

**SCHOOL DISTRICT  
OF  
MORRIS HILLS REGIONAL**

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

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2011**

**Comprehensive Annual  
Financial Report**

**of the**

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

**Denville, New Jersey**

**For the Fiscal Year Ended June 30, 2011**

**Prepared by**

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

**Business Office**

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**INTRODUCTORY SECTION**

# MORRIS HILLS REGIONAL DISTRICT

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BOARD SECRETARY  
JOANN GILMAN  
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(973) 664-2209

November 11, 2011

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

Dear Board Members:

The comprehensive annual financial report of the Morris Hills Regional School District (the "District") for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The Morris Hills Regional School District is a comprehensive educational organization that provides academic, technological, and vocational programs for grades 9, 10, 11 and 12 as well as adult programs. In addition to these services, the District provides an extensive special education program for approximately 474 students, 87.8% of which are serviced in the District. The District enrollment as of June 30, 2011 was 2,779 students, compared to 2,862 students as of June 30, 2010. Adult school enrollment was 129 students, a decrease of 6 students from the previous year.

SERVING STUDENTS FROM DENVILLE, ROCKAWAY BOROUGH, ROCKAWAY TOWNSHIP AND WHARTON  
AWARD WINNING SCHOOL DISTRICT

UNITED STATES DEPARTMENT OF EDUCATION BLUE RIBBON FINALIST - NEW JERSEY DEPARTMENT OF EDUCATION STAR SCHOOLS - NEW JERSEY DEPARTMENT OF EDUCATION  
BEST PRACTICES - REDBOOK MAGAZINE "OVERALL EXCELLENCE" AMERICA'S BEST SCHOOLS - NEW JERSEY TECHNOLOGY PROGRAM OF THE YEAR

The Honorable President and Members of  
the Board of Education  
Morris Hills Regional School District  
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<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-2011	2,799.0	-2.20%
2009-2010	2,862.0	5.00%
2008-2009	2,725.6	1.50%
2007-2008	2,685.2	-1.13%
2006-2007	2,716.0	0.89%

The District also operates an Adult High School. The following details enrollment over the last five years:

<u>Fiscal Year</u>	<u>Enrollment - October District Count</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-2011	129.0	-4.44%
2009-2010	135.0	-1.46%
2008-2009	137.0	-30.10%
2007-2008	196.0	-0.51%

**2) ECONOMIC CONDITION AND OUTLOOK:** The municipalities of Denville Township and Rockaway Township are experiencing a period of moderate development and expansion which is expected to continue while the municipalities of Rockaway Borough and Wharton Borough are experiencing a modest period of development and expansion. The overall outlook for all these municipalities is for an increasing number of businesses relocating to the area, resulting in an increase in the employment level. This should result in an increased tax base, both industrial and residential, and a continued increase in enrollment in the Morris Hills Regional School District. This expansion is expected to continue at its present rate which suggests that these areas will continue to prosper. There are several major residential developments either in the planning stages or being constructed.

**3) MAJOR INITIATIVES:** The District has adopted its major goals for a new ten year educational plan for the year 2020. The District wants to be able to focus all of its human and fiscal resources on five long-range goals that will bring the very best in educational experiences for our students.

Next year we begin our twelfth full year as host to the Morris County Academy for Math, Science and Engineering. The enrollment in this program for 2010-11 is 88 and is expected to continue to increase in 2011-12. In 2009-2010, we began two new programs, IB and the Magnet for Math and Science. These programs saw a combined enrollment of 85 students with a projection of 125 for the 2010-11 school year. We continue to purchase computers at the rate of 275 per year to facilitate our commitment to technology. We recycle older machines to less sophisticated classes and the District now has more than 1,200 computers for student use.

Finally, we are cooperating with local law enforcement in a program entitled "Safe Schools." This program provides a daily police presence at Morris Hills and Morris Knolls by local police. This is an interactive/proactive plan that brings police and teens together in a common atmosphere to work toward an improved rapport, both in school and in the communities. It is hoped that this relationship will provide a safe school experience for all our students by enabling police to become aware of possible situations that could be devastating to the school and/or the community.

The Honorable President and Members of  
the Board of Education  
Morris Hills Regional School District  
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November 11, 2011

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

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

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

**5) BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2011.

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

**7) DEBT ADMINISTRATION:** At June 30, 2011, the District had \$36,057,000 in outstanding bonds payable. Additional information regarding the District's debt is contained in the "Notes to the Basic Financial Statements", Note 8.

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

The Honorable President and Members of  
 the Board of Education  
 Morris Hills Regional School District  
 Page 4  
 November 11, 2011

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

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

**10) OTHER INFORMATION:** Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board of Education at its last organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

**11) ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Morris Hills Regional School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,

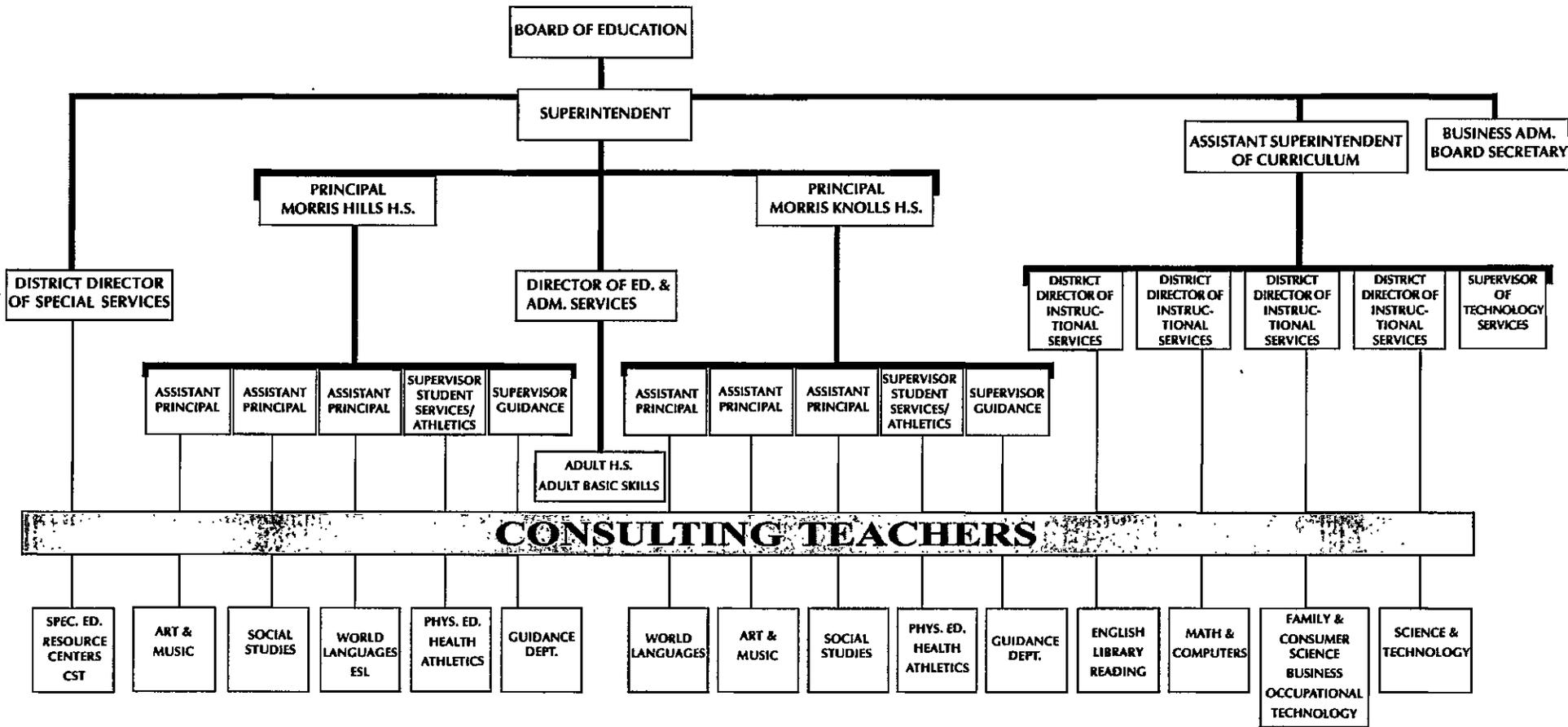


James Jencarelli  
 Superintendent

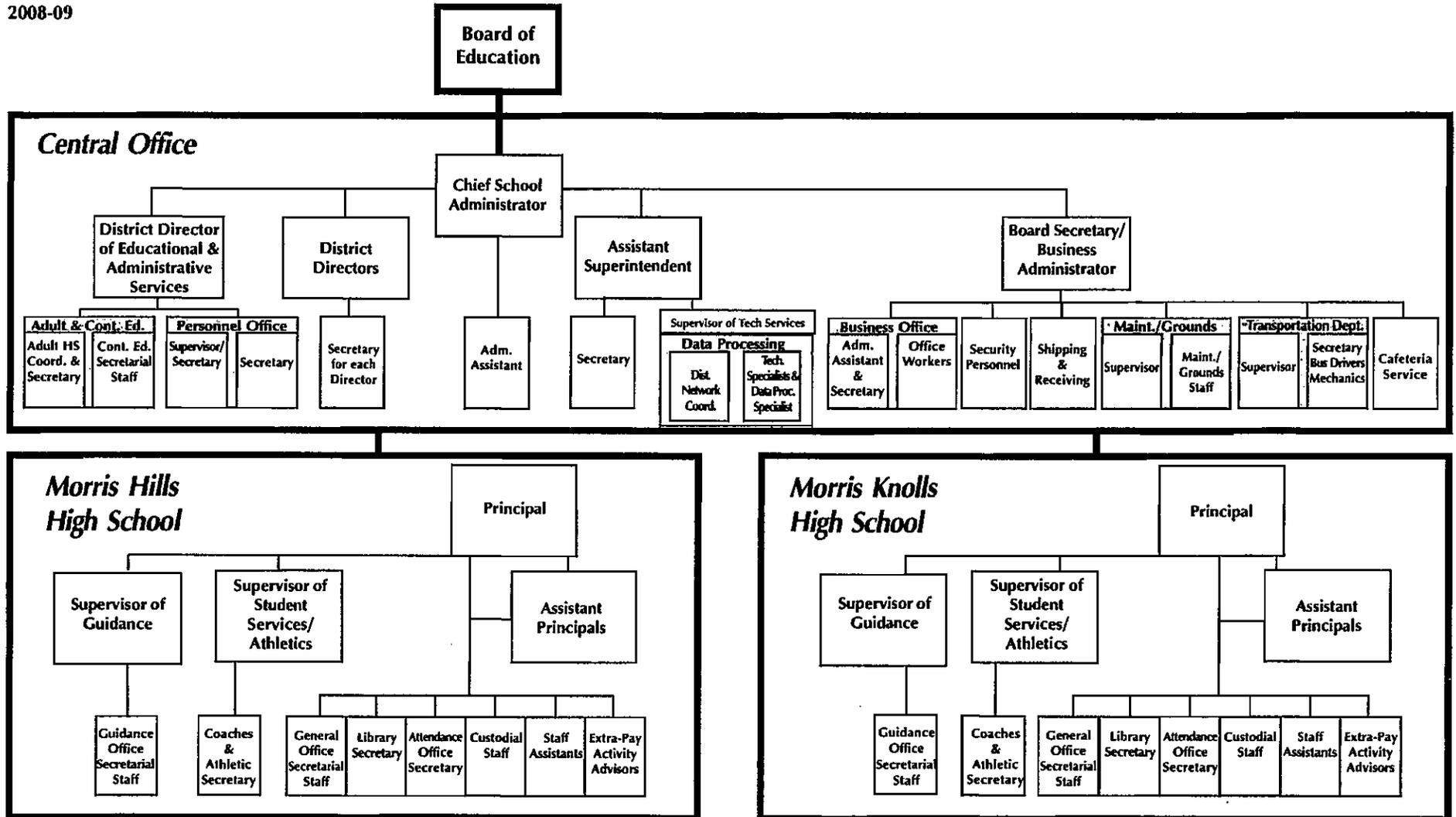


Joann Gilman  
 Board Secretary/Business Administrator

**MORRIS HILLS REGIONAL DISTRICT  
 ORGANIZATIONAL CHART - CERTIFIED STAFF  
 2008-09**



MORRIS HILLS REGIONAL DISTRICT  
 ORGANIZATIONAL CHART - SUPPORT STAFF  
 2008-09



**MORRIS HILLS REGIONAL SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Paula Gilbert, President	2013
Roger A. Schneider, Vice President	2014
Michael Collins	2012
Robert Crocetti, Jr.	2014
Mark DiGennaro	2012
Debra J. Erwine	2012
Thomas G. Greulich	2013
Barbara C. Guerra	2013
Steven Kovacs	2014

Other OfficialsTitle

James J. Jencarelli	Superintendent of Schools
Dr. Nisha Zoeller	Assistant Superintendent of Schools
Joann Gilman	Board Secretary/School Business Administrator
Dr. Brian Bulger	Director of Educational and Administrative Services
Anne Marie Hopler	Treasurer
Monica E. Peck	Board Attorney

**MORRIS HILLS REGIONAL SCHOOL DISTRICT  
Consultants and Advisors**

**Attorney**

Monica E. Peck, Esq.  
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**Audit Firm**

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Mount Arlington, NJ 07856-1320

**Official Depository**

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Rockaway, NJ 07866

**FINANCIAL SECTION**



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### Independent Auditors' Report

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

We have audited 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 Hills Regional School District in the County of Morris as of and for the fiscal year ended June 30, 2011 which collectively comprise the District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Division of Finance and Regulatory Compliance, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to 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 Board of Education of the Morris Hills Regional School District in the County of Morris as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011 on our consideration of the Board of Education of the Morris Hills Regional 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 an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis Section and Budgetary Comparison Information on Exhibits C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Morris Hills Regional School District's basic financial statements. The accompanying introductory section, supplementary schedules, such as the combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, supplementary schedules, and the schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken 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 express no opinion on them.

*Nisivoccia, LLP*

Mount Arlington, New Jersey  
November 11, 2011

NISIVOCCIA, LLP

*Kathryn L. Mantell*

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

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

This section of Morris Hills Regional School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's basic financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* adopted in June, 1999. Certain comparative information between the current year (2010-2011) and the prior year (2009-2010) is required to be presented in the MD&A.

### **Financial Highlights**

- The District's net assets have been directly affected in recent years by legislation titled "S1701" which restricts the District's unassigned fund balance to 2% of adjusted expenditures.
- Overall revenue was \$65,155,226 for the fiscal year.
- Overall expenditures were \$64,125,679 for the fiscal year.

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

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

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

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

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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

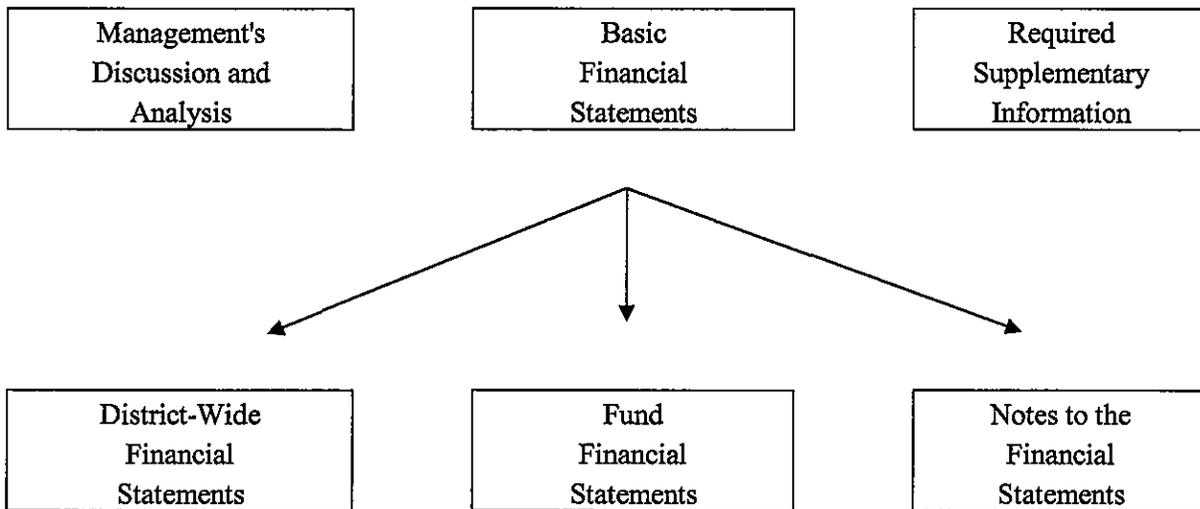


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

Figure A-2

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

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

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

### **District-wide Statements**

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

The two District-wide statements report the District's net assets and how they have changed. Net assets – 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 assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**Fund Financial Statements**

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

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

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

*Net Assets.* The District's *combined* net assets were \$10,240,556 on June 30, 2011, \$1,029,547 or 11.18% more than they were the year before (See Figure A-3). Net assets invested in capital assets decreased by \$27,560 due to a \$1,355,400 capital lease issued, and \$2,572,893 and \$34,757 of depreciation related to governmental and business-type capital assets, respectively, offset by \$2,575,844 of capitalized expenditures and the retirement of \$1,270,000 of bonded debt and \$89,646 of capital leases. Restricted net assets increased by \$327,060 which is comprised of capital projects revenue (SDA grants) of \$504,966, capital reserve deposits and interest of \$900,200, maintenance reserve deposits of \$200,000 and \$1,355,400 capital lease proceeds for the local share of capital projects, offset by \$2,249,765 in capital projects expenditures, a decrease in excess surplus of \$348,850, and a net decrease in debt service fund balance of \$34,891. Unrestricted net assets increased by \$730,047, primarily due to net increases in the operations of the governmental and proprietary enterprise funds, and decreases in excess surplus and compensated absences of \$348,850 and \$133,715, respectively, offset by increases to the capital and maintenance reserve accounts of \$900,200 and \$200,000, respectively, and accrued interest payable of \$31,683.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	Change 2010/11
Current and							
Other Assets	\$ 3,833,397	\$ 3,319,219	\$ 387,248	\$ 286,717	\$ 4,220,645	\$ 3,605,936	17.05%
Capital Assets	47,167,747	47,164,796	630,030	664,787	47,797,777	47,829,583	-0.07%
Total Assets	51,001,144	50,484,015	1,017,278	951,504	52,018,422	51,435,519	1.13%
Long-Term Debt							
Outstanding	40,607,672	40,745,633			40,607,672	40,745,633	-0.34%
Other Liabilities	1,086,484	1,302,552	83,710	176,325	1,170,194	1,478,877	-20.87%
Total Liabilities	41,694,156	42,048,185	83,710	176,325	41,777,866	42,224,510	-1.06%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	9,471,239	9,464,042	630,030	664,787	10,101,269	10,128,829	-0.27%
Restricted	2,343,855	2,016,795			2,343,855	2,016,795	16.22%
Unrestricted (Deficit)	(2,508,106)	(3,045,007)	303,538	110,392	(2,204,568)	(2,934,615)	24.88%
Total Net Assets	\$ 9,306,988	\$ 8,435,830	\$ 933,568	\$ 775,179	\$ 10,240,556	\$ 9,211,009	11.18%

*Changes in Net Assets.* The District's combined net assets increased by \$1,029,547, or 11.18%. Net assets from governmental activities increased \$871,158 while net assets from business-type activities increased by \$158,389 (See Figure A-4).

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	Change 2010/11
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services			\$ 3,040,956	\$ 2,018,461	\$ 3,040,956	\$ 2,018,461	50.66%
Grants and Contributions:							
Operating	\$ 5,894,275	\$ 7,924,101	218,410	185,914	6,112,685	8,110,015	-24.63%
Capital	636,162	173,080			636,162	173,080	267.55%
<b>General Revenue:</b>							
Property Taxes	51,230,767	49,379,902			51,230,767	49,379,902	3.75%
Unrestricted Federal and State Aid	3,771,122	4,011,895			3,771,122	4,011,895	-6.00%
Other	363,534	455,111		69,500	363,534	524,611	-30.70%
<b>Total Revenue</b>	<b>61,895,860</b>	<b>61,944,089</b>	<b>3,259,366</b>	<b>2,273,875</b>	<b>65,155,226</b>	<b>64,217,964</b>	<b>1.46%</b>
<b>Expenses:</b>							
Instruction	29,798,949	32,712,443			29,798,949	32,712,443	-8.91%
Pupil and Instruction Services	13,445,578	13,778,215			13,445,578	13,778,215	-2.41%
Administration and Business	4,001,760	4,753,630			4,001,760	4,753,630	-15.82%
Maintenance and Operations	5,482,109	5,413,917			5,482,109	5,413,917	1.26%
Transportation	4,115,382	3,713,188			4,115,382	3,713,188	10.83%
Other	4,180,924	4,278,804	3,100,977	2,198,255	7,281,901	6,477,059	12.43%
<b>Total Expenses</b>	<b>61,024,702</b>	<b>64,650,197</b>	<b>3,100,977</b>	<b>2,198,255</b>	<b>64,125,679</b>	<b>66,848,452</b>	<b>-4.07%</b>
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 871,158</b>	<b>\$ (2,706,108)</b>	<b>\$ 158,389</b>	<b>\$ 75,620</b>	<b>\$ 1,029,547</b>	<b>\$ (2,630,488)</b>	<b>139.14%</b>

*Revenue Sources.* The District's total revenue for the 2010/11 school year was \$65,155,226 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$51,230,767 of the total, or 78.63 percent (See Figure A-5). The remaining 21.37 percent of revenue is comprised of 16.15 percent from state formula aid and federal and state categorical grants, 4.67 percent from charges for services and .55 percent from other miscellaneous sources. The \$4,520,090 of federal and state categorical grants revenue includes over \$1.67 million of funds that are not paid to the District, but are included in funding for Post Retirement Medical Benefits and Non-Contributory Insurance Contributions that the State of New Jersey is paying on behalf of the District. The Morris Hills Regional School District primarily conducts its operations from the revenue it receives from its local taxpayers and State Aid.

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**Figure A-5  
Sources of Revenue for Fiscal Year 2011 and 2010**

Sources of Income:	2010/11		2009/10	
	Amount	Percentage	Amount	Percentage
State Formula Aid	\$ 4,520,090	6.94%	\$ 5,928,414	9.23%
Property Taxes	51,230,767	78.63%	49,379,902	76.89%
Federal and State Categorical Grants	5,999,879	9.21%	6,366,576	9.92%
Charges for Services	3,040,956	4.67%	2,018,461	3.14%
Other	363,534	0.55%	524,611	0.82%
	<u>\$ 65,155,226</u>	<u>100.00%</u>	<u>\$ 64,217,964</u>	<u>100.00%</u>

The total cost of all programs and services was \$64,125,679. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (73.86 percent) (See Figure A-6). The District's administrative and business activities accounted for 6.24 percent of total costs. The most significant contributors to the cost of maintenance and operations were higher energy costs, including fuel, and insurance. It is important to note that other expenses include \$511,287 for special schools, \$2,220,671 unallocated depreciation, \$1,448,966 interest on long-term debt and \$3,100,977 for business-type activities.

**Figure A-6  
Expenses for Fiscal Year 2011 and 2010**

Expense Category:	2010/11		2009/10	
	Amount	Percentage	Amount	Percentage
Instruction	\$ 29,798,949	46.47%	\$ 32,712,443	48.94%
Pupil and Instruction Services	13,445,578	20.97%	13,778,215	20.61%
Administration and Business	4,001,760	6.24%	4,753,630	7.11%
Maintenance and Operations	5,482,109	8.55%	5,413,917	8.10%
Transportation	4,115,382	6.42%	3,713,188	5.55%
Other	7,281,901	11.35%	6,477,059	9.69%
	<u>\$ 64,125,679</u>	<u>100.00%</u>	<u>\$ 66,848,452</u>	<u>100.00%</u>

### Governmental Activities

The financial position of the District increased by 11% during the year and remains stable. Maintaining existing programs with increased enrollment, the provision of a multitude of special programs/services for disabled pupils and the cost of employee benefits has placed great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health. Increasing parental and student demands for new activities and programs must be evaluated thoroughly.

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

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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

	Total Cost of Services		Net Cost of Services	
	2010/2011	2009/2010	2010/2011	2009/2010
Instruction	\$ 29,798,949	\$ 32,712,443	\$25,291,291	\$27,144,957
Pupil and Instruction Services	13,445,578	13,778,215	12,303,298	12,480,661
Administration and Business	4,001,760	4,753,630	3,818,527	4,560,810
Maintenance and Operations	5,482,109	5,413,917	4,977,143	5,413,917
Transportation	4,115,382	3,713,188	3,995,361	2,839,535
Other	4,180,924	4,278,804	4,108,645	4,113,136
	<u>\$ 61,024,702</u>	<u>\$ 64,650,197</u>	<u>\$ 54,494,265</u>	<u>\$ 56,553,016</u>

- The cost of all governmental activities this year was \$61,024,702.
- The federal and state governments subsidized certain programs with grants and contributions (\$5,999,879).
- Most of the District's costs, however, were financed by District taxpayers (\$51,230,767).
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$4,520,090).
- The remainder of funding came from tuition, investment earnings and miscellaneous revenue (\$363,534).

**Business-Type Activities**

The net assets of the District's business-type activities increased by \$158,389 primarily due to the addition of the custodial services, special education services, technology services and transportation services funds, offset by a decrease in the net assets of the Academy for Technology (Refer to Figure A-4).

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

The District's financial condition has been directly affected in recent years by legislation titled "S1701" which reduced the amount of allowable General Fund unassigned fund balance to 2% of adjusted expenditures. The District had fund balance over the 2% limit in the amount of \$266,254 at June 30, 2004, \$455,394 at June 30, 2005, \$1,032,009 at June 30, 2006, and \$348,850 at June 30, 2009 which was appropriated as revenue in the District's budgets for the fiscal years ended June 30, 2006, 2007, 2008 and 2011. At June 30, 2011 the District's 2% limit is \$1,059,403 plus adjustments for additional State Aid of \$147,398, for a total of \$1,206,801 as allowable General Fund unassigned fund balance. The District appropriated \$400,000 of surplus as revenue in its 2011-2012 budget.

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

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**General Fund Budgetary Highlights**

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

**Capital Asset and Debt Administration**

**Figure A-8  
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	Change 2010/11
Sites (Land)	\$ 288,500	\$ 288,500			\$ 288,500	\$ 288,500	0.00%
Construction in Progress	2,608,293	567,148			2,608,293	567,148	359.90%
Buildings and Building Improvements	40,605,378	42,454,734			40,605,378	42,454,734	-4.36%
Land Improvements	1,719,796	1,947,460			1,719,796	1,947,460	-11.69%
Machinery & Equipment	1,945,780	1,906,954	\$ 630,030	\$ 664,787	2,575,810	2,571,741	0.16%
Total Capital Assets, Net of Depreciation	<u>\$ 47,167,747</u>	<u>\$ 47,164,796</u>	<u>\$ 630,030</u>	<u>\$ 664,787</u>	<u>\$ 47,797,777</u>	<u>\$ 47,829,583</u>	-0.07%

The District invested \$2,575,844 in capital assets (\$2,249,765 of capital projects expenditures associated with construction of renovations to the two high schools which was authorized by referendum and \$326,079 in capital outlay expenditures for equipment purchases) and incurred \$2,572,893 and \$34,757 of depreciation related to governmental and business-type capital assets, respectively. (More detailed information about the District's capital assets is presented in Note 6 to the Basic Financial Statements).

**Long-term Debt**

At year-end, the District had \$36,057,000 in general obligation bonds outstanding, \$2,911,164 in compensated absences payable and \$1,639,508 in capital leases payable as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 8 to the Basic Financial Statements).

**Figure A-9  
Outstanding Long-Term Debt**

	Total School District		Percentage
	2010/11	2009/10	Change 2010/11
General Obligation Bonds (Financed with Property Taxes)	\$ 36,057,000	\$ 37,327,000	-3.40%
Other Long-Term Liabilities	4,550,672	3,418,633	33.11%
	<u>\$ 40,607,672</u>	<u>\$ 40,745,633</u>	-0.34%

- A principal payment of \$1,270,000 on the District's general obligation bonds was made during the fiscal year.
- The District's liability for compensated absences decreased by the net amount of \$133,715.
- The District entered into a \$1,355,400 capital lease agreement for the local share of the Morris Knolls High School's roof replacement capital project and paid down \$89,646 of capital leases payable during the 2010-2011 fiscal year.

**Morris Hills Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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

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

- The labor unit contract agreement with the District's Custodial unit expired June 30, 2008 and has not been settled. The labor unit contract agreements with the District's Transportation, Teachers' and Administrators' bargaining units expire June 30, 2012, 2013 and 2014, respectively.
- Meeting the needs of increasing salary and health benefit costs have been major budget concerns to the District.
- Legislation titled S1701 and A-99, passed by the State in June 2004, required school districts to reduce unassigned fund balance in the General Fund to 2% of annual budget expenditures for the past three years. The law reduced the amount by which Districts could increase their budgets to 2.5% and imposed tight restrictions on their ability to transfer funds within the budget, from existing fund balance or from capital reserve. The District has been left with limited resources to fund unanticipated costs and future budgets. Legislation in 2010 has further restricted the allowable tax levy increase to 2%.

**Contacting the District's Financial Management**

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

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,318,191	\$ 298,949	\$ 1,617,140
Internal Balances	9,753	(9,753)	
Receivables from Federal Government	243,692	13,439	257,131
Receivables from State Government	730,916	872	731,788
Receivables - Other	279,405	76,688	356,093
Inventories		7,053	7,053
Restricted Assets:			
Capital Reserve Account - Cash	1,051,440		1,051,440
Maintenance Reserve Account - Cash	200,000		200,000
Capital Assets, Net:			
Sites (Land) and Construction in Progress	2,896,793		2,896,793
Depreciable Buildings and Building Improvements, Land Improvements, Machinery and Equipment	44,270,954	630,030	44,900,984
Total Assets	<u>51,001,144</u>	<u>1,017,278</u>	<u>52,018,422</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Payable to State Government	32,250		32,250
Accounts Payable	652,570	83,710	736,280
Accrued Interest Payable	401,664		401,664
Noncurrent Liabilities:			
Due Within One Year	1,657,611		1,657,611
Due Beyond One Year	38,950,061		38,950,061
Total Liabilities	<u>41,694,156</u>	<u>83,710</u>	<u>41,777,866</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	9,471,239	630,030	10,101,269
Restricted for:			
Capital Projects	2,133,110		2,133,110
Debt Service	10,745		10,745
Other Purposes	200,000		200,000
Unrestricted/(Deficit)	<u>(2,508,106)</u>	<u>303,538</u>	<u>(2,204,568)</u>
Total Net Assets	<u>\$ 9,306,988</u>	<u>\$ 933,568</u>	<u>\$ 10,240,556</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 22,132,245		\$ 1,950,476		\$ (20,181,769)		\$ (20,181,769)
Special Education	4,005,649		2,199,205		(1,806,444)		(1,806,444)
Other Special Instruction	760,974		83,135		(677,839)		(677,839)
Other Instruction	2,900,081		274,842		(2,625,239)		(2,625,239)
<b>Support Services:</b>							
Tuition	4,495,059				(4,495,059)		(4,495,059)
Student & Instruction Related Services	8,950,519		1,011,084	\$ 131,196	(7,808,239)		(7,808,239)
General Administration Services	797,148				(797,148)		(797,148)
School Administration Services	1,787,401		183,233		(1,604,168)		(1,604,168)
Central Services	1,080,776				(1,080,776)		(1,080,776)
Administrative Information Technology	336,435				(336,435)		(336,435)
Plant Operations and Maintenance	5,482,109			504,966	(4,977,143)		(4,977,143)
Pupil Transportation	4,115,382		120,021		(3,995,361)		(3,995,361)
Special Schools	511,287		72,279		(439,008)		(439,008)
Interest on Long-Term Debt	1,448,966				(1,448,966)		(1,448,966)
Unallocated Depreciation	2,220,671				(2,220,671)		(2,220,671)
<b>Total Governmental Activities</b>	<b>61,024,702</b>		<b>5,894,275</b>	<b>636,162</b>	<b>(54,494,265)</b>		<b>(54,494,265)</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
<b>Business-Type Activities:</b>						
Food Service	\$ 901,624	\$ 694,895	\$ 218,410		\$ 11,681	\$ 11,681
Academy for Technology	1,130,754	1,117,800			(12,954)	(12,954)
Adult Continuing Education	171,109	171,705			596	596
Custodial Services	348,834	372,958			24,124	24,124
Special Education Services	426,410	518,958			92,548	92,548
Technology Services	94,026	118,640			24,614	24,614
Transportation Services	28,220	46,000			17,780	17,780
<b>Total Business-Type Activities</b>	<b>3,100,977</b>	<b>3,040,956</b>	<b>218,410</b>		<b>158,389</b>	<b>158,389</b>
<b>Total Primary Government</b>	<b>\$ 64,125,679</b>	<b>\$ 3,040,956</b>	<b>\$ 6,112,685</b>	<b>\$ 636,162</b>	<b>\$ (54,494,265)</b>	<b>(54,335,876)</b>
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property Taxes, Levied for General Purposes, Net					48,539,727	48,539,727
Taxes Levied for Debt Service					2,691,040	2,691,040
Federal and State Aid Not Restricted					3,771,122	3,771,122
Tuition Charges					199,137	199,137
Investment Earnings					15,924	15,924
Miscellaneous Income					148,473	148,473
<b>Total General Revenues</b>					<b>55,365,423</b>	<b>55,365,423</b>
<b>Change in Net Assets</b>					<b>871,158</b>	<b>1,029,547</b>
<b>Net Assets - Beginning</b>					<b>8,435,830</b>	<b>9,211,009</b>
<b>Net Assets - Ending</b>					<b>\$ 9,306,988</b>	<b>\$ 10,240,556</b>

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

**FUND FINANCIAL STATEMENTS**

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 245,025		\$ 1,062,758	\$ 10,408	\$ 1,318,191
Interfund Receivable	167,654			337	167,991
Receivables from Federal Government	1,430	\$ 242,262			243,692
Receivables from State Government	730,916				730,916
Receivables - Other	260,156		19,249		279,405
Restricted Cash and Cash Equivalents	1,251,440				1,251,440
<b>Total Assets</b>	<b>\$ 2,656,621</b>	<b>\$ 242,262</b>	<b>\$ 1,082,007</b>	<b>\$ 10,745</b>	<b>\$ 3,991,635</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund Payable		\$ 157,901	\$ 337		\$ 158,238
Payable to State Government		32,250			32,250
Accounts Payable	\$ 600,459	52,111			652,570
<b>Total Liabilities</b>	<b>600,459</b>	<b>242,262</b>	<b>337</b>		<b>843,058</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Capital Reserve Account	1,051,440				1,051,440
Maintenance Reserve Account	200,000				200,000
Capital Projects Fund			496,331		496,331
Debt Service Fund				\$ 10,745	10,745
Committed			585,339		585,339
<b>Assigned:</b>					
Designated for Subsequent Year's Expenditures	400,000				400,000
Unassigned	404,722				404,722
<b>Total Fund Balances</b>	<b>2,056,162</b>	<b>- 0 -</b>	<b>1,081,670</b>	<b>10,745</b>	<b>3,148,577</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,656,621</b>	<b>\$ 242,262</b>	<b>\$ 1,082,007</b>	<b>\$ 10,745</b>	<b>\$ 3,991,635</b>

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

Total Fund Balances (Per Above)	\$ 3,148,577
Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds. The Cost of the assets is \$102,757,979 and the accumulated depreciation is \$55,590,232	47,167,747
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.	(40,607,672)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(401,664)
<b>Net Assets of Governmental Activities</b>	<b>\$ 9,306,988</b>

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

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 48,539,727			\$ 2,691,040	\$ 51,230,767
Tuition Charges	199,137				199,137
Miscellaneous	161,043		\$ 3,354		164,397
<b>Total - Local Sources</b>	<b>48,899,907</b>		<b>3,354</b>	<b>2,691,040</b>	<b>51,594,301</b>
State Sources	8,752,887	\$ 184,068	504,966		9,441,921
Federal Sources	5,477	854,161			859,638
<b>Total Revenues</b>	<b>57,658,271</b>	<b>1,038,229</b>	<b>508,320</b>	<b>2,691,040</b>	<b>61,895,860</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Regular Instruction	17,027,061				17,027,061
Special Education Instruction	2,596,963	538,213			3,135,176
Other Special Instruction	679,711				679,711
Other Instruction	2,626,925				2,626,925
<b>Support Services and Undistributed Costs:</b>					
Tuition	4,495,059				4,495,059
Student & Instruction Related Services	5,995,076	368,820			6,363,896
General Administration Services	835,474				835,474
School Administration Services	1,574,246				1,574,246
Central Services	840,518				840,518
Administrative Information Technology	273,944				273,944
Plant Operations and Maintenance	4,288,028				4,288,028
Pupil Transportation	3,120,105				3,120,105
Allocated Benefits	7,845,437				7,845,437
Unallocated Benefits	3,505,818				3,505,818

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>EXPENDITURES</b>					
Capital Outlay	\$ 316,199	\$ 131,196	\$ 2,249,765		\$ 2,697,160
Special Schools	451,488				451,488
Debt Service:					
Principal				\$ 1,270,000	1,270,000
Interest and Other Charges				1,459,285	1,459,285
<b>Total Expenditures</b>	<u>56,472,052</u>	<u>1,038,229</u>	<u>2,249,765</u>	<u>2,729,285</u>	<u>62,489,331</u>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<u>1,186,219</u>	<u>- 0 -</u>	<u>(1,741,445)</u>	<u>(38,245)</u>	<u>(593,471)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Capital Lease Proceeds			1,355,400		1,355,400
Transfers In				3,354	3,354
Transfers Out			(3,354)		(3,354)
<b>Total Other Financing Sources/(Uses)</b>	<u>- 0 -</u>	<u>- 0 -</u>	<u>1,352,046</u>	<u>3,354</u>	<u>1,355,400</u>
<b>Net Change in Fund Balances</b>	1,186,219	- 0 -	(389,399)	(34,891)	761,929
<b>Fund Balance—July 1</b>	<u>869,943</u>	<u>- 0 -</u>	<u>1,471,069</u>	<u>45,636</u>	<u>2,386,648</u>
<b>Fund Balance—June 30</b>	<u>\$ 2,056,162</u>	<u>\$ - 0 -</u>	<u>\$ 1,081,670</u>	<u>\$ 10,745</u>	<u>\$ 3,148,577</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ 761,929
Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differs from capital outlays.		
	Depreciation expense	\$ (2,572,893)
	Capital outlays	<u>2,575,844</u>
		2,951
Repayment of debt service 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.		1,270,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		(31,683)
Capital Leases entered into by the District are other financing sources in the Governmental Funds, but the acquisition increases Long-Term Liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.		(1,355,400)
Repayment of capital lease 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.		89,646
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		<u>133,715</u>
Change in Net Assets of Governmental Activities (Exhibit A-2)		<u>\$ 871,158</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2011

	Business-Type Activities - Enterprise Funds							
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	Totals
<b>ASSETS:</b>								
<b>Current Assets:</b>								
Cash and Cash Equivalents	\$ 182,908	\$ 6,619	\$ 16,583		\$ 62,545	\$ 17,114	\$ 13,180	\$ 298,949
Receivable from:								
Federal Government	13,439							13,439
State Government	872							872
Receivables - Other				\$ 34,585	30,003	7,500	4,600	76,688
Inventories	7,053							7,053
<b>Total Current Assets</b>	<b>204,272</b>	<b>6,619</b>	<b>16,583</b>	<b>34,585</b>	<b>92,548</b>	<b>24,614</b>	<b>17,780</b>	<b>397,001</b>
<b>Non-Current Assets:</b>								
Capital Assets	385,187	1,002,113						1,387,300
Less: Accumulated Depreciation	(322,752)	(434,518)						(757,270)
<b>Total Non-Current Assets</b>	<b>62,435</b>	<b>567,595</b>						<b>630,030</b>
<b>Total Assets</b>	<b>266,707</b>	<b>574,214</b>	<b>16,583</b>	<b>34,585</b>	<b>92,548</b>	<b>24,614</b>	<b>17,780</b>	<b>1,027,031</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2011

	Business-Type Activities - Enterprise Funds							Totals
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
<b>LIABILITIES:</b>								
Current Liabilities:								
Interfund Payable - General Fund				\$ 9,753				\$ 9,753
Accounts Payable	\$ 82,657		\$ 345	708				83,710
Total Current Liabilities	82,657		345	10,461				93,463
Total Liabilities	82,657		345	10,461				93,463
<b>NET ASSETS:</b>								
Investment in Capital Assets, Net of Related Debt	\$ 62,435	\$ 567,595						630,030
Unrestricted	121,615	6,619	\$ 16,238	24,124	\$ 92,548	\$ 24,614	\$ 17,780	303,538
Total Net Assets	\$ 184,050	\$ 574,214	\$ 16,238	\$ 24,124	\$ 92,548	\$ 24,614	\$ 17,780	\$ 933,568

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds							Total Enterprise
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
Operating Revenue:								
Charges for Services:								
Daily Sales:								
Reimbursable Programs	\$ 301,882							\$ 301,882
Non-Reimbursable Programs	375,482							375,482
Special Events	17,531							17,531
Tuition		\$1,117,800	\$ 171,705					1,289,505
Service Fees				\$ 372,958	\$ 518,958	\$ 118,640	\$ 46,000	1,056,556
<b>Total Operating Revenue</b>	<b>694,895</b>	<b>1,117,800</b>	<b>171,705</b>	<b>372,958</b>	<b>518,958</b>	<b>118,640</b>	<b>46,000</b>	<b>3,040,956</b>
Operating Expenses:								
Cost of Sales	302,760							302,760
Salaries	226,505	830,336	62,971	208,796	269,764	61,417	25,034	1,684,823
Payroll Taxes	31,715	30,447	2,858	16,062	294	5,228	1,915	88,519
Employee Benefits	147,527	162,372	13,470	86,834	51,889	27,381	1,271	490,744
Purchased Professional and Technical Services			63,841		104,000			167,841
Other Purchased Services		47,382	27,969					75,351
Purchased Property Services	93,679							93,679
Supplies and Materials	84,254	40,644		37,142				162,040
Other Objects					463			463
Depreciation Expense	15,184	19,573						34,757
<b>Total Operating Expenses</b>	<b>901,624</b>	<b>1,130,754</b>	<b>171,109</b>	<b>348,834</b>	<b>426,410</b>	<b>94,026</b>	<b>28,220</b>	<b>3,100,977</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Business-Type Activities - Enterprise Funds

	<u>Food Service</u>	<u>Academy for Technology</u>	<u>Adult Continuing Education</u>	<u>Custodial Services</u>	<u>Special Education Services</u>	<u>Technology Services</u>	<u>Transpor- tation Services</u>	<u>Total Enterprise</u>
Non-Operating Revenue:								
Federal Sources:								
School Breakfast Program	\$ 28,299							\$ 28,299
National School Lunch Program	153,243							153,243
Food Distribution Program	29,596							29,596
State Sources:								
School Lunch Program	6,913							6,913
School Lunch Program - Supplemental	359							359
<b>Total Non-Operating Revenue</b>	<b>218,410</b>							<b>218,410</b>
<b>Change in Net Assets</b>	<b>11,681</b>	<b>\$ (12,954)</b>	<b>\$ 596</b>	<b>\$ 24,124</b>	<b>\$ 92,548</b>	<b>\$ 24,614</b>	<b>\$ 17,780</b>	<b>158,389</b>
<b>Net Assets - Beginning of Year</b>	<b>172,369</b>	<b>587,168</b>	<b>15,642</b>					<b>775,179</b>
<b>Net Assets - End of Year</b>	<b>\$ 184,050</b>	<b>\$ 574,214</b>	<b>\$ 16,238</b>	<b>\$ 24,124</b>	<b>\$ 92,548</b>	<b>\$ 24,614</b>	<b>\$ 17,780</b>	<b>\$ 933,568</b>

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

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Business-Type Activities - Enterprise Funds							
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	Total Enterprise Funds
Cash Flows from Operating Activities:								
Receipts from Customers	\$ 694,895	\$ 1,229,580	\$ 173,768	\$ 338,373	\$ 488,955	\$ 111,140	\$ 41,400	\$ 3,078,111
Payments to Employees		(860,783)	(65,829)	(224,150)	(270,058)	(66,645)	(26,949)	(1,514,414)
Payments to Food Service Vendor	(828,397)							(828,397)
Payments to Suppliers	(6,666)	(362,178)	(107,626)	(114,223)	(156,352)	(27,381)	(1,271)	(775,697)
Net Cash Provided/(Used) by Operating Activities	(140,168)	6,619	313	- 0 -	62,545	17,114	13,180	(40,397)
Cash Flows from Noncapital Financing Activities:								
Federal	179,566							179,566
State	7,200							7,200
Net Cash Provided by Noncapital Financing Activities	186,766	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	186,766
Net Increase in Cash and Cash Equivalents	46,598	6,619	313	- 0 -	62,545	17,114	13,180	146,369
Cash and Cash Equivalents, July 1	136,310	- 0 -	16,270	- 0 -	- 0 -	- 0 -	- 0 -	152,580
Cash and Cash Equivalents, June 30	<u>\$ 182,908</u>	<u>\$ 6,619</u>	<u>\$ 16,583</u>	<u>\$ - 0 -</u>	<u>\$ 62,545</u>	<u>\$ 17,114</u>	<u>\$ 13,180</u>	<u>\$ 298,949</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds							Total Enterprise Funds
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
Provided (Used) by Operating Activities:								
Operating Income/(Loss)	\$ (206,729)	\$ (12,954)	\$ 596	\$ 24,124	\$ 92,548	\$ 24,614	\$ 17,780	\$ (60,021)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:								
Depreciation	15,184	19,573						34,757
Federal Food Distribution Program	29,596							29,596
Changes in Assets and Liabilities:								
(Increase)/Decrease in Other Receivables		111,780	2,063	(34,585)	(30,003)	(7,500)	(4,600)	37,155
(Increase)/Decrease in Inventory	978							978
Increase/(Decrease) in Accounts Payable	20,803		(2,346)	708				19,165
Increase/(Decrease) in Interfund Payable		(111,780)		9,753				(102,027)
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b><u>\$ (140,168)</u></b>	<b><u>\$ 6,619</u></b>	<b><u>\$ 313</u></b>	<b><u>\$ - 0 -</u></b>	<b><u>\$ 62,545</u></b>	<b><u>\$ 17,114</u></b>	<b><u>\$ 13,180</u></b>	<b><u>\$ (40,397)</u></b>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$29,596 for the fiscal year ended June 30, 2011.

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

Exhibit B-7

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 446,113	\$ 151,044	\$ 279,965
Total Assets	<u>446,113</u>	<u>151,044</u>	<u>279,965</u>
<b>LIABILITIES:</b>			
Payroll Deductions and Withholdings	6,514		
Due to Student Groups	<u>439,599</u>		
Total Liabilities	<u>446,113</u>	<u>- 0 -</u>	<u>- 0 -</u>
<b>NET ASSETS:</b>			
Held in Trust for:			
Unemployment Claims		151,044	
Scholarships			<u>279,965</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ 151,044</u>	<u>\$ 279,965</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:		
Contributions:		
Employee	\$ 78,668	
Other		\$ 46,038
Total Contributions	<u>78,668</u>	<u>46,038</u>
Investment Earnings:		
Interest	<u>80</u>	<u>919</u>
Net Investment Earnings	<u>80</u>	<u>919</u>
Total Additions	<u>78,748</u>	<u>46,957</u>
DEDUCTIONS:		
Unemployment Claims	61,072	
Scholarships Awarded		21,002
Total Deductions	<u>61,072</u>	<u>21,002</u>
Change in Net Assets	17,676	25,955
Net Assets - Beginning of the Year	<u>133,368</u>	<u>254,010</u>
Net Assets - End of the Year	<u>\$ 151,044</u>	<u>\$ 279,965</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary funds:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

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

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

Reports for the District's Enterprise Funds are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

D. Budgets/Budgetary Control:

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

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

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

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

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are realized in full on the budgetary basis when grants are awarded but recognized on the GAAP basis when they are expended and requested for reimbursement.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 57,374,403	\$ 1,066,531
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and revenue, whereas the GAAP Basis does not.		(28,302)
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes	668,885	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements	(385,017)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 57,658,271	\$ 1,038,229
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 56,472,052	\$ 1,066,531
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(28,302)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 56,472,052	\$ 1,038,229
	Capital Projects Fund	
	SDA Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (Exhibit F-1)	\$ - 0 -	\$ 1,533,912
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants are recognized as revenue on the budgetary basis when awarded but are recognized when expended and submitted for reimbursement on the GAAP Basis	504,966	(452,242)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (Exhibit B-2)	\$ 504,966	\$ 1,081,670

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

K. Capital Assets:

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

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

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

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

L. Long Term Liabilities:

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2011.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's various employee contracts and agreements. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the district-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due beyond one year.

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,056,162 General Fund balance at June 30, 2011, \$1,051,440 is restricted in the capital reserve account; \$200,000 is restricted in the maintenance reserve account; \$400,000 is assigned and included as anticipated revenue for the year ending June 30, 2012; and \$404,722 is unassigned which is \$385,017 less on the GAAP basis than the calculated maximum unassigned fund balance (budgetary basis) due to the June state aid payments which are not recognized until the fiscal year ended June 30, 2012.

Capital Projects Fund: Of the \$1,081,670 Capital Projects Fund balance at June 30, 2011, \$496,331 is restricted and \$585,339 is committed which is \$452,242 less on the GAAP basis due to SDA grants which have not yet been recognized.

Debt Service Fund: The Debt Service Fund balance at June 30, 2011 of \$10,745 is comprised of \$10,391 restricted and included as anticipated revenue for the year ending June 30, 2012; and \$354 is restricted and will be included as anticipated revenue for the year ending June 30, 2013.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended, the designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District did not have excess surplus at June 30, 2011.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$385,017 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event one or more state school aid payments are not made until the following school budget year, districts must record the June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund at June 30, 2011.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

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

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$400,000 assigned resources designated for subsequent year's expenditures in the General Fund at June 30, 2011.

R. Deficit Fund Balances/Net Assets:

The District had no deficit fund balances as of June 30, 2011; however, there was a \$2,508,106 deficit in net assets from governmental activities primarily due to the accrual of \$2,911,164 in compensated absences payable and \$401,664 in accrued interest payable, offset by General Fund assigned and unassigned fund balances. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

Credit Risk – The Board limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following two pages.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

Deposits:

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

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

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

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

Investments: (Cont'd)

- (7) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2011, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Maintenance Reserve Account</u>	<u>Total</u>
Checking and Savings Accounts	<u>\$ 2,494,262</u>	<u>\$ 1,051,440</u>	<u>\$ 200,000</u>	<u>\$ 3,745,702</u>

During the period ended June 30, 2011, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2011 was \$3,745,702 and the bank balance was \$5,425,219.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Board on September 25, 2000 by inclusion of \$1,000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1 (g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$ 151,240
Interest Earnings	200
Increase by Board Resolution - June 20, 2011	<u>900,000</u>
Ending Balance, June 30, 2011	<u>\$ 1,051,440</u>

The balance in the capital reserve account at June 30, 2011 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP").

NOTE 5. MAINTENANCE RESERVE ACCOUNT

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

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

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

The activity of the maintenance reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$ -0-
Increase by Board Resolution - June 20, 2011	<u>200,000</u>
Ending Balance, June 30, 2011	<u>\$ 200,000</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets not Being Depreciated:</b>				
Sites (Land)	\$ 288,500			\$ 288,500
Construction in Progress	567,148	\$ 2,249,765	\$ (208,620)	2,608,293
<b>Total Capital Assets Not Being Depreciated</b>	<u>855,648</u>	<u>2,249,765</u>	<u>(208,620)</u>	<u>2,896,793</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Building Improvements	86,673,672	56,700		86,730,372
Land Improvements	3,893,811			3,893,811
Machinery and Equipment	8,759,004	269,379	208,620	9,237,003
<b>Total Capital Assets Being Depreciated</b>	<u>99,326,487</u>	<u>326,079</u>	<u>208,620</u>	<u>99,861,186</u>
<b>Governmental Activities Capital Assets</b>	<u>100,182,135</u>	<u>2,575,844</u>		<u>102,757,979</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Building Improvements	(44,218,938)	(1,906,056)		(46,124,994)
Land Improvements	(1,946,351)	(227,664)		(2,174,015)
Machinery and Equipment	(6,852,050)	(439,173)		(7,291,223)
	<u>(53,017,339)</u>	<u>(2,572,893)</u>		<u>(55,590,232)</u>
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 47,164,796</u>	<u>\$ 2,951</u>	<u>\$ -0-</u>	<u>\$ 47,167,747</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
<b>Capital Assets Being Depreciated:</b>				
Buildings and Building Improvements	\$ 782,890			\$ 782,890
Furniture and Equipment	604,410			604,410
<b>Total Capital Assets Being Depreciated</b>	<u>1,387,300</u>			<u>1,387,300</u>
Less Accumulated Depreciation	(722,513)	\$ (34,757)		(757,270)
<b>Business Type Activities Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 664,787</u>	<u>\$ (34,757)</u>	<u>\$ -0-</u>	<u>\$ 630,030</u>

The increases totaling \$2,575,844 represent current year capitalized expenditures in the General, Special Revenue and Capital Projects Funds. The District had active unexpended construction projects balances totaling \$1,533,912 as of June 30, 2011, including \$80,529 in outstanding construction encumbrances.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 96,700
Student and Instruction Related Services	29,990
General Administrative Services	99,971
Plant Operations and Maintenance	12,074
Pupil Transportation	113,487
Unallocated	<u>2,220,671</u>
	<u>\$ 2,572,893</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 7: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2011, the District transferred a net amount of \$9,332 to the capital outlay accounts. All of the transfers related to equipment and did not require approval from the County Superintendent.

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2010	Added	Retired	Balance 6/30/2011
Compensated Absences Payable	\$ 3,044,879	\$ 382,994	\$ 516,709	\$ 2,911,164
Serial Bonds Payable	37,327,000		1,270,000	36,057,000
Capital Lease Payable	373,754	1,355,400	89,646	1,639,508
	<u>\$40,745,633</u>	<u>\$ 1,738,394</u>	<u>\$1,876,355</u>	<u>\$ 40,607,672</u>

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2011 as follows:

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
10/01/2029	3.50%-4.25%	<u>\$36,057,000</u>

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,310,000	\$ 1,415,723	\$ 2,725,723
2013	1,360,000	1,368,998	2,728,998
2014	1,410,000	1,316,998	2,726,998
2015	1,470,000	1,259,398	2,729,398
2016	1,530,000	1,199,398	2,729,398
Thereafter:			
2017-2021	8,545,000	5,091,678	13,636,678
2022-2026	10,400,000	3,238,529	13,638,529
2027-2030	10,032,000	875,160	10,907,160
	<u>\$36,057,000</u>	<u>\$ 15,765,882</u>	<u>\$ 51,822,882</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

B. Bonds Authorized But Not Issued:

As of June 30, 2011, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

In fiscal year 2011, the District entered into a \$1,355,400 capital lease agreement for the local share of the Morris Knolls High School roof replacement capital project. In fiscal year 2010, the District entered into a capital lease agreement for school buses, computers and security access equipment valued at \$467,325 of which \$183,217 has been amortized. The lease agreements are for a term of five years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2011.

<u>Year</u>	<u>Amount</u>
2012	\$ 397,417
2013	397,417
2014	397,417
2015	298,104
2016	298,104
	<u>1,788,459</u>
Less: Amount representing interest	<u>(148,951)</u>
Present value of net minimum lease payments	<u>\$ 1,639,508</u>

The current portion of capital lease payable at June 30, 2011 is \$347,611 and the long-term portion is \$1,291,897. Capital leases payable will be liquidated by the General Fund.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. There is no current portion of the compensated absences balance of the governmental funds; therefore, the entire \$2,911,164 balance of compensated absences is reported as a long-term liability.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2011, no liability existed for compensated absences in the Proprietary Funds.

NOTE 9. PENSION PLANS

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

Employees who are members of TPAF and PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service in the TPAF and PERS. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF, PERS and DCRP of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the TPAF and PERS. The actuarially determined employer contribution includes funding for cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution. Under current statute, the District is a noncontributing employer of the TPAF.

District contributions to PERS amounted to \$686,180, \$560,091 and \$453,722 for 2011, 2010 and 2009, respectively.

The State of New Jersey made no contributions to the TPAF for normal pension benefits on behalf of the District for the fiscal years ending June 30, 2011, 2010 and 2009.

The employee and employer contributions for the DCRP for the fiscal year ended June 30, 2011 were \$442 and \$241, respectively. There were no employee or employer contributions to the DCRP for the fiscal years ended June 30, 2009 or 2010.

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required the TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributed to P.L. 1992, c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members for Fiscal Year 2010.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,595,541, \$1,626,430 and \$1,445,904 for 2011, 2010 and 2009, respectively.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 11. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

Selected, summarized financial information for the Group as of June 30, 2011 is as follows:

	New Jersey School Board's Association Insurance Group (NJSBAIG)
Total Assets	\$ 253,890,161
Net Assets	\$ 62,802,257
Total Revenue	\$ 83,993,678
Total Expenses	\$ 79,175,491
Net Assets Distribution to Participating Members	\$ -0-
Change in Net Assets	\$ 4,818,187

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

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ -0-	\$ 80	\$ 78,668	\$ 61,072	\$ 151,044
2009-2010	-0-	217	91,884	124,085	133,368
2008-2009	20,000	80	164,899	27,955	165,352

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 167,654	
Special Revenue Fund		\$ 157,901
Capital Projects Fund		337
Debt Service Fund	337	
Proprietary Funds		9,753
	<u>\$ 167,991</u>	<u>\$ 167,991</u>

The interfund balances between the General Fund and the Special Revenue and Proprietary Funds represent interfund loans. The interfund balances between the Capital Projects Fund and the Debt Service Fund represents interest earnings not remitted as of June 30, 2011.

NOTE 14. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, 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.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 14. DEFERRED COMPENSATION (Cont'd)

The plan administrators are as follows:

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

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

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

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

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

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

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

NOTE 15. TAX CALENDAR

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

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

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2011:

	Governmental Activities			Business-Type
	General Fund	Special Revenue Fund	Total Governmental Funds	Proprietary Funds
Salaries	\$ 44,332		\$ 44,332	\$ 708
Vendors	556,127	\$ 52,111	608,238	83,002
	<u>\$ 600,459</u>	<u>\$ 52,111</u>	<u>\$ 652,570</u>	<u>\$ 83,710</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 17. CONTINGENCIES

Litigation

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

Grant Programs

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

Encumbrances

At June 30, 2011, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

<u>Governmental Funds</u>	
<u>Special Revenue</u>	<u>Total</u>
<u>\$ 151,904</u>	<u>\$ 151,904</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2011, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$151,904 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in deferred revenue in the Special Revenue Fund.

**BUDGETARY COMPARISON SCHEDULES**

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 48,539,727		\$ 48,539,727	\$ 48,539,727	
Tuition	166,968		166,968	199,137	\$ 32,169
Interest Earned on Capital Reserve Fund	200		200	200	
Miscellaneous	500,309		500,309	160,843	(339,466)
<b>Total - Local Sources</b>	<b>49,207,204</b>		<b>49,207,204</b>	<b>48,899,907</b>	<b>(307,297)</b>
<b>State Sources:</b>					
Extraordinary Special Education Aid	583,518		583,518	709,639	126,121
Nonpublic School Transportation Costs				21,277	21,277
Special Education Categorical Aid	504,021		504,021	2,559,738	2,055,717
Equalization Aid	3,732,201		3,732,201	1,676,484	(2,055,717)
<b>On-Behalf Contributions:</b>					
TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,595,541	1,595,541
TPAF Non-Contributory Insurance (Non-budgeted)				75,120	75,120
TPAF Social Security (Reimbursed - Non-Budgeted)				1,831,220	1,831,220
<b>Total State Sources</b>	<b>4,819,740</b>		<b>4,819,740</b>	<b>8,469,019</b>	<b>3,649,279</b>
<b>Federal Sources:</b>					
Medicaid Reimbursement	15,084		15,084	5,477	(9,607)
<b>Total Federal Sources</b>	<b>15,084</b>		<b>15,084</b>	<b>5,477</b>	<b>(9,607)</b>
<b>TOTAL REVENUES</b>	<b>54,042,028</b>		<b>54,042,028</b>	<b>57,374,403</b>	<b>3,332,375</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Regular Programs - Instruction:					
Grades 9-12 - Salaries of Teachers	\$ 15,755,614	\$ 13,031	\$ 15,768,645	\$ 15,765,277	\$ 3,368
Regular Programs - Home Instruction:					
Salaries of Teachers	172,800	(35,197)	137,603	137,603	
Purchased Professional - Educational Services	40,000	(1,700)	38,300	38,220	80
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	7,650	(3,298)	4,352	4,234	118
Other Purchased Services (400-500 series)	316,725	40,425	357,150	347,960	9,190
General Supplies	425,590	126,500	552,090	542,787	9,303
Textbooks	244,076	(58,946)	185,130	179,930	5,200
Other Objects	14,484	(1,544)	12,940	11,050	1,890
<b>Total Regular Programs - Instruction</b>	<b>16,976,939</b>	<b>79,271</b>	<b>17,056,210</b>	<b>17,027,061</b>	<b>29,149</b>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	396,930	465	397,395	388,968	8,427
Other Salaries for Instruction	199,320	(113,488)	85,832	84,720	1,112
Other Purchased Services (400-500 series)	250		250		250
General Supplies	4,000	1,595	5,595	5,595	
Textbooks	4,750	(1,595)	3,155	2,160	995
<b>Total Learning and/or Language Disabilities</b>	<b>605,250</b>	<b>(113,023)</b>	<b>492,227</b>	<b>481,443</b>	<b>10,784</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Special Education - Instruction:</b>					
<b>Multiple Disabilities:</b>					
Salaries of Teachers	\$ 106,289	\$ 23,764	\$ 130,053	\$ 130,053	
Other Salaries for Instruction	70,780	17,980	88,760	88,758	\$ 2
Other Purchased Services (400-500 series)		56	56	55	1
General Supplies	1,530	(30)	1,500	1,044	456
Textbooks	1,000	(225)	775		775
<b>Total Multiple Disabilities</b>	<b>179,599</b>	<b>41,545</b>	<b>221,144</b>	<b>219,910</b>	<b>1,234</b>
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	1,703,720	106,683	1,810,403	1,793,705	16,698
Other Salaries for Instruction	237,263	(141,081)	96,182	95,395	787
Other Purchased Services (400-500 series)	300	(26)	274		274
General Supplies	3,250		3,250	1,759	1,491
Textbooks	7,800		7,800	4,751	3,049
<b>Total Resource Room/Resource Center</b>	<b>1,952,333</b>	<b>(34,424)</b>	<b>1,917,909</b>	<b>1,895,610</b>	<b>22,299</b>
<b>Total Special Education Instruction</b>	<b>2,737,182</b>	<b>(105,902)</b>	<b>2,631,280</b>	<b>2,596,963</b>	<b>34,317</b>
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	686,603	(141,271)	545,332	544,251	1,081
<b>Total Basic Skills/Remedial - Instruction</b>	<b>686,603</b>	<b>(141,271)</b>	<b>545,332</b>	<b>544,251</b>	<b>1,081</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Bilingual Education - Instruction:</b>					
Salaries of Teachers	\$ 129,073	\$ 4,506	\$ 133,579	\$ 133,577	\$ 2
Other Purchased Services (400-500 series)	100		100		100
General Supplies	979	(275)	704	430	274
Textbooks	2,858	(1,399)	1,459	1,453	6
<b>Total Bilingual Education - Instruction</b>	<b>133,010</b>	<b>2,832</b>	<b>135,842</b>	<b>135,460</b>	<b>382</b>
<b>School-Sponsored Cocurricular Activities - Instruction:</b>					
Salaries	435,391	19,702	455,093	452,031	3,062
Purchased Services (300-500 series)	19,420	8,779	28,199	25,167	3,032
Supplies and Materials	21,334	(909)	20,425	16,730	3,695
Other Objects	7,140	3,380	10,520	9,309	1,211
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>483,285</b>	<b>30,952</b>	<b>514,237</b>	<b>503,237</b>	<b>11,000</b>
<b>School-Sponsored Cocurricular Athletics - Instruction:</b>					
Salaries	1,745,645	59,300	1,804,945	1,788,846	16,099
Purchased Services (300-500 series)	164,780	5,349	170,129	145,044	25,085
Supplies and Materials	160,420	20,578	180,998	172,997	8,001
Other Objects	49,225	(6,894)	42,331	16,801	25,530
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>2,120,070</b>	<b>78,333</b>	<b>2,198,403</b>	<b>2,123,688</b>	<b>74,715</b>
<b>Total Instruction</b>	<b>23,137,089</b>	<b>(55,785)</b>	<b>23,081,304</b>	<b>22,930,660</b>	<b>150,644</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Undistributed Expenditures:</b>					
<b>Instruction:</b>					
Tuition to Other LEAs Within the State - Special	\$ 423,213	\$ 11,324	\$ 434,537	\$ 429,126	\$ 5,411
Tuition to County Vocational Schools - Regular	982,300	67,848	1,050,148	1,050,143	5
Tuition to County Vocational Schools - Special	43,200	9,080	52,280	48,682	3,598
Tuition to County Special Services Schools and Regional Day Schools	545,483	(58,845)	486,638	486,638	
Tuition to Private Schools for the Disabled - Within the State	1,903,319	297,306	2,200,625	2,116,978	83,647
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	304,883	51,400	356,283	332,742	23,541
Tuition - State Facilities	30,750		30,750	30,750	
<b>Total Undistributed Expenditures - Instruction</b>	<b>4,233,148</b>	<b>378,113</b>	<b>4,611,261</b>	<b>4,495,059</b>	<b>116,202</b>
<b>Attendance and Social Work Services:</b>					
Salaries	92,952	(2,090)	90,862	90,858	4
Supplies and Materials	3,500		3,500	3,440	60
<b>Total Attendance and Social Work Services</b>	<b>96,452</b>	<b>(2,090)</b>	<b>94,362</b>	<b>94,298</b>	<b>64</b>
<b>Health Services:</b>					
Salaries	320,990	(2,045)	318,945	318,941	4
Purchased Professional and Technical Services	500	6,700	7,200	4,625	2,575
Other Purchased Services (400-500 series)	18,850	4,534	23,384	21,084	2,300
Supplies and Materials	5,350	(234)	5,116	4,848	268
<b>Total Health Services</b>	<b>345,690</b>	<b>8,955</b>	<b>354,645</b>	<b>349,498</b>	<b>5,147</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Other Support Services - Speech, OT, PT and Related Services:</b>					
Salaries	\$ 205,778	\$ 69,923	\$ 275,701	\$ 275,696	\$ 5
Purchased Professional - Educational Services	512,575	37,620	550,195	475,353	74,842
<b>Total Other Support Services - Speech, OT, PT and Related Services</b>	<b>718,353</b>	<b>107,543</b>	<b>825,896</b>	<b>751,049</b>	<b>74,847</b>
<b>Other Support Services - Students - Extraordinary Services:</b>					
Salaries		190,931	190,931	189,904	1,027
Purchased Professional - Educational Services		41,027	41,027	39,071	1,956
<b>Total Other Support Services - Students - Extraordinary Services</b>		<b>231,958</b>	<b>231,958</b>	<b>228,975</b>	<b>2,983</b>
<b>Other Support Services - Students - Guidance:</b>					
Salaries of Other Professional Staff	1,260,257	(10,471)	1,249,786	1,249,768	18
Salaries of Secretarial and Clerical Assistants	240,662	4,004	244,666	242,679	1,987
Purchased Professional - Educational Services	4,633	(2,944)	1,689	905	784
Other Purchased Services (400-500 series)	11,055	10,547	21,602	14,257	7,345
Supplies and Materials	16,143	(4,741)	11,402	11,072	330
Other Objects	700		700	700	700
<b>Total Other Support Services - Students - Guidance</b>	<b>1,533,450</b>	<b>(3,605)</b>	<b>1,529,845</b>	<b>1,518,681</b>	<b>11,164</b>
<b>Other Support Services - Child Study Teams:</b>					
Salaries of Other Professional Staff	1,187,541	(28,633)	1,158,908	1,158,907	1
Salaries of Secretarial and Clerical Assistants	152,163	1,052	153,215	153,145	70
Purchased Professional - Educational Services	12,000	(12,000)			
Miscellaneous Purchased Services	2,200	4,142	6,342	6,279	63
Supplies and Materials	4,000	705	4,705	4,670	35
Other Objects		315	315	299	16
<b>Total Other Support Services - Child Study Teams</b>	<b>1,357,904</b>	<b>(34,419)</b>	<b>1,323,485</b>	<b>1,323,300</b>	<b>185</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	\$ 768,488	\$ 11,052	\$ 779,540	\$ 772,683	\$ 6,857
Salaries of Secretarial and Clerical Assistants	279,987	(13,076)	266,911	266,831	80
Purchased Professional - Educational Services	8,500	(8,500)			
Other Purchased Services (400-500 series)	33,000	(1,165)	31,835	29,477	2,358
Supplies and Materials	2,000	122	2,122	1,772	350
Other Objects	2,050	(122)	1,928	405	1,523
<b>Total Improvement of Instructional Services</b>	<b>1,094,025</b>	<b>(11,689)</b>	<b>1,082,336</b>	<b>1,071,168</b>	<b>11,168</b>
Educational Media Services/School Library:					
Salaries	337,401	(31,997)	305,404	305,397	7
Other Purchased Services (400-500 series)	19,300	4,500	23,800	23,743	57
Supplies and Materials	117,960	5,000	122,960	114,974	7,986
<b>Total Educational Media Services/School Library</b>	<b>474,661</b>	<b>(22,497)</b>	<b>452,164</b>	<b>444,114</b>	<b>8,050</b>
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	135,615	(5,049)	130,566	128,276	2,290
Salaries of Other Professional Staff	32,000	(15,648)	16,352	16,321	31
Salaries of Secretarial and Clerical Assistants	49,410	(2,322)	47,088	47,088	
Other Salaries	43,000	(22,896)	20,104	20,095	9
Purchased Professional - Educational Services	15,000	(15,000)			
Other Purchased Services (400-500 series)	7,363	(6,189)	1,174	1,174	
Supplies and Materials	10,187	(7,702)	2,485	1,039	1,446
<b>Total Instructional Staff Training Services</b>	<b>292,575</b>	<b>(74,806)</b>	<b>217,769</b>	<b>213,993</b>	<b>3,776</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011.

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Support Services - General Administration:</b>					
Salaries	\$ 248,095	\$ (8,637)	\$ 239,458	\$ 239,438	\$ 20
Legal Services	95,000	(54,272)	40,728	39,056	1,672
Audit Fees	70,000	7,456	77,456	77,456	
Architectural/Engineering Services	15,000	(7,000)	8,000	7,976	24
Other Purchased Professional Services	28,200	(16,900)	11,300	10,542	758
Communications/Telephone	135,680	35,000	170,680	154,034	16,646
BOE Other Purchased Services	500		500	50	450
Miscellaneous Purchased Services (400-500 series)	262,195	(13,090)	249,105	247,693	1,412
General Supplies	15,450	683	16,133	15,602	531
Judgments Against the School District		10,000	10,000	10,000	
Miscellaneous Expenditures	5,967	547	6,514	6,504	10
BOE Membership Dues and Fees	27,683		27,683	27,123	560
<b>Total Support Services - General Administration</b>	<b>903,770</b>	<b>(46,213)</b>	<b>857,557</b>	<b>835,474</b>	<b>22,083</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	1,040,796	2,650	1,043,446	1,043,427	19
Salaries of Secretarial and Clerical Assistants	456,417	(2,636)	453,781	450,535	3,246
Other Purchased Services (400-500 series)	97,305	(22,260)	75,045	61,830	13,215
Supplies and Materials	14,978	3,357	18,335	17,894	441
Other Objects	2,140	(580)	1,560	560	1,000
<b>Total Support Services - School Administration</b>	<b>1,611,636</b>	<b>(19,469)</b>	<b>1,592,167</b>	<b>1,574,246</b>	<b>17,921</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Central Services:					
Salaries	\$ 823,167	\$ (106,336)	\$ 716,831	\$ 709,615	\$ 7,216
Purchased Professional Services	26,400	6,200	32,600	27,383	5,217
Miscellaneous Purchased Services (400-500 series)	61,540	21,981	83,521	77,954	5,567
Supplies and Materials	14,645	6,700	21,345	20,724	621
Miscellaneous Expenditures	4,650	200	4,850	4,842	8
<b>Total Central Services</b>	<b>930,402</b>	<b>(71,255)</b>	<b>859,147</b>	<b>840,518</b>	<b>18,629</b>
Administration Information Technology:					
Salaries	215,209	(10,910)	204,299	204,295	4
Other Purchased Services (400-500 series)	44,745	(18,339)	26,406	26,028	378
Supplies and Materials	40,550	5,239	45,789	43,621	2,168
<b>Total Administration Information Technology</b>	<b>300,504</b>	<b>(24,010)</b>	<b>276,494</b>	<b>273,944</b>	<b>2,550</b>
Required Maintenance for School Facilities:					
Salaries	471,558	6,171	477,729	477,704	25
Cleaning, Repair and Maintenance Services	242,000	37,435	279,435	268,589	10,846
General Supplies	192,000	(42,943)	149,057	140,529	8,528
<b>Total Required Maintenance for School Facilities</b>	<b>905,558</b>	<b>663</b>	<b>906,221</b>	<b>886,822</b>	<b>19,399</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Custodial Services:</b>					
Salaries	\$ 990,951	\$ 138,372	\$ 1,129,323	\$ 1,110,393	\$ 18,930
Purchased Professional and Technical Services	72,000	(44,339)	27,661	27,661	
Cleaning, Repair and Maintenance Services	134,000	(5,600)	128,400	116,797	11,603
Other Purchased Property Services	55,000	12,000	67,000	61,852	5,148
Insurance	275,000	(28,853)	246,147	246,147	
Miscellaneous Purchased Services	24,700	(19,100)	5,600	2,887	2,713
General Supplies	188,000	114,136	302,136	299,346	2,790
Energy (Natural Gas)	175,000	(22,000)	153,000	124,466	28,534
Energy (Electricity)	775,000	(74,742)	700,258	688,438	11,820
Energy (Oil)	425,000	(7,087)	417,913	417,913	
Other Objects	500	(195)	305	305	
<b>Total Custodial Services</b>	<b>3,115,151</b>	<b>62,592</b>	<b>3,177,743</b>	<b>3,096,205</b>	<b>81,538</b>
<b>Care &amp; Upkeep of Grounds:</b>					
Salaries	108,332	3,621	111,953	109,056	2,897
<b>Total Care &amp; Upkeep of Grounds</b>	<b>108,332</b>	<b>3,621</b>	<b>111,953</b>	<b>109,056</b>	<b>2,897</b>
<b>Security:</b>					
Salaries	194,466	(765)	193,701	192,089	1,612
Purchased Professional and Technical Services	4,000		4,000	3,856	144
<b>Total Security</b>	<b>198,466</b>	<b>(765)</b>	<b>197,701</b>	<b>195,945</b>	<b>1,756</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 1,166,514	\$ 22,030	\$ 1,188,544	\$ 1,177,943	\$ 10,601
Between Home and School - Special Education		113,510	113,510	112,691	819
Other Than Between Home and School	297,883	(106,125)	191,758	179,782	11,976
Between Home and School - Nonpublic Schools	20,249	454	20,703	20,512	191
Cleaning, Repair and Maintenance Services	9,925	10,000	19,925	13,708	6,217
Lease Purchase Payments - School Buses	67,716	(67,716)			
Contracted Services:					
Other Than Between Home and School - Vendors		925	925	925	
Between Home and School - Joint Agreements	48,000	(9,408)	38,592	37,887	705
Special Education Students - Joint Agreements	950,000	272,096	1,222,096	1,199,475	22,621
Aid in Lieu of Payments - Nonpublic Students	114,920	(5,600)	109,320	103,283	6,037
Miscellaneous Purchased Services	10,850	21,249	32,099	27,622	4,477
General Supplies	1,000	500	1,500	1,342	158
Transportation Supplies	246,275	26,010	272,285	244,107	28,178
Other Objects	200	628	828	828	
<b>Total Student Transportation Services</b>	<b>2,933,532</b>	<b>278,553</b>	<b>3,212,085</b>	<b>3,120,105</b>	<b>91,980</b>
Allocated Benefits:					
Regular Programs - Instruction:					
Social Security Contributions	35,013	20,174	55,187	55,184	3
Workmen's Compensation	126,000		126,000	124,552	1,448
Health Benefits	4,687,248	(1,668,911)	3,018,337	2,866,975	151,362
Tuition Reimbursement	97,000	(37,825)	59,175	25,809	33,366
Other Employee Benefits	132,257	(74,238)	58,019	57,982	37
<b>Total Allocated Benefits - Regular Programs - Instruction</b>	<b>5,077,518</b>	<b>(1,760,800)</b>	<b>3,316,718</b>	<b>3,130,502</b>	<b>186,216</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Allocated Benefits:					
Special Programs - Instruction:					
Social Security Contributions	\$ 52,234	\$ (28,218)	\$ 24,016	\$ 22,573	\$ 1,443
Other Retirement Contributions - PERS	40,590	(11,323)	29,267	29,266	1
Workmen's Compensation	10,000		10,000	10,000	
Health Benefits	300,000	275,576	575,576	463,406	112,170
Tuition Reimbursement	12,000	400	12,400	9,505	2,895
Other Employee Benefits	16,386	(8,077)	8,309	7,500	809
<b>Total Allocated Benefits - Special Programs - Instruction</b>	<b>431,210</b>	<b>228,358</b>	<b>659,568</b>	<b>542,250</b>	<b>117,318</b>
Other Instructional Programs - Instruction:					
Social Security Contributions	175,314	(13,174)	162,140	123,673	38,467
Other Retirement Contributions - PERS	5,600	3,659	9,259	9,259	
Workmen's Compensation	10,000		10,000	10,000	
Health Benefits	90,000	151,078	241,078	199,704	41,374
Other Employee Benefits	1,387	3,450	4,837	4,800	37
<b>Total Allocated Benefits - Other Instructional Programs - Instruction</b>	<b>282,301</b>	<b>145,013</b>	<b>427,314</b>	<b>347,436</b>	<b>79,878</b>
Attendance and Social Work Services:					
Social Security Contributions	7,110	(244)	6,866	6,866	
Other Retirement Contributions - PERS	8,624	1,312	9,936	9,919	17
Workmen's Compensation	5,000		5,000	5,000	
Health Benefits	30,000	5,633	35,633	34,475	1,158
Other Employee Benefits	1,387	(1,387)			
<b>Total Allocated Benefits - Attendance and Social Work Services</b>	<b>52,121</b>	<b>5,314</b>	<b>57,435</b>	<b>56,260</b>	<b>1,175</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Allocated Benefits:					
Health Services:					
Social Security Contributions	\$ 1,836	\$ 817	\$ 2,653	\$ 2,653	
Other Retirement Contributions - PERS	2,000	(2,000)			
Workmen's Compensation	4,000		4,000	4,000	
Health Benefits	100,000	(51,877)	48,123	43,990	\$ 4,133
Other Employee Benefits	1,387	4,613	6,000	6,000	
<b>Total Allocated Benefits - Health Services</b>	<b>109,223</b>	<b>(48,447)</b>	<b>60,776</b>	<b>56,643</b>	<b>4,133</b>
Other Support Services - Speech, OT, PT and Related Services:					
Social Security Contributions		1,545	1,545	1,545	
Workmen's Compensation	1,000		1,000	1,000	
Health Benefits	30,000	(788)	29,212	26,613	2,599
Other Employee Benefits	1,387	863	2,250	2,250	
<b>Total Allocated Benefits - Other Support Services - Speech, OT, PT and Related Services</b>	<b>32,387</b>	<b>1,620</b>	<b>34,007</b>	<b>31,408</b>	<b>2,599</b>
Other Support Services - Students - Extraordinary Services:					
Social Security Contributions		14,197	14,197	14,196	1
Other Retirement Contributions - PERS		19,535	19,535	19,535	
Health Benefits		138,765	138,765	101,513	37,252
<b>Total Allocated Benefits - Other Support Services - Students - Extraordinary Services</b>		<b>172,497</b>	<b>172,497</b>	<b>135,244</b>	<b>37,253</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Allocated Benefits:					
Other Support Services - Students - Guidance:					
Social Security Contributions	\$ 16,574	\$ 9,535	\$ 26,109	\$ 26,107	\$ 2
Other Retirement Contributions - PERS	20,032	6,229	26,261	26,261	
Workmen's Compensation	6,000		6,000	6,000	
Health Benefits	120,000	211,535	331,535	326,343	5,192
Tuition Reimbursement	3,000	(2,000)	1,000	875	125
Other Employee Benefits	6,894	23,200	30,094	29,362	732
<b>Total Allocated Benefits - Other Support Services - Students - Guidance</b>	<b>172,500</b>	<b>248,499</b>	<b>420,999</b>	<b>414,948</b>	<b>6,051</b>
Other Support Services - Child Study Teams:					
Social Security Contributions	11,640	3,823	15,463	15,461	2
Other Retirement Contributions - PERS	13,175	(963)	12,212	12,134	78
Workmen's Compensation	10,000		10,000	10,000	
Health Benefits	144,000	45,280	189,280	148,889	40,391
Tuition Reimbursement	3,000	(3,000)			
Other Employee Benefits	5,059	21,191	26,250	26,250	
<b>Total Allocated Benefits - Other Support Services - Child Study Teams</b>	<b>186,874</b>	<b>66,331</b>	<b>253,205</b>	<b>212,734</b>	<b>40,471</b>
Improvement of Instruction Services:					
Social Security Contributions	21,420	615	22,035	22,034	1
Other Retirement Contributions - PERS	23,569	6,518	30,087	30,087	
Workmen's Compensation	6,000		6,000	6,000	
Health Benefits	238,000	(125,445)	112,555	112,550	5
Other Employee Benefits	1,387	25,771	27,158	27,158	
<b>Total Allocated Benefits - Improvement of Instruction Services</b>	<b>290,376</b>	<b>(92,541)</b>	<b>197,835</b>	<b>197,829</b>	<b>6</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Allocated Benefits:</b>					
<b>Educational Media Services - School Library:</b>					
Social Security Contributions	\$ 7,204	\$ 2,903	\$ 10,107	\$ 10,105	\$ 2
Other Retirement Contributions - PERS	9,650	557	10,207	10,206	1
Workmen's Compensation	6,000		6,000	6,000	
Health Benefits	80,000	(8,280)	71,720	62,869	8,851
Other Employee Benefits	5,059	(3,880)	1,179		1,179
<b>Total Allocated Benefits - Educational Media Services - School Library</b>	<b>107,913</b>	<b>(8,700)</b>	<b>99,213</b>	<b>89,180</b>	<b>10,033</b>
<b>Instructional Staff Training Services:</b>					
Social Security Contributions	9,518	(2,977)	6,541	6,541	
Other Retirement Contributions - PERS	10,999	(5,689)	5,310	5,310	
Workmen's Compensation	6,000		6,000	6,000	
Health Benefits	42,000	(20,353)	21,647	21,569	78
Other Employee Benefits	1,387	3,323	4,710	4,710	
<b>Total Allocated Benefits - Instructional Staff Training Services</b>	<b>69,904</b>	<b>(25,696)</b>	<b>44,208</b>	<b>44,130</b>	<b>78</b>
<b>Support Services - General Administration:</b>					
Social Security Contributions	5,389	141	5,530	5,529	1
Other Retirement Contributions - PERS	6,785	888	7,673	7,673	
Workmen's Compensation	6,000		6,000	6,000	
Health Benefits	33,500	(25,435)	8,065	8,043	22
Tuition Reimbursement	3,000	(3,000)			
Other Employee Benefits	1,387	1,913	3,300	3,300	
<b>Total Allocated Benefits - Support Services - General Administration</b>	<b>56,061</b>	<b>(25,493)</b>	<b>30,568</b>	<b>30,545</b>	<b>23</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Allocated Benefits:					
Support Services - School Administration:					
Social Security Contributions	\$ 34,916	\$ 3,316	\$ 38,232	\$ 38,230	\$ 2
Other Retirement Contributions - PERS	36,513	16,600	53,113	53,112	1
Workmen's Compensation	6,000		6,000	6,000	
Health Benefits	244,000	(11,633)	232,367	228,931	3,436
Other Employee Benefits	2,000	14,992	16,992	16,990	2
<b>Total Allocated Benefits - Support Services - School Administration</b>	<b>323,429</b>	<b>23,275</b>	<b>346,704</b>	<b>343,263</b>	<b>3,441</b>
Support Services - Central Services:					
Social Security Contributions	59,775	(23,523)	36,252	35,471	781
Other Retirement Contributions - PERS	63,850	(12,788)	51,062	51,062	
Workmen's Compensation	6,000		6,000	6,000	
Health Benefits	112,000	34,368	146,368	137,869	8,499
Other Employee Benefits	1,000	140	1,140	1,140	
<b>Total Allocated Benefits - Support Services - Central Services</b>	<b>242,625</b>	<b>(1,803)</b>	<b>240,822</b>	<b>231,542</b>	<b>9,280</b>
Support Services - Administrative Information Technology:					
Social Security Contributions	20,670	(5,634)	15,036	15,035	1
Other Retirement Contributions - PERS	23,540	(1,568)	21,972	21,971	1
Workmen's Compensation	6,000		6,000	6,000	
Health Benefits	48,000	(16,807)	31,193	28,836	2,357
Other Employee Benefits	1,000	2,000	3,000	3,000	
<b>Total Allocated Benefits - Support Services - Administrative Information Technology</b>	<b>99,210</b>	<b>(22,009)</b>	<b>77,201</b>	<b>74,842</b>	<b>2,359</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Allocated Benefits:					
Required Maintenance for School Facilities:					
Social Security Contributions	\$ 36,075	\$ 988	\$ 37,063	\$ 37,062	\$ 1
Other Retirement Contributions - PERS		49,408	49,408	49,400	8
Health Benefits		90,665	90,665	90,413	252
Other Employee Benefits		4,899	4,899	4,899	
<b>Total Allocated Benefits - Required Maintenance for School Facilities</b>	<b>36,075</b>	<b>145,960</b>	<b>182,035</b>	<b>181,774</b>	<b>261</b>
Custodial Services:					
Social Security Contributions	122,519	(32,383)	90,136	90,136	
Other Retirement Contributions - PERS	191,787	(70,307)	121,480	121,327	153
Workmen's Compensation	101,000	(34,474)	66,526	66,526	
Health Benefits	450,000	(54,936)	395,064	382,502	12,562
Other Employee Benefits	14,620	(11,680)	2,940	2,826	114
<b>Total Allocated Benefits - Custodial Services</b>	<b>879,926</b>	<b>(203,780)</b>	<b>676,146</b>	<b>663,317</b>	<b>12,829</b>
Care and Upkeep of Grounds:					
Social Security Contributions	8,625	424	9,049	9,049	
Other Retirement Contributions - PERS		10,874	10,874	10,866	8
Health Benefits		21,848	21,848	21,405	443
Other Employee Benefits		1,540	1,540	1,537	3
<b>Total Allocated Benefits - Care and Upkeep of Grounds</b>	<b>8,625</b>	<b>34,686</b>	<b>43,311</b>	<b>42,857</b>	<b>454</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Allocated Benefits:					
Security:					
Social Security Contributions		\$ 14,624	\$ 14,624	\$ 14,620	\$ 4
Other Retirement Contributions - PERS		21,076	21,076	21,076	
Health Benefits		104,194	104,194	90,705	13,489
Other Employee Benefits		5,400	5,400	3,000	2,400
<b>Total Allocated Benefits - Security</b>		<b>145,294</b>	<b>145,294</b>	<b>129,401</b>	<b>15,893</b>
Student Transportation Services:					
Social Security Contributions	\$ 103,027	12,766	115,793	115,792	1
Other Retirement Contributions - PERS	112,027	9,016	121,043	120,976	67
Workmen's Compensation	60,000	(30,000)	30,000	30,000	
Health Benefits	450,000	218,620	668,620	605,075	63,545
Other Employee Benefits	12,391	5,159	17,550	17,489	61
<b>Total Allocated Benefits - Student Transportation Services</b>	<b>737,445</b>	<b>215,561</b>	<b>953,006</b>	<b>889,332</b>	<b>63,674</b>
<b>Total Allocated Benefits</b>	<b>9,195,723</b>	<b>(756,861)</b>	<b>8,438,862</b>	<b>7,845,437</b>	<b>593,425</b>
Unallocated Benefits:					
Social Security Contributions		115	115	115	
Other Retirement Contributions - PERS		392	392	391	1
Other Employee Benefits		3,962	3,962	3,431	531
<b>Total Unallocated Benefits</b>		<b>4,469</b>	<b>4,469</b>	<b>3,937</b>	<b>532</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
On-Behalf Contributions:					
TPAF Post Retirement Medical Benefits (Non-budgeted)				\$ 1,595,541	\$ (1,595,541)
TPAF Non-Contributory Insurance (Non-budgeted)				75,120	(75,120)
Reimbursed TPAF Social Security Contributions (Non-budgeted)				1,831,220	(1,831,220)
<b>Total On-Behalf Contributions</b>				<b>3,501,881</b>	<b>(3,501,881)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>\$ 9,195,723</b>	<b>\$ (752,392)</b>	<b>\$ 8,443,331</b>	<b>11,351,255</b>	<b>(2,907,924)</b>
<b>Total Undistributed Expenses</b>	<b>30,349,332</b>	<b>8,788</b>	<b>30,358,120</b>	<b>32,773,705</b>	<b>(2,415,585)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>53,486,421</b>	<b>(46,997)</b>	<b>53,439,424</b>	<b>55,704,365</b>	<b>(2,264,941)</b>
<b>CAPITAL OUTLAY:</b>					
Equipment:					
Regular Programs - Instruction:					
Grades 9-12	80,930	3,532	84,462	83,819	643
Undistributed Expenditures:					
Instruction		2,200	2,200	2,200	
Support Services:					
Instructional Staff	28,200	(5,000)	23,200	21,664	1,536
Central Services	8,000	(7,800)	200	161	39
Administrative Information Technology		12,800	12,800	12,125	675
Student Transportation:					
School Buses - Regular		3,600	3,600		3,600
<b>Total Equipment</b>	<b>117,130</b>	<b>9,332</b>	<b>126,462</b>	<b>119,969</b>	<b>6,493</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CAPITAL OUTLAY:</b>					
Facilities Acquisition and Construction Services:					
Construction Services	\$ 58,000		\$ 58,000	\$ 56,700	\$ 1,300
Lease Purchase Agreements - Principal	200,000		200,000		200,000
Other Objects - Debt Service Assessment	139,530		139,530	139,530	
<b>Total Facilities Acquisition and Construction Services</b>	<b>397,530</b>		<b>397,530</b>	<b>196,230</b>	<b>201,300</b>
<b>TOTAL CAPITAL OUTLAY</b>	<b>514,660</b>	<b>\$ 9,332</b>	<b>523,992</b>	<b>316,199</b>	<b>207,793</b>
<b>SPECIAL SCHOOLS:</b>					
Accredited Evening/Adult High School - Post-Graduate - Instruction:					
Salaries of Teachers	300,422	38,840	339,262	339,262	
General Supplies	7,300		7,300	6,296	1,004
Textbooks	1,500	(1,500)			
Other Objects	400		400	316	84
<b>Total Accredited Evening/Adult High School - Post-Graduate - Instruction</b>	<b>309,622</b>	<b>37,340</b>	<b>346,962</b>	<b>345,874</b>	<b>1,088</b>
Accredited Evening/Adult High School - Post-Graduate - Support Services:					
Salaries	3,824	(3,824)			
Personal Services - Employee Benefits	31,588	(24,000)	7,588	7,387	201
Purchased Professional and Technical Services	5,100		5,100	4,860	240
Other Purchased Services (400-500 series)	16,200	(14,130)	2,070	2,016	54
<b>Total Accredited Evening/Adult High School - Post-Graduate - Support Services</b>	<b>56,712</b>	<b>(41,954)</b>	<b>14,758</b>	<b>14,263</b>	<b>495</b>
<b>Total Accredited Evening/Adult High School - Post-Graduate</b>	<b>366,334</b>	<b>(4,614)</b>	<b>361,720</b>	<b>360,137</b>	<b>1,583</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>SPECIAL SCHOOLS:</b>					
Adult Education - Local - Instruction:					
Salaries of Teachers		\$ 3,006	\$ 3,006	\$ 2,915	\$ 91
Purchased Professional and Technical Services	\$ 38,159	25,846	64,005	39,219	24,786
General Supplies	800		800	640	160
Textbooks	2,160	(2,160)			
Total Adult Education - Local - Instruction	41,119	26,692	67,811	42,774	25,037
Adult Education - Local - Support Services:					
Personal Services - Employee Benefits		129	129	117	12
Total Adult Education - Local - Support Services		129	129	117	12
Total Adult Education - Local	41,119	26,821	67,940	42,891	25,049
Vocational Evening - Local - Instruction:					
Salaries of Teachers		1,693	1,693	1,693	
General Supplies	600	(360)	240	220	20
Textbooks	4,200	(4,200)			
Total Vocational Evening - Local - Instruction	4,800	(2,867)	1,933	1,913	20
Vocational Evening - Local - Support Services:					
Salaries	22,169	8,687	30,856	30,855	1
Personal Services - Employee Benefits	2,925	13,038	15,963	15,692	271
Other Purchased Services (400-500 series)	3,400	(3,400)			
Total Vocational Evening - Local - Support Services	28,494	18,325	46,819	46,547	272
Total Vocational Evening - Local	33,294	15,458	48,752	48,460	292
<b>TOTAL SPECIAL SCHOOLS</b>	440,747	37,665	478,412	451,488	26,924

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
TOTAL EXPENDITURES	\$ 54,441,828	\$ - 0 -	\$ 54,441,828	\$ 56,472,052	\$ (2,030,224)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(399,800)	- 0 -	(399,800)	902,351	1,302,151
Fund Balance, July 1	<u>1,538,828</u>		<u>1,538,828</u>	<u>1,538,828</u>	
Fund Balance, June 30	<u>\$ 1,139,028</u>	<u>\$ - 0 -</u>	<u>\$ 1,139,028</u>	<u>\$ 2,441,179</u>	<u>\$ 1,302,151</u>

Recapitulation of Fund Balance at June 30, 2011:

Restricted:

Capital Reserve	\$ 1,051,440
Maintenance Reserve	200,000
Assigned - Designated for Subsequent Year's Expenditures	400,000
Unassigned	<u>789,739</u>
Total Fund Balance - Budgetary Basis	2,441,179

Reconciliation to Governmental Fund Statements (GAAP):

June State Aid Payments not recognized on GAAP Basis	<u>(385,017)</u>
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Fund Balance per Governmental Fund on (Exhibit B-2)

\$ 2,056,162

Exhibit C-2

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
State Sources	\$ 247,746	\$ (31,428)	\$ 216,318	\$ 184,068	\$ (32,250)
Federal Sources	654,831	365,584	1,020,415	882,463	(137,952)
<b>Total Revenues</b>	<b>902,577</b>	<b>334,156</b>	<b>1,236,733</b>	<b>1,066,531</b>	<b>(170,202)</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Personal Services - Salaries	293,507	(179,273)	114,234	114,234	
Other Purchased Services	300,000	112,472	412,472	384,738	27,734
General Supplies	2,937	2,379	5,316	5,292	24
Textbooks	31,183	(5,491)	25,692	25,692	
Other Objects		865	865	865	
<b>Total Instruction</b>	<b>627,627</b>	<b>(69,048)</b>	<b>558,579</b>	<b>530,821</b>	<b>27,758</b>
<b>Support Services:</b>					
Personal Services - Salaries	39,537	69,522	109,059	77,945	31,114
Personal Services - Employee Benefits		27,016	27,016	14,905	12,111
Purchased Professional - Educational Services	179,584	(19,400)	160,184	127,934	32,250
Other Purchased Professional and Technical Services	36,979	144,164	181,143	116,196	64,947
Other Purchased Services		1,132	1,132	1,132	
Supplies and Materials		27,107	27,107	25,085	2,022
<b>Total Support Services</b>	<b>256,100</b>	<b>249,541</b>	<b>505,641</b>	<b>363,197</b>	<b>142,444</b>
<b>Facilities Acquisition and Construction     Services:</b>					
Instructional Equipment	18,850	1,759	20,609	20,609	
Non-Instructional Equipment		151,904	151,904	151,904	
<b>Total Facilities Acquisition and     Construction Services</b>	<b>18,850</b>	<b>153,663</b>	<b>172,513</b>	<b>172,513</b>	
<b>Total Expenditures</b>	<b>902,577</b>	<b>334,156</b>	<b>1,236,733</b>	<b>1,066,531</b>	<b>170,202</b>
<b>Excess of Revenues Over Expenditures</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 57,374,403	\$ 1,066,531
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and revenue, whereas the GAAP Basis does not		(28,302)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	668,885	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(385,017)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 57,658,271	\$ 1,038,229
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 56,472,052	\$ 1,066,531
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes		(28,302)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 56,472,052	\$ 1,038,229
		Capital Projects Fund
	SDA Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (Exhibit F-1)	\$ - 0 -	\$ 1,533,912
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants are recognized as revenue on the budgetary basis when awarded but are recognized when expended and submitted for reimbursement on the GAAP Basis	504,966	(452,242)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (Exhibit B-2)	\$ 504,966	\$ 1,081,670

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of SDA grants receivable. SDA grants are recognized on the budgetary basis in full when they are awarded and are recognized on the GAAP basis when they are expended and requested for reimbursement.

**SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>No Child Left Behind Consolidated</u>		<u>IDEA Part B, Basic Regular</u>		
	<u>Title II</u>		<u>ARRA</u>		
	<u>2010-11</u>	<u>2009-10</u>	<u>2009-11</u>	<u>2010-11</u>	<u>2009-10</u>
<b>REVENUE:</b>					
State Sources					
Federal Sources	\$ 2,830	\$ 37,997	\$ 177,613	\$ 523,738	\$ 117,760
<b>Total Revenue</b>	<u>2,830</u>	<u>37,997</u>	<u>177,613</u>	<u>523,738</u>	<u>117,760</u>
<b>EXPENDITURES:</b>					
Instruction:					
Personal Services - Salaries				51,070	63,164
Other Purchased Services				384,738	
General Supplies			3,376		
Textbooks					
Other Objects			865		
<b>Total Instruction</b>			<u>4,241</u>	<u>435,808</u>	<u>63,164</u>
Support Services:					
Personal Services - Salaries		31,715			46,230
Personal Services - Employee Benefits		2,427		4,112	8,366
Purchased Professional - Educational Services					
Other Purchased Professional and Technical Services			1,936	83,818	
Other Purchased Services			1,132		
Supplies and Materials	2,830	3,855	18,400		
<b>Total Support Services</b>	<u>2,830</u>	<u>37,997</u>	<u>21,468</u>	<u>87,930</u>	<u>54,596</u>
Facilities Acquisition:					
Instructional Equipment					
Non-Instructional Equipment			151,904		
<b>Total Facilities Acquisition</b>			<u>151,904</u>		
<b>Total Expenditures</b>	<u>\$ 2,830</u>	<u>\$ 37,997</u>	<u>\$ 177,613</u>	<u>\$ 523,738</u>	<u>\$ 117,760</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Vocational Education - Perkins Secondary	NJ Nonpublic			Auxiliary Serv. Compensatory Education
		Handicapped Services (Chapter 193) Examination and Classification	Supplementary Instruction	Corrective Speech	
REVENUE:					
State Sources		\$ 49,383	\$ 31,544	\$ 704	\$ 46,303
Federal Sources	\$ 22,525				
Total Revenue	22,525	49,383	31,544	704	46,303
EXPENDITURES:					
Instruction:					
Personal Services - Salaries					
Other Purchased Services					
General Supplies	1,916				
Textbooks					
Other Objects					
Total Instruction	1,916				
Support Services:					
Personal Services - Salaries					
Personal Services - Employee Benefits					
Purchased Professional - Educational Services		49,383	31,544	704	46,303
Other Purchased Professional and Technical Services					
Other Purchased Services					
Supplies and Materials					
Total Support Services		49,383	31,544	704	46,303
Facilities Acquisition:					
Instructional Equipment	20,609				
Non-Instructional Equipment					
Total Facilities Acquisition	20,609				
Total Expenditures	\$ 22,525	\$ 49,383	\$ 31,544	\$ 704	\$ 46,303

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>NJ Nonpublic</u>		<u>Totals</u>
	<u>Textbooks</u>	<u>Nursing</u>	<u>June 30, 2011</u>
<b>REVENUE:</b>			
State Sources	\$ 25,692	\$ 30,442	\$ 184,068
Federal Sources			882,463
<b>Total Revenue</b>	<u>25,692</u>	<u>30,442</u>	<u>1,066,531</u>
<b>EXPENDITURES:</b>			
<b>Instruction:</b>			
Personal Services - Salaries			114,234
Other Purchased Services			384,738
General Supplies			5,292
Textbooks	25,692		25,692
Other Objects			865
<b>Total Instruction</b>	<u>25,692</u>		<u>530,821</u>
<b>Support Services:</b>			
Personal Services - Salaries			77,945
Personal Services - Employee Benefits			14,905
Purchased Professional - Educational Services			127,934
Other Purchased Professional and Technical Services		30,442	116,196
Other Purchased Services			1,132
Supplies and Materials			25,085
<b>Total Support Services</b>		<u>30,442</u>	<u>363,197</u>
<b>Facilities Acquisition:</b>			
Instructional Equipment			20,609
Non-Instructional Equipment			151,904
<b>Total Facilities Acquisition</b>			<u>172,513</u>
<b>Total Expenditures</b>	<u>\$ 25,692</u>	<u>\$ 30,442</u>	<u>\$ 1,066,531</u>

**CAPITAL PROJECTS FUND**

Exhibit F-1

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS  
CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Revenue and Other Financing Sources:	
Capital Lease Proceeds	\$ 1,355,400
Interest Revenue	3,354
	<hr/>
Total Revenue and Other Financing Sources	1,358,754
	<hr/>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	56,515
Construction Services	2,193,250
Operating Transfers Out:	
Debt Service Fund - Interest Earned	3,354
	<hr/>
Total Expenditures and Other Financing Uses	2,253,119
	<hr/>
Excess/(Deficiency) of Revenue and Other Financing Sources	
Over/(Under) Expenditures and Other Financing Uses	(894,365)
	<hr/>
Fund Balance - Beginning	2,428,277
	<hr/>
Fund Balance - Ending	\$ 1,533,912
	<hr/>
<u>Reconciliation of Revenue from Budgetary Basis to GAAP Basis:</u>	
State SDA Grant Revenue Realized (Budgetary Basis)	\$ - 0 -
SDA Grants are Recognized on as Revenue on the Budgetary Basis when	
Awarded but are not Recognized on the GAAP Basis until Expended	504,966
	<hr/>
State SDA Grant Revenue Realized (GAAP Basis)	\$ 504,966
	<hr/>
<u>Recapitulation of Fund Balance at June 30, 2011:</u>	
Restricted	\$ 496,331
Committed	1,037,581
	<hr/>
	1,533,912
	<hr/>
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grant Revenue not Recognized on the GAAP Basis	(452,242)
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 1,081,670
	<hr/>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
CONSTRUCT AND EQUIP RENOVATIONS AND ADDITIONS TO  
BOTH MORRIS HILLS AND MORRIS KNOLLS HIGH SCHOOLS  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 12,870,155		\$ 12,870,155	\$ 12,870,155
Bond Proceeds and Transfers	43,092,397		43,092,397	43,092,397
<b>Total Revenue and Other Financing Sources</b>	<b>55,962,552</b>	<b>\$ - 0 -</b>	<b>55,962,552</b>	<b>55,962,552</b>
Expenditures:				
Purchased Professional & Technical Services	2,337,534	17,987	2,355,521	2,908,714
Construction Services	52,050,734	383,065	52,433,799	52,376,936
Miscellaneous Expenditures	676,901		676,901	676,902
<b>Total Expenditures</b>	<b>55,065,169</b>	<b>401,052</b>	<b>55,466,221</b>	<b>55,962,552</b>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 897,383	\$ (401,052)	\$ 496,331	\$ - 0 -

Additional Project Information:

Project Number	SP-3370-050-03-0451 & 0452
Grant Date	June 17, 2005
Bond Authorization Date	March 11, 2003
Bonds Authorized	\$ 43,092,000
Bonds Issued	\$ 43,092,000
Original Authorized Cost	\$ 55,962,552
Change Orders	\$ -0-
Revised Authorized Cost	\$ 55,962,552
Change Order Percentage	0.00%
Percentage Completion	99.11%
Original Target Completion Date	August 2007
Revised Target Completion Date	December 2007; December 2012

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
MORRIS HILLS HIGH SCHOOL FRONT ENTRANCEWAY  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 155,000		\$ 155,000	\$ 155,000
Transfer from Capital Reserve	232,500		232,500	232,500
<b>Total Revenue and Other Financing Sources</b>	<b>387,500</b>	<b>\$ -0-</b>	<b>387,500</b>	<b>387,500</b>
Expenditures:				
Purchased Professional and Technical Services	14,933	80	15,013	37,500
Construction Services	238,547	42,412	280,959	350,000
<b>Total Expenditures</b>	<b>253,480</b>	<b>42,492</b>	<b>295,972</b>	<b>387,500</b>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 134,020</u>	<u>\$ (42,492)</u>	<u>\$ 91,528</u>	<u>\$ -0-</u>

## Additional Project Information:

Project Number	SP-3370-050-09-1003
Grant Date	February 26, 2009
Bond Authorization Date	Not Applicable
Bonds Authorized	Not Applicable
Bonds Issued	Not Applicable
Original Authorized Cost	\$ 387,500
Change Orders	\$ -0-
Revised Authorized Cost	\$ 387,500
Change Order Percentage	0.00%
Percentage Completion	76.38%
Original Target Completion Date	January 18, 2010
Revised Target Completion Date	December 31, 2010

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
MORRIS KNOLLS HIGH SCHOOL ROOF REPLACEMENT  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 903,600		\$ 903,600	\$ 903,600
Capital Lease Proceeds		\$ 1,355,400	1,355,400	1,355,400
Transfer from Capital Outlay	501,393		501,393	501,393
<b>Total Revenue and Other Financing Sources</b>	<u>1,404,993</u>	<u>1,355,400</u>	<u>2,760,393</u>	<u>2,760,393</u>
Expenditures:				
Purchased Professional and Technical Services	8,119	38,448	46,567	369,000
Construction Services		1,767,773	1,767,773	2,391,393
<b>Total Expenditures</b>	<u>8,119</u>	<u>1,806,221</u>	<u>1,814,340</u>	<u>2,760,393</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 1,396,874</u>	<u>\$ (450,821)</u>	<u>\$ 946,053</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number	SP-3370-060-09-1001
Grant Date	February 26, 2009
Bond Authorization Date	Not Applicable
Bonds Authorized	Not Applicable
Bonds Issued	Not Applicable
Original Authorized Cost	\$ 2,259,000
Change Orders	\$ 501,393
Revised Authorized Cost	\$ 2,760,393
Change Order Percentage	22.20%
Percentage Completion	65.73%
Original Target Completion Date	November 30, 2010
Revised Target Completion Date	November 30, 2010

**PROPRIETARY FUNDS**

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011

	Business-Type Activities - Enterprise Funds							Totals
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
<b>ASSETS:</b>								
Current Assets:								
Cash and Cash Equivalents	\$ 182,908	\$ 6,619	\$ 16,583		\$ 62,545	\$ 17,114	\$ 13,180	\$ 298,949
Receivable from:								
Federal Government	13,439							13,439
State Government	872							872
Receivables - Other				\$ 34,585	30,003	7,500	4,600	76,688
Inventories	7,053							7,053
<b>Total Current Assets</b>	<u>204,272</u>	<u>6,619</u>	<u>16,583</u>	<u>34,585</u>	<u>92,548</u>	<u>24,614</u>	<u>17,780</u>	<u>397,001</u>
Non-Current Assets:								
Capital Assets	385,187	1,002,113						1,387,300
Less: Accumulated Depreciation	<u>(322,752)</u>	<u>(434,518)</u>						<u>(757,270)</u>
<b>Total Non-Current Assets</b>	<u>62,435</u>	<u>567,595</u>						<u>630,030</u>
<b>Total Assets</b>	<u>266,707</u>	<u>574,214</u>	<u>16,583</u>	<u>34,585</u>	<u>92,548</u>	<u>24,614</u>	<u>17,780</u>	<u>1,027,031</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011

	Business-Type Activities - Enterprise Funds							
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	Totals
<b>LIABILITIES:</b>								
Current Liabilities:								
Interfund Payable - General Fund				\$ 9,753				\$ 9,753
Accounts Payable	\$ 82,657		\$ 345	708				83,710
Total Current Liabilities	82,657		345	10,461				93,463
Total Liabilities	82,657		345	10,461				93,463
<b>NET ASSETS:</b>								
Investment in Capital Assets, Net of Related Debt	62,435	\$ 567,595						630,030
Unrestricted	121,615	6,619	16,238	24,124	\$ 92,548	\$ 24,614	\$ 17,780	303,538
Total Net Assets	\$ 184,050	\$ 574,214	\$ 16,238	\$ 24,124	\$ 92,548	\$ 24,614	\$ 17,780	\$ 933,568

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds							
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	Total Enterprise Funds
Operating Revenue:								
Charges for Services:								
Daily Sales - Reimbursable Programs:								
School Lunch Program	\$ 284,257							\$ 284,257
School Breakfast Program	17,625							17,625
Total Daily Sales - Reimbursable Programs	301,882							301,882
Daily Sales - Non-Reimbursable Programs	375,482							375,482
Special Events	17,531							17,531
Tuition		\$ 1,117,800	\$ 171,705					1,289,505
Service Fees				\$ 372,958	\$ 518,958	\$ 118,640	\$ 46,000	1,056,556
<b>Total Operating Revenue</b>	<b>694,895</b>	<b>1,117,800</b>	<b>171,705</b>	<b>372,958</b>	<b>518,958</b>	<b>118,640</b>	<b>46,000</b>	<b>3,040,956</b>
Operating Expenses:								
Cost of Sales	302,760							302,760
Salaries	226,505	830,336	62,971	208,796	269,764	61,417	25,034	1,684,823
Payroll Taxes	31,715	30,447	2,858	16,062	294	5,228	1,915	88,519
Employee Benefits	147,527	162,372	13,470	86,834	51,889	27,381	1,271	490,744
Purchased Professional - Educational Services			63,841		104,000			167,841
Other Purchased Services		47,382	27,969					75,351
Purchased Property Services	93,679							93,679
Supplies and Materials	84,254	40,644		37,142				162,040
Other Objects					463			463

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds							Total Enterprise Funds
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
Operating Expenses:								
Depreciation Expense	\$ 15,184	\$ 19,573						\$ 34,757
Total Operating Expenses	901,624	1,130,754	\$ 171,109	\$ 348,834	\$ 426,410	\$ 94,026	\$ 28,220	3,100,977
Operating Income/(Loss)	(206,729)	(12,954)	596	24,124	92,548	24,614	17,780	(60,021)
Non-Operating Revenue:								
Federal Sources:								
School Breakfast Program	28,299							28,299
National School Lunch Program	153,243							153,243
Food Distribution Program	29,596							29,596
State Sources:								
School Lunch Program	6,913							6,913
School Lunch Program - Supplemental	359							359
Total Non-Operating Revenue	218,410							218,410
Change in Net Assets	11,681	(12,954)	596	24,124	92,548	24,614	17,780	158,389
Net Assets - Beginning of Year	172,369	587,168	15,642					775,179
Net Assets - End of Year	<u>\$ 184,050</u>	<u>\$ 574,214</u>	<u>\$ 16,238</u>	<u>\$ 24,124</u>	<u>\$ 92,548</u>	<u>\$ 24,614</u>	<u>\$ 17,780</u>	<u>\$ 933,568</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds							
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	Total Enterprise
<b>Cash Flows from Operating Activities:</b>								
Receipts from Customers	\$ 694,895	\$ 1,229,580	\$ 173,768	\$ 338,373	\$ 488,955	\$ 111,140	\$ 41,400	\$ 3,078,111
Payments to Employees		(860,783)	(65,829)	(224,150)	(270,058)	(66,645)	(26,949)	(1,514,414)
Payments to Food Service Vendor	(828,397)							(828,397)
Payments to Suppliers	(6,666)	(362,178)	(107,626)	(114,223)	(156,352)	(27,381)	(1,271)	(775,697)
<b>Net Cash Provided/(Used) by Operating Activities</b>	<u>(140,168)</u>	<u>6,619</u>	<u>313</u>	<u>-0-</u>	<u>62,545</u>	<u>17,114</u>	<u>13,180</u>	<u>(40,397)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>								
Federal	179,566							179,566
State	7,200							7,200
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>186,766</u>							<u>186,766</u>
<b>Net Increase in Cash and Cash Equivalents</b>	46,598	6,619	313	-0-	62,545	17,114	13,180	146,369
<b>Cash and Cash Equivalents, July 1</b>	<u>136,310</u>		<u>16,270</u>					<u>152,580</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 182,908</u>	<u>\$ 6,619</u>	<u>\$ 16,583</u>	<u>\$ -0-</u>	<u>\$ 62,545</u>	<u>\$ 17,114</u>	<u>\$ 13,180</u>	<u>\$ 298,949</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PROPRIETARY FUND  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds							Total Enterprise
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transportation Services	
Reconciliation of Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:								
Operating Income/(Loss)	\$ (206,729)	\$ (12,954)	\$ 596	\$ 24,124	\$ 92,548	\$ 24,614	\$ 17,780	\$ (60,021)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:								
Depreciation	15,184	19,573						34,757
Federal Food Distribution Program	29,596							29,596
Changes in Assets and Liabilities:								
(Increase)/Decrease in Other Receivables		111,780	2,063	(34,585)	(30,003)	(7,500)	(4,600)	37,155
Decrease in Inventory	978							978
Increase/(Decrease) in Accounts Payable	20,803		(2,346)	708				19,165
Increase/(Decrease) in Interfund Payable		(111,780)		9,753				(102,027)
Net Cash Provided/(Used) by Operating Activities	<u>\$ (140,168)</u>	<u>\$ 6,619</u>	<u>\$ 313</u>	<u>\$ -0-</u>	<u>\$ 62,545</u>	<u>\$ 17,114</u>	<u>\$ 13,180</u>	<u>\$ (40,397)</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$29,596 for the fiscal year ended June 30, 2011.

**FIDUCIARY FUNDS**

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>			<u>Total</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 439,599	\$ 6,514	\$ 446,113	\$ 151,044	\$ 279,965
Total Assets	<u>439,599</u>	<u>6,514</u>	<u>446,113</u>	<u>151,044</u>	<u>279,965</u>
<b>LIABILITIES:</b>					
Payroll Deductions and Withholdings Due to Student Groups	<u>439,599</u>	<u>6,514</u>	<u>6,514</u> <u>439,599</u>		
Total Liabilities	<u>439,599</u>	<u>6,514</u>	<u>446,113</u>	<u>- 0 -</u>	<u>- 0 -</u>
<b>NET ASSETS:</b>					
Held in Trust for: Unemployment Claims Scholarships				<u>151,044</u>	<u>279,965</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 151,044</u>	<u>\$ 279,965</u>

## Exhibit H-2

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:		
Contributions:		
Employee	\$ 78,668	
Other		\$ 46,038
	<u>78,668</u>	<u>46,038</u>
Total Contributions		
	<u>78,668</u>	<u>46,038</u>
Investment Earnings:		
Interest	80	919
	<u>80</u>	<u>919</u>
Net Investment Earnings		
	<u>80</u>	<u>919</u>
Total Additions	<u>78,748</u>	<u>46,957</u>
DEDUCTIONS:		
Unemployment Claims	61,072	
Scholarships Awarded		21,002
	<u>61,072</u>	<u>21,002</u>
Total Deductions	<u>61,072</u>	<u>21,002</u>
Change in Net Assets	17,676	25,955
Net Assets - Beginning of the Year	<u>133,368</u>	<u>254,010</u>
Net Assets - End of the Year	<u>\$ 151,044</u>	<u>\$ 279,965</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 438,568	\$ 587,516	\$ 586,485	\$ 439,599
Total Assets	<u>\$ 438,568</u>	<u>\$ 587,516</u>	<u>\$ 586,485</u>	<u>\$ 439,599</u>
<b>LIABILITIES:</b>				
Liabilities:				
Due to Student Groups	\$ 438,568	\$ 587,516	\$ 586,485	\$ 439,599
Total Liabilities	<u>\$ 438,568</u>	<u>\$ 587,516</u>	<u>\$ 586,485</u>	<u>\$ 439,599</u>

Exhibit H-4

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Senior High Schools:				
Morris Hills	\$ 150,484	\$ 241,190	\$ 205,274	\$ 186,400
Morris Knolls	281,275	346,052	375,787	251,540
District-Wide	<u>6,809</u>	<u>274</u>	<u>5,424</u>	<u>1,659</u>
Total All Schools	<u>\$ 438,568</u>	<u>\$ 587,516</u>	<u>\$ 586,485</u>	<u>\$ 439,599</u>

Exhibit H-5

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 2,977	\$ 39,835,366	\$ 39,831,829	\$ 6,514
Total Assets	<u>\$ 2,977</u>	<u>\$ 39,835,366</u>	<u>\$ 39,831,829</u>	<u>\$ 6,514</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 2,977	\$ 39,835,366	\$ 39,831,829	\$ 6,514
Total Liabilities	<u>\$ 2,977</u>	<u>\$ 39,835,366</u>	<u>\$ 39,831,829</u>	<u>\$ 6,514</u>

**LONG-TERM DEBT**

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance June 30, 2010	Matured	Balance June 30, 2011
			Date	Outstanding June 30, 2011 Amount				
School Improvements	04/01/04	\$ 43,092,000	10/01/11	\$ 1,310,000	3.50%			
			10/01/12	1,360,000	3.50%			
			10/01/13	1,410,000	4.00%			
			10/01/14	1,470,000	4.00%			
			10/01/15	1,530,000	4.00%			
			10/01/16	1,585,000	3.50%			
			10/01/17	1,645,000	3.60%			
			10/01/18	1,705,000	3.70%			
			10/01/19	1,770,000	3.80%			
			10/01/20	1,840,000	4.00%			
			10/01/21	1,915,000	4.00%			
			10/01/22	1,995,000	4.00%			
			10/01/23	2,075,000	4.00%			
			10/01/24	2,160,000	4.10%			
			10/01/25	2,255,000	4.25%			
			10/01/26	2,350,000	4.25%			
			10/01/27	2,455,000	4.25%			
			10/01/28	2,560,000	4.25%			
10/01/29	2,667,000	4.25%	\$ 37,327,000	\$ 1,270,000	\$ 36,057,000			
						\$ 37,327,000	\$ 1,270,000	\$ 36,057,000

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2010</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance June 30, 2011</u>
School Buses, Computers and Security Access Equipment	2.75%	\$ 467,325	\$ 373,754		\$ 89,646	\$ 284,108
Morris Knolls High School Roof Replacement	3.31%	1,355,400		\$ 1,355,400		1,355,400
			<u>\$ 373,754</u>	<u>\$ 1,355,400</u>	<u>\$ 89,646</u>	<u>\$ 1,639,508</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 2,691,040		\$ 2,691,040	\$ 2,691,040	
<b>Total Revenues</b>	<b>2,691,040</b>		<b>2,691,040</b>	<b>2,691,040</b>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	1,459,285		1,459,285	1,459,285	
Redemption of Principal	1,270,000		1,270,000	1,270,000	
<b>Total Regular Debt Service</b>	<b>2,729,285</b>		<b>2,729,285</b>	<b>2,729,285</b>	
<b>Total Expenditures</b>	<b>2,729,285</b>		<b>2,729,285</b>	<b>2,729,285</b>	
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>(38,245)</b>		<b>(38,245)</b>	<b>(38,245)</b>	
<b>Other Financing Sources:</b>					
Operating Transfers In:					
Capital Projects Fund - Interest Earned				3,354	\$ 3,354
<b>Total Other Financing Sources</b>				<b>3,354</b>	<b>3,354</b>
<b>Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures</b>	<b>(38,245)</b>		<b>(38,245)</b>	<b>(34,891)</b>	<b>3,354</b>
<b>Fund Balance, July 1</b>	<b>45,636</b>		<b>45,636</b>	<b>45,636</b>	<b>- 0 -</b>
<b>Fund Balance, June 30</b>	<b>\$ 7,391</b>	<b>\$ - 0 -</b>	<b>\$ 7,391</b>	<b>\$ 10,745</b>	<b>\$ 3,354</b>
<b><u>Recapitulation of Fund Balance at June 30, 2011:</u></b>					
Restricted for Subsequent Year's Expenditures				\$ 10,391	
Restricted				354	
				<u>\$ 10,745</u>	

**STATISTICAL SECTION**

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

**Contents**

**Exhibit**

**Financial Trends**

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

J-1 thru J-5

**Revenue Capacity**

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

J-6 thru J-9

**Debt Capacity**

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

J-10 thru J-13

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

**Operating Information**

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

J-16 thru J-20

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

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

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities:</b>							
Invested (Deficit) in Capital Assets, Net of Related Debt	\$ (28,606,917)	\$ (3,513,351)	\$ 12,244,580	\$ 12,422,363	\$ 11,069,730	\$ 9,464,042	\$ 9,471,239
Restricted	40,043,591	22,660,622	5,439,966	2,897,496	2,019,387	2,016,795	2,343,855
Unrestricted (Deficit)	(1,754,968)	(2,147,442)	(2,488,934)	(2,404,949)	(1,947,179)	(3,045,007)	(2,508,106)
<b>Total Governmental Activities Net Assets</b>	<b>\$ 9,681,706</b>	<b>\$ 16,999,829</b>	<b>\$ 15,195,612</b>	<b>\$ 12,914,910</b>	<b>\$ 11,141,938</b>	<b>\$ 8,435,830</b>	<b>\$ 9,306,988</b>
<b>Business-type Activities:</b>							
Invested in Capital Assets, Net of Related Debt	\$ 685,069	\$ 665,456	\$ 645,884	\$ 652,071	\$ 630,159	\$ 664,787	\$ 630,030
Unrestricted	93,857	108,027	111,661	67,113	69,400	110,392	303,538
<b>Total Business-type Activities Net Assets</b>	<b>\$ 778,926</b>	<b>\$ 773,483</b>	<b>\$ 757,545</b>	<b>\$ 719,184</b>	<b>\$ 699,559</b>	<b>\$ 775,179</b>	<b>\$ 933,568</b>
<b>District-wide:</b>							
Invested (Deficit) in Capital Assets, Net of Related Debt	\$ (27,921,848)	\$ (2,847,895)	\$ 12,890,464	\$ 13,074,434	\$ 11,699,889	\$ 10,128,829	\$ 10,101,269
Restricted	40,043,591	22,660,622	5,439,966	2,897,496	2,019,387	2,016,795	2,343,855
Unrestricted (Deficit)	(1,661,111)	(2,039,415)	(2,377,273)	(2,337,836)	(1,877,779)	(2,934,615)	(2,204,568)
<b>Total District-wide Net Assets</b>	<b>\$ 10,460,632</b>	<b>\$ 17,773,312</b>	<b>\$ 15,953,157</b>	<b>\$ 13,634,094</b>	<b>\$ 11,841,497</b>	<b>\$ 9,211,009</b>	<b>\$ 10,240,556</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Financial Reports.

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

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

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

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

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

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Financial Reports.

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

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
<b>General Fund:</b>							
Reserved	\$ 3,723,755	\$ 4,453,038	\$ 3,348,825	\$ 1,787,842	\$ 403,210	\$ 500,090	
Unreserved	1,050,003	824,112	439,709	623,553	1,253,096	369,853	
Restricted							\$ 1,251,440
Assigned							400,000
Unassigned							404,722
<b>Total General Fund</b>	<b>\$ 4,773,758</b>	<b>\$ 5,277,150</b>	<b>\$ 3,788,534</b>	<b>\$ 2,411,395</b>	<b>\$1,656,306</b>	<b>\$ 869,943</b>	<b>\$ 2,056,162</b>
<b>All Other Governmental Funds:</b>							
Reserved	\$42,898,612	\$19,013,630	\$ 316,857		\$ 746,400	\$ 259,852	
Unreserved (Deficit), Reported in:							
Capital Projects Fund	(7,752,971)	(1,944,415)	1,574,416	\$ 1,073,960	831,532	1,211,217	
Debt Service Fund	1,174,195	1,138,369	199,868	35,694	38,245	45,636	
Restricted							\$ 507,076
Committed							585,339
<b>Total All Other Governmental Funds</b>	<b>\$36,319,836</b>	<b>\$18,207,584</b>	<b>\$ 2,091,141</b>	<b>\$ 1,109,654</b>	<b>\$1,616,177</b>	<b>\$ 1,516,705</b>	<b>\$ 1,092,415</b>
<b>Total Governmental Funds</b>	<b>\$41,093,594</b>	<b>\$23,484,734</b>	<b>\$ 5,879,675</b>	<b>\$ 3,521,049</b>	<b>\$3,272,483</b>	<b>\$ 2,386,648</b>	<b>\$ 3,148,577</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Financial Reports.

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

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

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

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Financial Reports.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Rentals -</u> <u>Use of</u> <u>Facilities</u>	<u>Adult School</u> <u>Fees</u>	<u>Other</u>	<u>Total</u>
2002	\$ 97,692	\$ 180,792	\$10,648	\$ 275,071	\$ 10,835	\$ 575,038
2003	60,394	224,172	12,145	282,467	28,099	607,277
2004	67,808	155,355	10,527	241,007	37,057	511,754
2005	121,202	126,511	4,015	272,625	84,175	608,528
2006	202,599	120,797	200	215,792	18,667	558,055
2007	201,307	67,232	691	227,463	54,669	551,362
2008	203,747	96,970	2,850	218,358	60,749	582,674
2009	85,166	207,811	4,425	269,017	128,207	694,626
2010	54,886	54,325	3,400	*	335,109	447,720
2011	12,570	199,137	35,142	*	113,331	360,180

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

Source: Morris Hills Regional School District records.

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

DENVILLE TOWNSHIP

Year End Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$ 73,706,600	#####	\$5,533,800	\$136,400	\$ 291,241,200	\$ 73,708,800	\$ 8,173,600	#####	\$5,977,120	#####	\$196,486,400	\$ 0.58	#####
2005	63,044,100	1,692,079,500	6,156,100	138,200	298,571,500	73,457,400	8,173,600	2,141,620,400	5,339,141	2,146,959,541	199,915,900	0.60	2,594,625,908
2006	54,971,100	1,767,342,500	6,187,800	138,200	300,914,600	72,707,400	8,173,600	2,210,435,200	4,607,705	2,215,042,905	199,718,900	0.58	2,590,178,143
2007	51,305,900	1,819,429,300	4,842,400	86,900	299,050,900	70,322,400	8,173,600	2,253,211,400	4,840,446	2,258,051,846	199,178,400	0.61	3,342,260,004
2008	48,382,100	1,842,271,000	4,842,400	86,900	295,343,300	70,122,400	7,729,600	2,268,777,700	4,679,377	2,273,457,077	206,799,900	0.66	3,524,915,454
2009	45,790,100	1,857,498,100	4,554,400	82,600	297,466,700	70,122,400	7,729,600	2,283,243,900	5,460,388	2,288,704,288	207,717,200	0.68	3,565,499,240
2010	45,416,600	1,862,250,600	4,353,300	77,900	295,238,400	70,122,400	7,729,600	2,285,188,800	5,230,954	2,290,419,754	208,621,000	0.70	3,414,567,910

ROCKAWAY BOROUGH

Year End Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$ 9,668,200	\$ 556,267,900	\$ -0-	\$ -0-	\$ 157,038,800	\$ 25,273,700	\$22,323,700	\$ 770,572,300	\$1,027,733	\$ 771,600,033	\$ 68,779,200	\$ 0.52	\$ 641,838,909
2005	9,051,900	555,860,800	-0-	-0-	154,113,100	24,756,900	22,323,700	766,106,400	959,191	767,065,591	69,150,600	0.56	727,448,217
2006	13,759,500	558,180,200	-0-	-0-	143,750,600	24,756,900	21,776,100	762,223,300	854,156	763,077,456	69,073,800	0.55	800,711,986
2007	12,959,500	561,984,000	-0-	-0-	138,492,700	29,747,700	22,292,400	765,476,300	780,140	766,256,440	70,776,500	0.56	879,939,762
2008	10,291,900	563,247,300	-0-	-0-	143,341,900	31,007,900	22,292,400	770,181,400	1,074,601	771,256,001	70,776,500	0.59	951,846,844
2009	9,275,600	564,835,000	-0-	-0-	145,893,000	31,420,600	22,292,400	773,716,600	1,314,991	775,031,591	71,093,400	0.61	933,754,792
2010	7,687,300	566,098,500	-0-	-0-	148,645,600	31,245,600	22,292,400	775,969,400	1,257,313	777,226,713	73,341,400	0.62	951,631,970

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation.  
Reassessment occurs when ordered by the County Board of Taxation.

- a - Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.
- b - Tax rates are per \$100 of assessed valuation.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Municipal Tax Assessors.

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

ROCKAWAY TOWNSHIP

Year End Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$ 106,764,900	#####	\$2,919,900	\$231,200	\$ 472,080,600	\$ 194,954,000	\$32,887,700	#####	\$3,637,463	#####	\$924,356,700	\$ 0.60	#####
2005	90,804,800	2,130,423,600	3,613,000	233,700	467,819,900	193,367,600	32,887,700	2,919,150,300	3,203,134	2,922,353,434	925,111,500	0.67	3,471,351,415
2006	66,597,800	2,153,129,000	3,613,000	153,700	492,312,500	170,170,500	35,514,500	2,921,491,000	2,470,301	2,923,961,301	933,659,300	0.71	4,176,109,351
2007	65,014,700	2,169,466,200	3,370,700	152,300	450,806,800	172,386,400	38,686,200	2,899,883,300	2,964,341	2,902,847,641	936,722,300	0.76	4,429,660,672
2008	73,980,100	2,175,843,900	3,526,800	157,600	440,184,300	166,746,900	40,661,200	2,901,100,800	3,170,052	2,904,270,852	937,428,400	0.79	4,487,150,052
2009	57,991,000	2,191,514,300	4,195,500	159,400	440,278,600	157,233,000	40,661,200	2,892,033,000	3,511,905	2,895,544,905	944,482,600	0.81	4,589,387,613
2010	51,655,300	2,192,005,300	4,195,500	157,600	439,785,000	153,274,200	40,661,200	2,881,734,100	3,973,869	2,885,707,969	945,762,000	0.87	4,773,710,605

WHARTON BOROUGH

Year End Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$ 2,842,800	\$ 231,320,000	\$ 146,900	\$ 2,500	\$ 57,718,300	\$ 32,289,400	\$21,322,300	\$ 345,642,200	\$ 581,706	\$ 346,223,906	\$ 25,968,900	\$ 0.84	\$ 547,694,688
2005	3,882,000	235,364,400	146,900	2,500	57,911,700	28,603,100	21,322,300	347,232,900	497,862	347,730,762	25,906,500	0.96	516,147,698
2006	3,949,500	235,960,300	146,900	2,500	57,911,700	28,603,100	20,922,300	347,496,300	425,268	347,921,568	25,906,500	1.00	700,086,600
2007	5,165,300	233,507,500	146,900	2,500	38,138,900	53,739,800	20,922,300	351,623,200	389,636	352,012,836	24,823,900	1.13	810,504,523
2008*	17,248,900	567,671,400	703,100	4,000	102,222,100	126,740,600	28,526,200	843,116,300	1,164,475	844,280,775	68,002,200	0.52	875,685,946
2009	16,610,600	568,140,100	703,100	4,000	103,002,400	126,740,600	28,526,200	843,727,000	-0-	843,727,000	67,736,000	0.54	863,774,131
2010*	12,431,400	489,700,200	621,200	4,000	102,374,200	113,236,100	24,354,300	742,721,400	-0-	742,721,400	66,238,700	0.61	841,091,053

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation.  
Reassessment occurs when ordered by the County Board of Taxation.

- a - Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.
- b - Tax rates are per \$100 of assessed valuation.
- \* - Property revaluation/reassessment became effective in this year.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Municipal Tax Assessors.

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

(Rate per \$100 of Assessed Value)

**DENVILLE TOWNSHIP**

Year Ended Dec. 31,	Morris Hills Regional School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct Rate	Denville Township	Denville Township Public Schools	Morris County	
2001	\$ 0.88		\$ 0.88	\$ 0.60	\$ 1.26	\$ 0.47	\$ 3.21
2002	* 0.52 *		* 0.52 *	* 0.34 *	* 0.69 *	* 0.27 *	* 1.82 *
2003	0.57		0.57	0.39	0.76	0.25	1.97
2004	0.57	\$ 0.01	0.58	0.40	0.86	0.31	2.15
2005	0.56	0.04	0.60	0.40	0.92	0.32	2.24
2006	0.55	0.03	0.58	0.44	0.97	0.34	2.33
2007	0.58	0.03	0.61	0.46	1.03	0.35	2.45
2008	0.62	0.04	0.66	0.50	1.07	0.36	2.59
2009	0.64	0.04	0.68	0.53	1.08	0.35	2.64
2010	0.66	0.04	0.70	0.55	1.09	0.34	2.68

**ROCKAWAY BOROUGH**

Year Ended Dec. 31,	Morris Hills Regional School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct Rate	Rockaway Borough	Rockaway Borough Public Schools	Morris County	
2001	\$ 0.69		\$ 0.69	\$ 0.58	\$ 1.11	\$ 0.32	\$ 2.70
2002	0.75		0.75	0.62	1.12	0.34	2.83
2003	0.82		0.82	0.64	1.15	0.35	2.96
2004	* 0.51 *	\$ 0.01 *	* 0.52 *	* 0.38 *	* 0.69 *	* 0.24 *	* 1.83 *
2005	0.52	0.04	0.56	0.41	0.72	0.25	1.94
2006	0.52	0.03	0.55	0.44	0.77	0.26	2.02
2007	0.53	0.03	0.56	0.48	0.81	0.27	2.12
2008	0.55	0.04	0.59	0.54	0.83	0.29	2.25
2009	0.58	0.03	0.61	0.59	0.83	0.27	2.30
2010	0.59	0.03	0.62	0.61	0.85	0.28	2.36

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

**a** - The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

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

\* - Property revaluation became effective in this year.

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

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

**UNAUDITED**

(Rate per \$100 of Assessed Value)

**ROCKAWAY TOWNSHIP**

Year Ended Dec. 31,	Morris Hills Regional School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct Rate	Rockaway Township	Rockaway Township Public Schools	Morris County	
2001	\$ 1.13		\$ 1.13	\$ 1.20	\$ 2.39	\$ 0.59	\$ 5.31
2002 *	0.49 *		0.49 *	0.55 *	1.02 *	0.26 *	2.32 *
2003	0.54		0.54	0.56	1.12	0.28	2.50
2004	0.59	\$ 0.01	0.60	0.60	1.17	0.30	2.67
2005	0.63	0.04	0.67	0.64	1.22	0.31	2.84
2006	0.67	0.04	0.71	0.68	1.27	0.36	3.02
2007	0.72	0.04	0.76	0.72	1.31	0.36	3.15
2008	0.74	0.05	0.79	0.78	1.35	0.36	3.28
2009	0.76	0.05	0.81	0.82	1.35	0.35	3.33
2010	0.82	0.05	0.87	0.86	1.38	0.38	3.49

**WHARTON BOROUGH**

Year Ended Dec. 31,	Morris Hills Regional School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct Rate	Wharton Borough	Wharton Borough Public Schools	Morris County	
2001	\$ 0.65		\$ 0.65	\$ 0.61	\$ 1.53	\$ 0.35	\$ 3.14
2002	0.66		0.66	0.64	1.54	0.37	3.21
2003	0.71		0.71	0.70	1.60	0.40	3.41
2004	0.82	\$ 0.02	0.84	0.73	1.72	0.45	3.74
2005	0.90	0.06	0.96	0.81	1.86	0.47	4.10
2006	0.95	0.05	1.00	0.85	1.98	0.50	4.33
2007	1.07	0.06	1.13	0.91	2.04	0.55	4.63
2008 *	0.49 *	0.03 *	0.52 *	0.44 *	0.87 *	0.24 *	2.07 *
2009	0.51	0.03	0.54	0.46	0.88	0.23	2.11
2010 *	0.58 *	0.03 *	0.61 *	0.57 *	1.02 *	0.26 *	2.46 *

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

a - The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

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

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

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

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

DENVILLE TOWNSHIP

Taxpayer	2010		2001	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
St. Francis Life Care Corporation	\$ 47,650,000	2.08%	\$ 47,650,000	4.35%
Shoppes at Union Hill, LLC	21,966,000	0.96%		
Tamara Enterprises LLC	12,112,200	0.53%	9,600,000	0.88%
Individual Taxpayer #1	8,900,000	0.39%	8,800,000	0.80%
Rockaway River Country Club	8,448,600	0.37%	8,400,000	0.77%
WP Properties, LLC	5,700,000	0.25%	7,500,000	0.68%
Denville Station LLC	5,351,000	0.23%		
Verizon	5,230,954	0.23%		
WP Properties, LLC	5,200,000	0.23%	6,700,000	0.61%
Morris 400 LLC	5,000,000	0.22%	6,530,000	0.60%
Denville Hites Limited Partnership			11,985,700	1.09%
New Jersey Bell			6,337,882	0.58%
Georgia Pacific			5,150,000	0.47%
<b>Total</b>	<b>\$ 125,558,754</b>	<b>5.49%</b>	<b>\$ 118,653,582</b>	<b>10.83%</b>

ROCKAWAY BOROUGH

Taxpayer	2010		2001	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Rockaway Commons	\$ 11,751,250	1.51%		
McWilliams Forge	10,319,500	1.33%	\$ 8,383,100	1.89%
HS Gardens, LLC	8,002,000	1.03%	4,950,000	1.11%
Highway Enterprises, Inc.	6,625,000	0.85%	3,701,200	0.83%
Individual Taxpayer #1	4,413,400	0.57%	2,968,000	0.67%
Gustov L. Hollenstein, Inc.	4,249,200	0.55%	2,910,600	0.65%
Moretrench Corporation	4,042,400	0.52%	2,450,000	0.55%
Wespas	3,100,000	0.40%	2,450,100	0.55%
Kop-Coat, Inc.	2,976,800	0.38%	2,431,100	0.55%
Individual Taxpayer #2	2,154,800	0.28%	2,600,000	0.58%
Individual Taxpayer #3			2,243,000	0.50%
<b>Total</b>	<b>\$ 57,634,350</b>	<b>7.42%</b>	<b>\$ 35,087,100</b>	<b>7.88%</b>

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

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

ROCKAWAY TOWNSHIP

Taxpayer	2010		2001	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Rockaway Ctr. Assoc./Corp. Prop. Investors, Inc.	\$ 145,000,000	5.02%	\$ 209,442,000	18.47%
Mt. Hope Rock Products, Inc. (Tilcon)	35,609,400	1.23%	32,940,000	2.91%
MarketPlace at Rockaway, LLC	21,581,700	0.75%		
GIM PA Partners	20,722,300	0.72%		
Rustic Ridge, Inc.	20,424,100	0.71%		
Bergen Record	19,000,000	0.66%	37,216,700	3.28%
Dover VF c/o Vornado Realty Trust	18,103,600	0.63%		
Macy's East, Inc./Federated Department Stores	17,876,100	0.62%	32,940,000	2.91%
Retail Property Trust	15,635,600	0.54%	25,314,400	2.23%
Target Corporation	14,535,200	0.50%		
Cin Rockaway, LLC			32,855,000	2.90%
Sears Roebuck Company			25,581,600	2.26%
Dover Holding Corporation			25,536,100	2.25%
Agilent Technologies, Inc.			25,264,000	2.23%
JC Penney Co., Inc.			24,623,600	2.17%
<b>Total</b>	<b>\$ 328,488,000</b>	<b>11.38%</b>	<b>\$ 471,713,400</b>	<b>41.61%</b>

WHARTON BOROUGH

Taxpayer	2010		2001	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
TA Wharton LLC	\$ 59,267,700	7.98%		
The Realty Associates Fund VIII LP	37,223,900	5.01%		
Glass Paramus	19,433,900	2.62%	\$ 8,568,200	2.58%
Costco Wholesale Club	17,842,300	2.40%	9,450,600	2.84%
C.C.K.K. LLC (Wharton Industrial)	11,615,400	1.56%		
Bayview Gardens	8,700,000	1.17%		
Wharton Mall	8,273,700	1.11%	4,000,000	1.20%
Brentwood Associates	6,528,500	0.88%		
Wharton Apartments	4,000,000	0.54%	2,200,000	0.66%
Waltann Greenbrook, LLC	3,863,700	0.52%		
TMC Properties			24,000,000	7.22%
Wharton Warehouse			19,802,200	5.96%
Brentwood Gardens Apartments			3,256,000	0.98%
Edgewater, LLC			2,771,900	0.83%
Buzy Lady Plaza			1,872,700	0.56%
Longo Electric			1,548,400	0.47%
<b>Total</b>	<b>\$ 176,749,100</b>	<b>23.79%</b>	<b>\$ 77,470,000</b>	<b>23.30%</b>

Source: Municipal Tax Assessors.

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

DENVILLE TOWNSHIP

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 10,687,980	\$ 10,687,980	100.00%	\$ -0-
2003	11,716,792	11,716,792	100.00%	-0-
2004	12,171,034	12,171,034	100.00%	-0-
2005	12,559,172	12,559,172	100.00%	-0-
2006	12,890,622	12,890,622	100.00%	-0-
2007	12,895,393	12,895,393	100.00%	-0-
2008	14,578,843	14,578,843	100.00%	-0-
2009	15,336,507	15,336,507	100.00%	-0-
2010	15,802,450	15,802,450	100.00%	-0-
2011	16,331,641	16,331,641	100.00%	-0-

ROCKAWAY BOROUGH

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 3,338,661	\$ 3,338,661	100.00%	\$ -0-
2003	3,659,434	3,659,434	100.00%	-0-
2004	3,776,666	3,776,666	100.00%	-0-
2005	4,199,422	4,199,422	100.00%	-0-
2006	4,271,605	4,271,605	100.00%	-0-
2007	4,180,987	4,180,987	100.00%	-0-
2008	4,408,977	4,408,977	100.00%	-0-
2009	4,675,529	4,675,529	100.00%	-0-
2010	4,836,633	4,836,633	100.00%	-0-
2011	4,796,814	4,796,814	100.00%	-0-

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

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

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

ROCKAWAY TOWNSHIP

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 13,968,537	\$ 13,968,537	100.00%	\$ -0-
2003	15,671,824	15,671,824	100.00%	-0-
2004	16,763,998	16,763,998	100.00%	-0-
2005	18,294,085	18,294,085	100.00%	-0-
2006	20,139,739	20,139,739	100.00%	-0-
2007	21,374,172	21,374,172	100.00%	-0-
2008	22,773,917	22,773,917	100.00%	-0-
2009	23,105,067	23,105,067	100.00%	-0-
2010	24,102,083	24,102,083	100.00%	-0-
2011	25,731,751	25,731,751	100.00%	-0-

WHARTON BOROUGH

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 2,269,500	\$ 2,269,500	100.00%	\$ -0-
2003	2,438,311	2,438,311	100.00%	-0-
2004	2,595,093	2,595,093	100.00%	-0-
2005	3,188,920	3,188,920	100.00%	-0-
2006	3,377,456	3,377,456	100.00%	-0-
2007	3,564,005	3,564,005	100.00%	-0-
2008	4,375,229	4,375,229	100.00%	-0-
2009	4,432,200	4,432,200	100.00%	-0-
2010	4,638,736	4,638,736	100.00%	-0-
2011	4,370,561	4,370,561	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2005	\$ 43,092,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$43,092,000	1.32%	\$ 806.47	
2006	42,012,000	-0-	-0-	-0-	-0-	42,012,000	1.23%	780.33	
2007	40,897,000	-0-	-0-	12,000,000	-0-	52,897,000	1.44%	981.70	
2008	39,747,000	-0-	-0-	11,600,000	-0-	51,347,000	1.34%	954.55	
2009	38,557,000	-0-	-0-	-0-	-0-	38,557,000	1.00%	715.87	
2010	37,327,000	-0-	373,754	-0-	-0-	37,700,754	1.02%	697.62	
2011	36,057,000	-0-	1,639,508	-0-	-0-	37,696,508	1.02%	697.54	

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

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 43,092,000	\$ -0-	\$ 43,092,000	0.700%	\$ 806.47
2006	42,012,000	-0-	42,012,000	0.679%	780.33
2007	40,897,000	-0-	40,897,000	0.654%	759.00
2008	39,747,000	-0-	39,747,000	0.633%	738.90
2009	38,557,000	-0-	38,557,000	0.568%	715.87
2010	37,327,000	-0-	37,327,000	0.549%	690.70
2011	36,057,000	-0-	36,057,000	0.538%	667.20

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

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

**a** - See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

**b** - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Morris Hills Regional School District Financial Reports.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2010  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt Repaid with Property Taxes:</b>			
Denville Township	\$ 8,320,973	100.00%	\$ 8,320,973
Rockaway Borough	4,146,960	100.00%	4,146,960
Rockaway Township	26,664,228	100.00%	26,664,228
Wharton Borough	2,187,006	100.00%	2,187,006
Morris County General Obligation Debt	249,234,104	9.75%	<u>24,309,153</u>
Subtotal, Overlapping Debt			65,628,320
Morris Hills Regional School District Direct Debt			<u>37,696,508</u>
Total Direct and Overlapping Debt			<u>\$ 103,324,828</u>

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

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by residents and businesses of Denville Township, Rockaway Borough, Rockaway Township and Wharton Borough. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

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

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

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Debt Limit	\$ 131,816,757	\$ 143,448,972	\$ 157,596,505	\$ 175,614,492	\$ 196,598,831
Total Net Debt Applicable to Limit	-0-	-0-	43,092,000	43,092,000	42,012,000
Legal Debt Margin	<u>\$ 131,816,757</u>	<u>\$ 143,448,972</u>	<u>\$ 114,504,505</u>	<u>\$ 132,522,492</u>	<u>\$ 154,586,831</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	27.34%	24.54%	21.37%

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Debt Limit	\$ 252,233,365	\$ 276,509,624	\$ 290,090,146	\$ 295,799,348	\$ 292,189,888
Total Net Debt Applicable to Limit	40,897,000	39,747,000	38,557,000	37,327,000	36,057,000
Legal Debt Margin	<u>\$ 211,336,365</u>	<u>\$ 236,762,624</u>	<u>\$ 251,533,146</u>	<u>\$ 258,472,348</u>	<u>\$ 256,132,888</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	16.21%	14.37%	13.29%	12.62%	12.34%

**Legal Debt Margin Calculation for Fiscal Year 2011**

Year Ended December 31,	Denville Township	Rockaway Borough	Rockaway Township	Wharton Borough	Equalized Valuation Basis
2008	\$ 3,524,041,162	\$ 918,303,804	\$ 4,586,720,632	\$ 857,261,108	\$ 9,886,326,706
2009	3,393,139,991	938,179,459	4,773,119,327	834,959,921	9,939,398,698
2010	<u>3,391,997,625</u>	<u>916,030,457</u>	<u>4,294,685,693</u>	<u>790,549,654</u>	<u>9,393,263,429</u>
	<u>\$10,309,178,778</u>	<u>\$2,772,513,720</u>	<u>\$13,654,525,652</u>	<u>\$2,482,770,683</u>	<u>\$29,218,988,833</u>
	Average Equalized Valuation of Taxable Property				<u>\$ 9,739,662,944</u>
	Debt Limit * (3% of Average Equalization Value)				\$ 292,189,888
	Net Bonded School Debt at June 30, 2011				<u>36,057,000</u>
	Legal Debt Margin				<u>\$ 256,132,888</u>

a - Limit set by NJSA 18A:24-19 for a regional high school district; other % limits would be applicable for other districts.

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.

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

DENVILLE TOWNSHIP

Year	Population <sup>a</sup>	Morris County Per Capita Personal		Unemployment Rate <sup>d</sup>
		Income <sup>b</sup>	Personal Income <sup>c</sup>	
2001	15,746	\$ 56,673	\$ 892,373,058	2.30%
2002	15,816	56,535	894,157,560	3.50%
2003	15,796	57,018	900,656,328	3.50%
2004	15,987	61,101	976,821,687	2.80%
2005	16,242	63,297	1,028,069,874	2.90%
2006	16,211	68,364	1,108,248,804	3.00%
2007	16,212	71,300	1,155,915,600	2.70%
2008	16,259	71,527	1,162,957,493	3.60%
2009	16,309	68,251	1,113,105,559	6.30%
2010	16,309 *	68,251 *	1,113,105,559 *	6.30%

ROCKAWAY BOROUGH

Year	Population <sup>a</sup>	Morris County Per Capita Personal		Unemployment Rate <sup>d</sup>
		Income <sup>b</sup>	Personal Income <sup>c</sup>	
2001	6,407	\$ 56,673	\$ 363,103,911	3.70%
2002	6,401	56,535	361,880,535	5.70%
2003	6,381	57,018	363,831,858	5.70%
2004	6,358	61,101	388,480,158	4.60%
2005	6,323	63,297	400,226,931	5.10%
2006	6,272	68,364	428,779,008	5.30%
2007	6,247	71,300	445,411,100	4.80%
2008	6,233	71,527	445,827,791	6.30%
2009	6,231	68,251	425,271,981	10.70%
2010	6,231 *	68,251 *	425,271,981 *	10.80%

\* - Latest Morris County population data and per capita personal income available (2009) was used for calculation purposes.

Source:

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

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

ROCKAWAY TOWNSHIP

Year	Population <sup>a</sup>	Morris County Per Capita Personal		Unemployment Rate <sup>d</sup>
		Income <sup>b</sup>	Personal Income <sup>c</sup>	
2001	23,788	\$ 56,673	\$ 1,348,137,324	2.70%
2002	24,377	56,535	1,378,153,695	4.20%
2003	24,823	57,018	1,415,357,814	4.20%
2004	24,924	61,101	1,522,881,324	3.30%
2005	25,142	63,297	1,591,413,174	2.30%
2006	25,320	68,364	1,730,976,480	2.50%
2007	25,267	71,300	1,801,537,100	2.30%
2008	25,312	71,527	1,810,491,424	2.90%
2009	25,438	68,251	1,736,168,938	7.10%
2010	25,438 *	68,251 *	1,736,168,938 *	7.00%

WHARTON BOROUGH

Year	Population <sup>a</sup>	Morris County Per Capita Personal		Unemployment Rate <sup>d</sup>
		Income <sup>b</sup>	Personal Income <sup>c</sup>	
2001	6,226	\$ 56,673	\$ 352,846,098	1.80%
2002	6,215	56,535	351,365,025	2.70%
2003	6,185	57,018	352,656,330	2.70%
2004	6,164	61,101	376,626,564	2.20%
2005	6,132	63,297	388,137,204	7.20%
2006	6,080	68,364	415,653,120	7.50%
2007	6,066	71,300	432,505,800	6.80%
2008	6,056	71,527	433,167,512	8.90%
2009	6,064	68,251	413,874,064	14.80%
2010	6,064 *	68,251 *	413,874,064 *	14.90%

\* - Latest Morris County population data and per capita personal income available (2009) was used for calculation purposes.

Source:

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

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

Employer	2010		Employer	2001	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Novartis	4,990	1.99%			
Atlantic Health	4,933	1.97%			
U.S. Army Armament Research and Development	4,442	1.77%			
United Parcel Service	2,332	0.93%			
County of Morris	1,959	0.78%			
Automatic Data Processing, Inc.	1,924	0.77%			
AT&T Corporation	1,550	0.62%			
Saint Clare's Health System	1,531	0.61%			
BASF Corporation	1,400	0.56%			
Avis Budget Group Inc.	1,378	0.55%			
	<u>26,439</u>	<u>10.55%</u>			
Total Employment *	<u>250,640</u>				

Information is Not Available

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

Source: Morris County Treasurer's Office.

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST SEVEN FISCAL YEARS**  
**UNAUDITED**

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Instruction:</b>							
Regular	212.0	212.0	213.0	214.0	215.0	219.0	221.0
Special Education	13.0	13.0	14.0	14.0	14.0	30.0	28.0
Other Special Instruction	6.0	7.0	7.0	7.0	7.0	7.0	10.0
Adult/Continuing Education Programs	6.0	6.0	6.0	6.0	6.0	6.0	2.0
<b>Support Services:</b>							
Student & Instruction Related Services	70.0	70.0	70.0	70.0	70.0	71.0	68.5
General Administration Services	10.0	10.0	10.0	10.0	10.0	2.0	2.0
School Administration Services	24.0	24.0	24.0	24.0	24.0	24.0	23.0
Plant Operations and Maintenance	46.0	48.0	48.0	48.0	48.0	49.0	47.0
Pupil Transportation	41.0	41.0	47.0	47.0	47.0	45.0	53.0
Business and Other Support Services	9.0	9.0	9.0	9.0	9.0	11.0	11.0
<b>Total</b>	<b><u>437.0</u></b>	<b><u>440.0</u></b>	<b><u>448.0</u></b>	<b><u>449.0</u></b>	<b><u>450.0</u></b>	<b><u>464.0</u></b>	<b><u>465.5</u></b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Personnel Records.

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

Fiscal Year	October 15 Enrollment	Operating Expenditures *	Cost Per Pupil <sup>d</sup>	Percent Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		June 30		% Change in Average Daily Enrollment	Student Attendance Percentage
						Morris Hills High School	Morris Knolls High School	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>		
2005	2,711	\$ 44,582,414	\$ 16,445	0.08%	231	11.1:1	12.1:1	2,696.0	2,596.8	3.36%	96.32%
2006	2,870	48,023,770	16,733	1.75%	232	11.1:1	11.9:1	2,692.0	2,652.0	-0.15%	98.51%
2007	2,715	52,744,240	19,427	16.10%	234	11.1:1	12.0:1	2,716.0	2,626.7	0.89%	96.71%
2008	2,692	55,552,816	20,636	6.22%	235	11.1:1	12.0:1	2,685.2	2,587.4	-1.13%	96.36%
2009	2,745	56,252,333	20,493	-0.70%	236	11.1:1	12.0:1	2,725.6	2,623.5	1.50%	96.25%
2010	2,799	59,280,997	20,387	-0.52%	238	11.1:1	12.0:1	2,862.0	2,759.0	5.00%	96.40%
2011	2,769	57,062,886	21,409	5.01%	249	11.1:1	12.0:1	2,779.0	2,675.8	-2.90%	96.29%

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

- <sup>a</sup> - Operating expenditures equal total expenditures less capital outlay, special schools and debt service.
- <sup>b</sup> - Teaching staff includes only full-time equivalents of certificated staff.
- <sup>c</sup> - Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS) and does not include Adult High School students.
- <sup>d</sup> - Cost per pupil is calculated based upon operating expenditures and enrollment as presented above and may not be the same as other cost per pupil calculations.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District records.

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

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

Number of Schools at June 30, 2011:

High School = 2

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Morris Hills Regional School District Facilities Office.

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

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

<u>School Facilities*</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Morris Hills	\$ 327,405	\$ 397,837	\$ 1,796,884	\$ 64,013	\$ 1,361,498	\$ 1,392,562	\$ 653,941	\$ 412,013	\$ 471,540	\$ 546,707
Morris Knolls	459,830	513,569	1,779,413	481,872	984,353	866,415	726,569	1,188,735	420,671	521,889
Grand Total	<u>\$ 787,235</u>	<u>\$ 911,406</u>	<u>\$ 3,576,297</u>	<u>\$ 545,885</u>	<u>\$ 2,345,851</u>	<u>\$ 2,258,977</u>	<u>\$ 1,380,510</u>	<u>\$ 1,600,748</u>	<u>\$ 892,211</u>	<u>\$ 1,068,596</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2011  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy -		
NJ School Boards Association Insurance Group:		
Property - Blanket Building and Contents	\$ 110,852,227	\$ 5,000
Environmental Package	1,000,000	10,000
Underground Storage Tank Coverage	1,000,000	10,000
Blanket Extra Expense	50,000,000	5,000
Blanket Valuable Papers	10,000,000	5,000
Equipment Breakdown	100,000,000	5,000
Comprehensive General Liability	6,000,000	1,000
Comprehensive Automobile Liability	6,000,000	
Automobile Physical Damage	Included	1,000
Money and Securities	5,000	500
Money Orders/Counterfeit Currency	5,000	500
Forgery and Alteration	50,000	500
Electronic Data Processing -		
NJ School Boards Association Insurance Group:		
Blanket Hardware	3,702,484	1,000
Blanket Extra Expense	Included	1,000
Boiler and Machinery -		
NJ School Boards Association Insurance Group:		
Property Damage	100,000,000	5,000
School Board Legal Liability -		
NJ School Boards Association Insurance Group:		
School Leaders Errors and Omissions -		
Coverage A	6,000,000	5,000
Coverage B	100,000/300,000	5,000
Student Accident -		
NJ School Boards Association Insurance Group:		
Basic/Sports/Football	5,025,000	
Catastrophic	500,000	

Source: Morris Hills Regional School District records.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2011  
UNAUDITED

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

**SINGLE AUDIT SECTION**



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Morris Hills Regional School District, in the County of Morris (the "Board") as of, and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department").

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. However, we have noted a certain matter that we have reported to the Board in a separate report, the *Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance*, dated November 11, 2011.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be, used by anyone other than these specified parties.

*Nisivoccia, LLP*

Mount Arlington, New Jersey  
November 11, 2011

NISIVOCCIA, LLP

*Kathryn L. Mantell*

Kathryn L. Mantell

Licensed Public School Accountant #884

Certified Public Accountant



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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Morris Hills Regional School District in the County of Morris (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the New Jersey *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*; and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, Federal OMB Circular A-133, and New Jersey's Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011.

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

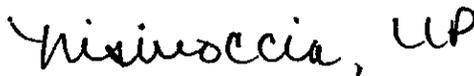
### Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

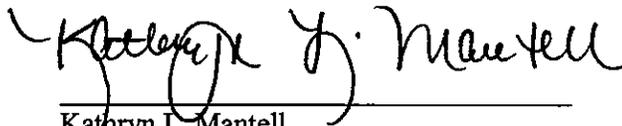
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did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

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



NISIVOCCIA, LLP

Mount Arlington, New Jersey  
November 11, 2011



Kathryn L. Mantell

Licensed Public School Accountant #884

Certified Public Accountant

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program/ Award Amount	June 30, 2010		Cash Received	Budgetary Expenditures	Prior Year Encum- brances Canceled	June 30, 2011		
			From	To		Balance/ (Accounts Receivable)	Carryover/ (Walkover) Amount				(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education - Passed-through State Department of Education:													
Special Revenue Fund:													
Special Education Cluster:													
I.D.E.A. - Part B, Basic Regular - ARRA													
	84.391	ARRA-3370-10	7/1/09	8/31/11	\$ 693,833	\$ (261,777)		\$ 272,660	\$ (177,613)	\$ 5,064	\$ (161,666)		
I.D.E.A. - Part B, Basic Regular													
	84.027	IDEA-3370-11	9/1/10	8/31/11	622,303		316,593	(523,738)			(207,145)		
I.D.E.A. - Part B, Basic Regular													
	84.027	IDEA-3370-10	9/1/09	8/31/10	580,012	(351,285)	469,045	(117,760)					
Total Special Education Cluster						(613,062)		1,058,298	(819,111)	5,064	(368,811)		
No Child Left Behind Consolidated Formula Subgrant:													
Title II - Part A and D													
	84.367A	NCLB-3370-11	9/1/10	8/31/11	42,051				(2,830)		(2,830)		
Title II - Part A and D													
	84.367A	NCLB-3370-10	9/1/09	8/31/10	37,997		37,996	(37,997)			(1)		
Vocational Education - Perkins Secondary													
	84.048	PERK-3370-11	7/1/10	6/30/11	22,525				(22,525)		(22,525)		
Total Special Revenue Fund						(613,062)		1,096,294	(882,463)	5,064	(394,167)		
Total U.S. Department of Education						(613,062)		1,096,294	(882,463)	5,064	(394,167)		

N/A - Not Available

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program/ Award Amount	June 30, 2010		Cash Received	Budgetary Expenditures	Prior Year Encum- brances Canceled	June 30, 2011		
			From	To		Balance/ (Accounts Receivable)	Carryover/ (Walkover) Amount				(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Health and Human Services - Passed-through State													
State Department of Human Services:													
Medical Assistance Program (SEMI)	93.778	N/A	7/1/10	6/30/11	\$ 5,477			\$ 4,047	\$ (5,477)		\$ (1,430)		
Medical Assistance Program (SEMI)	93.778	N/A	7/1/09	6/30/10	16,694	\$ (3,415)		3,415					
Total U.S. Department of Health and Human Services						(3,415)		7,462	(5,477)		(1,430)		
U.S. Department of Agriculture - Passed- through State Department of Education:													
Child Nutrition Cluster:													
School Breakfast Program	10.553	N/A	7/1/10	6/30/11	28,299			25,576	(28,299)		(2,723)		
School Breakfast Program	10.553	N/A	7/1/09	6/30/10	22,044	(2,160)		2,160					
Federal Food Distribution Program	10.555	N/A	7/1/10	6/30/11	29,596			29,596	(29,596)				
National School Lunch Program	10.555	N/A	7/1/10	6/30/11	153,243			142,527	(153,243)		(10,716)		
National School Lunch Program	10.555	N/A	7/1/09	6/30/10	129,291	(9,303)		9,303					
Total Child Nutrition Cluster						(11,463)		209,162	(211,138)		(13,439)		
Total U.S. Department of Agriculture						(11,463)		209,162	(211,138)		(13,439)		
Total Federal Awards						\$ (627,940)	\$ -0-	\$ 1,312,918	\$ (1,099,078)	\$ 5,064	\$ (409,036)	\$ -0-	\$ -0-

N/A - Not Available

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

**MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	June 30, 2010		Cash Received	Budgetary Expenditures	Repayment of Balances	Canceled	June 30, 2011			MEMO Cumulative Total Expenditures
		From	To		Budgetary Revenue/ (Accounts Receivable)	Due to Grantor					GAAP (Accounts Receivable)	Deferred Revenue	Due to Grantor	
<b>State Department of Education:</b>														
<b>General Fund:</b>														
Equalization Aid	11-495-034-5120-078	7/1/10	6/30/11	\$3,732,201			\$ 3,392,993	\$ (3,732,201)					\$ 339,208	\$ 3,732,201
Equalization Aid	10-495-034-5120-078	7/1/09	6/30/10	3,063,438	\$ (345,638)		345,638							
Transportation Aid	10-495-034-5120-014	7/1/09	6/30/10	859,230	(98,744)		98,744							
Special Education Categorical Aid	11-495-034-5120-089	7/1/10	6/30/11	504,021			458,212	(504,021)					45,809	504,021
Special Education Categorical Aid	10-495-034-5120-089	7/1/09	6/30/10	1,656,526	(186,901)		186,901							
Security Aid	10-495-034-5120-084	7/1/09	6/30/10	239,427	(27,014)		27,014							
Adult Education Aid	10-495-034-5120-077	7/1/09	6/30/10	93,841	(10,588)		10,588							
Extraordinary Special Education Costs	11-100-034-5120-473	7/1/10	6/30/11	709,639				(709,639)			\$ (709,639)		709,639	709,639
Extraordinary Special Education Costs	10-100-034-5120-473	7/1/09	6/30/10	583,518	(583,518)		583,518							
Nonpublic School Transportation Costs	11-495-034-5120-014	7/1/10	6/30/11	21,277				(21,277)			(21,277)		21,277	21,277
Nonpublic School Transportation Costs	10-495-034-5120-014	7/1/09	6/30/10	15,952	(15,952)		15,952							
Reimbursed TPAF Social Security Aid	11-495-034-5095-002	7/1/10	6/30/11	1,831,220			1,831,220	(1,831,220)						1,831,220
Reimbursed TPAF Social Security Aid	10-495-034-5095-002	7/1/09	6/30/10	1,770,980	(349)					\$ 349				
<b>Total General Fund State Aid</b>					<b>(1,268,704)</b>		<b>6,950,780</b>	<b>(6,798,358)</b>		<b>349</b>	<b>(730,916)</b>		<b>1,115,933</b>	<b>6,798,358</b>
<b>Special Revenue Fund:</b>														
<b>NJ Nonpublic Aid:</b>														
Textbook Aid (Chapter 194)	11-100-034-5120-064	7/1/10	6/30/11	25,692			25,692	(25,692)						25,692
Nursing Services (Chapter 226)	11-100-034-5120-070	7/1/10	6/30/11	30,442			30,442	(30,442)						30,442
<b>Auxiliary Services (Chapter 192):</b>														
Compensatory Education	11-100-034-5120-067	7/1/10	6/30/11	57,772			57,772	(46,303)					\$11,469	46,303
Compensatory Education	10-100-034-5120-067	7/1/09	6/30/10	71,977		\$10,556			\$ (10,556)					
<b>Handicapped Services (Chapter 193):</b>														
Examination & Classification	11-100-034-5120-066	7/1/10	6/30/11	53,599			53,599	(49,383)					4,216	49,383
Examination & Classification	10-100-034-5120-066	7/1/09	6/30/10	60,517		5,676			(5,676)					
Supplementary Instruction	11-100-034-5120-066	7/1/10	6/30/11	47,248			47,248	(31,544)					15,704	31,544
Supplementary Instruction	10-100-034-5120-066	7/1/09	6/30/10	46,193		3,745			(3,745)					
Corrective Speech	11-100-034-5120-066	7/1/10	6/30/11	1,565			1,565	(704)					861	704
Evening School for the Foreign Born	06-100-034-5062-485	7/1/05	6/30/06	4,474		42				(42)				
<b>Total Special Revenue Fund</b>						<b>20,019</b>	<b>216,318</b>	<b>(184,068)</b>	<b>(19,977)</b>	<b>(42)</b>			<b>32,250</b>	<b>184,068</b>

N/A - Not Available

**MORRIS HILLS REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	June 30, 2010					June 30, 2011			MEMO		
		From	To		Budgetary Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Balances	Canceled	GAAP (Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<b>State Department of Education:</b>															
<b>Enterprise Fund:</b>															
State School Breakfast Program	10-100-010-3350-021	7/1/09	6/30/10	2,661	\$ (244)	\$ 244									
State School Lunch Program	11-100-010-3350-023	7/1/10	6/30/11	6,913		6,400	\$ (6,913)				\$ (513)		\$ 513	\$ 6,913	
State School Lunch Program - Supplemental	11-100-010-3350-023	7/1/10	6/30/11	359			(359)				(359)		359	359	
State School Lunch Program	10-100-010-3350-023	7/1/09	6/30/10	8,026	(556)	556									
<b>Total Enterprise Fund</b>					<b>(800)</b>	<b>7,200</b>	<b>(7,272)</b>				<b>(872)</b>		<b>872</b>	<b>7,272</b>	
<b>Schools Development Authority:</b>															
<b>Capital Projects Fund:</b>															
<b>Educational Facilities Construction &amp; Financing Act:</b>															
Morris Hills High School	SP-3370-050-09-1003	2/26/09	6/30/12	155,000	(155,000)	3,255							151,745	3,255	
Morris Knolls High School	SP-3370-060-09-1001	2/26/09	6/30/12	903,600	(903,600)	603,103							300,497	603,103	
<b>Total Capital Projects Fund</b>					<b>(1,058,600)</b>	<b>606,358</b>							<b>452,242</b>	<b>606,358</b>	
<b>Total State Awards</b>					<b>\$ (2,328,104)</b>	<b>\$20,019</b>	<b>\$ 7,780,656</b>	<b>\$ (6,989,698)</b>	<b>\$ (19,977)</b>	<b>\$ 307</b>	<b>\$ (731,788)</b>	<b>\$ -0-</b>	<b>\$32,250</b>	<b>\$ 1,569,047</b>	<b>\$ 7,596,056</b>

N/A - Not Available

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include federal and state awards activity of the Board of Education, Morris Hills Regional School District under programs of the federal and state governments for the fiscal year ended June 30, 2011. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the June state aid payments in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The capital projects fund recognizes grant revenue in total in the year of the award on the budgetary basis while on a GAAP basis grant revenue is realized based on when the expenditures are submitted for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$283,868 for the General Fund, \$(28,302) for the Special Revenue Fund and \$504,966 for the Capital Projects Fund. See Exhibits C-3 and F-1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General, Special Revenue and Capital Projects Funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Post Retirement Medical and Non-Contributory Insurance Contributions revenue of \$1,595,541 and \$75,120, respectively.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 5,477	\$ 8,752,887	\$ 8,758,364
Special Revenue Fund	854,161	184,068	1,038,229
Capital Projects Fund		504,966	504,966
Food Service Enterprise Fund	<u>211,138</u>	<u>7,272</u>	<u>218,410</u>
Total Financial Assistance	<u>\$ 1,070,776</u>	<u>\$ 9,449,193</u>	<u>\$10,519,969</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. NJ SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

The District has a \$155,000 grant in connection with the front entranceway project at Morris Hills High School and has recognized the entire grant as revenue on the budgetary basis; \$3,255 has been submitted for reimbursement and recognized as revenue on the GAAP basis. The District also has a \$903,600 grant in connection with the roof replacement project at Morris Knolls High School and has recognized the entire grant in the prior fiscal year as revenue on the budgetary basis; \$504,966 has been submitted for reimbursement and recognized as revenue on the GAAP basis.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2011. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major programs.
- An unqualified report was issued on the District's compliance for major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133, *Audits of State, Local Governments and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District's major programs for the current fiscal year consisted of the following federal and state awards:

	CFDA # or State Grant/Project #	Grant Period	Award Amount	Budgetary Expenditures
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. - Part B, Basic:				
2010-11	84.027	9/1/10-8/31/11	\$ 622,303	\$ 523,738
2009-10	84.027	9/1/09-8/31/10	580,012	117,760
ARRA - I.D.E.A. Part B, Basic	84.391	7/1/09-8/31/11	693,833	177,613
<u>State:</u>				
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	3,732,201	3,732,201
Special Education Categorical Aid	11-495-034-5120-089	7/1/10-6/30/11	504,021	504,021
Extraordinary Special Education				
Costs Aid	11-100-034-5120-473	7/1/10-6/30/11	709,639	709,639
Reimbursed TPAF Social Security				
Aid	11-495-034-5095-002	7/1/10-6/30/11	1,831,220	1,831,220

- The threshold for distinguishing Type A and Type B programs was \$300,000 for federal awards and \$300,000 for state awards.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04 was \$500,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

The District had no prior year audit findings.