>6,961,605</u>	<u>362,726</u>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Unallocated Benefits - Empl. Benefits					
Group Insurance	\$ 62,000	\$ -	\$ 62,000	\$ 46,326	\$ 15,674
Social Security Contributions	1,495,551	-	1,495,551	1,302,902	192,649
Other Retirement Contrib. - PERS	1,473,000	-	1,473,000	1,423,028	49,972
Unemployment Compensation	300,000	-	300,000	8,000	292,000
Workmen's Compensation	540,000	-	540,000	503,960	36,040
Health Benefits	13,233,359	(83,000)	13,150,359	11,913,734	1,236,625
Tuition Reimbursements	210,000	1,000	211,000	207,289	3,711
Other Employee Benefits	4,000	-	4,000	2,549	1,451
Unused Sick Payments to Terminated/Retired Staff	385,000	83,000	468,000	467,309	691
<b>Total Unallocated Benefits</b>	<b>17,702,910</b>	<b>1,000</b>	<b>17,703,910</b>	<b>15,875,097</b>	<b>1,828,813</b>
On-Behalf TPAF Pension					
Contrib. - Not Budgeted		-		4,320,059	(4,320,059)
On-Behalf Post Retirement Medical					
Contrib. - Not Budgeted				3,599,592	(3,599,592)
On-Behalf Long-Term Disability Insurance					
Contrib. - Not Budgeted				12,060	(12,060)
On-Behalf TPAF Soc. Sec.					
Contrib. - Not Budgeted		-		2,900,758	(2,900,758)
<b>Total Undistributed Expenditures</b>	<b>60,230,751</b>	<b>818,117</b>	<b>61,049,218</b>	<b>66,507,428</b>	<b>(5,446,150)</b>
<b>Total Expenditures - Current Expense</b>	<b>101,182,826</b>	<b>1,068,064</b>	<b>102,250,890</b>	<b>105,143,157</b>	<b>(2,880,207)</b>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
CAPITAL OUTLAY:					
Interest Deposit to Capital Reserve	\$ 10,000	\$ (10,000)	\$	\$	-
Equipment:					
Regular Programs - Instruction					
Grades 1-5		-			-
Grades 6-8		5,990	5,990	5,990	-
Grades 9-12	166,500	67,006	233,506	172,585	60,921
Undistributed Support Service - Students - Special		2,246	2,246	2,246	-
Administration Info. Technology	45,200	27,150	72,350	72,350	-
Required Maintenance for School Facilities	170,000	1,450	171,450	105,327	66,123
Custodial Services	7,200	1,000	8,200	8,126	74
Care and Upkeep of Grounds	12,500	-	12,500	2,525	9,975
Student Trans - Non-Inst. Equip		5,051	5,051	5,051	-
School Buses - Regular	210,000	2,971,451	3,181,451	197,960	2,983,491
Total Equipment	611,400	3,081,344	3,692,744	572,160	3,120,584
Facilities Acquis. & Constr. Services					
Assessment for Debt Service on SDA Funding	37,738	-	37,738	37,738	-
Total Facil. Acquis. & Constr. Serv.	37,738	-	37,738	37,738	-
Assets Acquired Under Capital Leases (non-budgeted)					
Various Equipment		78,815	78,815	78,815	-
Copiers		15,814	15,814	15,814	-
Buses		2,769,991	2,769,991	2,769,991	-
Total Assets Acq. Under Capital Leases	-	2,864,620	2,864,620	2,864,620	-
Total Capital Outlay	659,138	5,935,964	6,595,102	3,474,518	3,120,584

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</u>
EXPENDITURES (CONT'D.):					
Total Expenditures	\$ 101,841,964	\$ 7,004,028	\$ 108,845,992	\$ 108,617,675	\$ 240,377
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,058,077)</u>	<u>(7,004,028)</u>	<u>(11,062,105)</u>	<u>2,164,792</u>	<u>13,238,957</u>
Other Financing Sources (Uses)					
Capital Reserve Transf. To Capital. Projects	(1,912,000)	(1,261,000)	(3,173,000)	(3,157,288)	15,712
Capital Leases Non-Budgeted		2,864,620	2,864,620	2,864,620	-
Lease Purchase Agreement - Buses				2,769,991	2,769,991
Transfer of Funds to Charter School	<u>(1,554,175)</u>	<u>435</u>	<u>(1,553,740)</u>	<u>(1,323,405)</u>	<u>230,335</u>
Total Other Financing Sources (Uses)	<u>(3,466,175)</u>	<u>1,604,055</u>	<u>(1,862,120)</u>	<u>1,153,918</u>	<u>3,016,038</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(7,524,252)	(5,399,973)	(12,924,225)	3,318,710	16,254,995
Fund Balances, July 1	<u>27,724,934</u>		<u>27,724,934</u>	<u>27,724,934</u>	<u>-</u>
<b>Fund Balances, June 30</b>	<b>\$ 20,200,682</b>	<b>\$ (5,399,973)</b>	<b>\$ 14,800,709</b>	<b>\$ 31,043,644</b>	<b>\$ 16,254,995</b>



MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</u>
<u>Recapitulation of Excess (Deficiency)</u>					
<u>of Revenues Under Expenditures:</u>					
<b>Recapitulation:</b>					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for					
Subsequent Years Expenditures				\$ 4,859,323	
Reserve for Excess Surplus				4,809,189	
Maintenance Reserve				3,093,195	
Capital Reserve				9,568,972	
Committed Fund Balance:					
Year-end Encumbrances				2,999,118	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				1,594,444	
Designated for Subsequent Year's Expenditures-					
Capital Reserve				1,489,000	
Unassigned Fund Balance				<u>2,630,403</u>	
<b>Fund Balance per Budgetary Basis (GAAP)</b>				<b><u>\$ 31,043,644</u></b>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP basis				(685,072)	
Extraordinary Aid Payment				<u>(1,580,253)</u>	
<b>Fund Balance per Governmental Funds (GAAP)</b>				<b><u>\$ 28,778,319</u></b>	

Morris School District  
Budgetary Comparison Schedule  
Special Revenue Fund  
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Revenue from Local Sources	\$ 124,000	\$ 178,088	\$ 302,088	\$ 229,319	\$ (72,769)
Total - Local Sources	<u>124,000</u>	<u>178,088</u>	<u>302,088</u>	<u>229,319</u>	<u>(72,769)</u>
State Sources:					
Nonpublic Aid	632,736	233,481	866,217	766,319	(99,898)
Preschool Education	<u>234,300</u>	<u>-</u>	<u>234,300</u>	<u>234,300</u>	<u>-</u>
Total - State Sources	<u>867,036</u>	<u>233,481</u>	<u>1,100,517</u>	<u>1,000,619</u>	<u>(99,898)</u>
Federal Sources:					
Title I Part A	369,356	176,897	546,253	487,084	(59,169)
Title I Part A - Innovated NJ Summer Blended				46,740	46,740
Title I Part D	53,810	(6,118)	47,692	47,692	-
Title II	126,005	31,594	157,599	120,844	(36,755)
Title III Immigrant	39,778	(16,473)	23,305	23,305	-
Title III	89,393	83,417	172,810	144,093	(28,717)
Perkins Grant	23,483	12,669	36,152	31,441	(4,711)
I.D.E.A., Part B - Regular	1,287,564	573,828	1,861,392	1,558,857	(302,535)
I.D.E.A., Part B - Preschool	<u>39,996</u>	<u>10,936</u>	<u>50,932</u>	<u>50,932</u>	<u>-</u>
Total - Federal Sources	<u>2,029,385</u>	<u>866,750</u>	<u>2,896,135</u>	<u>2,510,988</u>	<u>(385,147)</u>
Total Revenues	<u>3,020,421</u>	<u>1,278,319</u>	<u>4,298,740</u>	<u>3,740,926</u>	<u>(557,814)</u>
<b>EXPENDITURES:</b>					
Instruction					
Salaries of Teachers	761,042	26,950	787,992	712,804	75,188
Salaries of Other Professional Staff	24,483	26,467	50,950	1,916	49,034
Other Salaries for Instruc.	6,600	-	6,600	6,600	-
Purchased Professional - Educational Services	227,353	(207)	227,146	221,031	6,115
Other Purchased Services (400-500 series)		27,479	27,479	17,697	9,782

Morris School District  
Budgetary Comparison Schedule  
Special Revenue Fund  
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES (CONT'D):</b>					
Instruction (cont'd)					
General Supplies	144,613	190,561	335,174	268,390	66,784
Textbooks	121,235	(7,626)	113,609	111,920	1,689
Other Objects	90	10	100	100	-
Total instruction	<u>1,285,416</u>	<u>263,634</u>	<u>1,549,050</u>	<u>1,340,458</u>	<u>208,592</u>
<b>EXPENDITURES (CONT'D):</b>					
Support Services					
Salaries of Teachers		40,850	40,850	38,326	2,524
Salaries of Supervisors of Instruc.		-	-	-	-
Salaries of Program Directors		7,349	7,349	5,000	2,349
Salaries of Other Professional Staff		64,044	64,044	62,991	1,053
Salaries of Sect. and Clerical Assist.		1,950	1,950	1,112	838
Other Salaries		19,251	19,251	12,878	6,373
Personal Services - Employee Benefits		170,889	170,889	161,589	9,300
Purchased Professional - Educational Services	401,445	542,005	943,450	641,853	301,597
Other Purchased Professional Services	5,000	17,450	22,450	19,712	2,738
Purchased Technical Services		-	-	-	-
Tuition	1,327,560	116,981	1,444,541	1,444,541	-
Transportation		4,245	4,245	-	4,245
Travel		17,069	17,069	-	17,069
Other Purchased Services		5,582	5,582	5,449	133
Supplies & Materials	1,000	7,020	8,020	7,017	1,003
Total support services	<u>1,735,005</u>	<u>1,014,685</u>	<u>2,749,690</u>	<u>2,400,468</u>	<u>349,222</u>
Total Expenditures	3,020,421	1,278,319	4,298,740	3,740,926	557,814
<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, 2017

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)	\$ 110,782,467	(C-2)	\$ 3,740,926
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				
State aid payment recognized for budgetary purposes, not recognized for GAAP statements.		(2,265,325)		
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		<u>2,257,740</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>110,774,882</u></b>	<b>(B-2)</b>	<b><u>3,740,926</u></b>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule Includes( rounding differences)	(C-1)	108,617,675	(C-2)	3,740,926
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				
<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>108,617,675</u></b>	<b>(B-2)</b>	<b>\$ <u>3,740,926</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>	<u>2016</u>
District's Proportion of the Net Pension Liability	0.163223%	0.156220%	0.151854%	0.150884%
District's Proportionate Share of the Net Pension Liability	\$31,195,109	\$29,248,653	\$34,088,177	\$44,687,450
District's Covered-Employee Payroll	\$9,844,505	\$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	316.88%	291.16%	332.55%	452.31%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Local Share)	48.72%	52.08%	47.93%	40.14%

\* 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>	<u>2017</u>
Contractually Required Contribution	\$ 1,229,850	\$ 1,287,855	\$ 1,305,537	\$ 1,340,430
Contribution in Relation to Contractually Required Contribution	<u>\$ (1,229,850)</u>	<u>\$ (1,287,855)</u>	<u>\$ (1,305,537)</u>	<u>\$ (1,340,430)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's Proportionate Share of the Payroll	\$10,045,414	\$10,250,422	\$ 9,879,763	\$ 9,994,439
Contributions as a percentage of Covered Employee Payroll	12.24%	12.56%	13.21%	13.41%

\* 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>	<u>2016</u>
Proportion of the Non-State Employer Group Net Pension Liability attributable to the District	0.408649%	0.399083%	0.393263%	0.379691%
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	\$298,689,277
District's Covered-Employee Payroll	\$37,471,580	\$38,236,306	\$39,593,507	\$40,870,999
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%	730.81%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	33.76%	33.64%	28.71%	22.33%

\* 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, 2017**

**NOTE 1. CHANGES IN ASSUMPTIONS**

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2016, dated March 14, 2017. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

**PERS**

*Changes in benefit terms* - None

*Changes in assumptions* - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually, For 2014, the discount rate was 5.39%.

**TPAF**

*Changes in benefit terms* - None

*Changes in assumptions* - For 2016, the discount rate changed to 3.22% and the long-term expected rate of return changed to 7.65%. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study. For 2015, the discount rate changed to 4.13%. For 2014, the discount rate was at 4.68%.

**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, 2017

	Total Brought Forward (Ex. E-1a)	Title I Part A 2016-2017	I.D.E.A. Part B Basic Regular 2016-2017	TITLE I PART D 2016-2017	TITLE III IMMIGRANT 2016-2017	TITLE III REGULAR 2016-2017	Totals 2017
<b>REVENUES:</b>							
State Sources	\$ 1,000,619		\$	\$	\$	\$	\$ 1,000,619
Federal Sources	249,957	487,084	1,558,857	47,692	23,305	144,093	2,510,988
Local Sources	229,319						229,319
<b>Total Revenues</b>	<b>1,479,895</b>	<b>487,084</b>	<b>1,558,857</b>	<b>47,692</b>	<b>23,305</b>	<b>144,093</b>	<b>3,740,926</b>
<b>EXPENDITURES:</b>							
<b>Instruction:</b>							
Salaries of Teachers	270,753	350,125	20,000	37,851	18,438	15,637	712,804
Salaries of Other Professional Staff	1,916						1,916
Other Salaries for Instruc.	6,600						6,600
Purch. Prof. - Educ. Services	219,503				73	1,455	221,031
Other Purch. Services	17,697						17,697
General Supplies	185,666	31,043	10,078			41,603	268,390
Textbooks	111,920						111,920
Other Objects	100						100
<b>Total Instruction</b>	<b>814,155</b>	<b>381,168</b>	<b>30,078</b>	<b>37,851</b>	<b>18,511</b>	<b>58,695</b>	<b>1,340,458</b>
<b>Support Services:</b>							
Salaries of Teachers	12,010		26,316				38,326
Salaries of Supervisors of Instruc.							
Salaries of Program Directors		5,000					5,000
Salaries of Other Prof. Staff						62,991	62,991
Salaries of Sec. & Clerical Asst.		1,112					1,112
Other Salaries		12,878					12,878
Personal Services - Empl. Benefits	32,546	86,926	8,825	9,841	4,794	18,657	161,589
Purch. Prof. - Educ. Services	540,941		97,162			3,750	641,853
Other Purch. Prof. Services	19,712						19,712
Purch. Technical Services							
Tuition	50,932		1,393,609				1,444,541
Transportation							
Travel							
Other Purchased Services	2,582		2,867				5,449
Supplies and Materials	7,017						7,017
<b>Total Support Services</b>	<b>665,740</b>	<b>105,916</b>	<b>1,528,779</b>	<b>9,841</b>	<b>4,794</b>	<b>85,398</b>	<b>2,400,468</b>
<b>Total Expenditures</b>	<b>\$ 1,479,895</b>	<b>\$ 487,084</b>	<b>\$ 1,558,857</b>	<b>\$ 47,692</b>	<b>\$ 23,305</b>	<b>\$ 144,093</b>	<b>\$ 3,740,926</b>



MORRIS SCHOOL DISTRICT  
 SPECIAL REVENUE FUND  
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONT'D)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Total Brought Forward (Ex. E-1b)	IDEA <u>PRESCHOOL</u> 2016-2017	<u>TITLE II</u> 2016-2017	CARL <u>PERKINS</u>	Total Carried Forward
<b>REVENUES:</b>					
State Sources	\$ 1,000,619				\$ 1,000,619
Federal Sources	46,740	50,932	120,844	31,441	249,957
Local Sources	<u>229,319</u>				<u>229,319</u>
Total Revenues	<u>1,276,678</u>	<u>50,932</u>	<u>120,844</u>	<u>31,441</u>	<u>1,479,895</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	179,152		91,601		270,753
Salaries of Other Professional Staff	1,916				1,916
Other Salaries for Instruc.	6,600				6,600
Purch. Prof. - Educ. Services	216,854			2,649	219,503
Other Purch. Services	17,697				17,697
General Supplies	162,518			23,148	185,666
Textbooks	111,920				111,920
Other Objects	<u>100</u>				<u>100</u>
Total Instruction	<u>696,757</u>		<u>91,601</u>	<u>25,797</u>	<u>814,155</u>
Support Services:					
Salaries of Teachers	12,010				12,010
Salaries of Other Prof. Staff					
Salaries of Sec. & Clerical Asst.					
Other Salaries					
Personal Services - Empl. Benefits	7,155		25,391		32,546
Purch. Prof. - Educ. Services	537,089		3,852		540,941
Other Purch. Prof. Services	16,650			3,062	19,712
Purch. Technical Services					
Tuition		50,932			50,932
Transportation					
Travel					
Other Purch. Services				2,582	2,582
Supplies and Materials	7,017				7,017
Miscellaneous Expenditures					
Total Support Services	<u>579,921</u>	<u>50,932</u>	<u>29,243</u>	<u>5,644</u>	<u>665,740</u>
Total Expenditures	<u>\$ 1,276,678</u>	<u>\$ 50,932</u>	<u>\$ 120,844</u>	<u>\$ 31,441</u>	<u>\$ 1,479,895</u>

MORRIS SCHOOL DISTRICT  
 SPECIAL REVENUE FUND  
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONT'D)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Total Brought Forward (Ex. E-1e)	N.J. Auxillary Services Ch. 192		N.J. Nonpublic Handicapped Services Ch. 193			Nonpublic Nursing	Nonpublic Technology	Nonpublic Textbooks	Nonpublic Security	Total Carried Forward
		Home Instruction	Compensatory Education	Supplemental Instruction	Examination & Classification	Corrective Speech					
<b>REVENUES:</b>											
State Sources	\$ 234,300	\$ 4,477	\$ 46,223	\$ 45,434	\$ 85,913	\$ 50,448	\$ 228,960	\$ 66,066	\$ 111,920	\$ 126,878	\$ 1,000,619
Federal Sources	46,740										46,740
Local Sources	229,319										229,319
<b>Total Revenues</b>	<b>510,359</b>	<b>4,477</b>	<b>46,223</b>	<b>45,434</b>	<b>85,913</b>	<b>50,448</b>	<b>228,960</b>	<b>66,066</b>	<b>111,920</b>	<b>126,878</b>	<b>1,276,678</b>
<b>EXPENDITURES:</b>											
Instruction:											
Salaries of Teachers	179,152										179,152
Salaries of Other Professional Staff	1,916										1,916
Other Salaries for Instruc.	6,600										6,600
Purch. Prof. - Educ. Services	40,065	4,477		45,434						126,878	216,854
Other Purch. Services	17,697										17,697
General Supplies	96,452							66,066			162,518
Textbooks									111,920		111,920
Other Objects	100										100
<b>Total Instruction</b>	<b>341,982</b>	<b>4,477</b>		<b>45,434</b>				<b>66,066</b>	<b>111,920</b>	<b>126,878</b>	<b>696,757</b>
Support Services:											
Salaries of Teachers	12,010										12,010
Salaries of Other Prof. Staff											
Personal Services - Empl. Benefits	7,155										7,155
Purch. Prof. - Educ. Services	125,545		46,223		85,913	50,448	228,960				537,089
Other Purch. Prof. Services	16,650										16,650
Purch. Technical Services											
Tuition											
Transportation											
Travel											
Supplies and Materials	7,017										7,017
Miscellaneous Expenditures											
<b>Total Support Services</b>	<b>168,377</b>		<b>46,223</b>		<b>85,913</b>	<b>50,448</b>	<b>228,960</b>				<b>579,921</b>
<b>Total Expenditures</b>	<b>\$ 510,359</b>	<b>\$ 4,477</b>	<b>\$ 46,223</b>	<b>\$ 45,434</b>	<b>\$ 85,913</b>	<b>\$ 50,448</b>	<b>\$ 228,960</b>	<b>\$ 66,066</b>	<b>\$ 111,920</b>	<b>\$ 126,878</b>	<b>\$ 1,276,678</b>

MORRIS SCHOOL DISTRICT  
 SPECIAL REVENUE FUND  
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONT'D)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Total Brought Forward (Ex. E-1d)	SANTORA FOUNDATION	NJSBAIG SAFETY GRANT	PRESCHOOL EDUCATION	BANNERJI GRANT	INNOVATE NJ BLENDED	Total Carried Forward
<b>REVENUES:</b>							
State Sources	\$	\$	\$	\$ 234,300	\$	\$	\$ 234,300
Federal Sources						46,740	46,740
Local Sources	204,686	1,017	22,650		966		229,319
Total Revenues	204,686	1,017	22,650	234,300	966	46,740	510,359
<b>EXPENDITURES:</b>							
Instruction:							
Salaries of Teachers	53,680			101,136		24,336	179,152
Salaries of Other Professional Staff	1,916						1,916
Other Salaries for Instruc.				6,600			6,600
Purch. Prof. - Educ. Services	40,065						40,065
Other Purch. Services	17,213					484	17,697
General Supplies	87,337			1,019	966	7,130	96,452
Textbooks							
Other Objects	100						100
Total Instruction	200,311			108,755	966	31,950	341,982
Support Services:							
Salaries of Teachers						12,010	12,010
Salaries of Other Prof. Staff							
Personal Services - Empl. Benefits	4,375					2,780	7,155
Purch. Prof. - Educ. Services				125,545			125,545
Other Purch. Prof. Services			16,650				16,650
Purch. Technical Services							
Tuition							
Transportation							
Travel							
Supplies and Materials		1,017	6,000				7,017
Miscellaneous Expenditures							
Total Support Services	4,375	1,017	22,650	125,545		14,790	168,377
Total Expenditures	\$ 204,686	\$ 1,017	\$ 22,650	\$ 234,300	\$ 966	\$ 46,740	\$ 510,359

MORRIS SCHOOL DISTRICT  
 SPECIAL REVENUE FUND  
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>PFIZER</u>	<u>HSA CLUBS</u>	<u>TARGET GRANT</u>	<u>SCIENCE GRANTS</u>	<u>MORRIS EDUCATION FOUNDATION</u>	<u>Total Carried Forward</u>
<u>REVENUES:</u>						
State Sources	\$	\$	\$	\$	\$	\$
Federal Sources						
Local Sources	1,916	57,919	525	51	144,275	204,686
Total Revenues	1,916	57,919	525	51	144,275	204,686
<u>EXPENDITURES:</u>						
Instruction:						
Salaries of Teachers		53,544			136	53,680
Salaries of Other Professional Staff	1,916					1,916
Other Salaries for Instruc.						
Purch. Prof. - Educ. Services					40,065	40,065
Other Purch. Services					17,213	17,213
General Supplies			525	51	86,761	87,337
Textbooks						
Other Objects					100	100
Total Instruction	1,916	53,544	525	51	144,275	200,311
Support Services:						
Salaries of Teachers						
Salaries of Other Prof. Staff						
Personal Services - Empl. Benefits		4,375				4,375
Purch. Prof. - Educ. Services						
Other Purch. Prof. Services						
Purch. Technical Services						
Tuition						
Transportation						
Travel						
Supplies and Materials						
Miscellaneous Expenditures						
Total Support Services		4,375				4,375
Total Expenditures	\$ 1,916	\$ 57,919	\$ 525	\$ 51	\$ 144,275	\$ 204,686

MORRIS SCHOOL DISTRICT  
 SPECIAL REVENUE FUND  
 PRESCHOOL EDUCATION AID  
 STATEMENT OF EXPENDITURES  
 BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>EXPENDITURES</u>			
Instruction:			
Salaries of Teachers	\$ 101,136	\$ 101,136	\$ -
Other Salaries for Instruc.	6,600	6,600	-
General Supplies	<u>1,019</u>	<u>1,019</u>	<u>-</u>
Total Instruction	<u>108,755</u>	<u>108,755</u>	<u>-</u>
Support Services:			
Purch. Prof. - Educ. Services	19,945	19,945	-
Purch. Prof. - Educ. Services - Head Start	<u>105,600</u>	<u>105,600</u>	<u>-</u>
Total Support Services	<u>125,545</u>	<u>125,545</u>	<u>-</u>
Total Expenditures	<u>\$ 234,300</u>	<u>\$ 234,300</u>	<u>\$ -</u>
Total Revised 2016-17 Preschool Education Aid Allocation		\$	
Actual Preschool Aid Carryover (June 30, 2016)			<u>-</u>
Total Preschool Education Funds Available 2016-17 Budget			-
Less: 2016-17 Budgeted Preschool Education Aid (Incl. Prior Year Budgeted Carryover)			<u>-</u>
Available & Unbudgeted Preschool Education Funds as of June 30, 2017			-
Add: June 30, 2017 Unexpended Preschool Education Aid			<u><u>          </u></u>
2016-2017 Actual Carryover - Preschool Education Aid			<u><u>          </u></u>
2016-17 Preschool Ed Aid Carryover Budgeted in 2017-2018		\$	<u><u>          </u></u>

**CAPITAL PROJECTS FUND**

**SECTION – F**

MORRIS SCHOOL DISTRICT  
 SUMMARY STATEMENT OF PROJECT EXPENDITURES  
 CAPITAL PROJECTS FUND  
FISCAL YEAR ENDED JUNE 30, 2017

<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 2014</u>				
MHS Expansion	\$ 10,755,000	\$ 8,294,682	\$ 1,473,478	\$ 986,840
<u>FY 2015</u>				
MHS Fire Alarm Upgrade	920,700	642,040	167,511	111,149
<u>FY 2016</u>				
FMS Partial Roof	320,893	283,902	26,916	10,075
MHS Auditorium Lighting	200,000	4,142	172,933	22,925
MHS/SX Gym Bleachers	310,000	23,645	268,267	18,088
<u>FY 2017</u>				
MHS Grandstands	2,261,000		1,655,879	605,121
MHS Parking Lot	702,000		655,379	46,621
<b>Totals</b>	<b>\$ <u>15,469,593</u></b>	<b>\$ <u>9,248,411</u></b>	<b>\$ <u>4,420,363</u></b>	<b>\$ <u>1,800,819</u></b>

Analysis of Balance(s) - June 30, 2017:

2016/2017 Expenditures \$ 4,420,363

Reconciliation - Unexpended Capital Project Balances to Fund Balance - June 30, 2017:

Unexpended Project Balances June 30, 2017	\$ 1,800,819
Add (Less):	
Unearned State Aid/Grants	<u>(829,475)</u>
<b>Total Fund Balance (GAAP Basis) - June 30, 2017</b>	<b>\$ <u>971,344</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, 2017

Revenues and Other Financing Sources	
State Sources - SCC Grant	\$ 15,712
Bond proceeds and transfers	
Contribution from private source	
Transfer from capital reserve	3,157,288
Transfer from capital outlay	
Total revenues	3,173,000
Expenditures and Other Financing Uses	
Purchased professional and technical services	480,627
Land and Improvements	
Construction services	3,939,736
Equipment purchases	
Total expenditures	4,420,363
Excess (deficiency) of revenues over (under) expenditures	(1,247,363)
Fund balance - beginning	2,759,982
<b>Fund balance - ending</b>	<b>\$ 1,512,619</b>

Reconciliation Fund Balance (Ending) Budgetary-GAAP:

Fund Balance - Budgetary Basis	\$ 1,512,619
Less:	
Unearned State Aid/Grants	541,275
<b>Fund Balance - GAAP Basis</b>	<b>\$ 971,344</b>



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, 2017

	<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	1,199,947	171,404	1,371,351	1,080,000
Land and Improvements			-	-
Construction services	7,094,735	1,302,074	8,396,809	9,675,000
Equipment purchases			-	-
Transfer to capital reserve				
Total expenditures	<u>8,294,682</u>	<u>1,473,478</u>	<u>9,768,160</u>	<u>10,755,000</u>
 <b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ <u>2,460,318</u></b>	<b>\$ <u>(1,473,478)</u></b>	<b>\$ <u>986,840</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	91%
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  
MHS FIRE ALARM UPGRADE  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<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	\$	\$	\$ -	\$ 288,200
Bond proceeds and transfers			-	-
Contribution from private source			-	-
Transfer from capital reserve	432,500	200,000	632,500	632,500
Transfer from capital outlay			-	-
Total revenues	<u>432,500</u>	<u>200,000</u>	<u>632,500</u>	<u>920,700</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	58,446	10,465	68,911	120,500
Land and Improvements			-	-
Construction services	583,594	157,046	740,640	800,200
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>642,040</u>	<u>167,511</u>	<u>809,551</u>	<u>920,700</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ <u>(209,540)</u></b>	<b>\$ <u>32,489</u></b>	<b>\$ <u>(177,051)</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	\$632,500
Revised Authorized Cost	\$920,700
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	88%
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, 2017

	<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	320,893		320,893	320,893
Transfer from capital outlay			-	-
Total revenues	320,893	-	320,893	320,893
 Expenditures and Other Financing Uses				
Purchased professional and technical services	27,070	355	27,425	27,070
Land and Improvements			-	-
Construction services	256,832	26,561	283,393	293,823
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	283,902	26,916	310,818	320,893
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 36,991</b>	<b>\$ (26,916)</b>	<b>\$ 10,075</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	97%
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, 2017

	<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			-	
Transfer from capital outlay	<u>200,000</u>		<u>200,000</u>	<u>200,000</u>
Total revenues	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services	4,142	17,224	21,366	20,000
Land and Improvements			-	-
Construction services		155,709	155,709	180,000
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>4,142</u>	<u>172,933</u>	<u>177,075</u>	<u>200,000</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ <u>195,858</u></b>	<b>\$ <u>(172,933)</u></b>	<b>\$ <u>22,925</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	\$200,000
Additional Authorized Cost	\$0
Revised Authorized Cost	\$200,000

## Percentage Increase over Original

Authorized Cost	N/A
Percentage completion	89%
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, 2017

	<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	300,000	10,000	310,000	300,000
Transfer from capital outlay			-	-
Total revenues	<u>300,000</u>	<u>10,000</u>	<u>310,000</u>	<u>300,000</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services	23,645	5,211	28,856	30,000
Land and Improvements			-	-
Construction services		263,056	263,056	270,000
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>23,645</u>	<u>268,267</u>	<u>291,912</u>	<u>300,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 276,355</u>	<u>\$ (258,267)</u>	<u>\$ 18,088</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	\$300,000
Additional Authorized Cost	\$0
Revised Authorized Cost	\$300,000
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	97%
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 GRANDSTAND  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<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		2,261,000	2,261,000	2,261,000
Transfer from capital outlay			-	-
Total revenues	-	2,261,000	2,261,000	2,261,000
Expenditures and Other Financing Uses				
Purchased professional and technical services		206,836	206,836	226,000
Land and Improvements			-	-
Construction services		1,449,043	1,449,043	2,035,000
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	-	1,655,879	1,655,879	2,261,000
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ -	\$ 605,121	\$ 605,121	\$ -

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	\$2,261,000
Additional Authorized Cost	\$0
Revised Authorized Cost	\$2,261,000
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	73%
Original target completion date	Aug-17
Revised target completions date	Dec-17

MORRIS SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS  
MHS PARKING LOT  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<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		702,000	702,000	702,000
Transfer from capital outlay			-	
Total revenues	<u>-</u>	<u>702,000</u>	<u>702,000</u>	<u>702,000</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services		69,132	69,132	70,500
Land and Improvements			-	-
Construction services		586,247	586,247	631,500
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>-</u>	<u>655,379</u>	<u>655,379</u>	<u>702,000</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 46,621</u>	<u>\$ 46,621</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	\$630,000
Additional Authorized Cost	\$72,000
Revised Authorized Cost	\$702,000
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	93%
Original target completion date	Aug-17
Revised target completions date	Aug-17

**PROPRIETARY FUNDS**

**SECTION – G**



**ENTERPRISE FUND**

MORRIS SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 ENTERPRISE FUND  
AS OF JUNE 30, 2017

	<u>FOOD SERVICE</u>	<u>COMMUNITY SCHOOL</u>	<u>TOTALS</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 3,190	\$ 961,167	\$ 964,357
Accounts Receivable:			
State	3,248		3,248
Federal	204,135		204,135
Other	24,396	38,492	62,888
Prepaid Expenses		49,138	49,138
Inventories	17,284		17,284
<b>Total Current Assets</b>	<u>252,253</u>	<u>1,048,797</u>	<u>1,301,050</u>
<b>Noncurrent Assets:</b>			
<b>Fixed Assets:</b>			
Equipment	673,473	16,528	690,001
Accumulated Depreciation	(561,261)	(11,416)	(572,677)
<b>Total Noncurrent Assets</b>	<u>112,212</u>	<u>5,112</u>	<u>117,324</u>
<b>Total Assets</b>	<u>\$ 364,465</u>	<u>\$ 1,053,909</u>	<u>\$ 1,418,374</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 139,224	97,728	\$ 236,952
Unearned Revenue	21,307	477,507	498,814
Interfunds Payable	38,299	39,599	77,898
<b>Total Current Liabilities</b>	<u>198,830</u>	<u>614,834</u>	<u>813,664</u>
<b>Noncurrent Liabilities:</b>			
Compensated Absences Payable		19,232	19,232
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>19,232</u>	<u>19,232</u>
<b>Total Liabilities</b>	<u>198,830</u>	<u>634,066</u>	<u>832,896</u>
<b>Net Position</b>			
Net Investment in Capital Assets	112,212	5,112	117,324
Unrestricted (Deficit)	53,423	414,731	468,154
<b>Total Net Position</b>	<u>\$ 165,635</u>	<u>\$ 419,843</u>	<u>\$ 585,478</u>

MORRIS SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION  
 ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<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	\$ 565,562	\$	\$ 565,562
Total - Daily Sales-Reimbursable Programs	<u>565,562</u>		<u>565,562</u>
Special Functions	42,411		42,411
Program Fees		1,720,765	1,720,765
Total Operating Revenues	<u>607,973</u>	<u>1,720,765</u>	<u>2,328,738</u>
Operating Expenses:			
Salaries		1,011,928	1,011,928
Employee Benefits		168,851	168,851
Purchased Professional Services	810,835	97,457	908,292
Other Purchased Services	18,984	65,156	84,140
Supplies and Materials	90,875	99,086	189,961
Depreciation	8,808	875	9,683
Rent		116,230	116,230
Other Expenses	44,473	154,740	199,213
Cost of sales - program	690,912		690,912
Cost of sales - nonprogram	20,167		20,167
Total Operating Expenses	<u>1,685,054</u>	<u>1,714,323</u>	<u>3,399,377</u>
Operating Income (Loss)	<u>(1,077,081)</u>	<u>6,442</u>	<u>(1,070,639)</u>
Nonoperating Revenues:			
State Sources:			
State School Lunch Program	16,494		16,494
Federal Sources:			
National School Lunch Program	740,872		740,872
National School Breakfast Program	276,985		276,985
Food Distribution Program	108,655		108,655
Interest Revenue	236	1,264	1,500
Total Non-Operating Revenues	<u>1,143,242</u>	<u>1,264</u>	<u>1,144,506</u>
Change in Net Position	66,161	7,706	73,867
Total Net Position Beginning	<u>99,474</u>	<u>412,137</u>	<u>511,611</u>
<b>Total Net Position Ending</b>	<b>\$ -133-165,635</b>	<b>\$ 419,843</b>	<b>\$ 585,478</b>

MORRIS SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>FOOD SERVICE</u>	<u>COMMUNITY SCHOOL</u>	<u>TOTALS</u>
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 598,573	\$ 1,726,148	\$ 2,324,721
Cash Payments to Suppliers for Goods and Services	(1,763,005)	(899,425)	(2,662,430)
Cash Payments for Employee Benefits		(165,117)	(165,117)
Cash Payments to Employees for Services		(1,011,928)	(1,011,928)
Net Cash Provided by Operating Activities	<u>(1,164,432)</u>	<u>(350,322)</u>	<u>(1,514,754)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash Received from State and Federal Sources	1,014,721		1,014,721
Net Cash Provided by Non-Capital Financing Activities	<u>1,014,721</u>	<u>-</u>	<u>1,014,721</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchases of Capital Assets	(31,850)		(31,850)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(31,850)</u>	<u>-</u>	<u>(31,850)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on Deposits	236	1,264	1,500
Net Cash Provided by Investing Activities	<u>236</u>	<u>1,264</u>	<u>1,500</u>
Net Increase in Cash and Cash Equivalents	(181,325)	(349,058)	(530,383)
Cash and Cash Equivalents at Beginning of Year	184,515	1,310,225	1,494,740
Cash and Cash Equivalents at End of Year	<u>\$ 3,190</u>	<u>\$ 961,167</u>	<u>\$ 964,357</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income/(Loss)	\$ (1,077,081)	\$ 6,442	\$ (1,070,639)
Adjustments to Reconcile Operating Income to Net cash Provided by Operating Income:			-
Depreciation Expense	8,808	875	9,683
Changes in Assets and Liabilities			
(Increase) Decrease in Prepaid Expenses		(4,100)	(4,100)
(Increase) Decrease in Accounts Receivable - Net	(9,400)	22,914	13,514
(Increase) Decrease in Inventory	13,585		13,585
Increase (Decrease) in Interfunds Payable	(231,506)	(357,804)	(589,310)
Increase (Decrease) in Compensated Absences		3,734	3,734
Increase (Decrease) in Accounts Payable	22,158	(4,852)	17,306
Increase (Decrease) in Unearned Revenue	349	(17,531)	(17,182)
Food Distribution Program	108,655		108,655
Net Cash Provided by Operating Activities	<u>\$ (1,164,432)</u>	<u>\$ (350,322)</u>	<u>\$ (1,514,754)</u>

**INTERNAL SERVICE FUND**

**FIDUCIARY FUNDS**

**SECTION - H**

MORRIS SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
FOR YEAR ENDED JUNE 30,2017

	<u>TRUST FUND</u>		<u>AGENCY FUND</u>		
	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>PRIVATE PURPOSE SCHOLARSHIP</u>	<u>STUDENT ACTIVITY</u>	<u>PAYROLL</u>	<u>TOTALS</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 2,080,153	\$ 124,877	\$ 151,169	\$ 2,481,067	\$ 4,837,266
<b>Total Assets</b>	<b>\$ 2,080,153</b>	<b>\$ 124,877</b>	<b>\$ 151,169</b>	<b>\$ 2,481,067</b>	<b>\$ 4,837,266</b>
<u>LIABILITIES AND NET POSITION</u>					
Liabilities:					
Accounts Payable	\$ 1,416	\$	\$	\$	1,416
Payroll Deductions and Withholdings				2,481,067	2,481,067
Due to Student Groups			151,169		151,169
<b>Total Liabilities</b>	<b>1,416</b>	<b>-</b>	<b>\$ 151,169</b>	<b>\$ 2,481,067</b>	<b>\$ 2,633,652</b>
Net Position:					
Held in trust for unemployment claims and other purposes	2,078,737				2,078,737
Reserved for Scholarships		124,877			124,877
<b>Total Net Position</b>	<b>\$ 2,078,737</b>	<b>\$ 124,877</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,203,614</b>

MORRIS SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>TRUST FUND</u>	
	<u>UNEMPLOYMENT COMPENSATION</u>	<u>PRIVATE PURPOSE SCHOLARSHIP</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 91,809	\$
Other	<u>8,000</u>	<u>21,540</u>
Total Contributions	<u>99,809</u>	<u>21,540</u>
Investment Earnings:		
Interest	<u>231</u>	<u>175</u>
Total investment earnings	<u>231</u>	<u>175</u>
Total Additions	<u>100,040</u>	<u>21,715</u>
DEDUCTIONS		
Unemployment Claims	86,675	
Scholarships Awarded		<u>25,250</u>
Total Deductions	<u>86,675</u>	<u>25,250</u>
Change in Net Position	<u>13,365</u>	<u>(3,535)</u>
Net Position - beginning of the year	<u>2,065,372</u>	<u>128,412</u>
Net Position - end of the year	<u>\$ 2,078,737</u>	<u>\$ 124,877</u>



MORRIS SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>ELEMENTARY SCHOOLS:</u>	<u>BALANCE JUNE 30, 2016</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2017</u>
Thomas Jefferson	\$ 2,639	\$ 6,101	\$ 6,630	\$ 2,111
Woodland	1,254	5,144	4,626	1,772
Sussex Ave.	329	5,153	5,041	441
Alfred Vail	1,228	4,203	4,860	572
Hillcrest	324	4,958	5,027	256
Normandy Park	1,983	6,683	6,721	1,945
Alexander Hamilton	1,256	7,416	5,620	3,052
Coins for a Cause	<u>1</u>	<u>11,691</u>	<u>11,690</u>	<u>2</u>
Total Elementary Schools	<u>9,014</u>	<u>51,351</u>	<u>50,214</u>	<u>10,151</u>
 <u>MIDDLE SCHOOLS:</u>				
Frelinghuysen MS	<u>35,889</u>	<u>79,602</u>	<u>82,863</u>	<u>32,628</u>
 <u>HIGH SCHOOLS:</u>				
Morristown High School	<u>97,117</u>	<u>244,280</u>	<u>233,007</u>	<u>108,390</u>
 <b>Total All Schools</b>	 <b>\$ <u>142,020</u></b>	 <b>\$ <u>375,233</u></b>	 <b>\$ <u>366,084</u></b>	 <b>\$ <u>151,169</u></b>

MORRIS SCHOOL DISTRICT  
 PAYROLL AGENCY FUND  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	BALANCE JUNE 30, 2016	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2017
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 2,300,535	\$ 69,307,427	\$ 69,126,895	\$ 2,481,067
<b>Total Assets</b>	<b>\$ <u>2,300,535</u></b>	<b>\$ <u>69,307,427</u></b>	<b>\$ <u>69,126,895</u></b>	<b>\$ <u>2,481,067</u></b>
<u>LIABILITIES</u>				
Payroll Deductions and Withholdings	\$ 2,300,535	\$ 69,307,427	69,126,895	\$ 2,481,067
<b>Total Liabilities</b>	<b>\$ <u>2,300,535</u></b>	<b>\$ <u>69,307,427</u></b>	<b>\$ <u>69,126,895</u></b>	<b>\$ <u>2,481,067</u></b>

**LONG-TERM DEBT**

**SECTION - I**

MORRIS SCHOOL DISTRICT  
 SCHEDULE OF SERIAL BONDS  
 LONG-TERM DEBT  
JUNE 30, 2017

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2016</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2017</u>
			<u>DATE</u>	<u>AMOUNT</u>				
School Refunding Bonds - Series 2007	11/14/07	\$ 6,820,000	03/15/18	\$ 670,000	5.000%	\$ 2,015,000	\$ 670,000	\$ 1,345,000
			03/15/19	675,000	4.000%			
<b>Total</b>						<b>\$ 2,015,000</b>	<b>\$ 670,000</b>	<b>\$ 1,345,000</b>

MORRIS SCHOOL DISTRICT  
 STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES  
 LONG-TERM DEBT  
JUNE 30, 2017

PURPOSE	DATE OF LEASE	TERM OF LEASE	AMOUNT OF ORIGINAL LEASE		INTEREST RATE	BALANCE JUNE 30, 2016	ADDITIONS	RETIRED	BALANCE JUNE 30, 2017
			PRINCIPAL	INTEREST					
Various Equipment	09/01/11	5 Years	\$ 105,825	\$ 13,939	4.97%	\$ 3,992	\$	\$ 3,992	\$ -
Various Equipment	11/01/11	5 Years	17,077	2,884	6.31%	1,331		1,331	-
Various Equipment	07/01/12	5 Years	66,814	5,786	5.30%	14,520		14,520	-
Various Equipment	09/01/13	5 Years	62,985	10,095	5.34%	31,668		16,971	14,697
Various Equipment	09/01/14	5 Years	73,744	9,551	4.90%	52,753		20,797	31,956
Various Equipment	07/01/15	5 Years	58,872	7,126	4.59%	53,899		17,595	36,304
Copy Machine	01/01/16	5 Years	17,202	2,066	4.59%	17,662		5,335	12,327
Various Equipment	09/01/16	5 Years	78,815	8,767	4.23%		78,815	13,136	65,679
Copy Machine	05/01/17	5 Years	15,814	1,759	4.23%		15,814	527	15,287
Buses	04/01/17	6 Years	2,769,991	164,916	1.89%		2,769,991		2,769,991
<b>Total</b>						<b>\$ 175,825</b>	<b>\$ 2,864,620</b>	<b>\$ 94,204</b>	<b>\$ 2,946,241</b>

MORRIS SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual (GAAP Basis)	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 576,274	\$	\$ 576,274	\$ 576,274	\$
Total - Local Sources	<u>576,274</u>		<u>576,274</u>	<u>576,274</u>	
State Sources:					
Debt Service Aid - Type II	<u>187,725</u>		<u>187,725</u>	<u>187,725</u>	
Total - State Sources	<u>187,725</u>		<u>187,725</u>	<u>187,725</u>	
Total Revenues	<u><u>763,999</u></u>		<u><u>763,999</u></u>	<u><u>763,999</u></u>	
EXPENDITURES:					
Regular Debt Service:					
Interest Payments - Bonds	94,000		94,000	94,000	
Redemption of Bond Principal	<u>670,000</u>		<u>670,000</u>	<u>670,000</u>	
Total Expenditures	<u>764,000</u>		<u>764,000</u>	<u>764,000</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)		(1)	(1)	
Fund Balances, July 1	<u>1</u>		<u>1</u>	<u>1</u>	
<b>Fund Balances, June 30</b>	<u><u>\$ -</u></u>	<u><u>\$</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$</u></u>

**STATISTICAL SECTION**

**SECTION – J**

## Financial Trends



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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Net Investment in capital assets	\$ 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	\$ 44,935,291
Restricted	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	23,357,422
Unrestricted	(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)	(31,684,701)
<b>Total governmental activities net position/net assets</b>	<b>\$ 29,220,224</b>	<b>\$ 31,326,369</b>	<b>\$ 32,367,171</b>	<b>\$ 37,858,163</b>	<b>\$ 45,345,059</b>	<b>\$ 51,353,050</b>	<b>\$ 27,087,951</b>	<b>\$ 31,801,670</b>	<b>\$ 35,765,914</b>	<b>\$ 36,608,012</b>
<b>Business-type activities</b>										
Net Investment in capital assets	\$ 22,831	\$ 18,207	\$ 65,338	\$ 87,599	\$ 105,258	\$ 95,899	\$ 107,935	\$ 74,299	\$ 95,157	\$ 117,324
Unrestricted	404,810	605,358	637,792	779,534	779,654	925,849	388,386	492,135	416,454	468,154
<b>Total business-type activities net position/net assets</b>	<b>\$ 427,641</b>	<b>\$ 623,565</b>	<b>\$ 703,130</b>	<b>\$ 867,133</b>	<b>\$ 884,912</b>	<b>\$ 1,021,748</b>	<b>\$ 496,321</b>	<b>\$ 566,434</b>	<b>\$ 511,611</b>	<b>\$ 585,478</b>
<b>District-wide</b>										
Net Investment in capital assets	\$ 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	\$ 45,052,615
Restricted	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	23,357,422
Unrestricted	(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)	(31,216,547)
<b>Total district net position/net assets</b>	<b>\$ 29,647,865</b>	<b>\$ 31,949,934</b>	<b>\$ 33,070,301</b>	<b>\$ 38,725,296</b>	<b>\$ 46,229,971</b>	<b>\$ 52,374,798</b>	<b>\$ 27,584,272</b>	<b>\$ 32,368,104</b>	<b>\$ 36,277,525</b>	<b>\$ 37,193,490</b>

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  
*(accrual basis of accounting)*

Exhibit J-2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental activities</b>										
Instruction										
Regular	\$ 25,220,172	\$ 27,669,918	\$ 29,354,756	\$ 27,466,369	\$ 26,641,131	\$ 28,339,724	\$ 28,269,563	\$ 28,387,065	\$ 29,237,127	\$ 31,710,468
Special education	8,676,992	7,986,210	6,002,654	7,505,971	7,405,658	7,403,544	7,534,259	7,781,595	8,153,686	6,421,612
Other special education	2,458,168	3,107,969	2,068,521	1,622,266	1,808,002	1,665,510	1,508,020	1,496,083	1,894,853	1,953,758
Other instruction	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	1,470,913
Support Services:										
Tuition	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	5,681,478
Student & instruction related services	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	15,362,877
General administrative services	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	3,299,714
School administrative services	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	3,096,687
Unallocated Benefits	21,608,662	17,215,619	18,659,036	19,616,582	20,179,876	22,097,857	20,952,645	21,966,032	25,046,260	29,182,275
Plant operations and maintenance	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	7,703,340
Pupil transportation	6,157,085	6,296,923	6,282,479	5,763,837	5,774,002	5,842,404	6,019,131	6,041,059	6,249,298	6,961,605
Special Schools	85,496	91,661	97,606							
Interest on long-term debt	390,200	357,498	332,919	297,021	265,992	233,418	196,352	157,708	120,563	93,492
Unallocated depreciation	151,214	68,370	163,927	175,886	149,010	172,922	159,496	162,785	192,659	176,085
Total governmental activities expenses	98,256,035	96,900,911	97,910,347	95,621,803	95,573,731	99,246,318	98,769,814	101,324,342	106,349,521	113,114,304
<b>Business-type activities:</b>										
Food service	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	1,576,399
Community School	1,339,867	1,365,231	1,422,863	1,420,350	1,509,497	1,523,104	2,249,326	1,651,378	1,807,674	1,714,323
Total business-type activities expense	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	3,290,722
Total district expenses	\$ 101,408,977	\$ 100,068,654	\$ 101,177,922	\$ 98,844,275	\$ 99,096,216	\$ 102,810,176	\$ 103,203,310	\$ 104,925,741	\$ 109,772,101	\$ 116,405,026
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Business and other support services										
Operating grants and contributions	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	23,212,385
Total governmental activities program revenues	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	23,212,385
<b>Business-type activities:</b>										
Charges for services										
Food service	872,612	885,542	888,683	862,559	798,012	744,119	742,271	660,566	579,333	607,973
Community School	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	1,720,765
Operating grants and contributions	631,366	684,504	782,515	860,749	953,495	985,958	1,074,132	1,153,151	1,134,834	1,034,351
Total business type activities program revenues	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	3,363,089
Total district program revenues	\$ 11,674,940	\$ 8,763,812	\$ 9,056,577	\$ 9,198,571	\$ 10,207,732	\$ 12,137,052	\$ 21,863,102	\$ 22,400,969	\$ 24,041,193	\$ 26,575,474
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (89,901,919)
Business-type activities	(260,717)	(64,991)	(85,423)	80,814	(246,105)	(175,087)	(895,166)	(67,693)	(56,511)	72,367
Total district-wide net expense	\$ (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)	\$ (89,829,552)

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

Exhibit J-2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position/Net Assets</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 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	\$ 86,834,961
Taxes levied for debt service	980,932	940,370	902,895	940,450	917,488	871,393	863,548	685,270	664,905	576,274
Unrestricted grants and contributions	11,591,539	12,318,799	10,635,779	9,733,264	10,512,791	10,769,607	153,828	296,780	609,684	279,622
Payments in lieu of taxes (tuition)	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	4,148,439
Investment earnings	699,381	603,444	211,478	18,786	500,381	450,036	824,673	212,423	400,698	228,126
Miscellaneous income	247,454	273,292	140,252	185,681	122,903	66,814				
Transfers	(618,328)	(828,832)	(694,982)	(675,523)	(1,205,128)	(1,125,732)	(1,196,555)	(1,234,289)	(1,312,394)	(1,323,405)
<b>Total governmental activities</b>	<b>91,224,473</b>	<b>93,531,861</b>	<b>92,890,855</b>	<b>94,296,129</b>	<b>96,129,275</b>	<b>96,506,028</b>	<b>87,431,811</b>	<b>87,170,798</b>	<b>89,638,641</b>	<b>90,744,017</b>
Business-type activities:										
Investment earnings	44,187	34,219	13,120	5,414	2,992	1,971	2,440	1,743	1,688	1,500
Miscellaneous earnings										
Transfers	298,020	226,695	151,868	77,774	260,892	309,952	367,299	136,063		
<b>Total business-type activities</b>	<b>342,207</b>	<b>260,914</b>	<b>164,988</b>	<b>83,188</b>	<b>263,884</b>	<b>311,923</b>	<b>369,739</b>	<b>137,806</b>	<b>1,688</b>	<b>1,500</b>
<b>Total district-wide</b>	<b>\$ 91,566,680</b>	<b>\$ 93,792,775</b>	<b>\$ 93,055,843</b>	<b>\$ 94,379,317</b>	<b>\$ 96,393,159</b>	<b>\$ 96,817,951</b>	<b>\$ 87,801,550</b>	<b>\$ 87,308,604</b>	<b>\$ 89,640,329</b>	<b>\$ 90,745,517</b>
<b>Change in Net Position/Net Assets</b>										
Governmental activities	\$ 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	\$ 842,098
Business-type activities	81,490	195,923	79,565	164,003	17,779	136,836	(525,427)	70,113	(54,823)	73,867
<b>Total district</b>	<b>\$ 1,832,643</b>	<b>\$ 2,487,933</b>	<b>\$ 934,498</b>	<b>\$ 4,733,614</b>	<b>\$ 7,504,675</b>	<b>\$ 6,144,827</b>	<b>\$ 6,461,342</b>	<b>\$ 4,783,832</b>	<b>\$ 3,909,421</b>	<b>\$ 915,965</b>

Source: CAFR Schedule A-2

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

Exhibit J-3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Restricted	\$ 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	\$ 22,330,679
Committed					332,766	255,390	256,124	356,771	538,983	2,999,118
Assigned				2,944,943	2,773,059	5,488,514	1,170,607	1,570,516	2,752,000	3,083,444
Unassigned	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	365,078
Total general fund	<u>\$ 14,457,776</u>	<u>\$ 16,870,407</u>	<u>\$ 15,250,133</u>	<u>\$ 15,862,492</u>	<u>\$ 21,371,275</u>	<u>\$ 23,266,925</u>	<u>\$ 26,245,203</u>	<u>\$ 21,811,967</u>	<u>\$ 25,467,194</u>	<u>\$ 28,778,319</u>
All Other Governmental Funds										
Reserved	\$ 260,684	\$	\$ 113,618	\$	\$ 1,330,575	\$ 2,695,033	\$ 3,199,059	\$ 10,349,654	\$ 2,218,707	\$ 971,344
Committed										
Unassigned, reported in:										
Special revenue fund	(51,422)									
Capital projects fund	28,305	238,989	250,511							
Debt service fund	39,993	28,393			1	1	1	1	1	
Total all other governmental funds	<u>\$ 277,560</u>	<u>\$ 267,382</u>	<u>\$ 364,129</u>	<u>\$ -</u>	<u>\$ 1,330,576</u>	<u>\$ 2,695,034</u>	<u>\$ 3,199,060</u>	<u>\$ 10,349,655</u>	<u>\$ 2,218,708</u>	<u>\$ 971,344</u>

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

Exhibit J-4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Tax levy	\$ 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	\$ 87,411,235
Tuition charges	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	4,148,439
Miscellaneous	847,412	918,943	351,730	220,454	293,398	268,313	824,673	212,423	400,698	228,126
Local sources	96,423	99,542	653,533	249,463	206,983	181,723	111,633	216,109	216,142	229,319
State sources	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	20,561,821
Federal sources	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	2,716,579
<b>Total revenue</b>	<b>100,625,516</b>	<b>100,306,161</b>	<b>99,460,262</b>	<b>100,882,924</b>	<b>104,142,852</b>	<b>106,313,227</b>	<b>106,953,138</b>	<b>107,803,215</b>	<b>111,626,159</b>	<b>115,295,519</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	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	30,129,904
Special education instruction	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	6,421,612
Other special instruction	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	1,953,758
Other instruction	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	1,470,913
<b>Support Services:</b>										
Tuition	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	5,681,478
Student & instruction related services	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	15,362,877
Other administrative services	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	3,299,714
School Administrative services	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	3,096,687
Plant operations and maintenance	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	7,797,969
Pupil transportation	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	6,961,605
Unallocated employee benefits	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	26,707,566
Special Schools	85,496	91,661	97,606							
Capital outlay	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	7,894,881
<b>Debt service:</b>										
Principal	855,000	820,000	830,000	835,000	840,000	815,000	855,000	740,000	750,000	670,000
Interest and other charges	347,554	365,595	335,845	305,645	274,783	243,320	207,330	168,500	131,500	94,000
<b>Total expenditures</b>	<b>98,500,090</b>	<b>97,389,280</b>	<b>100,288,807</b>	<b>97,214,260</b>	<b>99,100,032</b>	<b>102,073,234</b>	<b>102,337,264</b>	<b>103,925,311</b>	<b>114,865,559</b>	<b>117,542,964</b>
Excess (Deficiency) of revenues over (under) expenditures	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)	(2,247,445)
<b>Other Financing sources (uses)</b>										
Capital leases (non-budgeted)						66,814	62,985	73,744	76,074	2,864,620
Capital Asset - Super Storm Sandy						79,033				
Lease Purchase Agreement - Buses										2,769,991
Transfers in	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	3,157,288
Transfers out	(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)	(4,480,693)
<b>Total other financing sources (uses)</b>	<b>(184,546)</b>	<b>(700,295)</b>	<b>(694,982)</b>	<b>(541,670)</b>	<b>(1,082,227)</b>	<b>(979,885)</b>	<b>(1,133,570)</b>	<b>(1,160,545)</b>	<b>(1,236,320)</b>	<b>4,311,206</b>
<b>Net change in fund balances</b>	<b>\$ 1,940,880</b>	<b>\$ 2,216,586</b>	<b>\$ (1,523,527)</b>	<b>\$ 3,126,994</b>	<b>\$ 3,960,593</b>	<b>\$ 3,260,108</b>	<b>\$ 3,482,304</b>	<b>\$ 2,717,359</b>	<b>\$ (4,475,720)</b>	<b>\$ 2,063,761</b>
Debt service as a percentage of noncapital expenditures	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%	1.1%	0.9%	0.8%	0.7%

Source: CAFR Schedule B-2

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund of</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Misc.</u>	<u>Total</u>
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
2017	33,180		154,183	69,874	257,237

Source: District Records

## Revenue Capacity

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

Exhibit J-6

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)
2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$6,019,300,992		\$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	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	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	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	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	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	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	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	7,516,582,455	2.231	7,823,533,777
2017	3,429,261,638	4,097,706,400	n/a	n/a	n/a	n/a	n/a	7,526,968,038		8,555	7,526,976,593	2.281	8,201,287,443

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

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

**b** 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					
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
2017	1.070	0.006	1.076	0.464	0.261	1.801
	Morristown					
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
2017	1.382	0.007	1.389	1.035	0.336	2.760

Source: District Records and Municipal Tax Collector

**Note:** NJSIA 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	2017			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>						
HY2 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%
Massachusetts 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%			
Verizon				20,247,993	9	1.21%
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**

Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
<b>Morris Township</b>			
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%
2017	55,715,537	55,715,537	100.00%
<b>Morristown</b>			
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	a 100.00%
2015	27,958,398	27,958,398	100.00%
2016	28,972,521	28,972,521	100.00%
2017	31,695,698	31,695,698	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>								
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	0.10%	87
2016	1,283,555	-	112,001	-	-	1,395,556	0.07%	62
2017	868,870	-	1,911,262	-	-	2,780,132	N/A	N/A
<b>Morristown</b>								
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	0.05%	42
2017	476,130	-	1,047,348	-	-	1,523,478	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**

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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%	49
2017	1,345,000	-	1,345,000	0.02%	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, 2017  
Unaudited

Exhibit J-12

<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	\$ 24,213,025	100%	\$ 24,213,025
Morris Township	23,071,213	100%	23,071,213
<b>Other debt</b>			
Morris County - Morristown	242,292,714	2.989%	7,241,707
Morris County - Morris Township	242,292,714	5.545%	<u>13,434,673</u>
Subtotal, overlapping debt			67,960,617
<b>Morris School District Direct Debt</b>			
Morristown			476,130
Morris Township			<u>868,870</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 69,305,617</u></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.

**a** For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of 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
2016	\$5,262,975,795	\$2,878,767,492
2015	4,918,018,005	2,762,474,216
2014	5,079,710,534	2,584,752,534

Legal Debt Margin Calculation for Fiscal Year 2016

	Total Equalized valuation basis
	2016 \$8,141,743,287
	2015 7,680,492,221
	2014 <u>7,664,463,068</u>
	[A] \$ <u>23,486,698,576</u>
Average equalized valuation of taxable property	[A/3] \$ 7,828,899,525
Debt limit (3 % of average equalization value)	[B] 234,866,986 <sup>a</sup>
Net bonded school debt	[C] <u>1,345,000</u>
Legal debt margin	[B-C] \$ <u>233,521,986</u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 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	\$ 234,866,986
Total net debt applicable to limit	<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>	<u>1,345,000</u>
Legal debt margin	<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>	<u>\$ 233,521,986</u>
Total net debt applicable to the limit as a percentage of debt limit	3.64%	3.08%	2.64%	2.22%	1.94%	1.77%	1.47%	1.19%	0.87%	0.57%

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

<sup>a</sup> Limit set by NJSIA 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				
2007	20,867	\$ 1,506,826,937	\$ 72,211	3.3%
2008	20,908	1,560,489,488	74,636	4.0%
2009	21,014	1,481,823,224	70,516	6.8%
2010	22,449	1,633,838,220	72,780	9.2%
2011	22,533	1,716,879,402	76,194	9.1%
2012	22,560	1,775,314,080	78,693	7.0%
2013	22,580	1,785,942,520	79,094	6.3%
2014	22,542	1,866,703,020	82,810	4.2%
2015	22,633	1,959,610,406	86,582	3.5%
2016	22,580	1,955,021,560	86,582	3.3%
Morristown				
2007	19,033	\$ 1,374,391,963	\$ 72,211	3.4%
2008	19,067	1,423,084,612	74,636	4.1%
2009	19,126	1,348,689,016	70,516	7.0%
2010	18,370	1,336,968,600	72,780	9.2%
2011	18,483	1,408,293,702	76,194	9.1%
2012	18,540	1,458,968,220	78,693	7.1%
2013	18,618	1,472,572,092	79,094	5.1%
2014	18,572	1,537,947,320	82,810	4.3%
2015	18,594	1,609,905,708	86,582	3.8%
2016	19,016	1,646,443,312	86,582	3.6%

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

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

Exhibit J-15

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Approximate Number of Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u>Approximate Number of Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
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

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	478	489	464	326	318	340	341	345	353	354
Special education	58	56	102	99	95	92	96	107	109	105
Other special education	28	26	25	23	24	24	24	25	25	31
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	32	31	32	3	3	3	3	3	3	3
Support Services:										
Tuition	-	-	-	-	-	-	-	-	-	-
Student & instruction related services	70	88	36	154	164	176	178	168	172	168
General administrative services	22	22	21	2	2	2	2	2	3	3
School administrative services	46	53	51	35	35	35	34	35	35	35
Business administrative services	1	1	1	19	19	19	18	18	18	18
Plant operations and maintenance	85	79	82	86	85	82	82	84	85	86
Pupil transportation	14	23	13	26	24	32	33	34	39	34
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	44	44	33	29	28	26	26	24	-	-
<b>Total</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>	<b>837</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	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
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%
2017	5,198	108,884,083	20,947	5.79%	548	10.2:1	9.8:1	11.2:1	5,198	4,925	-0.97%	94.75%

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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

Exhibit J-18

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b><u>District Building</u></b>										
<b><u>Early Learning Center</u></b>										
Early Learning Center										
Square Feet	35,277	35,277	35,277	35,277	35,277	35,277	35,277	35,277	35,277	35,277
Capacity (students)	74	74	74	74	74	74	74	74	74	74
Enrollment										
<b><u>Elementary</u></b>										
Alexander Hamilton (1933)										
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										
Alfred Vail (1930)										
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 <sup>a</sup>										
Hillcrest (1956)										
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										
Normandy Park (1964)										
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										
Sussex Ave. (1954)										
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										
Thomas Jefferson (1958)										
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										
Woodland Ave (1967)										
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										

Morris School District  
 School Building Information  
 Last Ten Fiscal Years  
Unaudited

Exhibit J-18

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b><u>Middle School</u></b>										
Frelinghuysen (1965)										
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><u>High School</u></b>										
Morristown (1928)										
Square Feet	415,631	415,631	415,631	415,631	415,631	415,631	415,631	415,631	439,631	439,631
Capacity (students)	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,952	2,952
Enrollment										
Maintenance Offices										
Square Feet	900	900	900	900	900	900	900	900	900	900
Number of Schools at June 30, 2017										
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

Exhibit J - 19

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

School Facilities	Project # (s)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Morristown High	N/A	\$ 687,569	\$ 525,289	\$ 756,167	\$ 565,937	\$ 513,709	\$ 697,495	\$ 639,642	\$ 601,429	\$ 572,243	\$ 913,479
Alexander Hamilton	N/A	159,529	179,087	120,916	129,662	120,494	121,110	173,975	114,799	153,071	191,243
Alfred Vail	N/A	90,029	153,754	141,462	75,124	123,806	73,822	128,526	195,826	219,208	384,074
Frelinghuysen	N/A	253,709	428,258	309,925	231,782	216,145	186,878	217,936	188,806	229,456	300,414
Lafayette Learning Center	N/A	120,715	117,114	85,746	84,516	79,898	89,984	49,955	74,719	189,286	108,462
Hillcrest	N/A	128,949	91,097	145,466	196,806	104,935	169,749	90,187	111,705	103,819	132,324
Normandy Park	N/A	74,802	78,049	121,527	104,759	74,866	89,131	103,184	80,565	90,954	110,830
Sussex Avenue	N/A	110,597	70,432	87,518	74,489	80,133	92,090	99,063	73,491	133,583	153,490
Thomas Jefferson	N/A	77,014	69,863	121,654	104,528	110,188	124,690	109,277	115,355	86,020	114,411
Woodland Avenue	N/A	118,030	122,037	96,666	78,257	80,938	99,813	68,662	69,120	184,611	305,921
<b>Total School Facilities</b>		<b>\$ 1,820,943</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>

\*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, 2017  
UNAUDITED

Company	Type of Coverage	Coverage	Deductible
Utica Mutual	Property/Inland Marine & Crime Bldgs/ Cts. All Locations	\$177,819,924	\$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	\$1,000/\$1,000
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	50,000
	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

**SINGLE AUDIT SECTION**

**SECTION – K**

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
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K-1

ANDREW G. HODULIK, CPA, RMA, PSA  
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MEMBERS OF:  
AMERICAN INSTITUTE OF CPAs  
NEW JERSEY SOCIETY OF CPAs  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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, 2017, 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 30, 2017.

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 30, 2017.

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.*

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



Robert S. Morrison  
Public School Accountant  
PSA # 871

Highland Park, New Jersey  
November 30, 2017

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

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ROBERT S. MORRISON, CPA, RMA, PSA

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

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, 2017. 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, 2017.

#### 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.

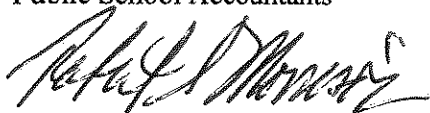
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement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



Robert S. Morrison  
Public School Accountant  
PSA # 871

Highland Park, New Jersey  
November 30, 2017



MORRIS SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	DEF. REVENUE/ (ACCTS. REC.) AT JUNE 30, 2016	DUE TO GRANTOR JUNE 30, 2016	ADJUSTMENTS	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAY. PR. YRS. BALANCES	BALANCE JUNE 30, 2017 ACCOUNTS RECEIVABLE
U.S. Department of Agriculture												
Passed-through NJDOE:												
Enterprise Fund:												
Child Nutrition Cluster												
Food Distribution Program	10.555	171NJ304N1099	N/A	07/01/16-06/30/17	\$ 108,655	\$ -	\$ -	\$ 108,655	\$ (108,655)	\$ -	\$ -	
School Breakfast Program	10.553	171NJ304N1099	N/A	07/01/16-06/30/17	276,985	-	-	219,926	(276,985)	-	(57,059)	
School Breakfast Program	10.553	16161NJ304N1099	N/A	07/01/15-06/30/16	292,962	(55,159)	-	55,159	-	-	-	
National School Lunch Program	10.555	171NJ304N1099	N/A	07/01/16-06/30/17	740,872	-	-	593,796	(740,872)	-	(147,076)	
National School Lunch Program	10.555	16161NJ304N1099	N/A	07/01/15-06/30/16	699,536	(129,630)	-	129,630	-	-	-	
Total Enterprise Fund						(184,789)	-	1,107,166	(1,126,512)	-	(204,135)	
U.S. Department of Education												
Passed-through NJDOE:												
General Fund:												
Special Education Medicaid Initiative (SEMI)	93.778	1705NJ5MAP	N/A	07/01/16-06/30/17	202,968	-	-	202,968	(202,968)	-	-	
Impact Aid	84.041	NA	N/A	07/01/16-06/30/17	15,546	-	-	15,546	(15,546)	-	-	
Total General Fund						-	-	218,514	(218,514)	-	-	
U.S. Department of Education												
Passed-through NJDOE:												
Special Revenue Fund												
Title I Cluster:												
Title I, Part A	84.010	S010A160030	NCLB-17	07/01/16-06/30/17	546,253	(246,081)	-	546,544	(487,084)	-	(186,621)	
Innovate NJ Summer Blended	84.010A	S010A160030	17_AY06-G02	07/01/16-06/30/17	46,740	-	-	46,740	(46,740)	-	-	
Title I Part D	84.013	S013A160030	NCLB-17	07/01/16-06/30/17	47,692	(36,505)	-	66,614	(47,692)	-	(17,583)	
Total Title I						(282,586)	-	659,898	(581,516)	-	(204,204)	
Special Education Cluster:												
I.D.E.A. Part B, Full-time	84.027	H027A160100	IDEA-17	07/01/16-06/30/17	1,861,392	(509,117)	-	1,865,768	(1,558,857)	-	(202,206)	
I.D.E.A. Part B, Preschool	84.173	H173A160114	IDEA-17	07/01/16-06/30/17	50,932	-	-	50,932	(50,932)	-	-	
Total Special Education Cluster						(509,117)	-	1,916,700	(1,609,789)	-	(202,206)	
Title II Part A												
Total Title II	84.367	S367A160029	NCLB-17	07/01/16-06/30/17	157,599	(81,660)	-	157,163	(120,844)	-	(45,341)	
Title III												
Title III - Immigrant	84.365	S365A160030	NCLB-17	07/01/16-06/30/17	172,810	(45,117)	-	136,237	(144,093)	-	(52,973)	
Total Title III	84.365	S365A160030	NCLB-17	07/01/16-06/30/17	23,305	(31,107)	-	45,713	(23,305)	-	(8,699)	
						(76,224)	-	181,950	(167,398)	-	(61,672)	
Career Academy												
	84.048	V048A140030	N/A	07/01/09-06/30/10		(3,985)	-			-	(3,985)	
Vocational Education:												
Secondary(Carl Perkins)	84.048	V048A160030	PERK-17	07/01/16-06/30/17	36,152	(27,032)	-	56,185	(31,441)	-	(2,288)	
Total Carl Perkins						(27,032)	-	56,185	(31,441)	-	(2,288)	
Total Special Revenue Fund						(980,604)	-	2,971,896	(2,510,988)	-	(519,696)	
Total Federal Financial Assistance						\$ (1,165,393)	\$ -	\$ 4,297,576	\$ (3,856,014)	\$ -	\$ (723,831)	

Note: See Accompanying Notes to Schedules of Financial Assistance.

MORRIS SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2016		BALANCE JUNE 30, 2017		MEMO				
				DEF. REVENUE/ (ACCTS REC.)	DUE TO GRANTOR	CASH RECEIVED	BUDGETARY EXPEND	ADU/ REPAY. PR. YRS. BALANCES	(ACCTS REC.)	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
State Department of Education:												
General Fund:												
Categorical Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	\$ 1,581,555	\$	\$	1,423,404	(1,581,555)	\$	\$	(158,151)	\$	(1,581,555)
Categorical Transportation Aid	17-495-034-5120-014	7/1/15-6/30/16	1,384,914	(148,731)		148,731						
Categorical Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	2,972,993	(263,231)		2,674,290	(2,972,993)			(302,720)		(2,972,993)
Categorical Special Education Aid	17-495-034-5120-089	7/1/15-6/30/16	2,972,993	(263,231)		2,674,290						
Categorical Security Aid	17-495-034-5120-084	7/1/16-6/30/17	755,191	(71,724)		679,680	(755,191)			(75,511)		(755,191)
Categorical Security Aid	17-495-034-5120-084	7/1/15-6/30/16	741,866	(71,724)		650,718				(75,306)		(723,024)
School Choice Aid	17-495-034-5120-068	7/1/16-6/30/17	542,268	(52,425)		227,682	(252,972)			(23,290)		(252,972)
School Choice Aid	17-495-034-5120-068	7/1/15-6/30/16	542,268	(52,425)		227,682						
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	316,323	(66,308)		66,308	(316,323)			(31,655)		(316,323)
Adjustment Aid	17-495-034-5120-085	7/1/15-6/30/16	316,323	(66,308)		66,308						
Additional Adjustment Aid	17-495-034-5120-097	7/1/16-6/30/17	49,610	(4,859)		44,641	(49,610)			(4,969)		(49,610)
Additional Adjustment Aid	17-495-034-5120-097	7/1/15-6/30/16	49,610	(4,859)		44,641						
Per Pupil Growth Aid	17-495-034-5120-098	7/1/16-6/30/17	49,610	(4,859)		44,641	(49,610)			(4,969)		(49,610)
Per Pupil Growth Aid	17-495-034-5120-098	7/1/15-6/30/16	49,610	(4,859)		44,641						
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	51,460	(46,314)		39,420	(51,460)			(5,146)		(51,460)
PARCC Readiness Aid	17-495-034-5120-098	7/1/15-6/30/16	51,460	(46,314)		39,420						
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	43,795	(78,047)		81,256	(43,795)		(78,047)	(4,375)		(78,047)
Professional Learning Community Aid	17-495-034-5120-101	7/1/15-6/30/16	43,795	(78,047)		81,256						
Host District Support Aid	17-495-034-5120-078	7/1/16-6/30/17	78,047	(81,256)		1,645,603	(78,047)			(1,580,253)		(1,580,253)
Host District Support Aid	17-495-034-5120-078	7/1/15-6/30/16	78,047	(81,256)		1,645,603						
Non-public Transportation Aid	17-495-034-5120-078	7/1/16-6/30/17	1,580,253	(1,645,603)		15,215	(1,580,253)			(27,291)		(27,291)
Non-public Transportation Aid	17-495-034-5120-078	7/1/15-6/30/16	1,580,253	(1,645,603)		15,215						
Extraordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	27,291	(15,215)		2,900,758	(27,291)			(2,900,758)		(2,900,758)
Extraordinary Aid	17-495-034-5120-044	7/1/15-6/30/16	27,291	(15,215)		2,900,758						
Homeless Tuition Reimbursement	17-495-034-5120-005	7/1/16-6/30/17	15,215			4,169,006	(15,215)			(4,169,006)		(4,169,006)
Homeless Tuition Reimbursement	17-495-034-5120-005	7/1/15-6/30/16	15,215			4,169,006						
T.P.A.F. Social Security Aid	17-495-034-5094-003	7/1/16-6/30/17	4,169,006			151,053	(4,169,006)			(4,169,006)		(4,169,006)
T.P.A.F. Social Security Aid	17-495-034-5094-003	7/1/15-6/30/16	4,169,006			151,053						
T.P.A.F. Pension Contribution	17-495-034-5094-004	7/1/16-6/30/17	151,053			12,060	(151,053)			(12,060)		(151,053)
T.P.A.F. Pension Contribution	17-495-034-5094-004	7/1/15-6/30/16	151,053			12,060						
T.P.A.F. Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	12,060			3,599,592	(12,060)			(3,599,592)		(3,599,592)
T.P.A.F. Non-Contributory Insurance	17-495-034-5094-004	7/1/15-6/30/16	12,060			3,599,592						
T.P.A.F. Post Retirement Medical Contribution	17-495-034-5094-001	7/1/16-6/30/17	3,599,592			19,302,158	(3,599,592)			(2,265,325)		(2,265,325)
T.P.A.F. Post Retirement Medical Contribution	17-495-034-5094-001	7/1/15-6/30/16	3,599,592			19,302,158						
Total General Fund			187,725	(2,354,211)		187,725	(187,725)			(187,725)		(187,725)
Debt Service Fund:												
Debt Service Aid (Chapter 74)	17-495-034-5120-017	7/1/16-6/30/17	187,725			187,725						
Debt Service Aid (Chapter 74)	17-495-034-5120-017	7/1/15-6/30/16	187,725			187,725						
Total Debt Service Fund			187,725			187,725						
Special Revenue Fund:												
N.J. Nonpublic Aid:												
Textbook Aid	17-100-034-5120-064	7/1/16-6/30/17	113,609			113,609						
Textbook Aid	17-100-034-5120-064	7/1/15-6/30/16	151,544			113,609						
Auxiliary Services:												
Compenatory	17-100-034-5120-067	7/1/16-6/30/17	77,039			77,039						
Compenatory	17-100-034-5120-067	7/1/15-6/30/16	87,141			77,039						
Home Instruction	17-100-034-5120-067	7/1/16-6/30/17	4,477			4,477						
Home Instruction	17-100-034-5120-067	7/1/15-6/30/16	16,000	(5,432)		5,432						
Handicapped Services:												
Supplementary Instruction	17-100-034-5120-066	7/1/16-6/30/17	48,181			48,181						
Supplementary Instruction	17-100-034-5120-066	7/1/15-6/30/16	88,433			88,433						
Examination & Classification	17-100-034-5120-066	7/1/16-6/30/17	82,841			54,424						
Examination & Classification	17-100-034-5120-066	7/1/15-6/30/16	82,841			54,424						
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	61,869			228,960						
Corrective Speech	17-100-034-5120-066	7/1/15-6/30/16	228,960			66,066						
Nursing Services	17-100-034-5120-070	7/1/16-6/30/17	66,066			127,200						
Nursing Services	17-100-034-5120-070	7/1/15-6/30/16	127,200			66,000						
Technology Initiative Aid	17-100-034-5120-509	7/1/16-6/30/17	66,400			2,970						
Technology Initiative Aid	17-100-034-5120-509	7/1/15-6/30/16	2,970			2,970						
Security Aid	17-495-034-5120-086	7/1/16-6/30/17	234,300			234,300						
Security Aid	17-495-034-5120-086	7/1/15-6/30/16	234,300			234,300						
Preschool Aid												
Total Special Revenue Fund			1,043,644	(5,432)	74,702	1,043,644	(1,000,619)	74,702	(4,477)	42,070		(1,000,619)
Total Special Revenue Fund			1,043,644	(5,432)	74,702	1,043,644	(1,000,619)	74,702	(4,477)	42,070		(1,000,619)

MORRIS SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2016		CASH RECEIVED	BUDGETARY EXPEND	ADJU/ REPAY. PR. YRS. BALANCES	BALANCE JUNE 30, 2017		MEMO CUMULATIVE TOTAL EXPENDITURES	
				DEF REVENUE/ (ACCTS. REC.)	DUE TO GRANTOR				(ACCTS. REC.)	DUE TO GRANTOR		
National School Lunch Prog. (State Share)	17-100-010-3350-023	7/1/16-6/30/17	16,494			13,246	(16,494)		(3,248)		(16,494)	
Lunch Prog. (State Share)	16-100-010-3350-023	7/1/15-6/30/16	16,005	(2,964)		2,964			-			
Total Enterprise Fund				(2,964)		16,210	(16,494)		(3,248)		(16,494)	
Capital Projes Fund:												
Schools Development Agency	3385-050-13-G2HB	unspecified	129,884	(129,884)							-	
Schools Development Agency	3385-060-14-G2XH	unspecified	12,057	(12,057)							-	
Schools Development Agency	3385-060-13-G2XG	unspecified	374,503	(374,503)							-	
Schools Development Agency	3385-105-13-G2HD	unspecified	24,831	(24,831)							-	
Capital Projes Fund				(541,275)							-	
<b>Total State Financial Assistance</b>				<b>\$ (2,903,882)</b>	<b>\$ 74,702</b>	<b>\$ 20,549,737</b>	<b>\$ (20,523,448)</b>	<b>\$ 74,702</b>	<b>\$ (113,063)</b>	<b>\$ 42,070</b>	<b>\$ (2,265,325)</b>	<b>\$ (20,523,448)</b>
Less:												
TPAF Post Retirement Medical							\$ 3,599,592					
TPAF Pension Contribution							4,169,006					
TPAF Non-Contributory Pension Insurance							163,113					
							<b>\$ (12,591,737)</b>					

Note: See Accompanying Notes to Schedules of Financial Assistance.

MORRIS SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF AWARDS  
AND FINANCIAL ASSISTANCE  
JUNE 30, 2017

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 2016-2017 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, 2017

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, 2017. 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, 2017.

MORRIS SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section I - 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
10.553	171NJ304N1099	Child Nutrition Cluster School Breakfast Program
10.555	171NJ304N1099	National School Lunch Program
10.555	171NJ304N1099	Food Distribution Program
84.010	S010A160030	Title I, Part A Grants to LEAs
84.010A	S010A160030	Innovate NJ Summer Blended

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, 2017

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:

GMIS Number(s)	Name of State Program
17-495-034-5120-014	Transportation Aid
17-495-034-5094-003	T.P.A.F. Social Security Aid

MORRIS SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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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, 2017

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.