

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, 2018***

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2018**

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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*

January 25, 2019

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

Dear President Pollak and Board Members:

The Comprehensive Annual Financial Report of the Morris School District for the fiscal year ended June 30, 2018 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 2017-18 fiscal year with an average daily enrollment of 5,057 students, which represented a decrease of 141 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>	
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
2017-18	5,057	(2.71%)	4,776

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. Numerous developments are being constructed and scheduled to be built in the near future in both municipalities. The District will be working with a demographer to learn what impact these buildings will have on enrollment

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 6.4%.

The estimated population in the Township has increased from 20,908 in 2008 to 22,489 in 2017, or a cumulative increase of 7.6% over ten years. The Town's population has decreased from 19,067 in 2008 to an estimate of 19,037 in 2017 or a cumulative decrease of .2% over ten years.

Both the Town & Township's assessed valuation (tax base) increased for the 2017-18 school year over the prior year. The total tax base of the district was allocated 64.64% to the Township and 35.36% to the Town, a change of approximately 1 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 2017-2018 school year included:

Curriculum Programs

Program	Project
ESL Programs (Gr. K- 12)	<ul style="list-style-type: none"> ➤ Increased ESL staffing at all levels ➤ Roll-out of "Ellevation"-online data and EL student instructional planning platform ➤ Provided Professional Development in Sheltered English Instruction for General Ed, ESL staff and administration ➤ Completed initial review of ACCESS 2.0, created student goals as a result. ➤ WIDA Standard resources and related PD provided for all staff working EL students. ➤ Supervisors of Bilingual at all levels worked with building principals to ensure EL programs implemented with fidelity ➤ Researched and recommended online platform for EL data/learning plan creation ➤ Created Newcomers Cohort and Language Level specific courses for EL students at High School level.
Bilingual Program (Gr. K-12)	<ul style="list-style-type: none"> ➤ Implement full time bilingual program in grades K-12 ➤ Increased Bilingual Teacher staffing to accommodate student program needs. ➤ Created Newcomers Cohort and Language Level specific courses for EL students at High School level. ➤ Implement Exit/Tracking system as required by State ➤ Roll-out of "Ellevation"-online data and EL student instructional planning platform ➤ Professional development on best practices in Bilingual instruction related to WIDA standards provided for teachers grades K-12. ➤ Purchased resources (all content areas) for Bilingual classrooms ➤ 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 ➤ Researched and recommended online platform for EL data/learning plan creation ➤ Implemented Latino Family Literacy Project for grades PreK-12 ➤ Staffed Bilingual Outreach position for all levels Pre K-12
K-5 Language Arts	<ul style="list-style-type: none"> ➤ Implemented new ELA curriculum K-6 that is completely aligned to NJSL for ELA. ➤ Provided PD for teachers in utilizing data to plan targeted learning opportunities for all students. ➤ Refined MSD-Tiered System of Supports ➤ Staffed Intervention teachers positions (2) for all schools K-8. ➤ Trained teachers in use of Benchmark Assessment System as a data point for learning plans ➤ Implemented iReady online diagnostic to provide teachers and parents with specific data related to core standards in ELA. ➤ Updated the Assessment Handbook for Language Arts revised/adjusted so that all assessments align with standards ➤ Implemented NJ State Testing

	<ul style="list-style-type: none"> ➤ Provided PD on Blended Learning to help teachers maximize face-to-face teaching time with students. ➤ Provided after school programs to support struggling learners grades 1-5. ➤ Held parent sessions (2) to provide overview of ELA curriculum and give opportunity for comment/feedback from parents
6-12 English Language Arts	<ul style="list-style-type: none"> ➤ Supported Year 2 implementation of ELA curriculum grades 6-12. ➤ Provided updated resources for teachers to support standards based teaching of ELA grades 6-8. ➤ Purchased classroom library books for all English Courses ➤ Provided PD for Balanced Literacy ➤ Created/Implemented a "Night Write" system that helps to target increased student writing and improved teacher feedback for writing. ➤ Utilized PLC time to create and discuss common benchmark assessments ➤ Refined Data Protocol for CBAs ➤ Utilized online diagnostic (iReady) to determine student needs in reading, comprehension ➤ Provided Intervention services for general education students (based on diagnostic data) grades 6-8 ➤ Implemented PARCC ➤ Provided PD on Blended Learning to help teachers maximize face-to-face teaching time with students. ➤ Provided Homework Tutorials for all students and After School academic support for identified students. ➤ Provided Summer School for students transitioning from grade 8 to grade 9.
K-12 Mathematics	<ul style="list-style-type: none"> ➤ Implemented iReady online diagnostic to provide teachers and parents with specific data related to core standards in Math grades K-9. ➤ Assessment Handbook Mathematics adjusted to reflect Common Benchmark Assessments K-5 ➤ Refined protocol and action plans after reviewing common benchmark assessment data for grades 6-12 ➤ Researched resources and online supports for students ➤ Utilized new version of Everyday Math—Common Core edition. ➤ Provided PD in Blended Learning as a way to maximize face-to-face teaching time ➤ Held parent sessions (2) to provide overview of ELA curriculum and give opportunity for comment/feedback from parents ➤ Created a plan and implemented Reflex Math - Fluency in grade 3 and as needed in intervention ESL BIL
K-12 Science	<ul style="list-style-type: none"> ➤ Completed NGSS alignment for K-12 ➤ Research/selected materials for Science K-12 ➤ STEM Academy cohort expansion at Morristown High School ➤ Provided Summer STEM academy for entering 9th graders ➤ Provided PD for teachers and teaching resources in all areas of NGSS ➤ Implements Science Rubric at 6-8 ➤ Provided PD for teachers on NGSS/Math Integration and Engineering for K-5 ➤ Created/staffed PreK-12 STEM Supervisor position ➤ Introduced Defined STEM platform to teachers, offered professional development ➤ Provided professional development on Makey Makey

	<p>and other STEM resources for hands on coding and engineering</p> <ul style="list-style-type: none"> ➤ Expanded Project Lead the Way courses at MHS
Social Studies (K-12)	<ul style="list-style-type: none"> ➤ Revise SS/History Curriculum to align with NJSLS and integrate SEL competencies and CRT strategies throughout curriculum ➤ PD Grades provided through Gilder Lehrman partnership ➤ Purchased History resources (9-12) ➤ Provided online AP preparation through Albert i.o ➤ Provided Blended Learning PD for teachers at all levels ➤ 9-12 Teachers designed playlists to support self paced learning for students ➤ Purchased texts and support texts for classroom libraries
Gifted Education (K-12)	<ul style="list-style-type: none"> ➤ Redesigned Quest identification process to include a creative measure tool along with non-verbal cognitive and academic information. ➤ Reallocated G&T teacher time so that more support was provided at K-2 level ➤ Purchased resources for G&T and Homeroom teachers to support enrichment activities ➤ Refine the process for designing and facilitating Enrichment Clusters grades 3-5. ➤ Provided PD on G&T practices and strategies for G&T and General Education teachers. ➤ Introduced Defined STEM platform to teachers, offered professional development ➤ Provided professional development on Makey Makey and other STEM resources for hands on coding and engineering.
Summer Academy Programs	<ul style="list-style-type: none"> ➤ Summer Academy Program targeted for BSI and ESL students provided for grades 1-8 and Special Education PreK-12 ➤ Summer Transition Program provided for rising 9th graders identified as struggling learners. ➤ Utilized blended practices to integrated online supports in reading and math for all summer program students. ➤ Implemented attendance incentives for personal/social development groups for summer program students ➤ Provided parent information, progress reports and visitations for summer program families ➤ Tracked performance data over 6-week program ➤ Provided "report cards" to parents and home schools to overview student growth and needs ➤ Provided student reflection narratives to administration in charge of 9th grade
K-12 Media & Library	<ul style="list-style-type: none"> ➤ STEM and Gifted and Talented training for all librarians ➤ Digital Citizenship Training for all librarians ➤ Google Certification Training for all librarians ➤ Installation of chromebooks in all K-5 libraries ➤ STEM MADE SIMPLE AND MAKEY MAKEY training provided for all media specialists ➤ Defined STEM professional development
K-12 Computer Education	<ul style="list-style-type: none"> ➤ Continue one-to-one initiative at middle school and high school ➤ Technology infusion at K-5 continued (additional chromebooks purchased). ➤ PD for teachers provided to increase level of technology integration and implementation of Canvas (grades 6-8) and Google Classroom (grades 3-5) ➤ Parent sessions held to increase parent interaction and

	<p>responsibility around one-to-one and increased technology access for students as well as parent portals for both Canvas and PowerSchool</p> <ul style="list-style-type: none"> ➤ Curation of 40 digital content providers for grades Prek - 12 ➤ added computer science course at FMS (GATeway Computer Science for Innovators and Makers) ➤ added Computer Science Course at MHS (Computer Science Essentials) ➤ trained 3 staff members on PLTW Computer Science ➤ Scratch JR professional development and student access at K-2 level ➤ all 6th graders complete mandatory elective- Navigating Digital Systems
World Language (K-12)	<ul style="list-style-type: none"> ➤ Palabras en Mi Mundo adopted to support 3-5 WL practice ➤ Little Pim and language centers implemented at K-2 to support WL practice ➤ Revisions started on level 3 world language curriculum in all languages 9-12 completed ➤ Curriculum review and PLC planning for world language grades 6-8. ➤ Proposed revisions to K-5 World Language Curriculum approved.
K-12 Health and Physical Education	<ul style="list-style-type: none"> ➤ Implemented K-12 Health Curriculum ➤ Implemented of anti-bullying Curriculum K-5 ➤ Implemented K-12 PE Curriculum ➤ PD provided for PE teachers K-12 on inclusive practice and adaptive PE. ➤ Provided opportunity for out of district PD for PE teachers to articulate with surrounding districts. ➤ Participated in SNAP program (Special Needs Athletic Programs) in K-5 schools ➤ Hosted ALL IN Inclusive sports events ➤ Participated in Special Olympics

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 5,400 in grades Pre-K through 12. The average elementary class size is 20 with specialists providing instruction in science, media, physical education, 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 Chromebook to enhance and support instruction and promote personal inquiry 24/7.

At FMS, we recognize that young adolescence is a time for students to discover and develop their passions and talents. To that end, our comprehensive Music, Fine Arts, and Design/Engineering programs are foundational elements of the FMS experience, and are available to every FMS student in grades 6-8. Students are able to participate during the school day in Ensemble Band, Ensemble Orchestra, and Choir. In addition, eighth grade students can elect to participate in a full-year Musical Theater class that introduces them to performance, production, and set design. In addition, students in grades 6-8 take Fine Arts electives such as Graphic Illustration and Design, Drawing, Sculpture, and Ceramics. In the areas of Design and Engineering, all 6th grade students are introduced to digital citizenship and effective use of technology to support learning and organization in our Navigating Digital Citizenship course. Beyond that, students participate in popular semester and yearlong electives such as Industrial Arts, Foundations of STEM, Engineering Innovations, and Integrated Robotics and Design, and Computer Science for Innovators. Frelinghuysen Middle School runs a very active chapter of National Society of Black Engineers (NSBE) and is currently expanding courses with Project Lead the Way.

The FMS extracurricular programs are an integral part of student life at FMS, and are aligned with our vision of becoming a school community in which all students “discover their passions and talents”. We offer all students a comprehensive after-school enrichment and athletic program. All students are able to participate in enrichment experiences such as the Global Classrooms Middle School Model United Nations Program, the NJ Technology Student Association middle school competition, Performance Dance, Wind Ensemble, Jazz Band, Chamber Orchestra, and Select Choir. Our students have not only enjoyed participating in these experiences - and do so in high numbers - but also have met with great success. Frelinghuysen Middle School students competed successfully in the NJ Technology Student Association competition and captured 10th place in the national TSA finals in Orlando, Florida. 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.”

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, girls and boys soccer, girls and boys basketball, cheerleading, softball, and cross-country. A large percentage our FMS students participate in these athletic programs, and our teams have met with great success. Over the past year and a half, FMS wrestling, soccer, and baseball teams again won Morris County Championship titles.

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, 2018 and the amount and percentage of increases in relation to prior year revenues.

<u>Revenue</u>	<u>2018</u>	<u>2017</u>	<u>\$ Increase</u>	<u>% Increase</u>
Local Sources	\$ 93,981,081	\$ 92,017,119	\$ 1,963,962	2.13%
State Sources	22,724,583	20,561,821	2,162,762	10.52%
Federal Sources	2,816,277	2,716,579	99,698	3.67%
Total	\$ 119,521,941	\$ 115,295,519	\$ 4,226,422	3.67%

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, 2018 and the amount and percentage of increases in relation to prior year expenditures.

Expenditures	2018	2017	\$	%
Current Expense:			Increase	Increase
Instruction	39,381,546	38,635,729	745,817	1.93%
Undistributed	71,133,050	66,507,428	4,625,622	6.96%
Capital Outlay	3,406,247	3,474,518	(68,271)	-1.96%
Special Revenue	4,026,436	3,740,926	285,510	7.63%
Debt Service:				
Principal	670,000	670,000	-	0.00%
Interest	60,500	94,000	(33,500)	-35.64%
	118,679,797	113,124,618	5,555,178	4.91%

9. DEBT ADMINISTRATION: The District's outstanding debt of \$675,000 includes one refunding bond issuance for the year 2007. This bond is payable in annual installments, final payment will be made in 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

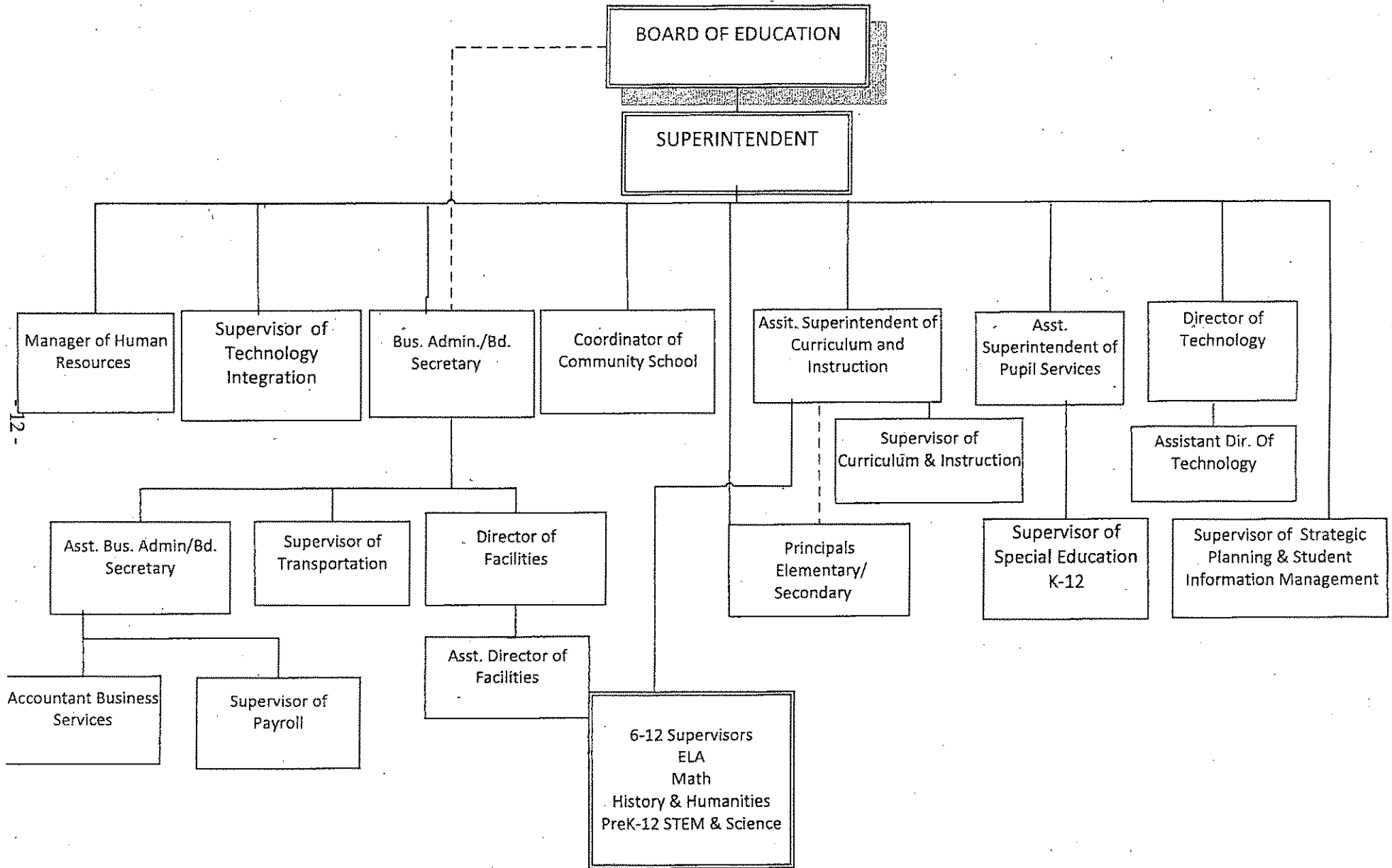


Anthony Lo Franco
Business Administrator/Board Secretary

MORRIS SCHOOL DISTRICT

CENTRAL OFFICE

2017-2018



MORRIS SCHOOL DISTRICT
BOARD OF EDUCATION
MORRIS COUNTY, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2018

PRESIDENT

Ms. Lisa J. Pollak 2020

VICE-PRESIDENT

Dr. Jennifer van Frank 2019

MEMBERS

Mrs. Nancy Bangiola 2019

Mrs. Meredith Davidson 2020

Dr. Peter Gallerstein 2019

Mrs. Prim Minchello 2018

Mr. Leonard Posey 2020

Mrs. Ann Rhines 2018

Mrs. Jeanette Thomas 2018

Mrs. Lucia Galdi (Morris Plains Rep)

OTHER OFFICIALS

S. Mackey Pendergrast, Superintendent of School

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

Joan Frederick, CPA, Assistant Business Administrator/Assistant Board Secretary

James McCreedy, Esq., Board Attorney

**MORRIS SCHOOL DISTRICT
CONSULTANTS AND ADVISORS**

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Wayne, NJ 07470

AUDIT FIRM

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Highland Park, N.J. 08904

ATTORNEY

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Morristown, N.J. 07960

Porzio, Bromberg & Newman, PC
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Morristown, NJ 07960

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Provident Bank
PO Box 617
Newark, NJ 07101

BOND COUNSEL

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

FINANCIAL SECTION

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

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

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

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, 2018, 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, 2018 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.

Emphasis of Matter

As discussed in Notes 1 and 6 to the financial statements, during the fiscal year ending June 30, 2018, the Morris School District implemented the provisions of Statement Number 75 of the Governmental Accounting Standards Board (GASB 75). GASB 75 changed the measurement criteria and reporting provisions relating to the District's proportionate share (if any), of the annual expense and net liability of the post-retirement employee benefits other than pensions (OPEB) of plans in which its employees are enrolled. As the State of New Jersey is solely responsible for the funding of all local education agency OPEB plans for the provisions of health benefits, and the Morris School District offers no additional OPEB plans, no additional disclosures were required to the accompanying statement of net position. The accompanying statement of activities discloses the allocated expense of the OPEB plan, and an equal revenue to reflect the existing Special Funding Situation, for the year based upon GASB 75 implementation. Note 6 of the Notes to the Financial Statements also discloses the District's proportionate share, for information purposes only, of the state sponsored OPEB Plan. Our Opinion is not modified with respect to this matter.

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.

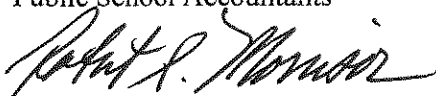
The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019 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
Public School Accountant
PSA # 871

Highland Park, New Jersey
January 25, 2019

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART I

MORRIS SCHOOL DISTRICT
Morristown, New Jersey
Morris County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
June 30, 2018

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, 2018. 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 2017-2018 fiscal year include the following:

Governmental funds reported a total fund balance of \$27,869,413, which is a 6.3% decrease over last year's total governmental fund balance. The general or operating fund balance was reported at \$27,350,652 of which \$7,565,389 was appropriated toward the 2018-2019 budget. The unassigned general fund balance is reported at \$3,001,197. Total spending for all governmental funds was \$121,023,427. Total revenues were \$120,351,416 resulting in a deficit of revenues over expenditures of \$672,011 for the year. Revenues increased approximately \$5,056,000 over last year and included \$26.4 million in state and federal aid and \$89.1 million in local taxes.

The district held \$14.0 million in its capital reserve account as of 06/30/18 and \$3.6 million in its maintenance reserve account.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1

Organization of the School District Annual Financial Report

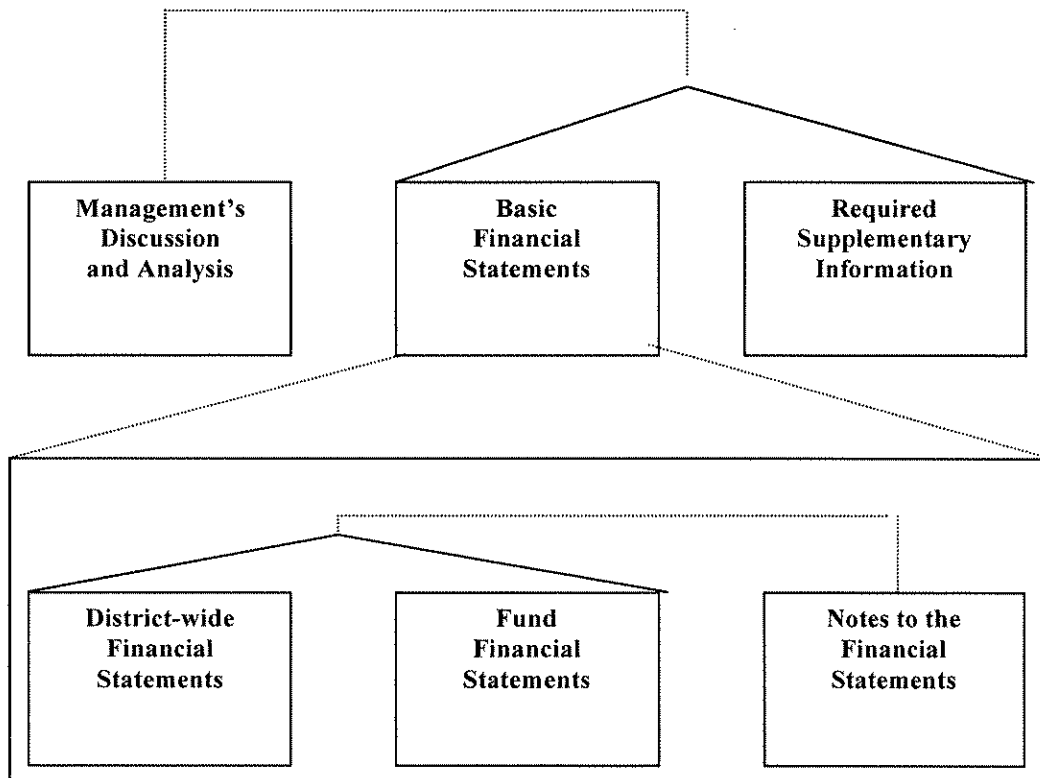


Figure A-2 summarizes the major features of the district’s financial statements, including the portion of the district’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

Figure A-2
Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and community school.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs, student activities monies, unemployment compensation trust funds and payroll agency.
Required financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position <ul style="list-style-type: none"> • Statement of changes in fiduciary net position
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 \$38,948,647 at June 30, 2018. Of this amount, \$32,720,614 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 2018	Governmental Activities 2017	% Increase/ -Decrease
Current and Other Assets	\$30,756,457	\$32,101,870	-4.2
Capital Assets	<u>52,868,255</u>	<u>49,226,532</u>	7.4
Total Assets	<u>\$83,624,712</u>	<u>\$81,328,402</u>	2.8
Deferred Outflows of Resources	<u>\$9,345,999</u>	<u>\$13,225,132</u>	-29.3
	Governmental Activities 2018	Governmental Activities 2017	% Increase/ -Decrease
Current and Other Liabilities	\$5,431,154	\$4,918,110	10.4
Long-term Liabilities	<u>39,947,599</u>	<u>51,607,815</u>	-22.6
Total Liabilities	<u>\$45,378,753</u>	<u>\$56,525,925</u>	-19.7
Deferred Inflows of Resources	<u>8,643,311</u>	<u>1,419,597</u>	508.9
Net Position			
Net Investment in capital assets	\$49,610,975	\$44,935,291	10.4
Restricted	22,539,286	23,357,402	-3.5
Unrestricted	<u>(32,720,614)</u>	<u>(31,684,701)</u>	3.3
Total Net Position	<u>\$38,948,647</u>	<u>\$36,608,012</u>	7.7

The \$32,720,614 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 \$32,720,614.

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>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Revenues:			
Program revenue			
State grants & entitlements	\$ 45,981,670	\$ 41,334,669	\$ 4,647,001
General revenue			
Local tax levy	89,122,667	87,411,235	1,711,432
Federal and state aid	1,051,751	279,622	772,129
Miscellaneous revenues (Incl. special items & transfers)	3,261,038	3,053,160	207,878
Total general revenues	<u>93,435,456</u>	<u>90,744,017</u>	<u>2,691,439</u>
Total revenues	<u>\$ 139,417,126</u>	<u>\$ 132,078,686</u>	<u>\$ 7,338,440</u>
Function/program expense:			
Instruction			
Regular programs	32,297,670	31,710,468	587,202
Special programs	6,566,012	6,421,612	144,400
Other Instructional programs	3,675,570	3,424,671	250,899
Support services			
Student services	15,545,329	15,362,877	182,452
Tuition	5,926,763	5,681,478	245,285
Instructional staff support			
General administration and business services	3,307,097	3,299,714	7,383
School administration	3,891,005	3,096,687	794,318
Plant services	8,040,375	7,703,340	337,035
Student transportation	6,242,152	6,961,605	(719,453)
Unallocated benefits	51,278,533	47,304,559	3,973,974
Unallocated depreciation and amortization	218,870	93,492	125,378
Interest on long-term debt	87,115	176,085	(88,970)
Total expenses	<u>\$ 137,076,491</u>	<u>\$ 131,236,588</u>	<u>\$ 5,839,903</u>
Increase (Decrease) net assets	<u>\$ 2,340,635</u>	<u>\$ 842,098</u>	<u>\$ 1,498,537</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 \$137,076,491. These costs were financed by \$89,122,667 in local property school taxes \$47,033,421 in federal and state aid and \$3,261,038 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

	Year Ended June 30, 2017 Governmental Activities Total Cost of Services <u>2018</u>	Year Ended June 30, 2016 Governmental Activities Total Cost of Services <u>2017</u>
Regular Programs Instruction	\$32,297,670	\$31,710,468
Unallocated Benefits	51,278,533	47,304,559
Student Services	15,545,329	15,362,877
Plant Services	8,040,375	7,703,340
Transportation	6,242,152	6,961,605
Special Programs Instruction	6,566,012	6,421,612
Tuition	5,926,763	5,681,478
All Others	<u>11,179,657</u>	<u>10,090,649</u>
	<u>\$137,076,491</u>	<u>\$131,236,588</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 \$27,869,413, which is a decrease of \$1,880,250 from last year. The decrease largely was due to transfer of funds to charter school.

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 \$15.0 million. This is due primarily to:

1. The State reimbursement in the amount of \$12.8 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 negative variance of \$6.7 million. This is due to the State requirement to include TPAF and social security contributions totaling \$12.8 million in the audit. Absent the TPAF adjustment the variance is a positive \$6.1 million due to the savings mentioned above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the school district had \$85,998,898 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 \$4,341,126 or 5.3% percent, from last year.

Figure A-6

Capital Assets at Year-End (Rounded)

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
Land	\$3,331,700	\$3,331,700
Construction in Progress	2,382,698	4,420,363
Building and Improvements	68,206,340	63,785,977
Furniture, Equip. & Vehicles	<u>12,078,160</u>	<u>10,119,732</u>
Total	<u>\$85,998,898</u>	<u>\$81,657,772</u>

Construction in progress decreased due to several projects being completed and other projects being started by the board at June 30, 2018.

Long-Term Debt

At the end of this year, the school district had \$3,257,280 in bonds and lease purchase obligations outstanding versus \$4,291,241 in bonds and capital leases last year – a decrease of 24.1%. The long-term debt consisted of:

	Outstanding Debt, at Year-End	
	(Rounded)	
	Governmental	Governmental
	Activities	Activities
	<u>2018</u>	<u>2017</u>
Lease Purchase Obligations	\$2,582,280	\$2,946,241
General Obligation Bonds	675,000	1,345,000

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 \$3,257,280 is significantly below the \$243,707,679 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 makeup of our student population throughout the district. Overall enrollment has increased 6.5% over the last 10 years. A multi-phase expansion and renovation began at the High School in 2015 and will be completed in 2019. The new space provides state of the art fabrication and design space.
- 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 2018 and covers the years 2018/2019 - 2021 – 2022.
- The district has been utilizing capital reserve funds for building renovations. The June 30, 2018 balance was \$12 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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 12,722,667	\$ 1,008,147	\$ 13,730,814
Receivables, net	3,150,765	249,168	3,399,933
Receivables from other funds	46,992	11,575	58,567
Prepaid Expenses		41,652	41,652
Inventory		19,424	19,424
Restricted Assets:			
Capital Reserve Account - cash	11,241,791		11,241,791
Maintenance Reserve Account - cash	3,594,242		3,594,242
Capital assets, net (Note 3)	<u>52,868,255</u>	<u>173,851</u>	<u>53,042,106</u>
Total Assets	<u>83,624,712</u>	<u>1,503,817</u>	<u>85,128,529</u>
DEFERRED OUTFLOWS OF RESOURCES			
Difference between expected and actual experience	803,573		803,573
Change in Pension Assumptions	6,875,416		6,875,416
Pension Payment Subsequent to Measurement Date	1,401,308		1,401,308
Difference in Pension Earnings	232,382		232,382
Deferred amount on refinancing	<u>33,320</u>		<u>33,320</u>
Total Deferred Outflows of Resources	<u>9,345,999</u>		<u>9,345,999</u>
LIABILITIES			
Accounts payable	3,654,660	206,925	3,861,585
Accrued interest payable	15,777		15,777
Interfund payable		58,567	58,567
Unearned Revenue	598,000	524,776	1,122,776
Advance from Grantor	35,692		35,692
Noncurrent liabilities (Note 4):			
Due within one year	1,127,025		1,127,025
Due beyond one year	5,820,594	23,813	5,844,407
Net Pension Liability	<u>34,127,005</u>		<u>34,127,005</u>
Total Liabilities	<u>45,378,753</u>	<u>814,081</u>	<u>46,192,834</u>
DEFERRED INFLOWS OF RESOURCES			
Change in Pension Assumptions	6,850,209		6,850,209
Change in Pension Proportion	<u>1,793,102</u>		<u>1,793,102</u>
Total Deferred Inflows of Resources	<u>8,643,311</u>	-	<u>8,643,311</u>
NET POSITION			
Net investment in capital assets	49,610,975	173,851	49,784,826
Restricted for:			
Debt Service			
Capital projects	518,761		518,761
Other purposes	21,539,525		21,539,525
Unrestricted(Deficit)	<u>(32,720,614)</u>	<u>515,885</u>	<u>(32,204,729)</u>
Total Net Position	<u>\$ 38,948,647</u>	<u>\$ 689,736</u>	<u>\$ 39,638,383</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, 2018

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	\$ 32,297,670			\$ (32,297,670)	\$ -	\$ (32,297,670)
Special education	6,566,012	-	8,149,492	1,583,480	-	1,583,480
Other special instruction	2,166,629	-	-	(2,166,629)	-	(2,166,629)
Other instruction	1,508,941	-	-	(1,508,941)	-	(1,508,941)
Support services:						
Tuition	5,926,763	-	1,542,483	(4,384,280)	-	(4,384,280)
Student & instruction related services	15,545,329	-	-	(15,545,329)	-	(15,545,329)
School administrative services	3,891,005	-	1,139,245	(2,751,760)	-	(2,751,760)
General and business administrative services	3,307,097	-	-	(3,307,097)	-	(3,307,097)
Plant operations and maintenance	8,040,375	-	-	(8,040,375)	-	(8,040,375)
Pupil transportation	6,242,152	-	1,723,483	(4,518,669)	-	(4,518,669)
Unallocated benefits	51,278,533	-	33,207,078	(18,071,455)	-	(18,071,455)
Interest on long-term debt	87,115	-	179,493	92,378	-	92,378
Unallocated depreciation and amortization	218,870	-	-	(218,870)	-	(218,870)
Capital Outlay	-	-	40,396	40,396	-	40,396
Total governmental activities	137,076,491	-	45,981,670	(91,094,821)	-	(91,094,821)
Business-type activities:						
Food Service	1,490,552	564,963	970,369	-	44,780	44,780
Community School	1,655,544	1,713,327	-	-	57,783	57,783
Total business-type activities	3,146,096	2,278,290	970,369	-	102,563	102,563
Total primary government	\$ 140,222,587	\$ 2,278,290	\$ 46,952,039	\$ (91,094,821)	\$ 102,563	\$ (90,992,258)
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				\$ 88,571,660		\$ 88,571,660
Taxes levied for debt service				551,007		551,007
Federal and State aid not restricted				222,276	-	222,276
Federal and State aid restricted				829,475	-	829,475
Tuition received				4,261,293	-	4,261,293
Investment/Miscellaneous Earnings				332,871	1,695	334,566
Transfer of Funds to Charter School				(1,333,126)		(1,333,126)
Total general revenues, extraordinary items and transfers				93,435,456	1,695	93,437,151
Change in Net Position				2,340,635	104,258	2,444,893
Net Position—beginning				36,608,012	585,478	37,193,490
Net Position—ending				\$ 38,948,647	\$ 689,736	\$ 39,638,383

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, 2018

Exhibit B-1
Page 1 of 2

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 12,722,667				\$ 12,722,667
Accounts Receivable:					
Interfunds	1,455,122				1,455,122
Due from other governments	169,612	1,472,049	829,475		2,471,136
Tuition	539,877				539,877
Other Accounts Receivable	3,434	136,318			139,752
Restricted cash and cash equivalents	<u>14,836,033</u>				<u>14,836,033</u>
Total Assets	<u>29,726,745</u>	<u>1,608,367</u>	<u>829,475</u>		<u>32,164,587</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	1,778,093	234,074	115,617		2,127,784
Intergovernmental Payable		125,568			125,568
Interfund Payable		1,213,033	195,097		1,408,130
Unearned Revenue	<u>598,000</u>	<u>35,692</u>			<u>633,692</u>
Total Liabilities	<u>2,376,093</u>	<u>1,608,367</u>	<u>310,714</u>	-	<u>4,295,174</u>
Fund Balances:					
Restricted Fund Balance:					
Capital Reserve Account	10,241,791				10,241,791
Maintenance Reserve Account	3,594,242				3,594,242
Excess Surplus - Designated for Subsequent Years Expenditures	4,809,189				4,809,189
Reserve for Excess Surplus	2,894,303				2,894,303
Capital Projects			518,761		518,761
Committed Fund Balance:					
Year-end Encumbrances	53,730				53,730
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures	1,485,056				1,485,056
Designated for Subsequent Year's Expenditures - Capital Reserve	2,756,200				2,756,200
Unassigned Fund Balance	<u>1,516,141</u>				<u>1,516,141</u>
Total Fund Balances	<u>27,350,652</u>		<u>518,761</u>	-	<u>27,869,413</u>
Total Liabilities and Fund Balances	<u>\$ 29,726,745</u>	<u>\$ 1,608,367</u>	<u>\$ 829,475</u>	<u>\$ -</u>	<u>\$ 32,164,587</u>

MORRIS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Exhibit B-1
Page 2 of 2

Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:	\$ 27,869,413
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$85,998,898, and the accumulated depreciation is \$33,130,643.	52,868,255
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.	(6,931,754)
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.	(15,777)
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	803,573
Change in Pension Assumptions	6,875,416
Difference in Pension Earnings	232,382
Pension Payment Subsequent to Measurement Date	1,401,308
Accounts Payable for Pension Expense	(1,401,308)
Net Pension Liability	(34,127,005)
Deferred Inflows of Resources:	
Change in Pension Assumptions	(6,850,209)
Change in Pension Proportion	(1,793,102)
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	(15,865)
Deferred amount on refunding, net of amortization	<u>33,320</u>
Net assets of governmental activities.	\$ <u><u>38,948,647</u></u>

MORRIS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local tax levy	\$ 88,571,660	\$	\$	\$ 551,007	\$ 89,122,667
Tuition charges	4,261,293				4,261,293
Miscellaneous	332,871				332,871
Local sources		264,250			264,250
State sources	21,453,320	1,091,770	829,475	179,493	23,554,058
Federal sources	145,861	2,670,416			2,816,277
Total revenues	114,765,005	4,026,436	829,475	730,500	120,351,416
EXPENDITURES					
Current:					
Regular instruction	29,139,964	1,304,312			30,444,276
Special education instruction	6,566,012				6,566,012
Other special instruction	2,166,629				2,166,629
Other instruction	1,508,941				1,508,941
Support services and undistributed costs:					
Tuition	5,926,763				5,926,763
Student & instruction related services	12,863,601	2,681,728			15,545,329
School administrative services	3,891,005				3,891,005
Other administrative services	3,307,097				3,307,097
Plant operations and maintenance	8,095,258				8,095,258
Pupil transportation	6,649,100				6,649,100
Unallocated Benefits	30,400,226				30,400,226
Debt service:					
Principal				670,000	670,000
Interest and other charges				60,500	60,500
Capital outlay	3,406,247	40,396	2,345,648		5,792,291
Total expenditures	113,920,843	4,026,436	2,345,648	730,500	121,023,427
Excess (Deficiency) of revenues over expenditures	844,162	-	(1,516,173)	-	(672,011)
OTHER FINANCING SOURCES (USES)					
Capital leases (non-budgeted)	124,887				124,887
Transfers in			1,063,590		1,063,590
Transfers out	(2,396,716)				(2,396,716)
Total other financing sources and uses	(2,271,829)	-	1,063,590	-	(1,208,239)
Net change in fund balances	(1,427,667)	-	(452,583)	-	(1,880,250)
Fund balance—July 1	28,778,319		971,344		29,749,663
Fund balance—June 30	\$ 27,350,652	\$ -	\$ 518,761	\$ -	\$ 27,869,413

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, 2018

Total net change in fund balances - governmental funds (from B-2) \$ (1,880,250)

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	(2,112,821)	
	Capital outlays	<u>5,754,544</u>	3,641,723

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. 1,158,848

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 (124,887)

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. 11,132

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 (+). 64,304

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. (543,775)

Amortization Expenses - Net 13,540

Change in net position of governmental activities \$ 2,340,635

PROPRIETARY FUNDS

MORRIS SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Food Service</u>	<u>Community School</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,226	\$ 1,006,921	\$ 1,008,147
Receivables from other governments	202,233		202,233
Accounts receivable	20,506	26,429	46,935
Interfunds Receivable		11,575	11,575
Prepaid Expenses		41,652	41,652
Inventories	19,424		19,424
Total current assets	<u>243,389</u>	<u>1,086,577</u>	<u>1,329,966</u>
Noncurrent assets:			
Furniture, machinery & equipment	744,217	16,528	760,745
Less accumulated depreciation	<u>(574,603)</u>	<u>(12,291)</u>	<u>(586,894)</u>
Total noncurrent assets	<u>169,614</u>	<u>4,237</u>	<u>173,851</u>
Total assets	<u>413,003</u>	<u>1,090,814</u>	<u>1,503,817</u>
LIABILITIES			
Current liabilities:			
Accounts payable	118,437	88,488	206,925
Unearned revenue	25,337	499,439	524,776
Interfunds payable	<u>58,567</u>		<u>58,567</u>
Total current liabilities	<u>202,341</u>	<u>587,927</u>	<u>790,268</u>
Noncurrent Liabilities:			
Compensated absences		<u>23,813</u>	<u>23,813</u>
Total noncurrent liabilities	<u>-</u>	<u>23,813</u>	<u>23,813</u>
Total liabilities	<u>202,341</u>	<u>611,740</u>	<u>814,081</u>
NET POSITION			
Net Investment in capital assets	169,614	4,237	173,851
Unrestricted (Deficit)	<u>41,048</u>	<u>474,837</u>	<u>515,885</u>
Total net position	<u>210,662</u>	<u>479,074</u>	<u>689,736</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, 2018

	<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	\$ 528,322	\$	\$ 528,322
Special Functions	36,641		36,641
Program Fees		1,713,327	1,713,327
Total operating revenues	<u>564,963</u>	<u>1,713,327</u>	<u>2,278,290</u>
Operating expenses:			
Cost of sales - program	637,521		637,521
Cost of sales - nonprogram	14,564		14,564
Salaries	41,522	960,676	1,002,198
Employee benefits	22,102	189,518	211,620
Rent		103,564	103,564
Other purchased professional services	800,501	109,363	909,864
Other purchased services	24,126	50,757	74,883
General supplies	28,516	86,786	115,302
Other Expenses	57,508	154,005	211,513
Depreciation	13,342	875	14,217
Total Operating Expenses	<u>1,639,702</u>	<u>1,655,544</u>	<u>3,295,246</u>
Operating income (loss)	<u>(1,074,739)</u>	<u>57,783</u>	<u>(1,016,956)</u>
Nonoperating revenues (expenses):			
State sources:			
State school lunch program	16,646		16,646
Federal sources:			
National school lunch program	712,506		712,506
National school breakfast program	241,217		241,217
Food distribution program	149,150		149,150
Interest and investment revenue	247	1,448	1,695
Total nonoperating revenues (expenses)	<u>1,119,766</u>	<u>1,448</u>	<u>1,121,214</u>
Change in net position	45,027	59,231	104,258
Total net position—beginning	165,635	419,843	585,478
Total net position—ending	<u>210,662</u>	<u>479,074</u>	<u>689,736</u>

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, 2018

	Food Service Fund	Community School	Totals
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 568,853	\$ 1,747,322	\$ 2,316,175
Payments to employees		(960,676)	(960,676)
Payments for employee benefits		(184,937)	(184,937)
Payments to suppliers	(1,475,839)	(557,403)	(2,033,242)
Net cash provided by (used for) operating activities	<u>(906,986)</u>	<u>44,306</u>	<u>(862,680)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal and State Sources	975,519		975,519
Net cash provided by (used for) non-capital financing activities	<u>975,519</u>	<u>-</u>	<u>975,519</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase Capital Assets	(70,744)		(70,744)
Net cash provided by (used for) capital and related financing activities	<u>(70,744)</u>	<u>-</u>	<u>(70,744)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	247	1,448	1,695
Net cash provided by (used for) investing activities	<u>247</u>	<u>1,448</u>	<u>1,695</u>
Net increase (decrease) in cash and cash equivalents	(1,964)	45,754	43,790
Balances—beginning of year	3,190	961,167	964,357
Balances—end of year	<u>\$ 1,226</u>	<u>\$ 1,006,921</u>	<u>\$ 1,008,147</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,074,739)	\$ 57,783	\$ (1,016,956)
Adjustments to reconcile operating income (loss) to net cash provided by (used for)(used for) operating activities			
Depreciation and net amortization	13,342	875	14,217
(Increase) decrease in other accounts receivable	3,890	12,063	15,953
(Increase) decrease in inventories	(2,140)		(2,140)
Increase (decrease) in prepaid expenses		7,486	7,486
Increase (decrease) in compensated absences payable		4,581	4,581
Increase (decrease) in accounts payable	(20,787)	(9,240)	(30,027)
Increase (decrease) in unearned revenue	4,030	21,932	25,962
(Increase) decrease in interfunds receivable		(11,575)	(11,575)
Increase (decrease) in interfunds payable	20,268	(39,599)	(19,331)
Food Distribution Program	149,150		149,150
Total adjustments	<u>167,753</u>	<u>(13,477)</u>	<u>154,276</u>
Net cash provided by (used for) operating activities	<u>\$ (906,986)</u>	<u>\$ 44,306</u>	<u>\$ (862,680)</u>

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, 2018

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship	Agency Fund	<u>Totals</u>
ASSETS:				
Cash and cash equivalents	\$ <u>2,090,184</u>	\$ <u>117,067</u>	\$ <u>709,806</u>	\$ <u>2,917,057</u>
Total Assets	\$ <u><u>2,090,184</u></u>	\$ <u><u>117,067</u></u>	\$ <u><u>709,806</u></u>	\$ <u><u>2,917,057</u></u>
LIABILITIES:				
Payable to Student Groups	\$	\$	\$ 136,013	\$ 136,013
Accounts Payable	5,026			5,026
Payroll Deductions and Withholdings	<u> </u>	<u> </u>	<u>573,793</u>	<u>573,793</u>
Total Liabilities	<u>5,026</u>	<u> </u>	\$ <u><u>709,806</u></u>	\$ <u><u>714,832</u></u>
NET POSITION:				
Held in trust for unemployment claims and other purposes	2,085,158			2,085,158
Reserved for Scholarships	<u> </u>	<u>117,067</u>	<u> </u>	<u>117,067</u>
Total Net Position	\$ <u><u>2,085,158</u></u>	\$ <u><u>117,067</u></u>	\$ <u><u> </u></u>	\$ <u><u>2,202,225</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, 2018

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship</u>
ADDITIONS		
Contributions:		
Plan member	\$ 95,681	\$
Other		16,000
	<u>95,681</u>	<u>16,000</u>
Total Contributions		
	<u>95,681</u>	<u>16,000</u>
Interest	54	190
Net investment earnings	54	190
	<u>95,735</u>	<u>16,190</u>
Total additions		
	<u>95,735</u>	<u>16,190</u>
DEDUCTIONS		
Unemployment claims	89,314	
Scholarships awarded		24,000
	<u>89,314</u>	<u>24,000</u>
Total deductions		
	<u>89,314</u>	<u>24,000</u>
Change in net position	6,421	(7,810)
Net position—beginning of the year	<u>2,078,737</u>	<u>124,877</u>
Net position—end of the year	\$ <u>2,085,158</u>	\$ <u>117,067</u>

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, 2018

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, 2018 of 5,097 students.

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

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

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

C. Basis of Presentation – Government-Wide Financial Statements

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**D. Basis of Presentation - Fund Financial Statements**

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

The District reports the following major governmental funds:

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

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from capital reserve, state grants, and temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. State Aid in the form of Economic Development Authority Grants under EFCFA are also financial resources of this fund

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

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

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

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

The District reports the following proprietary funds:

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

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

The District reports the following fiduciary funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval. Pursuant to changes in the Local District School Budget Law, statutorily conforming base budgets of Districts with annual school elections held in November (The District has chosen this option) are no longer required to be presented to the voters for approval on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. New Jersey statutes place limits on the Board's ability to increase budgeted expenditures through the appropriation of previously undesignated fund balance and requires the District to obtain additional approvals when budgetary transfers, measured using the advertised budgetary account totals rather than line-item totals, exceed certain thresholds. The Board of Education did not make any supplemental budgetary appropriations during the fiscal year that required additional approvals from oversight agencies.

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

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

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

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

F. Budgets/Budgetary Control (cont'd)

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

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from The budgetary comparison schedules	\$114,891,090	\$4,026,436
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	(2,391,410)	
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	<u>2,265,325</u>	<u>0</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance – governmental funds	<u>114,765,005</u>	<u>4,026,436</u>
Uses/Outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	113,920,843	4,026,436
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>\$113,920,843</u>	<u>\$4,026,436</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 2016-2017 and 2017-2018 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 2018-2019 school year based upon the certification of 2016-2017 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, 2018 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, 2018, 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, 2017.

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

P. Other Post-Employment Benefits:

Pursuant to State Statute, the State Health Benefits Local Education Retirees Employees Plan was established to oversee the funding and payment of post-employment medical benefits for eligible LEA employees. This plan is a multi-employer defined benefit OPEB Plan that is administered on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. The Plan is a "Special Funding Situation" as defined in GASB Statement No. 75 as the State of New Jersey is solely responsible for funding the Plan's obligations (net of employee contributions). Accordingly, no net OPEB liability is reported on the District's Statement of Net Position. In the Statement of Activities, the District reports an annual OPEB expense and a corresponding revenue, equal to the allocated expense of the District as reported by the State.

Q. 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.

R. 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.

S. 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).

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

S. Fund Balance Flow Assumption (Governmental Fund Financial Statements) (cont'd.)

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.

T. 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.

U. 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.

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

W. Reconciliation of District-Wide and Fund Financial Statements

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

Total Governmental Fund Balance (B-1)	\$27,869,413
Adjustments to District-Wide Net Position:	
Capital Assets (see Note 3)	52,868,255
Long-Term Liabilities (see Note 4)	(6,947,619)
Net Pension Liability	(34,127,005)
Other Items not recognized in Fund Financial Statements:	
Deferred Inflows of Financial Resources	(8,643,311)
Deferred Outflows of Financial Resources	9,345,999
Accrued Current Period Pension Liability	(1,401,308)
Accrued Interest on Long-term Debt	<u>(15,777)</u>
Net Position of Governmental Activities	<u>\$38,948,647</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)	\$(1880,250)
Adjustments to District-Wide Net Position:	
Depreciation on Capital Assets (see Note 3)	(2,112,821)
Capital Outlays	5,754,544
Repayment of Long-Term Liabilities (see Note 4)	1,158,848
Proceeds from debt issues, Capital Leases	(124,887)
Net Increase in Pension Expense	(543,775)
Decrease in Value of Compensated Absences	64,304
Interest on Long-term Debt (Accrual Basis for District-Wide)	11,132
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>\$2,340,635</u>

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

X. 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, 2018, the book value of the District's cash, cash equivalents and investments were \$30,885,904.

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>32,132,934</u>
Total Deposits	<u>\$32,882,934</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, 2018, \$0.00 of the Board's bank balance of \$32,882,934 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, 2018, 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, 2018, 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	\$ 85,998,898
Less: accumulated depreciation	<u>(33,130,643)</u>
Government Activities Capital Assets, Net	<u>\$ 52,868,255</u>

Capital asset activity for the year ended June 30, 2018 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>4,420,363</u>	<u>2,382,698</u>	<u>(4,420,363)</u>	<u>2,382,698</u>
Total Capital Assets Not Being Depreciated	<u>7,752,063</u>	<u>2,382,698</u>	<u>(4,420,363)</u>	<u>5,714,398</u>
Building and Building Improvements	63,785,977		4,420,363	68,206,340
Machinery, Equipment, Furniture & Vehicles	<u>10,119,732</u>	<u>3,371,846</u>	<u>(1,413,418)</u>	<u>12,078,160</u>
Totals at Historical Cost	<u>73,905,709</u>	<u>3,371,846</u>	<u>3,006,945</u>	<u>80,284,500</u>
Less Accumulated Depreciation For:				
Building and Building Improvements	(24,902,679)	(1,060,178)		(25,962,857)
Equipment, Furniture, and Vehicles	<u>(7,528,561)</u>	<u>(1,052,643)</u>	<u>1,413,418</u>	<u>(7,167,786)</u>
Total Accumulated Depreciation	<u>(32,431,240)</u>	<u>(2,112,821)</u>	<u>1,413,418</u>	<u>(33,130,643)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>41,474,469</u>	<u>1,259,025</u>	<u>4,420,363</u>	<u>47,153,857</u>
Government Activities Capital Assets, Net	<u>\$ 49,226,532</u>	<u>\$ 3,641,723</u>	<u>\$ -</u>	<u>\$ 52,868,255</u>
Business-type Activities				
Equipment	\$ 690,001	\$ 70,744	\$	\$ 760,745
Less Accumulated Depreciation for:				
Equipment	<u>(572,677)</u>	<u>(14,217)</u>		<u>(586,894)</u>
Business-type Activities Capital Assets, Net	<u>\$ 117,324</u>	<u>\$ 56,527</u>	<u>\$</u>	<u>\$ 173,851</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,880,411
Direct expense of various functions	<u>232,410</u>
Total depreciation expense	<u>\$ 2,112,821</u>

NOTE 4 - DISCLOSURE OF INFORMATION ABOUT LONG TERM LIABILITIES

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

Long-term debt liability activity for the year ended June 30, 2018 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	\$ 1,345,000	\$ _____	\$ 670,000	\$ 675,000	\$ 675,000
Total Bonds Payable	<u>1,345,000</u>	<u>_____</u>	<u>670,000</u>	<u>675,000</u>	<u>675,000</u>
Other Liabilities:					
Obligations Under Capital Lease	2,946,241	124,887	488,848	2,582,280	452,025
Compensated Absences Payable	<u>3,738,778</u>	<u>_____</u>	<u>64,304</u>	<u>3,674,474</u>	<u>_____</u>
Total Other Liabilities	<u>6,685,019</u>	<u>124,887</u>	<u>553,152</u>	<u>6,256,754</u>	<u>452,025</u>
Subtotal Bonds and Other Liabilities	8,030,019	124,887	1,223,152	6,931,754	1,127,025
Bond Premiums/(Discount)	50,487	_____	34,622	15,865	_____
Net Pension Liability (PERS)	<u>44,687,450</u>	<u>_____</u>	<u>10,560,445</u>	<u>34,127,005</u>	<u>_____</u>
Total Liabilities	<u>\$ 52,767,956</u>	<u>\$ 124,887</u>	<u>\$ 11,818,219</u>	<u>\$ 41,074,624</u>	<u>\$ 1,127,025</u>
Business-type activities					
Enterprise fund:					
Compensated Absences Payable	\$ 19,232	\$ 4,581	\$ _____	\$ 23,813	\$ _____
Total Liabilities	<u>\$ 19,232</u>	<u>\$ 4,581</u>	<u>\$ -</u>	<u>\$ 23,813</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:

	Principal	Interest	Total
Year ending June 30, 2019	\$ <u>675,000</u>	\$ <u>27,000</u>	\$ <u>702,000</u>
	\$ <u>675,000</u>	\$ <u>27,000</u>	\$ <u>702,000</u>

B. Bonds Authorized But Not Issued -- As of June 30, 2018, the District had no bonds authorized but not issued.

C. Capital Leases --The District is leasing various equipment totaling \$2,582,280. The following is a schedule of the future minimum lease payments under this capital lease and the net minimum lease payments at June 30, 2018.

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 452,025	\$ 53,283	\$ 505,308
2020	444,752	44,237	488,989
2021	437,320	35,188	472,508
2022	428,058	25,919	453,977
2023	<u>820,125</u>	<u>15,795</u>	<u>835,920</u>
Total	\$ <u>2,582,280</u>	\$ <u>174,422</u>	\$ <u>2,756,702</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, 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, 2017:

Inactive plan members or beneficiaries currently receiving benefits	170,124
Inactive plan members entitled to but not yet receiving benefits	650
Active plan members	<u>254,685</u>
 Total	 <u>425,459</u>

Contributing Employers – 1,705.

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

NOTE 5. PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

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

Payrolls and Covered Wages:

For the year ended June 30, 2018 the Board's total payroll for all employees was \$63,997,426. Total PERS covered payroll was \$10,039,977. 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 7.20% for State fiscal year 2017. 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, 2017 and 2018 were \$1,340,430 and \$1,378,853, 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 to enroll 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, 2018, the School Board reported a liability of \$34,127,005 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to that date. The Board’s proportion of the net pension liability was based on a projection of the Boards long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Boards proportion was 0.146604%, which was a decrease of 0.004280% from its proportion measure as of June 30, 2016.

For the year ended June 30, 2018, the Board recognized pension expenses of \$1,927,463. At June 30, 2018, 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	\$6,875,416	\$6,850,209
Difference between expected and actual experience	803,573	
Net difference between projected and actual earnings on pension plan investments	232,382	
Changes in proportion and differences between Board contributions and proportionate share of contributions		1,793,102
Board contributions subsequent to the measurement date	<u>1,401,308</u>	<u>0</u>
Total	<u>\$9,312,679</u>	<u>\$8,643,311</u>

The \$1,401,308 of deferred outflows of resources resulting from the Boards contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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	(\$255,912)
2019	(\$691,677)
2020	(\$343,835)
2021	\$1,206,290
2022	\$817,075

Actuarial Assumptions - The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases: Through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.00%

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, 2016 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

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 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate – the following presents the net pension liability of PERS participating employers as of June 30, 2017, calculated using the discount rates as disclosed above as well as what the collective 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:

	At 1% Decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
State	\$29,818,581,732	\$25,645,622,797	\$22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
PERS Plan Total	<u>\$58,697,018,759</u>	<u>\$48,924,024,385</u>	<u>\$40,792,456,582</u>
District’s proportionate share of the net pension liability	<u>\$42,336,866</u>	<u>\$34,127,005</u>	<u>\$27,287,174</u>

Components of Net Pension Liability – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$32,535,896,852	\$44,852,367,051	\$77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$25,645,622,797</u>	<u>\$23,278,401,588</u>	<u>\$48,924,024,385</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, 2017:

Inactive plan members or beneficiaries currently receiving benefits	101,246
Inactive plan members entitled to but not yet receiving benefits	222
Active plan members	<u>140,563</u>
Total	<u>242,031</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, 2018 the Board's total payroll for all employees was \$63,997,426. Total TPAF covered payroll was \$42,605,004. 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 7.20% in State fiscal year 2017. 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 years or more of service credit before age 62, and tier 5 before age 65 with 30 years or more 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>
06/30/18	\$5,918,306	Unknown	\$0
06/30/17	4,320,059	Unknown	0
06/30/16	3,039,956	Unknown	0

At June 30, 2017, the TPAF reported a net pension liability of \$67,423,605,859 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 \$258,955,494 or 0.384072%. State non-employer contributions allocated to the District were \$4,312,793 and \$3,023,857 for 2018 and 2017, 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, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.25%
Salary Increases (2012-2021)	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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, 2016 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

NOTE 5. PENSION PLANS (CONT'D)

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

Discount Rate – The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 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 the State as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the State’s 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:

	<u>At 1% Decrease (3.25%)</u>	<u>At current discount rate (4.25%)</u>	<u>At 1% Increase (5.25%)</u>
TPAF	\$80,394,331,171	\$67,670,209,171	\$57,188,022,171

Components of Net Pension Liability – The components of the net pension liability for TPAF, including the State of New Jersey, at June 30, 2017 is as follows:

Total pension liability	\$ 90,726,371,000
Plan fiduciary net position	<u>23,056,161,829</u>
Net pension liability	<u>\$ 67,670,209,171</u>
Plan fiduciary net position as a percentage of the total pension liability	25.41%

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, 2018 the Board’s total payroll for all employees was \$63,997,426. Total DCRP covered payroll was \$1,867,200. 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, 2018 were \$56,016 and \$102,693, respectively.

NOTE 6. POST-RETIREMENT BENEFITS**General Information about the OPEB Plan:***Plan Description and Benefits Provided:*

P.L. 1987, c.384 and P.L. 1990, c.6. required the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees Retirement System (PERS), respectively, to fund post-retirement medical benefits for those members who retire after accumulating a minimum of 25 years of credited service or on a disability retirement. Pursuant to P.L. 2007, c.103, separate funds outside the pension plans were established for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. Pursuant to this Act, the State Health Benefits Local Education Retired Employees Plan (SHBLEREP) was established to oversee the funding and payment of post-employment medical benefits for eligible LEA employees. The SHBLEREP is a multiple employer defined benefit OPEB plan that is administered on a pay-as-you-go basis in accordance with P.L. 1994, c.62. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria set forth in paragraph 4 of GASB Statement No. 75. The SHBLEREP provides medical, prescription drug and Medicare Part B reimbursement to retirees and retiree dependents of local education employers.

Coverage is provided at no cost to members of the TPAF and PERS that had retired on a disability retirement or retired after accumulating 25 years of creditable service prior to June 28, 2011 and to those who had a minimum of 20 years of creditable service on June 28, 2011 and who subsequently retire after accumulating 25 years of credited service or on a disability retirement. Employees who had less than 20 years of creditable service on June 28, 2011 and subsequently retire after accumulating a minimum of 25 years of creditable service are required by Chapter 78, P.L. 2011 to contribute a percentage of the cost of their health care coverage in retirement. The percentage of the premium that will be the responsibility of the retiree is determined based upon the retiree's annual retirement benefit and level of coverage. Chapter 78 retirees opting for single will make contributions that escalate from 4.5% for annual retirement allowance under \$20,000 to 35.0% for annual retirement allowances exceeding \$110,000 per annum. Chapter 78 retirees opting for family coverage will range from 3.43% for annual retirement allowances under \$25,000 per annum to 35.0% for annual retirement allowances exceeding \$110,000 per annum.

The State is also responsible for the costs attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage.

Covered Retirees and State Contributions:

At June 30, 2017, there were approximately 112,966 TPAF retirees receiving State paid post-employment health benefits, and the State contributed \$1.39 billion on their behalf.

The State paid \$238.9 million toward Chapter 126 post-employment benefits for 20,913 eligible PERS retired members in Fiscal Year 2017.

Total OPEB Liability

The State, a non-employer contributing entity, is the only entity that has a legal obligation to make contributions to OPEB for qualified retired SHBLEREP participants. The State of New Jersey's Total Non-employer OPEB Liability for the SHBLEREP was \$53,639,841,858 and \$57,831,784,184 at June 30, 2017 and 2016, respectively. The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the Morris School District was \$201,231,802 and \$216,983,826 at June 30, 2017 and 2016, respectively. These allocated liabilities represent 0.38% of the State's Total Non-employer OPEB Liability for each of the years reported. However, the Morris School District's proportionate share percentage as determined in accordance with the provisions of paragraphs 193 and 203 to 205 of GASB Statement No. 75 is zero percent.

NOTE 6. POST-RETIREMENT BENEFITS (CONT'D)

Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Based upon the preceding, the OPEB liability information that follows is reported at the State's level and does not reflect expenses and liabilities of the District that are required to be funded through annual District budgets.

Actuarial Assumptions and Other Inputs:

The total non-employer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 that was rolled forward to June 30, 2017. The total non-employer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending upon the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary		
Increases:		
Through 2026	1.55-4.55%	2.15-4.15%
	Based on Years of Service	Based on Age
Thereafter	2.00-5.45%	3.15-5.15%
	Based on Years of Service	Based on Age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012-June 30, 2015, and July 1, 2011-June 30, 2014 for TPAF and PERS, respectively.

Healthcare Trend Assumptions:

For pre-Medicare preferred provider organization (PPO) benefits, this amount is initially 5.9% per annum and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% per annum and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For Medicare Part B reimbursement, the trend rate is 5.0% The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate:

The discount rates for June 30, 2017 and 2016 were 3.58% and 2.85%, respectively. The source is the Bond Buyer G.O. 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of Aa/AA or higher.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. POST-RETIREMENT BENEFITS (CONT'D)

Changes in the Total Non-employer OPEB Liability reported by the State of New Jersey:

Changes to the State's Total Non-employer OPEB Liability during the fiscal year ended June 30, 2017 were as follows:

Total Non-employer OPEB Liability Balance-June 30, 2016	\$57,831,784,184
Changes During the Current Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes in Assumptions	(7,086,599,129)
Gross Benefit Payments	(1,242,412,566)
Employee Contributions	<u>45,748,749</u>
Net Changes	(4,191,942,326)
Total Non-employer OPEB Liability Balance-June 30, 2017	<u>\$53,639,841,858</u>

Changes in Assumptions-Reflects a change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

Sensitivity of the State's Total Non-employer OPEB Liability to Changes in the Discount Rate:

The following table sets forth the State's Total Non-employer OPEB Liability as of June 30, 2017, calculated using the discount rate as disclosed above, as well as what the State's Total Non-employer OPEB Liability would be if it was calculated using a discount rate that is one percentage point (1%) higher and lower than the actual discount rate that was utilized in the current period:

	1% Decrease (2.58%)	At Discount Rate (3.58%)	1% Increase (4.58%)
Total Non-employer OPEB Liability (New Jersey LEA Retirees)	\$63,674,362,200	\$53,639,841,858	\$45,680,364,953

Sensitivity of the State's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following table sets forth the State's Total Non-employer OPEB Liability as of June 30, 2017, calculated using the healthcare trend rates rate as disclosed above, as well as what the State's Total Non-employer OPEB Liability would be if it was calculated using a healthcare trend rate that is one percentage point (1%) higher and lower than the actual healthcare trend rate that was utilized in the current period:

	1% Decrease	Healthcare Cost Trent Rate	1% Increase
Total Non-employer OPEB Liability (New Jersey LEA Retirees)	\$44,113,584,560	\$53,639,841,858	\$66,290,599,457

NOTES TO FINANCIAL STATEMENTS

NOTE 6. POST-RETIREMENT BENEFITS (CONT'D)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended June 30, 2018, in the Statement of Activities, the School District recognized OPEB expense of \$12,200,525. This amount was determined by the State of New Jersey as the District's allocated special funding share of the State's \$3,348,490,523 Total OPEB Non-employer Expense for the year ended June 30, 2017.

These expense amounts represent calculations in accordance with GASB Statement No. 75 for the defined benefit OPEB Plan that is not operated through a trust that meets the criteria of paragraph 4 of the Statement and in which there is a special funding situation. As the State of New Jersey is the only entity with a legal responsibility to fund SHBLEREP OPEB obligations, the District's recognized OPEB expense is offset by Program Revenues/Operating Contributions in an equal amount in the Statement of Activities. Due to this special funding situation, there is no recognition of the allocation of the proportionate shares of deferred outflows of resources and deferred inflows of resources in the District's financial statements.

On-behalf Payments by the State of New Jersey for Retiree Health Benefits Costs:

As noted above, the State of New Jersey, pursuant to P.L. 1994, c. 62, administers the OPEB Plan on a pay-as-you-go basis. The following table sets forth the amounts of State contributions to the SHBLEREP allocated to the District for the last three years for post-employment medical costs. These amounts are reported in the governmental funds and budgetary comparison schedules as revenues and expenditures.

Three-Year Trend Information for TPAF Retiree Health Benefits (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Post-Retirement Medical Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/18	\$ 3,822,508	100%
6/30/17	3,599,592	100%
6/30/16	3,619,747	100%

Additional Information:

Collective balances of the SHBLEREP at June 30, 2017 were as follows:

Deferred Outflows of Resources	\$	0
Deferred Inflows of Resources		23,819,265
State's Total Non-employer OPEB Liability		53,639,841,858
District's Proportion		0.375153608%

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.

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.

NOTE 7. COMPENSATED ABSENCES (Cont'd):

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, 2018, a liability existed for compensated absences in the Community School in the amount of \$23,813.

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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning balance, July 1, 2017	\$9,568,972
Board Resolution	3,000,000
Appropriated 17/18 Budget	1,489,000
Interest Earnings	<u>3,609</u>
Total Deposits	<u>4,492,609</u>
Withdrawal	
Appropriated 18/19 Budget	2,756,200
Transferred to Capital Projects Fund – (Net)	<u>1,063,590</u>
	<u>3,819,790</u>
Ending Balance June 30, 2018	<u>\$10,241,791</u>

The LRFP balance of local support costs of uncompleted capital projects at June 30, 2018 is \$518,761. 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, 2018, 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, 2018, 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, 2018, 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, 2018:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Board Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ 95,681	\$ 54	\$ 89,314	\$2,085,158
2016-2017	91,809	8,231	86,675	2,078,737
2015-2016	91,312	828	83,647	2,065,372

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,455,122	\$
Special Revenue Fund		1,213,033
Capital Projects Fund		195,097
Enterprise Funds	<u>11,575</u>	<u>58,567</u>
	\$ <u>1,466,697</u>	\$ <u>1,466,696</u>

NOTE 14. INVENTORY

Inventory in the Food Service Fund at June 30, 2018 consisted of the following:

Food	\$ 12,605
Supplies	<u>6,819</u>
	\$ <u>19,424</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 \$27,350,652 General Fund balance at June 30, 2018, \$7,703,492 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7 \$10,241,791 has been restricted in the Capital Reserve Account; \$3,594,242 is restricted for the Maintenance Reserve Account; \$4,241,256 has been assigned and included as anticipated revenue for the year ending June 30, 2019; \$1,516,141 is unassigned and \$53,730 has been committed as Reserve for Encumbrances.

Debt Service Fund - The Debt Service Fund had unassigned fund balance at June 30, 2018 in the amount of \$0.

Capital Projects Fund – The fund balance at June 30, 2018 is \$518,761. The entire amount of \$518,761 is restricted.

NOTE 16. DEFICIT FUND BALANCES

The District did not have any deficit fund balances at June 30, 2018 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, 2018 is \$2,894,303.

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, 2018 is as follows:

Maintenance Reserve: The balance at the end of June 30, 2018 in this account was \$3,594,242.

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 2018 User Friendly Budget for Morris Township recognized revenue of \$10,000 from the annual service charge in lieu of payment of taxes in 2017 and taxes in 2017 that otherwise would have been due on these long-term tax exemptions amounted to \$436,987, based upon the assessed valuations of the long-term tax exemptions properties. A portion of the \$436,987 abatement would have been allocated to the District. The 2018 User Friendly Budget for the Town of Morristown recognized revenue of \$888,085 from the annual service charge in lieu of payment of taxes in 2017 and taxes in 2017 that otherwise would have been due on these long-term tax exemptions amounted to \$290,065, 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, 2018

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	\$ 88,571,660	\$ -	\$ 88,571,660	\$ 88,571,660	\$ -
Tuition from Individuals	88,165		88,165	150,395	62,230
Tuition from Other LEAs within the State	4,186,003		4,186,003	4,110,898	(75,105)
Maintenance Reserve Interest	350	-	350	1,047	697
Capital Reserve Interest	10,000	-	10,000	3,609	(6,391)
Miscellaneous	125,000	-	125,000	328,215	203,215
Total - Local Sources	92,981,178	-	92,981,178	93,165,824	184,646
State Sources:					
School Choice Aid	723,024	-	723,024	723,024	-
Categorical Special Education Aid	2,977,010	34,557	3,011,567	3,011,567	-
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	44,132	-	44,132	44,132	-
Extraordinary Aid	-	-		1,717,376	1,717,376
Nonpublic School Transportation Aid		-		141,928	141,928
Homeless Tuition Reimbursement				27,657	27,657
Lead Testing for Schools				48,758	48,758
On-Behalf TPAF Pension					
Contrib. - Not Budgeted		-		5,918,306	5,918,306
On-Behalf Post Retirement Medical					
Contrib. - Not Budgeted				3,822,508	3,822,508
On-Behalf Long-Term Disability Insurance					
Contrib. - Not Budgeted				10,560	10,560
On-Behalf TPAF Soc. Sec.					
Contrib. - Not Budgeted		-		3,056,868	3,056,868
Total - State Sources	6,800,887	34,557	6,835,444	21,579,405	14,743,961
Federal Sources:					
Medicaid Reimbursements	86,004	-	86,004	133,640	47,636
Impact Aid	5,000	-	5,000	12,221	7,221
Total - Federal Sources	91,004	-	91,004	145,861	54,857
Total Revenues	99,873,069	34,557	99,907,626	114,891,090	14,983,464

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 1,437,401	\$ -	\$ 1,437,401	\$ 1,335,068	\$ 102,333
Grades 1- 5	10,413,527	126,322	10,539,849	10,118,627	421,222
Grades 6- 8	6,274,717	16,800	6,291,517	6,273,333	18,184
Grades 9-12	9,085,885	(110,225)	8,975,660	8,807,287	168,373
Home Instr. - Reg. Prog.					
Salaries of Teachers	100,608	66,000	166,608	166,304	304
Other Salaries for Instruction	10,000	-	10,000	-	10,000
Purchased Profess./Educa. Serv.	75,000	21,610	96,610	87,900	8,710
Regular Programs - Undistrib. Instr.					
Other Salaries for Instruction	192,793	(530)	192,263	164,231	28,032
Purchased Profess./Educa. Serv.	160,000	5,086	165,086	161,687	3,399
Purchased Technical Serv.	77,161	9,122	86,283	75,992	10,291
Other Purchased Services	814,393	55,579	869,972	814,645	55,327
General Supplies	1,321,238	(85,213)	1,236,025	1,088,595	147,430
Textbooks	138,600	5,011	143,611	42,064	101,547
Other Objects	5,350	(1,084)	4,266	4,231	35
Total Regular Programs	<u>30,106,673</u>	<u>108,478</u>	<u>30,215,151</u>	<u>29,139,964</u>	<u>1,075,187</u>

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MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 876,533	\$ (772,533)	\$ 104,000	\$ 4,827	\$ 99,173
Other Salaries for Instruction	172,484	(172,484)	-	-	-
Other Purchased Services	400	(400)	-	-	-
General Supplies	34,076	(32,141)	1,935	-	1,935
Textbooks	2,100	(2,100)	-	-	-
Other Objects	305	(305)	-	-	-
Total Learning and/or Language Disabilities	1,085,898	(979,963)	105,935	4,827	101,108
Resource Room/Resource Center					
Salaries of Teachers	3,316,078	222,565	3,538,643	3,514,179	24,464
General Supplies	12,000	48,994	60,994	30,712	30,282
Textbooks		2,000	2,000	-	2,000
Other Objects		205	205	-	205
Total Resource Room/Resource Center	3,328,078	273,764	3,601,842	3,544,891	56,951
Multiple Disabilities					
Salaries of Teachers	157,417	105,000	262,417	249,495	12,922
Other Salaries for Instruction	1,634,647	258,637	1,893,284	1,799,748	93,536
Purchased Prof. Educational Services	90,900	-	90,900	90,900	-
Other Purchased Services	800	-	800	679	121
General Supplies	30,000	17,400	47,400	37,586	9,814
Total Multiply Disabilities	1,913,764	381,037	2,294,801	2,178,408	116,393

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
Preschool Disabilities-Full Time					
Salaries of Teachers	\$ 814,792	\$ 15,900	\$ 830,692	\$ 695,360	\$ 135,332
Other Salaries for Instruction	226,657	10,000	236,657	120,116	116,541
Purch. Prof. Educ. Services	1,400	-	1,400	-	1,400
Purchased Technical Services	1,378	-	1,378	1,057	321
Other Purchased Services	6,300	-	6,300	2,287	4,013
General Supplies	21,550	-	21,550	17,921	3,629
Other Objects	3,000	-	3,000	1,145	1,855
Total Preschool Disabilities FT	<u>1,075,077</u>	<u>25,900</u>	<u>1,100,977</u>	<u>837,886</u>	<u>263,091</u>
Total Special Education	<u>7,402,817</u>	<u>(299,262)</u>	<u>7,103,555</u>	<u>6,566,012</u>	<u>537,543</u>
Basic Skills/Remedial					
Salaries of Teachers	790,819	-	790,819	746,132	44,687
Other Salaries for Instruction	21,224	-	21,224	14,088	7,136
General Supplies	3,050	(1,100)	1,950	1,518	432
Total Basic Skills/Remedial	<u>815,093</u>	<u>(1,100)</u>	<u>813,993</u>	<u>761,738</u>	<u>52,255</u>
Bilingual Education					
Salaries of Teachers	1,176,255	121,500	1,297,755	1,296,868	887
Other Salaries for Instr.	41,571	-	41,571	41,364	207
Other Purchased Services	1,500	3,110	4,610	4,285	325
General Supplies	51,100	11,272	62,372	61,350	1,022
Textbooks	10,000	(2,550)	7,450	1,024	6,426
Total Bilingual Education	<u>1,280,426</u>	<u>133,332</u>	<u>1,413,758</u>	<u>1,404,891</u>	<u>8,867</u>

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
School-Sponsored Co./Extra Activities					
Salaries	\$ 262,526	\$ 21,060	\$ 283,586	\$ 276,273	\$ 7,313
Purchased Services	9,500	(427)	9,073	5,820	3,253
Supplies and Materials	13,050	4,835	17,885	17,863	22
Other Objects	8,200	2,959	11,159	10,389	770
Total School-Sponsored Cocurricular Activities	<u>293,276</u>	<u>28,427</u>	<u>321,703</u>	<u>310,345</u>	<u>11,358</u>
School-Sponsored Athletics					
Salaries	871,433	\$ 36,025	907,458	875,809	31,649
Purchased Services	95,259	(4,669)	90,590	90,186	404
Supplies and Materials	109,000	301	109,301	109,273	28
Other Objects	86,900	165	87,065	83,696	3,369
Total School-Sponsored Athletics	<u>1,162,592</u>	<u>31,822</u>	<u>1,194,414</u>	<u>1,158,964</u>	<u>35,450</u>
Before/After School Programs					
Salaries of Teachers	<u>57,021</u>	<u>20,000</u>	<u>77,021</u>	<u>39,632</u>	<u>37,389</u>
Total Before/After School Programs	<u>57,021</u>	<u>20,000</u>	<u>77,021</u>	<u>39,632</u>	<u>37,389</u>
Total Instruction	<u>41,117,898</u>	<u>21,697</u>	<u>41,139,595</u>	<u>39,381,546</u>	<u>1,758,049</u>

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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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.):					
Current Expense (Cont'd.):					
Undistributed Expenditures:					
Instruction					
Tuition to Other LEA's Within the State-Special	\$ 502,295	-	\$ 502,295	\$ 474,400	\$ 27,895
Tuition to Cnty. Voc. School Reg.	273,402	-	273,402	257,943	15,459
Tuition to Cnty. Voc. School - Spec.	28,000	-	28,000	23,321	4,679
Tuition to CSSD & Reg Day Schools	68,175	21,562	89,737	72,175	17,562
Tuition to Priv. Sch. for the Disabled - Within State	5,191,835	(518,838)	4,672,997	4,265,422	407,575
Tuition to Priv. Sch. Disabled Other LEAs-Spl - Out of State	7,058	307,000	314,058	280,246	33,812
Tuition - State Facilities	230,664	-	230,664	230,664	-
Tuition - Other	305,250	19,267	324,517	322,592	1,925
Total Undistrib. Expend. - Instruc.	6,606,679	(171,009)	6,435,670	5,926,763	508,907
Attendance and Social Work					
Salaries	62,924	-	62,924	62,923	1
Total Attendance & Social Work	62,924	-	62,924	62,923	1
Health Services					
Salaries	1,078,545	29,455	1,108,000	1,071,651	36,349
Purchased Prof./Tech. Services	137,152	5,000	142,152	118,042	24,110
Other Purchased Services	1,450	(500)	950	640	310
Supplies and Materials	33,000	(14,780)	18,220	9,715	8,505
Total Health Services	1,250,147	19,175	1,269,322	1,200,048	69,274

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 1,026,545	\$ 58,055	\$ 1,084,600	\$ 1,073,977	\$ 10,623
Purch. Profess. - Educational Svcs.	1,037,700	95,625	1,133,325	1,057,907	75,418
Supplies and Materials	78,400	(16,115)	62,285	62,265	20
Total Speech, OT, PT and Related Svcs - Related Services	2,142,645	137,565	2,280,210	2,194,149	86,061
Other Supp. Serv. Stud.-Extra Serv.					
Salaries	1,924,589	1,126	1,925,715	1,713,739	211,976
Purch. Profess. - Educational Svcs.	65,000	(65,000)	-	-	-
Total Other Support Services Student - Extra Services	1,989,589	(63,874)	1,925,715	1,713,739	211,976
Guidance					
Salaries of Other Prof. Staff	2,047,238	73,555	2,120,793	2,095,505	25,288
Salaries of Secr. and Cler. Assts.	154,741	53,711	208,452	207,450	1,002
Purch. Profess. - Educational Svcs.	238,176	1,647	239,823	239,060	763
Other Purch. Prof. and Tech. Svcs.	7,745	1,913	9,658	8,918	740
Other Purchased Services	2,150	700	2,850	1,404	1,446
Supplies and Materials	23,625	591	24,216	21,836	2,380
Other Objects	450	(100)	350	305	45
Total Guidance	2,474,125	132,017	2,606,142	2,574,478	31,664

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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>	VARIANCE POSITIVE (NEGATIVE) <u>FINAL TO ACTUAL</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures -					
Child Study Teams					
Salaries of Other Prof. Staff	\$ 2,016,723	(20,000)	\$ 1,996,723	\$ 1,879,529	\$ 117,194
Salaries of Secr. and Cler. Assts.	295,144	(31,385)	263,759	254,380	9,379
Other Purch. Prof. and Tech. Services	161,887	(4,096)	157,791	114,701	43,090
Other Purchased Services	10,768	5,072	15,840	12,822	3,018
Supplies & Materials	47,500	-	47,500	47,200	300
Other Objects	3,000	-	3,000	2,326	674
Total Child Study Teams	<u>2,535,022</u>	<u>(50,409)</u>	<u>2,484,613</u>	<u>2,310,958</u>	<u>173,655</u>
Improvement of Instructional Services					
Salaries of Supervisors of Instruction	1,002,565	(9,690)	992,875	735,595	257,280
Salaries of Other Profess. Staff	161,318	(160,140)	1,178	-	1,178
Salaries of Secty. & Clerical Staff	56,619	-	56,619	56,119	500
Salaries of Facilitators, Math & Lit. Coaches		723	723	723	-
Unused Vacation Payment to Terminated/Retired Staff		29,690	29,690	29,690	-
Purch. Profess. - Educational Svcs.	2,439	(1,961)	478	478	-
Other Purch. Prof. and Tech. Services	52,055	16,992	69,047	54,421	14,626
Other Purch. Services	4,500	12,503	17,003	10,737	6,266
Supplies and Materials	31,541	(121)	31,420	13,736	17,684
Other Objects	5,000	-	5,000	2,991	2,009
Total Improvement of Instruction	<u>1,316,037</u>	<u>(112,004)</u>	<u>1,204,033</u>	<u>904,490</u>	<u>299,543</u>

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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.):					
Undistributed Expenditures:					
Educational Media Serv./School Library					
Salaries	\$ 1,042,210	\$ 75,026	\$ 1,117,236	\$ 1,067,960	\$ 49,276
Salaries of Technology Coordinators	683,390	(80,000)	603,390	602,998	392
Unused Vacation Payment to Terminated/Retired Staff		5,682	5,682	5,682	-
Purchased Prof./Tech. Services	39,598	2,126	41,724	39,705	2,019
Other Purchased Services	9,034	(6,050)	2,984	979	2,005
Supplies and Materials	50,500	67	50,567	41,871	8,696
Other Objects	2,000	(131)	1,869	1,869	-
	<u>1,826,732</u>	<u>(3,280)</u>	<u>1,823,452</u>	<u>1,761,064</u>	<u>62,388</u>
Total Educ. Media Services/ School Library					
	<u>1,826,732</u>	<u>(3,280)</u>	<u>1,823,452</u>	<u>1,761,064</u>	<u>62,388</u>
Instructional Staff Training Services					
Salaries of Other Profess. Staff	55,000	15,600	70,600	70,600	-
Salaries of Secty. & Clerical Staff	18,398	-	18,398	18,398	-
Purchased Prof./Educ. Services	102,700	(45,249)	57,451	51,271	6,180
Supplies and Materials	6,000	(317)	5,683	1,483	4,200
	<u>182,098</u>	<u>(29,966)</u>	<u>152,132</u>	<u>141,752</u>	<u>10,380</u>
Total Instructional Staff Training Serv					
	<u>182,098</u>	<u>(29,966)</u>	<u>152,132</u>	<u>141,752</u>	<u>10,380</u>

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit - C-1
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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	\$ 295,574	\$ 3,001	\$ 298,575	\$ 296,504	\$ 2,071
Legal Services	235,000	37,912	272,912	272,912	-
Audit Fees	40,700	-	40,700	39,042	1,658
Other Purchased Professional Serv.	118,850	(81,867)	36,983	30,972	6,011
Purchased Tech. Services	26,500	-	26,500	22,184	4,316
Communications/Telephone	492,300	36,955	529,255	529,255	-
BOE Other Purchased Services	3,500	-	3,500	214	3,286
Misc. Purchased Services	57,031	49,245	106,276	95,386	10,890
General Supplies	89,000	(9,631)	79,369	75,916	3,453
BOE In-House Training/Meeting Supplies	12,000	-	12,000	7,893	4,107
Misc. Expenditures	12,000	-	12,000	6,140	5,860
BOE Membership Dues & Fees	32,000	-	32,000	26,662	5,338
	<u>1,414,455</u>	<u>35,615</u>	<u>1,450,070</u>	<u>1,403,080</u>	<u>46,990</u>
Total Support Serv. General Administration					
Support Serv. School Administration					
Salaries of Principals/					
Asst. Principals	2,501,231	29,188	2,530,419	2,530,401	18
Salaries of Other Professional Staff	5,593	393,600	399,193	398,447	746
Salaries of Secty. and Cler. Assts.	939,211	(63,399)	875,812	870,354	5,458
Unused Vacation Payment to Terminated/Retired Staff		7,199	7,199	7,199	-
Purchased Prof. Tech. Services	22,510	1,308	23,818	22,162	1,656
Other Purchased Services	38,250	(13,291)	24,959	17,054	7,905
Supplies and Materials	49,700	(1,174)	48,526	35,143	13,383
Other Objects	13,216	867	14,083	10,245	3,838
	<u>3,569,711</u>	<u>354,298</u>	<u>3,924,009</u>	<u>3,891,005</u>	<u>33,004</u>
Total Support Serv. School Admin.					
Central Services					
Salaries	1,253,097	(58,758)	1,194,339	1,156,018	38,321
Unused Vacation Payment to Terminated/Retired Staff	-	39,145	39,145	39,141	4
Purchased Prof. Services	65,000	(50,491)	14,509	12,430	2,079
Purchased Technical Services	43,009	(6,900)	36,109	35,603	506
Misc. Purchased Services	228,442	(19,150)	209,292	204,616	4,676
Supplies and Materials	22,443	(344)	22,099	14,069	8,030
Misc. Expenditures	20,770	200	20,970	10,564	10,406
	<u>1,632,761</u>	<u>(96,298)</u>	<u>1,536,463</u>	<u>1,472,441</u>	<u>64,022</u>
Total Central Services					

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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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.):					
Undistributed Expenditures:					
Administrative Info. Technology					
Salaries	\$ 227,125	\$ 2	\$ 227,127	\$ 227,125	\$ 2
Purch. Professional Services	39,500	(20,471)	19,029	18,997	32
Purch. Technical Services	169,550	-	169,550	169,370	180
Other Purchased Services	12,250	(146)	12,104	6,411	5,693
Supplies and Materials	11,250	(4,065)	7,185	7,020	165
Other Objects	3,400	(737)	2,663	2,653	10
	<u>463,075</u>	<u>(25,417)</u>	<u>437,658</u>	<u>431,576</u>	<u>6,082</u>
Total Admin. Info. Technology					
Interest on Maintenance Reserve		-			-
Req. Maint. For School Facilities					
Salaries	672,316	6,250	678,566	640,923	37,643
Unused Vacation Payment to Terminated/Retired Staff	-	6,300	6,300	6,232	68
Cleaning, Repair & Maint. Services	1,173,736	150,065	1,323,801	1,196,074	127,727
General Supplies	242,950	(30,357)	212,593	169,479	43,114
Other Objects	10,080	-	10,080	6,350	3,730
	<u>2,099,082</u>	<u>132,258</u>	<u>2,231,340</u>	<u>2,019,058</u>	<u>212,282</u>
Total Req. Maint Sch. Facilities					
Custodial Services					
Salaries	2,480,745	91,420	2,572,165	2,521,718	50,447
Salaries of Non-Instructional Aides	146,479	(1,051)	145,428	97,450	47,978
Unused Vacation Payment to Terminated/Retired Staff	-	8,835	8,835	6,771	2,064
Purchased Prof. and Tech. Services	240,509	(5,739)	234,770	159,057	75,713
Cleaning, Repair & Maint. Services					
Rental of Land & Bldgs. Other than					
Lease Purchase	229,900	(69,919)	159,981	134,506	25,475
Other Purchased Property Services	242,000	(60,000)	182,000	175,946	6,054
Insurance	372,209	13,604	385,813	385,813	-
Misc. Purchased Services	5,000	(50)	4,950	340	4,610
General Supplies	264,850	-	264,850	263,508	1,342
Energy (Natural Gas)	655,000	(60,000)	595,000	422,282	172,718
Energy (Electricity)	1,155,000	(75,000)	1,080,000	698,853	381,147
Energy (Gasoline)	56,875	-	56,875	24,631	32,244
Other Objects	24,020	-	24,020	18,625	5,395
	<u>5,872,587</u>	<u>(157,900)</u>	<u>5,714,687</u>	<u>4,909,500</u>	<u>805,187</u>
Total Custodial Services					

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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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	\$ 477,021	\$ 2,500	\$ 479,521	\$ 460,686	\$ 18,835
Cleaning, Repair & Maint. Services	72,600	3,000	75,600	73,332	2,268
General Supplies	67,300	(6,825)	60,475	57,698	2,777
Total Care and Upkeep of Grounds	<u>616,921</u>	<u>(1,325)</u>	<u>615,596</u>	<u>591,716</u>	<u>23,880</u>
Security					
Salaries	434,990	68,733	503,723	466,187	37,536
Purchased Prof. and Tech. Services	39,600	31,282	70,882	66,013	4,869
Cleaning, Repair & Maint. Services		17,954	17,954	16,432	1,522
General Supplies	-	29,359	29,359	26,352	3,007
Total Security	<u>474,590</u>	<u>147,328</u>	<u>621,918</u>	<u>574,984</u>	<u>46,934</u>
Total Maint. & Custodial Serv.	<u>9,063,180</u>	<u>120,361</u>	<u>9,183,541</u>	<u>8,095,258</u>	<u>1,088,283</u>
Student Transportation Services					
Salaries for Pupil Transportation (Between Home & School) - Regular	1,322,080	28,700	1,350,780	1,349,015	1,765
Salaries for Pupil Transportation (Between Home & School) - Special	787,549	(137,000)	650,549	535,885	114,664
Salaries for Pupil Transportation (Other than Between Home & School)	276,159	196,000	472,159	471,294	865
Management Fee-ESC Transport. Prog.	72,726	-	72,726	67,426	5,300
Other Purch. Prof./Tech. Serv.	12,346	-	12,346	7,072	5,274
Cleaning, Repair, and Maint. Services	45,000	30,000	75,000	49,068	25,932
Rental Payments - School Buses	-	10,800	10,800	10,800	-
Lease Purchase Payments - School Buses	415,900	4,882	420,782	420,782	-
Contracted Services - Aid in Lieu of Payments	331,500	-	331,500	251,432	80,068
Contracted Services (Between Home & School) - Vendors	1,279,479	(586)	1,278,893	1,125,731	153,162
Contracted Services (Other than Between Home & School)-Vendors	103,000	-	103,000	29,150	73,850
Contracted Services (Sp. Ed. Stds) - Vendors	207,063	-	207,063	4,707	202,356
Contracted Services (Regular Students) ESCs	177,293	-	177,293	165,662	11,631
Contracted Services (Special Ed. Students) ESCs	1,761,741	-	1,761,741	1,658,974	102,767
Misc. Purch. Serv. - Transportation	97,676	-	97,676	49,029	48,647
General Supplies	444,000	(40,812)	403,188	374,840	28,348
Miscellaneous Expenditures	94,300	240	94,540	78,233	16,307
Total Student Transportation Services	<u>7,427,812</u>	<u>92,224</u>	<u>7,520,036</u>	<u>6,649,100</u>	<u>870,936</u>

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	ORIGINAL <u>BUDGET</u>	BUDGET <u>TRANSFERS</u>	FINAL <u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE POSITIVE (NEGATIVE) <u>FINAL TO ACTUAL</u>
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Unallocated Benefits - Empl. Benefits					
Group Insurance	\$ 56,000	\$ -	\$ 56,000	\$ 47,642	\$ 8,358
Social Security Contributions	1,576,400	-	1,576,400	1,314,801	261,599
Other Retirement Contrib. - PERS	1,529,000	-	1,529,000	1,453,680	75,320
Unemployment Compensation	100,000	-	100,000	-	100,000
Workmen's Compensation	670,616	-	670,616	572,043	98,573
Health Benefits	13,913,569	(249,073)	13,664,496	13,434,235	230,261
Tuition Reimbursements	210,000	-	210,000	198,233	11,767
Other Employee Benefits	332,000	38,963	370,963	370,958	5
Unused Sick Payments to Terminated/Retired Staff	200,000	392	200,392	200,392	-
	<u>18,587,585</u>	<u>(209,718)</u>	<u>18,377,867</u>	<u>17,591,984</u>	<u>785,883</u>
On-Behalf TPAF Pension					
Contrib. - Not Budgeted		-		5,918,306	(5,918,306)
On-Behalf Post Retirement Medical					
Contrib. - Not Budgeted				3,822,508	(3,822,508)
On-Behalf Long-Term Disability Insurance					
Contrib. - Not Budgeted				10,560	(10,560)
On-Behalf TPAF Soc. Sec.					
Contrib. - Not Budgeted		-		3,056,868	(3,056,868)
				<u>3,056,868</u>	<u>(3,056,868)</u>
Total Undistributed Expenditures	<u>62,544,577</u>	<u>129,280</u>	<u>62,673,857</u>	<u>71,133,050</u>	<u>(8,448,633)</u>
Total Expenditures - Current Expense	<u>103,662,475</u>	<u>150,977</u>	<u>103,813,452</u>	<u>110,514,596</u>	<u>(6,690,584)</u>

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
CAPITAL OUTLAY:					
Interest Deposit to Capital Reserve	\$ 350	\$ -	\$ 350	\$	350
Equipment:					
Regular Programs - Instruction					
Grades 1-5	86,800	(10,705)	76,095	27,090	49,005
Grades 6-8	37,200	4,249	41,449	32,782	8,667
Grades 9-12	12,600	-	12,600	-	12,600
Multiple Disabilities		5,900	5,900	5,900	-
Preschool Disabilities - Full-Time		2,397	2,397	2,397	-
School-Sponsored and Other Instructional Program	-	13,673	13,673	11,923	1,750
Support Service - Related & Extra.	-	20,160	20,160	20,160	-
Administration Info. Technology	85,000	4,470	89,470	89,470	-
Required Maintenance for School Facilities	247,500	(152,999)	94,501	44,632	49,869
Custodial Services	7,920	-	7,920	2,565	5,355
Care and Upkeep of Grounds	13,750	-	13,750	2,148	11,602
Security	-	6,278	6,278	6,278	-
Student Trans - Non-Inst. Equip	9,003	5,930	14,933	14,933	-
School Buses - Regular	-	2,983,344	2,983,344	2,983,344	-
	<u>499,773</u>	<u>2,882,697</u>	<u>3,382,470</u>	<u>3,243,622</u>	<u>138,848</u>
Total Equipment					
Facilities Acquis. & Constr. Services					
Assessment for Debt Service on SDA Funding	37,738	-	37,738	37,738	-
Total Facil. Acquis. & Constr. Serv.	<u>37,738</u>	<u>-</u>	<u>37,738</u>	<u>37,738</u>	<u>-</u>
Assets Acquired Under Capital Leases (non-budgeted)					
Copiers			-	124,887	(124,887)
Total Assets Acq. Under Capital Leases	-	-	-	124,887	(124,887)
Total Capital Outlay	<u>537,861</u>	<u>2,882,697</u>	<u>3,420,558</u>	<u>3,406,247</u>	<u>14,311</u>

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES (CONT'D.):					
Total Expenditures	\$ 104,200,336	\$ 3,033,674	\$ 107,234,010	\$ 113,920,843	\$ (6,676,273)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,327,267)</u>	<u>(2,999,117)</u>	<u>(7,326,384)</u>	<u>970,247</u>	<u>8,307,191</u>
Other Financing Sources (Uses)					
Capital Reserve Transf. To Capital. Projects	(1,489,000)	-	(1,489,000)	(1,063,590)	425,410
Capital Leases Non-Budgeted			-	124,887	124,887
Transfer of Funds to Charter School	<u>(1,533,450)</u>	<u>-</u>	<u>(1,533,450)</u>	<u>(1,333,126)</u>	<u>200,324</u>
Total Other Financing Sources (Uses)	<u>(3,022,450)</u>	<u>-</u>	<u>(3,022,450)</u>	<u>(2,271,829)</u>	<u>750,621</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(7,349,717)	(2,999,117)	(10,348,834)	(1,301,582)	9,057,812
Fund Balances, July 1	<u>31,043,644</u>		<u>31,043,644</u>	<u>31,043,644</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 23,693,927</u>	<u>\$ (2,999,117)</u>	<u>\$ 20,694,810</u>	<u>\$ 29,742,062</u>	<u>\$ 9,057,812</u>

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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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>					
Recapitulation:					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for					
Subsequent Years Expenditures				\$ 4,809,189	
Reserve for Excess Surplus				2,894,303	
Maintenance Reserve				3,594,242	
Capital Reserve				10,241,791	
Committed Fund Balance:					
Year-end Encumbrances				53,730	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				1,485,056	
Designated for Subsequent Year's Expenditures-					
Capital Reserve				2,756,200	
Unassigned Fund Balance				<u>3,907,551</u>	
Fund Balance per Budgetary Basis (GAAP)				<u>\$ 29,742,062</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP basis				(674,034)	
Extraordinary Aid Payment				<u>(1,717,376)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 27,350,652</u>	

Morris School District
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Revenue from Local Sources	\$ 143,844	\$ 176,506	\$ 320,350	\$ 264,250	\$ (56,100)
Total - Local Sources	143,844	176,506	320,350	264,250	(56,100)
State Sources:					
Nonpublic Aid	631,672	354,189	985,861	857,470	(128,391)
Preschool Education	234,300	-	234,300	234,300	-
Total - State Sources	865,972	354,189	1,220,161	1,091,770	(128,391)
Federal Sources:					
Title I Part A	437,002	192,627	629,629	595,784	(33,845)
Title I Part D	38,154	29,068	67,222	67,222	-
Title II	126,079	37,893	163,972	92,827	(71,145)
Title III Immigrant	18,644	14,199	32,843	32,843	-
Title III	138,248	18,047	156,295	108,077	(48,218)
Title IV		6,928	6,928	5,087	(1,841)
Perkins Grant	28,922	9,014	37,936	32,027	(5,909)
I.D.E.A., Part B - Regular	1,436,253	391,017	1,827,270	1,686,088	(141,182)
I.D.E.A., Part B - Preschool	50,461	-	50,461	50,461	-
Total - Federal Sources	2,273,763	698,793	2,972,556	2,670,416	(302,140)
Total Revenues	3,283,579	1,229,488	4,513,067	4,026,436	(486,631)
EXPENDITURES:					
Instruction					
Salaries of Teachers	869,749	(196,658)	673,091	643,645	29,446
Salaries of Other Professional Staff		3,534	3,534	2,500	1,034
Other Salaries for Instruc.	6,600	6,000	12,600	12,555	45
Purchased Professional - Educational Services	271,133	41,111	312,244	267,854	44,390
Other Purchased Services (400-500 series)		-			-

Morris School District
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Instruction (cont'd)					
Purchased Prof. & Tech. Services					
General Supplies	126,263	218,187	344,450	271,624	72,826
Textbooks	90,887	53,130	144,017	106,134	37,883
Other Objects	90	(90)			-
Total instruction	<u>1,364,722</u>	<u>125,214</u>	<u>1,489,936</u>	<u>1,304,312</u>	<u>185,624</u>
EXPENDITURES (CONT'D):					
Support Services					
Salaries of Teachers		132,959	132,959	132,927	32
Salaries of Supervisors of Instruc.		-			-
Salaries of Program Directors		-			-
Salaries of Other Professional Staff		67,243	67,243	45,533	21,710
Salaries of Sect. and Clerical Assist.		-			-
Other Salaries		7,432	7,432	2,867	4,565
Personal Services - Employee Benefits		184,389	184,389	180,465	3,924
Purchased Professional - Educational Services	389,299	538,038	927,337	716,982	210,355
Other Purchased Professional Services	41,844	(41,844)			-
Purchased Technical Services		-			-
Tuition	1,486,714	59,672	1,546,386	1,542,483	3,903
Transportation		-			-
Travel		72,845	72,845	19,599	53,246
Other Purchased Services		14,350	14,350	12,539	1,811
Supplies & Materials	1,000	27,353	28,353	28,333	20
Other Objects		-			-
Total support services	<u>1,918,857</u>	<u>1,062,437</u>	<u>2,981,294</u>	<u>2,681,728</u>	<u>299,566</u>
Facilities acquisition and construction services:					
Construction Services		-			-
Instructional Equipment		8,240	8,240	6,799	1,441
Noninstructional Equipment		33,597	33,597	33,597	-
Total facilities acquisition and construction services	<u>-</u>	<u>41,837</u>	<u>41,837</u>	<u>40,396</u>	<u>1,441</u>
Total Expenditures	<u>3,283,579</u>	<u>1,229,488</u>	<u>4,513,067</u>	<u>4,026,436</u>	<u>486,631</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<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, 2018

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)	\$ 114,891,090	(C-2)	\$ 4,026,436
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.		(2,391,410)		
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		<u>2,265,325</u>		
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	(B-2)	<u>114,765,005</u>	(B-2)	<u>4,026,436</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule Includes(rounding differences)	(C-1)	113,920,843	(C-2)	4,026,436
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				
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	(B-2)	<u>\$ 113,920,843</u>	(B-2)	<u>\$ 4,026,436</u>

**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>	<u>2017</u>
District's Proportion of the Net Pension Liability	0.163223%	0.156220%	0.151854%	0.150884%	0.146604%
District's Proportionate Share of the Net Pension Liability	\$31,195,109	\$29,248,653	\$34,088,177	\$44,687,450	\$34,127,005
District's Covered-Employee Payroll	\$9,844,505	\$10,045,414	\$10,250,422	\$9,879,763	\$ 9,994,439
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%	341.46%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Local Share)	48.72%	52.08%	47.93%	40.14%	48.10%

* 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>	<u>2018</u>
Contractually Required Contribution	\$ 1,229,850	\$ 1,287,855	\$ 1,305,537	\$ 1,347,305	\$ 1,378,853
Contribution in Relation to Contractually Required Contribution	<u>\$(1,229,850)</u>	<u>\$(1,287,855)</u>	<u>\$(1,305,537)</u>	<u>\$(1,347,305)</u>	<u>\$(1,378,853)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Proportionate Share of the Payroll	\$10,045,414	\$10,250,422	\$ 9,879,763	\$ 9,994,439	\$10,039,977
Contributions as a percentage of Covered Employee Payroll	12.24%	12.56%	13.21%	13.48%	13.73%

* 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>	<u>2017</u>
Proportion of the Non-State Employer Group Net Pension Liability attributable to the District	0.408649%	0.399083%	0.393263%	0.379691%	0.384072%
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	\$258,955,494
District's Covered-Employee Payroll	\$37,471,580	\$38,236,306	\$39,593,507	\$40,870,999	\$42,605,004
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%	607.81%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	33.76%	33.64%	28.71%	22.33%	25.41%

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

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

MORRIS SCHOOL DISTRICT
COUNTY OF MORRIS, NEW JERSEY

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
JUNE 30, 2018

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, 2017, dated March 29, 2018. 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 2017, the discount rate changed to 5.00%, the long-term expected rate of return changed to 7.00%. demographic assumptions were unchanged and relied upon 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.

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 2017, the discount rate was changed to 4.25%, the long-term expected rate of return changed to 7.00%, There were no changes to demographic assumptions.

For 2016, the discount rate change to 3.22%, 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 4.68%.

**SCHEDULES RELATED TO ACCOUNTING AND
REPORTING FOR OPEB (GASB 75) (NEW)**

SECTION – M

**(Section numbering as per N.J. Department of Education 2017-2018
Audit Program)**

MORRIS SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET OPEB LIABILITY
STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES PLAN

Last 10 Fiscal Years*

	<u>2016</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.3751982%	0.3751536%
District's Proportionate Share of the Net OPEB Liability	\$ 216,983,826	\$ 201,231,802
District's Covered Employee Payroll	\$ 50,750,762	\$ 52,599,443
District's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Employee Payroll	427.55%	382.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%

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

MORRIS SCHOOL DISTRICT
COUNTY OF MORRIS, NEW JERSEY

NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION
JUNE 30, 2018

NOTE 1. SPECIAL FUNDING SITUATION

The State of New Jersey, a non-employer contributing entity, is the only entity that has a legal obligation to make contributions to OPEB for qualified retired SHBLEREP participants. Accordingly, proportionate share information of the Net OPEB Liability is not reflected in the District's financial statements.

NOTE 2. CHANGES IN ASSUMPTIONS

For 2017, the discount rate changed to 3.58% from 2.85%. Demographic assumptions remained unchanged and are consistent with the assumptions used in the pension plan valuations.

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, 2018

	Total Brought Forward (Ex. E-1a)	Title I Part A 2017-2018	I.D.E.A. Part B Basic Regular 2017-2018	TITLE I PART D 2017-2018	TITLE III IMMIGRANT 2017-2018	TITLE III REGULAR 2017-2018	Totals 2018
REVENUES:							
State Sources	\$ 1,091,770		\$	\$	\$	\$	\$ 1,091,770
Federal Sources	180,402	595,784	1,686,088	67,222	32,843	108,077	2,670,416
Local Sources	264,250						264,250
Total Revenues	1,536,422	595,784	1,686,088	67,222	32,843	108,077	4,026,436
EXPENDITURES:							
Instruction:							
Salaries of Teachers	129,877	440,927		52,517		20,324	643,645
Salaries of Other Professional Staff	2,500						2,500
Other Salaries for Instruc.	12,555						12,555
Purch. Prof. - Educ. Services	267,854						267,854
Other Purch. Services							
General Supplies	224,554	13,659	7,333			26,078	271,624
Textbooks	106,134						106,134
Other Objects							
Total Instruction	743,474	454,586	7,333	52,517		46,402	1,304,312
Support Services:							
Salaries of Teachers	69,842		37,426		25,659		132,927
Salaries of Supervisors of Instruc.							
Salaries of Program Directors							
Salaries of Other Prof. Staff						45,533	45,533
Salaries of Sec. & Clerical Asst.							
Other Salaries		2,867					2,867
Personal Services - Empl. Benefits	5,638	129,007	11,789	14,705	7,184	12,142	180,465
Purch. Prof. - Educ. Services	580,722		132,260			4,000	716,982
Other Purch. Prof. Services							
Purch. Technical Services							
Tuition	50,461		1,492,022				1,542,483
Transportation							
Travel	10,275	9,324					19,599
Other Purchased Services	7,281		5,258				12,539
Supplies and Materials	28,333						28,333
Total Support Services	752,552	141,198	1,678,755	14,705	32,843	61,675	2,681,728
Facilities Acquis. & Const. Serv.:							
Instructional Equipment	6,799						6,799
Noninstructional Equipment	33,597						33,597
Total Facil. Acquis. & Const. Serv.	40,396						40,396
Total Expenditures	\$ 1,536,422	\$ 595,784	\$ 1,686,088	\$ 67,222	\$ 32,843	\$ 108,077	\$ 4,026,436

MORRIS SCHOOL DISTRICT
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Total Brought Forward (Ex. E-1b)	IDEA PRESCHOOL 2017-2018	TITLE II 2017-2018	TITLE IV 2017-2018	CARL PERKINS	Total Carried Forward
REVENUES:						
State Sources	\$ 1,091,770					\$ 1,091,770
Federal Sources		50,461	92,827	5,087	32,027	180,402
Local Sources	264,250					264,250
Total Revenues	1,356,020	50,461	92,827	5,087	32,027	1,536,422
EXPENDITURES:						
Instruction:						
Salaries of Teachers	128,277				1,600	129,877
Salaries of Other Professional Staff	2,500					2,500
Other Salaries for Instruc.	12,555					12,555
Purch. Prof. - Educ. Services	267,854					267,854
Other Purch. Services						
General Supplies	173,871		34,458		16,225	224,554
Textbooks	106,134					106,134
Other Objects						
Total Instruction	691,191		34,458		17,825	743,474
Support Services:						
Salaries of Teachers	47,285		22,557			69,842
Salaries of Other Prof. Staff						
Salaries of Sec. & Clerical Asst.						
Other Salaries						
Personal Services - Empl. Benefits	3,790		1,726		122	5,638
Purch. Prof. - Educ. Services	551,824		26,498	2,400		580,722
Other Purch. Prof. Services						
Purch. Technical Services						
Tuition		50,461				50,461
Transportation						
Travel			7,588	2,687		10,275
Other Purch. Services					7,281	7,281
Supplies and Materials	28,333					28,333
Miscellaneous Expenditures						
Total Support Services	631,232	50,461	58,369	5,087	7,403	752,552
Facilities Acquis. & Const. Serv.:						
Instructional Equipment					6,799	6,799
Noninstructional Equipment	33,597					33,597
Total Facil. Acquis. & Const. Serv.	33,597				6,799	40,396
Total Expenditures	\$ 1,356,020	\$ 50,461	\$ 92,827	\$ 5,087	\$ 32,027	\$ 1,536,422

MORRIS SCHOOL DISTRICT
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Total Brought Forward (Ex. E-1c)	N.J. Auxiliary Services Ch. 192			N.J. Nonpublic Handicapped Services Ch. 193			Nonpublic Nursing	Nonpublic Technology	Nonpublic Textbooks	Nonpublic Security	Total Carried Forward
		Home Instruction	ESL	Compensatory Education	Supplemental Instruction	Examination & Classification	Corrective Speech					
REVENUES:												
State Sources	\$ 234,300	\$ 11,175	\$ 904	\$ 49,253	\$ 50,433	\$ 88,404	\$ 43,926	\$ 249,581	\$ 94,383	\$ 106,134	\$ 163,277	\$ 1,091,770
Federal Sources												
Local Sources	264,250											264,250
Total Revenues	498,550	11,175	904	49,253	50,433	88,404	43,926	249,581	94,383	106,134	163,277	1,356,020
EXPENDITURES:												
Instruction:												
Salaries of Teachers	128,277											128,277
Salaries of Other Professional Staff	2,500											2,500
Other Salaries for Instruc.	6,600	5,955										12,555
Purch. Prof. - Educ. Services	48,020	5,220	904		50,433						163,277	267,854
Other Purch. Services												
General Supplies	79,488								94,383			173,871
Textbooks										106,134		106,134
Other Objects												
Total Instruction	264,885	11,175	904		50,433				94,383	106,134	163,277	691,191
Support Services:												
Salaries of Teachers	47,285											47,285
Salaries of Other Prof. Staff												
Personal Services - Empl. Benefits	3,790											3,790
Purch. Prof. - Educ. Services	120,660			49,253		88,404	43,926	249,581				551,824
Other Purch. Prof. Services												
Purch. Technical Services												
Tuition												
Transportation												
Travel												
Supplies and Materials	28,333											28,333
Miscellaneous Expenditures												
Total Support Services	200,068			49,253		88,404	43,926	249,581				631,232
Facilities Acquis. & Const. Serv.:												
Instructional Equipment												
Noninstructional Equipment	33,597											33,597
Total Facil. Acquis. & Const. Serv.	33,597											33,597
Total Expenditures	\$ 498,550	\$ 11,175	\$ 904	\$ 49,253	\$ 50,433	\$ 88,404	\$ 43,926	\$ 249,581	\$ 94,383	\$ 106,134	\$ 163,277	\$ 1,356,020

MORRIS SCHOOL DISTRICT
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	SANTORA FOUNDATION	NJSBAIG SAFETY GRANT	HSA CLUBS	PRESCHOOL EDUCATION	MORRIS EDUCATION FOUNDATION	TARGET GRANT	MISCELLANEOUS GRANTS	Total Carried Forward
<u>REVENUES:</u>								
State Sources	\$	\$	\$	\$ 234,300	\$	\$	\$	\$ 234,300
Federal Sources								
Local Sources	983	32,500	51,075		174,814	630	4,248	264,250
Total Revenues	983	32,500	51,075	234,300	174,814	630	4,248	498,550
<u>EXPENDITURES:</u>								
Instruction:								
Salaries of Teachers				102,630	25,647			128,277
Salaries of Other Professional Staff					2,500			2,500
Other Salaries for Instruc.				6,600				6,600
Purch. Prof. - Educ. Services					48,020			48,020
Other Purch. Services								
General Supplies				4,410	70,200	630	4,248	79,488
Textbooks								
Other Objects								
Total Instruction				113,640	146,367	630	4,248	264,885
Support Services:								
Salaries of Teachers			47,285					47,285
Salaries of Other Prof. Staff								
Personal Services - Empl. Benefits			3,790					3,790
Purch. Prof. - Educ. Services				120,660				120,660
Other Purch. Prof. Services								
Purch. Technical Services								
Tuition								
Transportation								
Travel								
Supplies and Materials	983	27,350						28,333
Miscellaneous Expenditures								
Total Support Services	983	27,350	51,075	120,660				200,068
Facilities Acquis. & Const. Serv.:								
Instructional Equipment								
Noninstructional Equipment		5,150			28,447			33,597
Total Facil. Acquis. & Const. Serv.		5,150		-	28,447			33,597
Total Expenditures	\$ 983	\$ 32,500	\$ 51,075	\$ 234,300	\$ 174,814	\$ 630	\$ 4,248	\$ 498,550

MORRIS SCHOOL DISTRICT
 SPECIAL REVENUE FUND
 PRESCHOOL EDUCATION AID
 STATEMENT OF EXPENDITURES
 BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>EXPENDITURES</u>			
Instruction:			
Salaries of Teachers	\$ 102,630	\$ 102,630	\$ -
Other Salaries for Instruc.	6,600	6,600	-
General Supplies	<u>4,410</u>	<u>4,410</u>	<u>-</u>
Total Instruction	<u>113,640</u>	<u>113,640</u>	<u>-</u>
Support Services:			
Purch. Prof. - Educ. Services	1,860	1,860	-
Purch. Prof. - Educ. Services - Contracted Pre-K	13,200	13,200	-
Purch. Prof. - Educ. Services - Head Start	<u>105,600</u>	<u>105,600</u>	<u>-</u>
Total Support Services	<u>120,660</u>	<u>120,660</u>	<u>-</u>
Total Expenditures	<u>\$ 234,300</u>	<u>\$ 234,300</u>	<u>\$ -</u>
Total Revised 2017-18 Preschool Education Aid Allocation			\$
Actual Preschool Aid Carryover (June 30, 2017)			<u>-</u>
Total Preschool Education Funds Available 2017-18 Budget			-
Less: 2017-18 Budgeted Preschool Education Aid (Incl. Prior Year Budgeted Carryover)			<u>-</u>
Available & Unbudgeted Preschool Education Funds as of June 30, 2018			-
Add: June 30, 2018 Unexpended Preschool Education Aid			<u><u> </u></u>
2017-2018 Actual Carryover - Preschool Education Aid			<u><u> </u></u>
2017-18 Preschool Ed Aid Carryover Budgeted in 2018-2019			<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, 2018

<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	\$ 11,405,000	\$ 9,768,160	\$ 1,223,126	\$ 413,714
<u>FY 2015</u>				
MHS Fire Alarm Upgrade	809,551	809,551		-
<u>FY 2016</u>				
FMS Partial Roof	310,818	310,818		-
MHS Auditorium Lighting	210,876	177,075	33,801	-
MHS/SX Gym Bleachers	291,912	291,912		-
<u>FY 2017</u>				
MHS Grandstands	2,271,157	1,655,879	577,911	37,367
MHS Parking Lot	737,905	655,379	14,846	67,680
<u>FY 2018</u>				
SX Boiler	442,079		442,079	-
FMS Hot Water Tanks	53,885		53,885	-
Totals	\$ <u>16,533,183</u>	\$ <u>13,668,774</u>	\$ <u>2,345,648</u>	\$ <u>518,761</u>

Analysis of Balance(s) - June 30, 2018:

2017/2018 Expenditures \$ 2,345,648

MORRIS SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGE IN FUND BALANCE - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Revenues and Other Financing Sources	
State Sources - SCC Grant	\$ 288,200
Bond proceeds and transfers	
Contribution from private source	
Transfer from capital reserve	1,063,590
Transfer from capital outlay	
Total revenues	<u>1,351,790</u>
Expenditures and Other Financing Uses	
Purchased professional and technical services	91,850
Land and Improvements	
Construction services	2,253,798
Equipment purchases	
Total expenditures	<u>2,345,648</u>
Excess (deficiency) of revenues over (under) expenditures	(993,858)
Fund balance - beginning	1,512,619
Fund balance - ending	\$ <u><u>518,761</u></u>

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, 2018

	<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	650,000	10,800,203	10,800,203
Transfer from capital outlay	<u>604,797</u>	<u> </u>	<u>604,797</u>	<u>604,797</u>
Total revenues	<u>10,755,000</u>	<u>650,000</u>	<u>11,405,000</u>	<u>11,405,000</u>
 Expenditures and Other Financing Uses				
Purchased professional and technical services	1,371,351	36,445	1,407,796	1,480,000
Land and Improvements			-	-
Construction services	8,396,809	1,186,681	9,583,490	9,925,000
Equipment purchases			-	-
Transfer to capital reserve				
Total expenditures	<u>9,768,160</u>	<u>1,223,126</u>	<u>10,991,286</u>	<u>11,405,000</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>986,840</u>	\$ <u>(573,126)</u>	\$ <u>413,714</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	\$20,000
Additional Authorized Cost	\$11,385,000
Revised Authorized Cost	\$11,405,000

Percentage Increase over Original	
Authorized Cost	N/A
Percentage completion	96%
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, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SCC Grant	\$	\$ 288,200	\$ 288,200	\$ 288,200
Bond proceeds and transfers			-	-
Contribution from private source			-	
Transfer from capital reserve	632,500	(111,149)	521,351	521,351
Transfer from capital outlay			-	-
Total revenues	<u>632,500</u>	<u>177,051</u>	<u>809,551</u>	<u>809,551</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services	68,911		68,911	69,500
Land and Improvements			-	-
Construction services	740,640		740,640	740,051
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>809,551</u>	<u>-</u>	<u>809,551</u>	<u>809,551</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(177,051)</u>	\$ <u>177,051</u>	\$ <u>-</u>	\$ <u>-</u>

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	\$521,351
Revised Authorized Cost	\$809,551

Percentage Increase over Original

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

MORRIS SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
FMS PARTIAL ROOF
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	<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	(10,074)	310,819	310,819
Transfer from capital outlay			-	-
Total revenues	<u>320,893</u>	<u>(10,074)</u>	<u>310,819</u>	<u>310,819</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services	27,425		27,425	27,070
Land and Improvements			-	-
Construction services	283,394		283,394	283,749
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>310,819</u>	<u>-</u>	<u>310,819</u>	<u>310,819</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>10,074</u>	\$ <u>(10,074)</u>	\$ <u>-</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	\$320,893
Additional Authorized Cost	(\$10,074)
Revised Authorized Cost	\$310,819

Percentage Increase over Original

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

MORRIS SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
 MHS AUDITORIUM LIGHTING
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	<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		10,876	10,876	10,876
Transfer from capital outlay	200,000		200,000	200,000
Total revenues	<u>200,000</u>	<u>10,876</u>	<u>210,876</u>	<u>210,876</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services	21,366		21,366	20,000
Land and Improvements			-	-
Construction services	155,709	33,801	189,510	190,876
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>177,075</u>	<u>33,801</u>	<u>210,876</u>	<u>210,876</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 22,925</u>	<u>\$ (22,925)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional project information:

Project Number	N/A	
Grant Date	N/A	
Bond Authorization Date	N/A	
Bonds Authorized	N/A	
Bonds Issued	N/A	
Original Authorized Cost	\$200,000	
Additional Authorized Cost	\$10,876	
Revised Authorized Cost	\$210,876	
Percentage Increase over Original Authorized Cost	N/A	
Percentage completion	100%	
Original target completion date	Sep-14	
Revised target completions date	Completed	

MORRIS SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
 MHS/SX GYM BLEACHERS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	<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	310,000	(18,088)	291,912	291,912
Transfer from capital outlay			-	
Total revenues	310,000	(18,088)	291,912	291,912
 Expenditures and Other Financing Uses				
Purchased professional and technical services	28,856		28,856	30,000
Land and Improvements			-	-
Construction services	263,056		263,056	261,912
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	291,912	-	291,912	291,912
 Excess (deficiency) of revenues over (under) expenditures	\$ 18,088	\$ (18,088)	\$ -	\$ -

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	(\$8,088)	
Revised Authorized Cost	\$291,912	
Percentage Increase over Original Authorized Cost	N/A	
Percentage completion	100%	
Original target completion date	Sep-14	
Revised target completions date	Completed	

MORRIS SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
 MHS GRANDSTAND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	<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	10,157	2,271,157	2,271,157
Transfer from capital outlay			-	-
Total revenues	2,261,000	10,157	2,271,157	2,271,157
Expenditures and Other Financing Uses				
Purchased professional and technical services	206,836	8,180	215,016	226,000
Land and Improvements			-	-
Construction services	1,449,043	569,731	2,018,774	2,045,157
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	1,655,879	577,911	2,233,790	2,271,157
Excess (deficiency) of revenues over (under) expenditures	\$ 605,121	\$ (567,754)	\$ 37,367	\$ -

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	\$10,157
Revised Authorized Cost	\$2,271,157
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	98%
Original target completion date	Aug-17
Revised target completions date	Dec-18

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, 2018

	<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	35,905	737,905	737,905
Transfer from capital outlay			-	
Total revenues	<u>702,000</u>	<u>35,905</u>	<u>737,905</u>	<u>737,905</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services	69,132	10,723	79,855	70,500
Land and Improvements			-	-
Construction services	586,247	4,123	590,370	667,405
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>655,379</u>	<u>14,846</u>	<u>670,225</u>	<u>737,905</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>46,621</u>	\$ <u>21,059</u>	\$ <u>67,680</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	\$107,905
Revised Authorized Cost	\$737,905
Percentage Increase over Original	
Authorized Cost	N/A
Percentage completion	91%
Original target completion date	Aug-17
Revised target completions date	Dec-18

MORRIS SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
 SX BOILER
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	<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		442,079	442,079	442,079
Transfer from capital outlay			-	-
Total revenues	-	442,079	442,079	442,079
 Expenditures and Other Financing Uses				
Purchased professional and technical services		36,502	36,502	36,502
Land and Improvements			-	-
Construction services		405,577	405,577	405,577
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	-	442,079	442,079	442,079
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

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	\$436,902	
Additional Authorized Cost	\$5,177	
Revised Authorized Cost	\$442,079	
 Percentage Increase over Original Authorized Cost	 N/A	
Percentage completion	100%	
Original target completion date	Aug-17	
Revised target completions date	Completed	

MORRIS SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
 FMS HOT WATER TANKS
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources - SCC Grant	\$	\$	\$ -	\$
Bond proceeds and transfers			-	
Contribution from private source			-	
Transfer from capital reserve		53,885	53,885	53,885
Transfer from capital outlay			-	-
Total revenues	<u>-</u>	<u>53,885</u>	<u>53,885</u>	<u>53,885</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services			-	-
Land and Improvements			-	-
Construction services		53,885	53,885	53,885
Equipment purchases			-	-
Transfer to capital reserve			-	-
Total expenditures	<u>-</u>	<u>53,885</u>	<u>53,885</u>	<u>53,885</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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	\$53,885
Additional Authorized Cost	\$0
Revised Authorized Cost	\$53,885
Percentage Increase over Original Authorized Cost	N/A
Percentage completion	100%
Original target completion date	Sep-17
Revised target completions date	Completed

PROPRIETARY FUNDS

SECTION – G

ENTERPRISE FUND

MORRIS SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 ENTERPRISE FUND
 AS OF JUNE 30, 2018

	FOOD SERVICE	COMMUNITY SCHOOL	TOTALS
Assets			
Cash and Cash Equivalents	\$ 1,226	\$ 1,006,921	\$ 1,008,147
Accounts Receivable:			
State	3,438		3,438
Federal	198,795		198,795
Other	20,506	26,429	46,935
Interfunds Receivable		11,575	11,575
Prepaid Expenses		41,652	41,652
Inventories	19,424		19,424
Total Current Assets	<u>243,389</u>	<u>1,086,577</u>	<u>1,329,966</u>
Noncurrent Assets:			
Fixed Assets:			
Equipment	744,217	16,528	760,745
Accumulated Depreciation	<u>(574,603)</u>	<u>(12,291)</u>	<u>(586,894)</u>
Total Noncurrent Assets	<u>169,614</u>	<u>4,237</u>	<u>173,851</u>
Total Assets	<u>\$ 413,003</u>	<u>\$ 1,090,814</u>	<u>\$ 1,503,817</u>
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 118,437	88,488	\$ 206,925
Unearned Revenue	25,337	499,439	524,776
Interfunds Payable	58,567		58,567
Total Current Liabilities	<u>202,341</u>	<u>587,927</u>	<u>790,268</u>
Noncurrent Liabilities:			
Compensated Absences Payable		23,813	23,813
Total Noncurrent Liabilities	<u>-</u>	<u>23,813</u>	<u>23,813</u>
Total Liabilities	<u>202,341</u>	<u>611,740</u>	<u>814,081</u>
Net Position			
Net Investment in Capital Assets	169,614	4,237	173,851
Unrestricted (Deficit)	41,048	474,837	515,885
Total Net Position	<u>\$ 210,662</u>	<u>\$ 479,074</u>	<u>\$ 689,736</u>

MORRIS SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 ENTERPRISE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	FOOD SERVICE	COMMUNITY SCHOOL	TOTALS
Operating Revenues:			
Charges for Daily Services:			
Daily Sales - Reimbursable Programs:			
School Lunch/Breakfast Program	\$ 528,322	\$	\$ 528,322
Total - Daily Sales-Reimbursable Programs	528,322		528,322
Special Functions	36,641		36,641
Program Fees		1,713,327	1,713,327
Total Operating Revenues	564,963	1,713,327	2,278,290
Operating Expenses:			
Salaries	41,522	960,676	1,002,198
Employee Benefits	22,102	189,518	211,620
Purchased Professional Services	800,501	109,363	909,864
Other Purchased Services	24,126	50,757	74,883
Supplies and Materials	28,516	86,786	115,302
Depreciation	13,342	875	14,217
Rent		103,564	103,564
Other Expenses	57,508	154,005	211,513
Cost of sales - program	637,521		637,521
Cost of sales - nonprogram	14,564		14,564
Total Operating Expenses	1,639,702	1,655,544	3,295,246
Operating Income (Loss)	(1,074,739)	57,783	(1,016,956)
Nonoperating Revenues:			
State Sources:			
State School Lunch Program	16,646		16,646
Federal Sources:			
National School Lunch Program	712,506		712,506
National School Breakfast Program	241,217		241,217
Food Distribution Program	149,150		149,150
Interest Revenue	247	1,448	1,695
Total Non-Operating Revenues	1,119,766	1,448	1,121,214
Change in Net Position	45,027	59,231	104,258
Total Net Position Beginning	165,635	419,843	585,478
Total Net Position Ending	\$ 210,662	\$ 479,074	\$ 689,736

MORRIS SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	FOOD SERVICE	COMMUNITY SCHOOL	TOTALS
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 568,853	\$ 1,747,322	\$ 2,316,175
Cash Payments to Suppliers for Goods and Services	(1,475,839)	(557,403)	(2,033,242)
Cash Payments for Employee Benefits		(184,937)	(184,937)
Cash Payments to Employees for Services		(960,676)	(960,676)
Net Cash Provided by Operating Activities	<u>(906,986)</u>	<u>44,306</u>	<u>(862,680)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash Received from State and Federal Sources	<u>975,519</u>		<u>975,519</u>
Net Cash Provided by Non-Capital Financing Activities	<u>975,519</u>	<u>-</u>	<u>975,519</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of Capital Assets	<u>(70,744)</u>		<u>(70,744)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(70,744)</u>	<u>-</u>	<u>(70,744)</u>
Cash Flows from Investing Activities:			
Interest on Deposits	<u>247</u>	<u>1,448</u>	<u>1,695</u>
Net Cash Provided by Investing Activities	<u>247</u>	<u>1,448</u>	<u>1,695</u>
Net Increase in Cash and Cash Equivalents	(1,964)	45,754	43,790
Cash and Cash Equivalents at Beginning of Year	<u>3,190</u>	<u>961,167</u>	<u>964,357</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,226</u>	<u>\$ 1,006,921</u>	<u>\$ 1,008,147</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income/(Loss)	\$ (1,074,739)	\$ 57,783	\$ (1,016,956)
Adjustments to Reconcile Operating Income to Net cash Provided by Operating Income:			
Depreciation Expense	13,342	875	14,217
USDA Commodities			-
Changes in Assets and Liabilities			
(Increase) Decrease in Prepaid Expenses		7,486	7,486
(Increase) Decrease in Accounts Receivable - Net	3,890	12,063	15,953
(Increase) Decrease in Inventory	(2,140)		(2,140)
(Increase) Decrease in Interfunds Receivable		(11,575)	(11,575)
Increase (Decrease) in Interfunds Payable	20,268	(39,599)	(19,331)
Increase (Decrease) in Compensated Absences		4,581	4,581
Increase (Decrease) in Accounts Payable	(20,787)	(9,240)	(30,027)
Increase (Decrease) in Unearned Revenue	4,030	21,932	25,962
Food Distribution Program	<u>149,150</u>		<u>149,150</u>
Net Cash Provided by Operating Activities	<u>\$ (906,986)</u>	<u>\$ 44,306</u>	<u>\$ (862,680)</u>

INTERNAL SERVICE FUND

FIDUCIARY FUNDS

SECTION - H

MORRIS SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
FOR YEAR ENDED JUNE 30,2018

	<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	\$ 2,090,184	\$ 117,067	\$ 136,013	\$ 573,793	\$ 2,917,057
Total Assets	\$ 2,090,184	\$ 117,067	\$ 136,013	\$ 573,793	\$ 2,917,057
<u>LIABILITIES AND NET POSITION</u>					
Liabilities:					
Accounts Payable	\$ 5,026				\$ 5,026
Payroll Deductions and Withholdings				573,793	573,793
Due to Student Groups			136,013		136,013
Total Liabilities	5,026	-	\$ 136,013	\$ 573,793	\$ 714,832
Net Position:					
Held in trust for unemployment claims and other purposes	2,085,158				2,085,158
Reserved for Scholarships		117,067			117,067
Total Net Position	\$ 2,085,158	\$ 117,067	-	-	\$ 2,202,225

MORRIS SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>TRUST FUND</u>	
	<u>UNEMPLOYMENT COMPENSATION</u>	<u>PRIVATE PURPOSE SCHOLARSHIP</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 95,681	
Other		16,000
Total Contributions	<u>95,681</u>	<u>16,000</u>
Investment Earnings:		
Interest	54	190
Total investment earnings	<u>54</u>	<u>190</u>
Total Additions	<u>95,735</u>	<u>16,190</u>
DEDUCTIONS		
Unemployment Claims	89,314	
Scholarships Awarded		24,000
Total Deductions	<u>89,314</u>	<u>24,000</u>
Change in Net Position	<u>6,421</u>	<u>(7,810)</u>
Net Position - beginning of the year	<u>2,078,737</u>	<u>124,877</u>
Net Position - end of the year	<u>\$ 2,085,158</u>	<u>\$ 117,067</u>

MORRIS SCHOOL DISTRICT
 STUDENT ACTIVITY AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BALANCE JUNE 30, 2017	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2018
<u>ELEMENTARY SCHOOLS:</u>				
Thomas Jefferson	\$ 2,111	\$ 5,733	\$ 6,121	\$ 1,722
Woodland	1,772	2,826	3,332	1,267
Sussex Ave.	442	4,661	4,792	310
Alfred Vail	572	4,260	4,488	344
Hillcrest	255	4,889	4,307	837.27
Normandy Park	1,945	5,797	5,534	2,208
Alexander Hamilton	3,052	8,179	7,537	3,695
Coins for a Cause	2	129		131
Total Elementary Schools	<u>10,151</u>	<u>36,475</u>	<u>36,111</u>	<u>10,515</u>
<u>MIDDLE SCHOOLS:</u>				
Frelinghuysen MS	<u>32,628</u>	<u>78,693</u>	<u>83,684</u>	<u>27,637</u>
<u>HIGH SCHOOLS:</u>				
Morristown High School	<u>108,390</u>	<u>338,674</u>	<u>349,203</u>	<u>97,861</u>
Total All Schools	\$ <u>151,169</u>	\$ <u>453,842</u>	\$ <u>468,998</u>	\$ <u>136,013</u>

MORRIS SCHOOL DISTRICT
 PAYROLL AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BALANCE JUNE 30, 2017	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2018
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 2,481,067	\$ 69,989,907	\$ 71,897,181	\$ 573,793
Total Assets	\$ 2,481,067	\$ 69,989,907	\$ 71,897,181	\$ 573,793
<u>LIABILITIES</u>				
Payroll Deductions and Withholdings	\$ 2,481,067	\$ 69,989,907	71,897,181	\$ 573,793
Total Liabilities	\$ 2,481,067	\$ 69,989,907	\$ 71,897,181	\$ 573,793

LONG-TERM DEBT

SECTION - I

MORRIS SCHOOL DISTRICT
 SCHEDULE OF SERIAL BONDS
 LONG-TERM DEBT
JUNE 30, 2018

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES		INTEREST RATE	BALANCE JUNE 30, 2017	RETIRE	BALANCE JUNE 30, 2018
			DATE	AMOUNT				
School Refunding Bonds - Series 2007	11/14/07	\$ 6,820,000	03/15/19	\$ 675,000	4.000%	\$ 1,345,000	\$ 670,000	\$ 675,000
Total						\$ 1,345,000	\$ 670,000	\$ 675,000

MORRIS SCHOOL DISTRICT
 STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
 LONG-TERM DEBT
JUNE 30, 2018

PURPOSE	DATE OF LEASE	TERM OF LEASE	AMOUNT OF ORIGINAL LEASE		INTEREST RATE	BALANCE	ADDITIONS	RETIRED	BALANCE
			PRINCIPAL	INTEREST		JUNE 30, 2017			JUNE 30, 2018
Various Equipment	09/01/13	5 Years	62,985	10,095	5.34%	\$ 14,697	\$	\$ 12,597	\$ 2,100
Various Equipment	09/01/14	5 Years	73,744	9,551	4.90%	31,956		14,749	17,207
Various Equipment	07/01/15	5 Years	58,872	7,126	4.59%	36,304		11,774	24,530
Copy Machine	01/01/16	5 Years	17,202	2,066	4.59%	12,327		3,440	8,887
Various Equipment	09/01/16	5 Years	78,815	8,767	4.23%	65,679		15,763	49,916
Copy Machine	05/01/17	5 Years	15,814	1,759	4.23%	15,287		3,163	12,124
Buses	04/01/17	6 Years	2,769,991	164,916	1.89%	2,769,991		406,948	2,363,043
Copy Machines	09/17/17	5 Years	124,887	11,845	3.15%		124,887	20,414	104,473
Total						\$ 2,946,241	\$ 124,887	\$ 488,848	\$ 2,582,280

MORRIS SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual (GAAP Basis)</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 551,007	\$ _____	\$ 551,007	\$ 551,007	\$ _____
Total - Local Sources	<u>551,007</u>	<u>_____</u>	<u>551,007</u>	<u>551,007</u>	<u>_____</u>
State Sources:					
Debt Service Aid - Type II	<u>179,493</u>	<u>_____</u>	<u>179,493</u>	<u>179,493</u>	<u>_____</u>
Total - State Sources	<u>179,493</u>	<u>_____</u>	<u>179,493</u>	<u>179,493</u>	<u>_____</u>
Total Revenues	<u><u>730,500</u></u>	<u><u>_____</u></u>	<u><u>730,500</u></u>	<u><u>730,500</u></u>	<u><u>_____</u></u>
EXPENDITURES:					
Regular Debt Service:					
Interest Payments - Bonds	60,500	_____	60,500	60,500	_____
Redemption of Bond Principal	<u>670,000</u>	<u>_____</u>	<u>670,000</u>	<u>670,000</u>	<u>_____</u>
Total Expenditures	<u>730,500</u>	<u>_____</u>	<u>730,500</u>	<u>730,500</u>	<u>_____</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	_____	-	-	_____
Fund Balances, July 1	-	_____	-	-	_____
Fund Balances, June 30	<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)

Exhibit J-1

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net Investment in capital assets	\$ 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	\$ 49,610,975
Restricted	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	22,058,286
Unrestricted	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)	(32,720,614)
Total governmental activities net position/net assets	<u>\$ 31,326,369</u>	<u>\$ 32,367,171</u>	<u>\$ 37,858,163</u>	<u>\$ 45,345,059</u>	<u>\$ 51,353,050</u>	<u>\$ 27,087,951</u>	<u>\$ 31,801,670</u>	<u>\$ 35,765,914</u>	<u>\$ 36,608,012</u>	<u>\$ 38,948,647</u>
Business-type activities										
Net Investment in capital assets	\$ 18,207	\$ 65,338	\$ 87,599	\$ 105,258	\$ 95,899	\$ 107,935	\$ 74,299	\$ 95,157	\$ 117,324	\$ 173,851
Unrestricted	605,358	637,792	779,534	779,654	925,849	388,386	492,135	416,454	468,154	515,885
Total business-type activities net position/net assets	<u>\$ 623,565</u>	<u>\$ 703,130</u>	<u>\$ 867,133</u>	<u>\$ 884,912</u>	<u>\$ 1,021,748</u>	<u>\$ 496,321</u>	<u>\$ 566,434</u>	<u>\$ 511,611</u>	<u>\$ 585,478</u>	<u>\$ 689,736</u>
District-wide										
Net Investment in capital assets	\$ 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	\$ 49,784,826
Restricted	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	22,058,286
Unrestricted	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)	(32,204,729)
Total district net position/net assets	<u>\$ 31,949,934</u>	<u>\$ 33,070,301</u>	<u>\$ 38,725,296</u>	<u>\$ 46,229,971</u>	<u>\$ 52,374,798</u>	<u>\$ 27,584,272</u>	<u>\$ 32,368,104</u>	<u>\$ 36,277,525</u>	<u>\$ 37,193,490</u>	<u>\$ 39,638,383</u>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 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	\$ 32,297,670
Special education	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	6,566,012
Other special education	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	2,166,629
Other instruction	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	1,508,941
Support Services:										
Tuition	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	5,926,763
Student & instruction related services	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	15,545,329
General administrative services	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	3,307,097
School administrative services	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	3,891,005
Unallocated Benefits	17,215,619	18,659,036	19,616,582	20,179,876	22,097,857	20,952,645	21,966,032	25,046,260	47,304,559	51,278,533
Plant operations and maintenance	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	8,040,375
Pupil transportation	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	6,242,152
Special Schools	91,661	97,606								
Interest on long-term debt	357,498	332,919	297,021	265,992	233,418	196,352	157,708	120,563	93,492	87,115
Unallocated depreciation	68,370	163,927	175,886	149,010	172,922	159,496	162,785	192,659	176,085	218,870
Total governmental activities expenses	96,900,911	97,910,347	95,621,803	95,573,731	99,246,318	98,769,814	101,324,342	106,349,521	131,236,588	137,076,491
Business-type activities:										
Food service	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	1,490,552
Community School	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	1,655,544
Total business-type activities expense	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	3,146,096
Total district expenses	\$ 100,068,654	\$ 101,177,922	\$ 98,844,275	\$ 99,096,216	\$ 102,810,176	\$ 103,203,310	\$ 104,925,741	\$ 109,772,101	\$ 134,527,310	\$ 140,222,587
Program Revenues										
Governmental activities:										
Charges for services:										
Business and other support services										
Operating grants and contributions	5,661,060	5,874,425	5,895,285	6,931,352	8,748,281	18,324,772	18,867,263	20,675,124	41,334,669	45,981,670
Total governmental activities program revenues	5,661,060	5,874,425	5,895,285	6,931,352	8,748,281	18,324,772	18,867,263	20,675,124	41,334,669	45,981,670
Business-type activities:										
Charges for services										
Food service	885,542	888,683	862,559	798,012	744,119	742,271	660,566	579,333	607,973	564,963
Community School	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	1,713,327
Operating grants and contributions	684,504	782,515	860,749	953,495	985,958	1,074,132	1,153,151	1,134,834	1,034,351	970,369
Total business type activities program revenues	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	3,248,659
Total district program revenues	\$ 8,763,812	\$ 9,056,577	\$ 9,198,571	\$ 10,207,732	\$ 12,137,052	\$ 21,863,102	\$ 22,400,969	\$ 24,041,193	\$ 44,697,758	\$ 49,230,329
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (91,094,821)
Business-type activities	(64,991)	(85,423)	80,814	(246,105)	(175,087)	(895,166)	(67,693)	(56,511)	72,367	102,563
Total district-wide net expense	\$ (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)	\$ (90,992,258)

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

Exhibit J-2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position/Net Assets										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 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	\$ 88,571,660
Taxes levied for debt service	940,370	902,895	940,450	917,488	871,393	863,548	685,270	664,905	576,274	551,007
Unrestricted grants and contributions	12,318,799	10,635,779	9,733,264	10,512,791	10,769,607	153,828	296,780	609,684	279,622	222,276
Restricted grants and contributions										829,475
Payments in lieu of taxes (tuition)	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	4,261,293
Investment earnings	603,444	211,478	18,786	500,381	450,036	824,673	212,423	400,698	228,126	332,871
Miscellaneous income	273,292	140,252	185,681	122,903	66,814					
Transfers	(828,832)	(694,982)	(675,523)	(1,205,128)	(1,125,732)	(1,196,555)	(1,234,289)	(1,312,394)	(1,323,405)	(1,333,126)
Total governmental activities	93,531,861	92,890,855	94,296,129	96,129,275	96,506,028	87,431,811	87,170,798	89,638,641	90,744,017	93,435,456
Business-type activities:										
Investment earnings	34,219	13,120	5,414	2,992	1,971	2,440	1,743	1,688	1,500	1,695
Miscellaneous earnings										
Transfers	226,695	151,868	77,774	260,892	309,952	367,299	136,063			
Total business-type activities	260,914	164,988	83,188	263,884	311,923	369,739	137,806	1,688	1,500	1,695
Total district-wide	\$ 93,792,775	\$ 93,055,843	\$ 94,379,317	\$ 96,393,159	\$ 96,817,951	\$ 87,801,550	\$ 87,308,604	\$ 89,640,329	\$ 90,745,517	\$ 93,437,151
Change in Net Position/Net Assets										
Governmental activities	\$ 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	\$ 2,340,635
Business-type activities	195,923	79,565	164,003	17,779	136,836	(525,427)	70,113	(54,823)	73,867	104,258
Total district	\$ 2,487,933	\$ 934,498	\$ 4,733,614	\$ 7,504,675	\$ 6,144,827	\$ 6,461,342	\$ 4,783,832	\$ 3,909,421	\$ 915,965	\$ 2,444,893

Source: CAFR Schedule A-2

Note: Reflects Implementation of GASB 68 for 2014 and subsequent years
Reflects Implementation of GASB 75 for 2018 and subsequent years

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

Exhibit J-3

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Restricted	\$ 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	\$ 21,539,525
Committed				332,766	255,390	256,124	356,771	538,983	2,999,118	53,730
Assigned			2,944,943	2,773,059	5,488,514	1,170,607	1,570,516	2,752,000	3,083,444	4,241,256
Unassigned	4,635,012	1,390,399	1,520,217	1,266,338	1,311,052	1,311,515	210,331	484,887	365,078	1,516,141
Total general fund	\$ 16,870,407	\$ 15,250,133	\$ 15,862,492	\$ 21,371,275	\$ 23,266,925	\$ 26,245,203	\$ 21,811,967	\$ 25,467,194	\$ 28,778,319	\$ 27,350,652
All Other Governmental Funds										
Reserved	\$	\$ 113,618	\$	\$ 1,330,575	\$ 2,695,033	\$ 3,199,059	\$ 10,349,654	\$ 2,218,707	\$ 971,344	\$ 518,761
Committed										
Unassigned, reported in:										
Special revenue fund										
Capital projects fund	238,989	250,511								
Debt service fund	28,393			1	1	1	1	1		
Total all other governmental funds	\$ 267,382	\$ 364,129	\$ -	\$ 1,330,576	\$ 2,695,034	\$ 3,199,060	\$ 10,349,655	\$ 2,218,708	\$ 971,344	\$ 518,761

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

Exhibit J-4

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax levy	\$ 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	\$ 89,122,667
Tuition charges	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	4,261,293
Miscellaneous	918,943	351,730	220,454	293,398	268,313	824,673	212,423	400,698	228,126	332,871
Local sources	99,542	653,533	249,463	206,983	181,723	111,633	216,109	216,142	229,319	264,250
State sources	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	23,554,058
Federal sources	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	2,816,277
Total revenue	100,306,161	99,460,262	100,882,924	104,142,852	106,313,227	106,953,138	107,803,215	111,626,159	115,295,519	120,351,416
Expenditures										
Instruction										
Regular Instruction	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	30,444,276
Special education instruction	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	6,566,012
Other special instruction	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	2,166,629
Other instruction	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	1,508,941
Support Services:										
Tuition	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	5,926,763
Student & instruction related services	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	15,545,329
Other administrative services	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	3,307,097
School Administrative services	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	3,891,005
Plant operations and maintenance	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	8,095,258
Pupil transportation	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	6,649,100
Unallocated employee benefits	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	30,400,226
Special Schools	91,661	97,606								
Capital outlay	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	5,792,291
Debt service:										
Principal	820,000	830,000	835,000	840,000	815,000	855,000	740,000	750,000	670,000	670,000
Interest and other charges	365,595	335,845	305,645	274,783	243,320	207,330	168,500	131,500	94,000	60,500
Total expenditures	97,389,280	100,288,807	97,214,260	99,100,032	102,073,234	102,337,264	103,925,311	114,865,559	117,542,964	121,023,427
Excess (Deficiency) of revenues over (under) expenditures	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)	(672,011)
Other Financing sources (uses)										
Capital leases (non-budgeted)					66,814	62,985	73,744	76,074	2,864,620	124,887
Capital Asset - Super Storm Sandy					79,033					
Lease Purchase Agreement - Buses									2,769,991	
Transfers in	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	1,063,590
Transfers out	(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)	(2,396,716)
Total other financing sources (uses)	(700,295)	(694,982)	(541,670)	(1,082,227)	(979,885)	(1,133,570)	(1,160,545)	(1,236,320)	4,311,206	(1,208,239)
Net change in fund balances	\$ 2,216,586	\$ (1,523,527)	\$ 3,126,994	\$ 3,960,593	\$ 3,260,108	\$ 3,482,304	\$ 2,717,359	\$ (4,475,720)	\$ 2,063,761	\$ (1,880,250)
Debt service as a percentage of noncapital expenditures	1.2%	1.2%	1.2%	1.2%	1.1%	1.1%	0.9%	0.8%	0.7%	0.6%

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>E-Rate</u>	<u>Rentals</u>	<u>Misc.</u>	<u>Total</u>
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
2018	35,640		93,493	152,648	46,435	328,215

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.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total General Tax Rate ^b	Estimated Actual (County Equalized Value)
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	2.011	8,201,288,043
2018	3,430,902,438	4,104,701,500	n/a	n/a	n/a	n/a	n/a	7,535,603,938		8,555	7,535,612,493	2.329	8,490,038,294

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 ^a	General Obligation Debt Service ^b	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
2018	1.089	0.006	1.095	0.455	0.263	1.813
	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
2018	1.429	0.006	1.435	1.052	0.358	2.845

Source: District Records and Municipal Tax Collector

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

- a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.
- b Rates for debt service are based on each year's requirements.

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

Exhibit J-8

Taxpayer	2018			2008		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Morris Township						
H'Y2 Mt. Kemble, LLC	\$ 59,240,000	1	1.12%			
Morristown Southgate LLC	50,680,000	2	0.96%			
Southgate Two, LLC	34,040,000	3	0.65%			
United states Fire Insurance	32,921,800	4	0.62%			
AO Mt Kemble, LLC	28,620,000	5	0.54%			
Olde Forge East	28,373,000	6	0.54%			
Columbia Assoc./Advance Realty	27,994,400	7	0.53%	27,835,000	5	0.46%
Morristown Realty	25,930,000	8	0.49%	21,535,200	8	0.36%
Grand Prix Morristown	25,825,800	9	0.49%			
Honeywell/Allied Signal Corporation	24,691,500	10	0.47%	64,900,000	1	1.07%
Kemble Assoc. c/o AT&T				52,500,000	2	0.87%
Mack-Cali Realty Corp				50,000,000	3	0.83%
Brickman Mt. Kemble				35,244,000	4	0.58%
44 Whippany Rd./Rexcore				26,057,000	6	0.43%
Advanced at Southgate				23,667,000	7	0.39%
JCP&L				21,000,000	9	0.35%
Southgate Center Four				20,833,300	10	0.35%
Morristown						
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	1.20%	27,300,000	2	1.53%
Rosewood Lafayette Commons	26,474,000	3	1.17%			
Epsteins B. Metrop	25,500,000	4	1.12%			
LF Associates				24,300,000	4	1.47%
5th Roc Jersey Assoc	24,500,000	5	1.08%	27,000,000	3	1.43%
3rd Roc Jersey Assoc				24,300,000	5	1.36%
Morr NJ MOB LLC	23,900,000	6	1.05%			
Kadima Medical Properties				23,900,000	6	1.36%
GS Morristown Plaza LLC	20,160,800	7	0.89%			
Morgan Stanley				22,000,000	7	1.36%
Memorial Investment/AHS Invest	19,300,000	8	0.85%			
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%
Nights vision 1776 on Green	18,100,000	10	0.80%			
Morristown Plaza Assoc				19,433,700	10	1.06%
Total	\$ 581,666,500		17.14%	\$ 585,953,193		19.51%

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

See Exhibit J-6 District Combined Taxable Value.

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

Exhibit J-9

<u>Year Ended June 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>
Morris Township			
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%
2018	57,610,506	57,610,506	100.00%
Morristown			
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%
2018	31,512,161	31,512,161	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 ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
Morris Township								
2008	\$ 5,806,350	-	\$ 489,742	-	-	\$ 6,296,092	0.41%	301
2009	5,075,482	-	341,885	-	-	5,417,367	0.36%	258
2010	4,526,960	-	202,290	-	-	4,729,250	0.28%	211
2011	3,902,728	-	135,496	-	-	4,038,223	0.23%	180
2012	3,358,575	-	132,894	-	-	3,491,469	0.19%	155
2013	2,901,144	-	138,804	-	-	3,039,948	0.17%	135
2014	2,349,402	-	134,555	-	-	2,483,957	0.13%	111
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	-	1,903,272	-	-	2,772,142	0.14%	123
2018	424,237	-	1,622,963	-	-	2,047,200	N/A	N/A
Morristown								
2008	\$ 2,693,650	-	\$ 227,198	-	-	\$ 2,920,848	0.21%	153
2009	2,604,518	-	175,440	-	-	2,779,959	0.20%	145
2010	2,323,040	-	103,806	-	-	2,426,846	0.18%	132
2011	2,112,272	-	73,334	-	-	2,185,607	0.15%	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	-	1,042,969	-	-	1,519,099	0.09%	80
2018	250,763	-	959,317	-	-	1,210,080	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.

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

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 ^a of Property	Per Capita ^b
	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%	48
2017	1,345,000	-	1,345,000	0.02%	32
2018	675,000	-	675,000	0.01%	16

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, 2018
Unaudited

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Morristown Town	\$ 32,284,966	100%	\$ 32,284,966
Morris Township	23,485,925	100%	23,485,925
Other debt			
Morris County - Morristown	225,955,626	3.328%	7,520,331
Morris County - Morris Township	225,955,626	5.632%	<u>12,725,257</u>
Subtotal, overlapping debt			76,016,479
Morris School District Direct Debt			
Morristown			250,763
Morris Township			<u>424,237</u>
Total direct and overlapping debt			<u><u>\$ 76,691,479</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

Exhibit J-13

Year	Morris Twsp Equal Valuation	Morristown Equal Valuation
2017	\$5,308,242,301	\$3,240,290,115
2016	\$5,262,975,795	\$2,878,767,492
2015	\$4,918,018,005	\$2,762,474,216

Legal Debt Margin Calculation for Fiscal Year 2017

Total	
Equalized valuation basis	
2017	\$8,548,532,416
2016	8,141,743,287
2015	7,680,492,221
[A]	<u>\$ 24,370,767,924</u>
[A/3]	\$ 8,123,589,308
[B]	243,707,679 ^a
[C]	675,000
[B-C]	<u>\$ 243,032,679</u>

Average equalized valuation of taxable property

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

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 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	\$ 243,707,679
Total net debt applicable to limit	<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>	<u>675,000</u>
Legal debt margin	<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>	<u>\$ 243,032,679</u>
Total net debt applicable to the limit as a percentage of debt limit	3.08%	2.64%	2.22%	1.94%	1.77%	1.47%	1.19%	0.87%	0.57%	0.28%

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

^a Limit set by NJS A 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 ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
Morris Twp				
2008	20,908	1,551,582,680 R	74,210 R	4.0%
2009	21,014	1,499,580,054 R	71,361 R	6.8%
2010	22,406 R	1,668,350,760 R	74,460 R	9.2%
2011	22,482 R	1,735,767,774 R	77,207 R	9.1%
2012	22,515 R	1,801,807,905 R	80,027 R	7.0%
2013	22,517 R	1,820,904,756 R	80,868 R	6.3%
2014	22,452 R	1,878,940,524 R	83,687 R	4.2%
2015	22,537 R	1,980,912,152 R	87,896 R	3.5%
2016	22,589 R	1,985,482,744 R	87,896 R	3.3%
2017	22,489	2,002,982,785	89,065	3.2%
Morristown				
2008	19,067	1,414,962,070 R	74,210 R	4.1%
2009	19,126	1,364,850,486 R	71,361 R	7.0%
2010	18,405 R	1,370,436,300 R	74,460 R	9.2%
2011	18,513 R	1,429,333,191 R	77,207 R	9.1%
2012	18,574 R	1,486,421,498 R	80,027 R	7.1%
2013	18,638 R	1,507,217,784 R	80,868 R	5.1%
2014	18,630 R	1,559,088,810 R	83,687 R	4.3%
2015	18,644 R	1,638,733,024 R	87,896 R	3.8%
2016	19,086 R	1,677,583,056 R	87,896 R	3.6%
2017	19,037	1,695,530,405	89,065	3.1%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon population and per capita personal income

^c Per Capita income provided by US Dept of Commerce, Bureau of Economic Analysis

^d 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>2018</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	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

Exhibit J-16

<u>Function/Program</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>	<u>2018</u>
Instruction										
Regular	489	464	326	318	340	341	345	353	354	352
Special education	56	102	99	95	92	96	107	109	105	104
Other special education	26	25	23	24	24	24	25	25	31	29
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	31	32	3	3	3	3	3	3	3	3
Support Services:										
Tuition	-	-	-	-	-	-	-	-	-	-
Student & instruction related services	88	36	154	164	176	178	168	172	168	166
General administrative services	22	21	2	2	2	2	2	3	3	2
School administrative services	53	51	35	35	35	34	35	35	35	38
Business administrative services	1	1	19	19	19	18	18	18	18	16
Plant operations and maintenance	79	82	86	85	82	82	84	85	86	85
Pupil transportation	23	13	26	24	32	33	34	39	34	63
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	44	33	29	28	26	26	24	-	-	-
Total	912	860	801	796	829	837	844	842	837	858

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 ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2008	4,694	96,820,294	20,626	17.39%	534	10.:1	10.0:8	11.0:2	4,667	4,463	1.00%	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	0.71%	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	1.40%	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	2.30%	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	2.50%	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	0.19%	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%
2018	5,057	114,500,636	22,642	8.09%	536	10.1:1	9.7:1	11.2:1	5,057	4,776	-2.71%	94.44%

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

	<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>	<u>2018</u>
<u>District Building</u>										
<u>Early Learning Center</u>										
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										
<u>Elementary</u>										
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 ^a										
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										

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Morris School District
 School Building Information
 Last Ten Fiscal Years
Unaudited

Exhibit J-18

	<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>	<u>2018</u>
<u>District Building</u>										
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										
<u>Middle School</u>										
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										
<u>High School</u>										
Morristown (1928)										
Square Feet	415,631	415,631	415,631	415,631	415,631	415,631	415,631	439,631	439,631	439,631
Capacity (students)	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,952	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, 2018										
Early Learning Center = 1										
Elementary = 7										
Middle School = 1										
High School = 1										

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Source: District records, ASSA

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

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)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Morristown High	N/A	875,691	\$ 687,569	\$ 525,289	\$ 756,167	\$ 565,937	\$ 513,709	\$ 697,495	\$ 639,642	\$ 601,429	\$ 572,243
Alexander Hamilton	N/A	153,872	159,529	179,087	120,916	129,662	120,494	121,110	173,975	114,799	153,071
Alfred Vail	N/A	130,772	90,029	153,754	141,462	75,124	123,806	73,822	128,526	195,826	219,208
Frelinghuysen	N/A	262,244	253,709	428,258	309,925	231,782	216,145	186,878	217,936	188,806	229,456
Lafayette Learning Center	N/A	170,310	120,715	117,114	85,746	84,516	79,898	89,984	49,955	74,719	189,286
Hillcrest	N/A	92,657	128,949	91,097	145,466	196,806	104,935	169,749	90,187	111,705	103,819
Normandy Park	N/A	68,039	74,802	78,049	121,527	104,759	74,866	89,131	103,184	80,565	90,954
Sussex Avenue	N/A	79,568	110,597	70,432	87,518	74,489	80,133	92,090	99,063	73,491	133,583
Thomas Jefferson	N/A	132,744	77,014	69,863	121,654	104,528	110,188	124,690	109,277	115,355	86,020
Woodland Avenue	N/A	53,161	118,030	122,037	96,666	78,257	80,938	99,813	68,662	69,120	184,611
Total School Facilities		\$ 2,019,058	\$ 1,820,943	\$ 1,834,980	\$ 1,987,047	\$ 1,645,860	\$ 1,505,112	\$ 1,744,762	\$ 1,680,407	\$ 1,625,815	\$ 1,962,251

*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, 2018
 UNAUDITED

Company	Type of Coverage	Coverage	Deductible
School Alliance Insurance Fund	Property/Inland Marine & Crime Bldgs/ Cts. All Locations	\$213,127,263	
	See Policy for Additional Limits & Inland marine, and fringes		
	Employee Fidelity	500,000	\$1,000
	Computer & Fund Transfer Fraud	500,000	\$1,000
	Depositors Forgery & Alteration	500,000	\$1,000
School Alliance Insurance Fund	Automobile Insurance on all vehicles		
	BI/PD Each Occurrence Liability Limit	15,000,000	
	Medical Payments Physical Damage	10,000 Private Pass/5,000 All Others Comprehensive/Collision	\$1,000/\$1,000
School Alliance Insurance Fund	General Liability -		
	BI/PD Each Occurrence Liability Limit	15,000,000	nil
	Aggregate (when applicable)	15,000,000	nil
School Alliance Insurance Fund	School Package Policy	500,000,000 Occurrence	
	Building & Personal Property		2,500.00
	Auto Physical Damage		1,000.00
	General Liability including Auto, Employee	5,000,000	
	Benefits		
	Each Occurrence		
	General Aggregate	100,000,000 Fund Agg.	
	Product/Completed Ops		
	Personal Injury		
	Fire Damage	2,500,000	
	Medical Expenses	10,000	
	(excluding students taking part in athletics)		
	Automobile Coverage		
	Combined Single Limit		
	Hired/Non-owned		
	Security Guard Liability		
	Environmental Impairment Liability	1,000,000/25,000,000 Fund Agg.	10,000
		First party Fungi & Legionella	100,000
		Third party Fungi & Legionella	50,000
	Crime Coverage	50,000 Inside/Outside	1,000
	Blanket Dishonesty Bond	500,000	1,000
Boiler & Machinery	100,000,000	2,500	
Excess Liability (AL/GL)	10,000,000		
Cyber Liability	2,000,000 per Occurrence/Agg	10,000	
NJ School Insurance Group	Workmen's Compensation		
	Coverage A	Statutory	
	Coverage B (Employer Liability)	2,000,000	

MORRIS SCHOOL DISTRICT
 INSURANCE SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 UNAUDITED

Company	Type of Coverage	Coverage	Deductible
Bollinger Specialty Group	Student Accident Insurance (Includes Athletes)	(Excess of Parents coverage) \$5,000,000	
	Catastrophe Cash option	\$1,000,000	
School Alliance Insurance Fund	School Board Legal Liability including Employment Practices Liability Liability Limit/aggregate limit Claims Made basis	5,000,000	10,000
NJ School Insurance Group	Blanket/Public Official Fidelity Bond		
	Board Sec/Assist B.A.	420,000	1,000
	Assist Bd Sec	200,000	1,000
Fireman's Fund Indemnity Corp	Catastrophe Excess Liability Occurrence Limit (BI & PD)	50,000,000 (shared limits) 100,000,000 agg for 2 school group	1,000,000
National Flood Program Selective Insurance	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-Frelinghuysen 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

Source: District Records

SINGLE AUDIT SECTION

SECTION – K

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 25, 2019.

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 January 25, 2019.

Purpose of this Report

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



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



Robert S. Morrison
Public School Accountant
PSA # 871

Highland Park, New Jersey
January 25, 2019

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**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, 2018. 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, 2018.

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 or any other purposes.

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
January 25, 2019

MORRIS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2017	DUE TO GRANTOR JUNE 30, 2017	ADJUSTMENTS	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAY. PR. YRS. BALANCES	BALANCE JUNE 30, 2018 ACCOUNTS RECEIVABLE
U.S. Department of Agriculture												
Passed-through NJDOE:												
Enterprise Fund:												
Child Nutrition Cluster												
Food Distribution Program	10.569	181NJ824Y8105	N/A	07/01/17-06/30/18	\$ 149,150	\$ -	\$ -	\$ -	\$ 149,150	(149,150)	\$ -	\$ -
School Breakfast Program	10.553	181NJ304N1099	N/A	07/01/17-06/30/18	241,217				189,365	(241,217)		(51,852)
School Breakfast Program	10.553	16161NJ304N1099	N/A	07/01/16-06/30/17	276,985	(57,059)			57,059			-
National School Lunch Program	10.555	181NJ304N1099	N/A	07/01/17-06/30/18	712,506				565,563	(712,506)		(146,943)
National School Lunch Program	10.555	16161NJ304N1099	N/A	07/01/16-06/30/17	740,872	(147,076)			147,076			-
Total Enterprise Fund						(204,135)	-	-	1,108,213	(1,102,873)	-	(198,795)
U.S. Department of Education												
Passed-through NJDOE:												
General Fund:												
Special Education Medicaide Initiative (SEMI)	93.778	1805NJ5MAP	N/A	07/01/17-06/30/18	133,640				133,640	(133,640)		-
Impact Aid	84.041		N/A	07/01/17-06/30/18	12,222	-			12,222	(12,222)		-
Total General Fund						-	-	-	145,862	(145,862)	-	-
U.S. Department of Education												
Passed-through NJDOE:												
Special Revenue Fund												
Title I Cluster:												
Title I, Part A	84.010	S010A170030	ESEA-18	07/01/17-06/30/18	619,629	(186,621)			397,517	(586,460)		(375,564)
Title I, Distinguished School	84.010	S010A170030	ESEA-18	07/01/17-06/30/18	10,000	-			10,000	(9,324)		676
Title I Part D	84.013	S013A170030	ESEA-18	07/01/17-06/30/18	67,222	(17,583)			43,842	(67,222)		(40,963)
Total Title I						(204,204)	-	-	451,359	(663,006)	-	(415,851)
Special Education Cluster:												
I.D.E.A. Part B, Full-time	84.027	H027A170100	IDEA-18	07/01/17-06/30/18	1,827,270	(202,206)			1,005,062	(1,686,088)		(883,232)
I.D.E.A. Part B, Preschool	84.173	H173A170114	IDEA-18	07/01/17-06/30/18	50,461	-			50,461	(50,461)		-
Total Special Education Cluster						(202,206)	-	-	1,055,523	(1,736,549)	-	(883,232)
Title II Part A	84.367	S367B160029	ESEA-18	07/01/17-06/30/18	163,972	(45,341)			82,124	(92,827)		(56,044)
Total Title II						(45,341)	-	-	82,124	(92,827)	-	(56,044)
Title III	84.365	S365A170030	ESEA-18	07/01/17-06/30/18	156,295	(52,973)			90,333	(108,077)		(70,717)
Title III - Immigrant	84.365	S365A170030	ESEA-18	07/01/17-06/30/18	32,843	(8,699)			21,528	(32,843)		(20,014)
Total Title III						(61,672)	-	-	111,861	(140,920)	-	(90,731)
Title IV Part A	84.424	S424A170031	ESEA-18	07/01/17-06/30/18	6,928				3,072	(5,087)		(2,015)
Total Title IV Part A									3,072	(5,087)		(2,015)
Career Academy	84.048	V048A140030	N/A	07/01/09-06/30/10		(3,985)						(3,985)
Vocational Education:												
Secondary(Carl Perkins)	84.048	V048A170030	PERK-18	07/01/17-06/30/18	37,936	(2,289)			25,975	(32,028)		(8,342)
Total Carl Perkins						(2,289)	-	-	25,975	(32,028)	-	(8,342)
Total Special Revenue Fund						(519,697)	-	-	1,729,914	(2,670,417)	-	(1,460,200)
Total Federal Financial Assistance						\$ (723,832)	\$ -	\$ -	\$ 2,983,989	\$ (3,919,152)	\$ -	\$ (1,656,995)

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, 2018

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2017		CASH RECEIVED	BUDGETARY EXPEND	ADJU/ REPAY. PR. YRS. BALANCES	BALANCE JUNE 30, 2018			MEMO CUMULATIVE TOTAL EXPENDITURES	
				DEF REVENUE/ (ACCTS. REC.)	DUE TO GRANTOR				(ACCTS. REC.)	DUE TO GRANTOR	BUDGETARY RECEIVABLE		
State Department of Education:													
General Fund:													
Categorical Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	\$ 1,581,555	\$	\$	\$ 1,424,278	(1,581,555)	\$	\$	\$	\$	(157,277)	\$ (1,581,555)
Categorical Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	1,581,555	(158,151)		158,151							-
Categorical Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	3,011,567			2,717,808	(3,011,567)					(293,759)	(3,011,567)
Categorical Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	2,977,010	(302,720)		302,720							-
Categorical Security Aid	18-495-034-5120-084	7/1/17-6/30/18	755,191			680,093	(755,191)					(75,098)	(755,191)
Categorical Security Aid	17-495-034-5120-084	7/1/16-6/30/17	755,191	(75,511)		75,511							-
School Choice Aid	18-495-034-5120-068	7/1/17-6/30/18	723,024			651,127	(723,024)					(71,897)	(723,024)
School Choice Aid	17-495-034-5120-068	7/1/16-6/30/17	723,024	(72,306)		72,306							-
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	252,972			196,360	(252,972)					(56,612)	(252,972)
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	252,972	(25,290)		25,290							-
Additional Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	316,323			316,323	(316,323)					-	(316,323)
Additional Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	316,323	(31,635)		31,635							-
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	49,610			44,673	(49,610)					(4,937)	(49,610)
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	49,610	(4,969)		4,969							-
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	49,610			44,673	(49,610)					(4,937)	(49,610)
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	49,610	(4,969)		4,969							-
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	51,460			46,348	(51,460)					(5,112)	(51,460)
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	51,460	(5,146)		5,146							-
Host District Support Aid	18-495-034-5120-102	7/1/17-6/30/18	44,132			39,727	(44,132)					(4,405)	(44,132)
Host District Support Aid	17-495-034-5120-102	7/1/16-6/30/17	43,795	(4,375)		4,375							-
Non-public Transportation Aid	18-495-034-5120-078	7/1/17-6/30/18	141,928			78,047	(141,928)			(141,928)			(141,928)
Non-public Transportation Aid	17-495-034-5120-078	7/1/16-6/30/17	78,047	(78,047)		78,047							-
Lead Testing for Schools	18-495-034-5120-104	7/1/17-6/30/18	48,768			48,768	(48,768)						(48,768)
Extraordinary Aid	18-495-034-5120-044	7/1/17-6/30/18	1,710,727			1,710,727	(1,710,727)					(1,710,727)	(1,710,727)
Extraordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	1,580,253	(1,580,253)		1,580,253							-
Homeless Tuton Reimbursemnt	18-495-034-5120-005	7/1/17-6/30/18	27,657			27,291	(27,657)			(27,657)			(27,657)
Homeless Tuton Reimbursemnt	17-495-034-5120-005	7/1/16-6/30/17	27,291	(27,291)		27,291							-
T.P.A.F. Social Security Aid	18-495-034-5094-003	7/1/17-6/30/18	3,056,868			3,056,841	(3,056,868)			(27)			(3,056,868)
T.P.A.F. Pension Contribution	18-495-034-5094-002	7/1/17-6/30/18	5,778,086			5,778,086	(5,778,086)						(5,778,086)
T.P.A.F. Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	140,220			140,220	(140,220)						(140,220)
T.P.A.F. Non-Contributory Insurance - LTDI	18-495-034-5094-004	7/1/17-6/30/18	10,560			10,560	(10,560)						(10,560)
T.P.A.F. Post Retirement Medical Contribution	18-495-034-5094-001	7/1/17-6/30/18	3,822,508			3,822,508	(3,822,508)						(3,822,508)
Total General Fund				(2,370,663)		21,389,056	(21,572,766)			(169,612)		(2,384,761)	(21,572,766)
Debt Service Fund:													
Debt Service Aid (Chapter 74)	18-495-034-5120-017	7/1/17-6/30/18	179,493			179,493	(179,493)						(179,493)
Total Debt Service Fund						179,493	(179,493)						(179,493)
Special Revenue Fund:													
N.J. Nonpublic Aid:													
Textbook Aid	18-100-034-5120-064	7/1/17-6/30/18	144,017			144,017	(106,134)				37,883		(106,134)
Textbook Aid	17-100-034-5120-064	7/1/16-6/30/17	113,609			1,689		1,689					-
Auxiliary Services:													
Compensatory	18-100-034-5120-067	7/1/17-6/30/18	68,210			68,210	(49,253)				18,957		(49,253)
Compensatory	17-100-034-5120-067	7/1/16-6/30/17	77,039		30,816			30,816					-
ESL	18-100-034-5120-067	7/1/17-6/30/18	1,084			1,084	(903)				181		(903)
Home Instruction	18-100-034-5120-067	7/1/17-6/30/18	11,176			4,477	(11,176)			(11,176)			(11,176)
Home Instruction	17-100-034-5120-067	7/1/16-6/30/17	4,477	(4,477)		4,477							-
Handicapped Services:													
Supplementary Instruction	18-100-034-5120-066	7/1/17-6/30/18	52,255			52,255	(50,432)				1,823		(50,432)
Supplementary Instruction	17-100-034-5120-066	7/1/16-6/30/17	48,181		2,747			2,747					-
Examination & Classification	18-100-034-5120-066	7/1/17-6/30/18	89,735			89,735	(88,405)				1,330		(88,405)
Examination & Classification	17-100-034-5120-066	7/1/16-6/30/17	88,433		2,520			2,520					-
Corrective Speech	18-100-034-5120-066	7/1/17-6/30/18	66,067			66,067	(43,926)				22,141		(43,926)
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	54,424		3,976			3,976					-
Nursing Services	18-100-034-5120-070	7/1/17-6/30/18	255,595			255,595	(249,581)				6,014		(249,581)
Nursing Services	17-100-034-5120-070	7/1/16-6/30/17	228,960										-
Technology Initiative Aid	18-100-034-5120-373	7/1/17-6/30/18	97,273			97,273	(94,383)				2,890		(94,383)

MORRIS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2017		CASH RECEIVED	BUDGETARY EXPEND.	ADJU/ REPAY. PR. YRS. BALANCES	BALANCE JUNE 30, 2018		MEMO CUMULATIVE TOTAL EXPENDITURES	
				DEF. REVENUE/ (ACCTS. REC.)	DUE TO GRANTOR				(ACCTS. REC.)	DUE TO GRANTOR		
Technology Initiative Aid	17-100-034-5120-373	7/1/16-6/30/17	66,066									
Security Aid	18-100-034-5120-509	7/1/17-6/30/18	197,625			197,625	(163,277)		34,348		(163,277)	
Security Aid	17-100-034-5120-509	7/1/16-6/30/17	127,200		322			322				
Preschool Aid	18-495-034-5120-086	7/1/17-6/30/18	234,300			234,300	(234,300)				(234,300)	
Total Special Revenue Fund				(4,477)	42,070	1,210,638	(1,091,770)	42,070	(11,176)	125,567	(1,091,770)	
National School Lunch Prog. (State Share)	18-100-010-3350-023	7/1/17-6/30/18	16,646			13,208	(16,646)		(3,438)		(16,646)	
Lunch Prog. (State Share)	17-100-010-3350-023	7/1/16-6/30/17	16,494	(3,248)		3,248						
Total Enterprise Fund				(3,248)		16,456	(16,646)		(3,438)		(16,646)	
Capital Projects Fund:												
Schools Development Agency	3385-050-13-G2HB	unspecified	129,884	(129,884)					(129,884)			
Schools Development Agency	3385-060-14-G2XH	unspecified	12,057	(12,057)					(12,057)			
Schools Development Agency	3385-050-14-G2HC	unspecified	288,200				(288,200)		(288,200)			
Schools Development Agency	3385-060-13-G2XG	unspecified	374,503	(374,503)					(374,503)			
Schools Development Agency	3385-105-13-G2HD	unspecified	24,831	(24,831)					(24,831)			
Capital Projects Fund				(541,275)			(288,200)		(829,475)			
Total State Financial Assistance				\$ (2,919,663)	\$ 42,070	\$ 22,795,643	\$ (23,148,875)	\$ 42,070	\$ (1,013,701)	\$ 125,567	\$ (2,384,761)	\$ (22,860,675)
Less:												
TPAF Post Retirement Medical							3,822,508					
TPAF Pension Contribution							5,778,086					
TPAF Non-Contributory Pension Insurance							150,780					
							\$ (13,397,501)					

Note: See Accompanying Notes to Schedules of Financial Assistance.

MORRIS SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2018

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 2017-2018 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, 2018

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$126,085 for the general 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 basics financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$145,861	\$21,453,320	\$21,599,181
Special Revenue Fund	2,670,416	1,091,770	3,762,186
Capital Projects Fund		829,475	829,475
Debt Service Fund		179,493	179,493
Food Service Fund	<u>1,102,873</u>	<u>16,646</u>	<u>1,119,519</u>
Total Awards & Financial Assistance	<u>\$3,919,150</u>	<u>\$23,570,704</u>	<u>\$27,489,854</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, 2018. 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, 2018.

MORRIS SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal Control over financial reporting:

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

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

Noncompliance material to basic financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:

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

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? _____ X Yes _____ No

MORRIS SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section I - 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
18-495-034-5120-089	State Aid Cluster
18-495-034-5120-084	Categorical Special Education Aid
18-495-034-5120-068	Categorical Security Aid
18-495-034-5120-085	School Choice Aid
18-495-034-5120-085	Adjustment Aid
18-495-034-5120-097	Additional Adjustment Aid
18-495-034-5120-098	Per Pupil Growth Aid
18-495-034-5120-101	PARCC Readiness Aid
18-495-034-5120-102	Professional Learning Community Aid
	Host District Support Aid
18-495-034-5120-044	Extraordinary Aid

MORRIS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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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, 2018

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.