

**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, 2012**

**Comprehensive Annual
Financial Report**

of the

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

Denville, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

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

Business Office

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INTRODUCTORY SECTION

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JOANN GILMAN
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November 16, 2012

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, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The Morris Hills Regional School District is a comprehensive educational organization that provides academic, technological, and vocational programs for grades 9, 10, 11 and 12 as well as adult programs. The District enrollment as of June 30, 2012 was 2,735 students, compared to 2,779 students as of June 30, 2011. Adult school enrollment was 129 students, the same number of students as the previous year.

SERVING STUDENTS FROM DENVILLE, ROCKAWAY BOROUGH, ROCKAWAY TOWNSHIP AND WHARTON
AWARD WINNING SCHOOL DISTRICTUNITED 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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1) REPORTING ENTITY AND ITS SERVICES:

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2011-2012	2,734.5	-1.60%
2010-2011	2,779.0	-2.90%
2009-2010	2,862.0	5.00%
2008-2009	2,725.6	1.50%
2007-2008	2,685.2	-1.13%

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 Student Enrollment</u>	<u>Percent Change</u>
2011-2012	129.0	0.00%
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: Morris Hills Regional District is in its third round of successful ten-year strategic planning. Each round began with a process of outreach and collaboration by teachers, support staff, administrators, students and community members to identify and articulate common goals for the decade. The Goals outlined in the 2012 plan are:

Curriculum and Instruction

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

Professional Development

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

The Honorable President and Members of
the Board of Education
Morris Hills Regional School District
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3) MAJOR INITIATIVES:

Community and Security

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

Integrity and Ethics

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

Technology & Globalization

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

Fiscal Responsibility and Infrastructure

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

The District began two new school choice programs in 2011-2012. The first, an inter-district school choice program allowed resident students to apply to either high school regardless of their address. Fifteen students participated in this first year. Also in 2011-2012, Morris Hills Regional District was approved by the New Jersey Department of Education as a Choice School District. The NJDOE has approved up to 100 seats for out of district students enrolling at MHRD. Funding is received directly from the State of New Jersey for these students.

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

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

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

The Honorable President and Members of
the Board of Education
Morris Hills Regional School District
Page 4
November 16, 2012

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, 2012.

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, 2012, the District had \$32,470,000 in outstanding bonds payable and \$1,291,897 in capital leases 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.

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. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

The Honorable President and Members of
the Board of Education
Morris Hills Regional School District
Page 5
November 16, 2012

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,

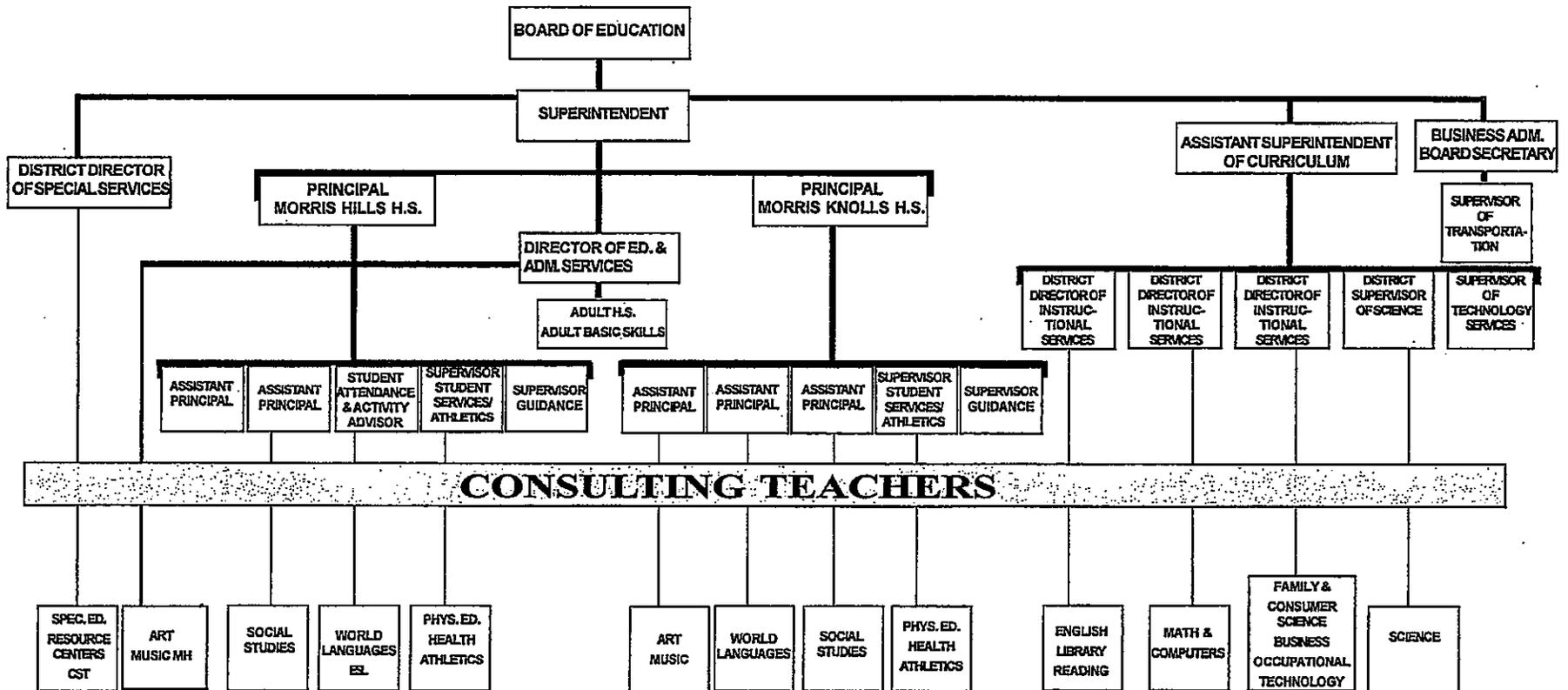


James Jencarelli
Superintendent

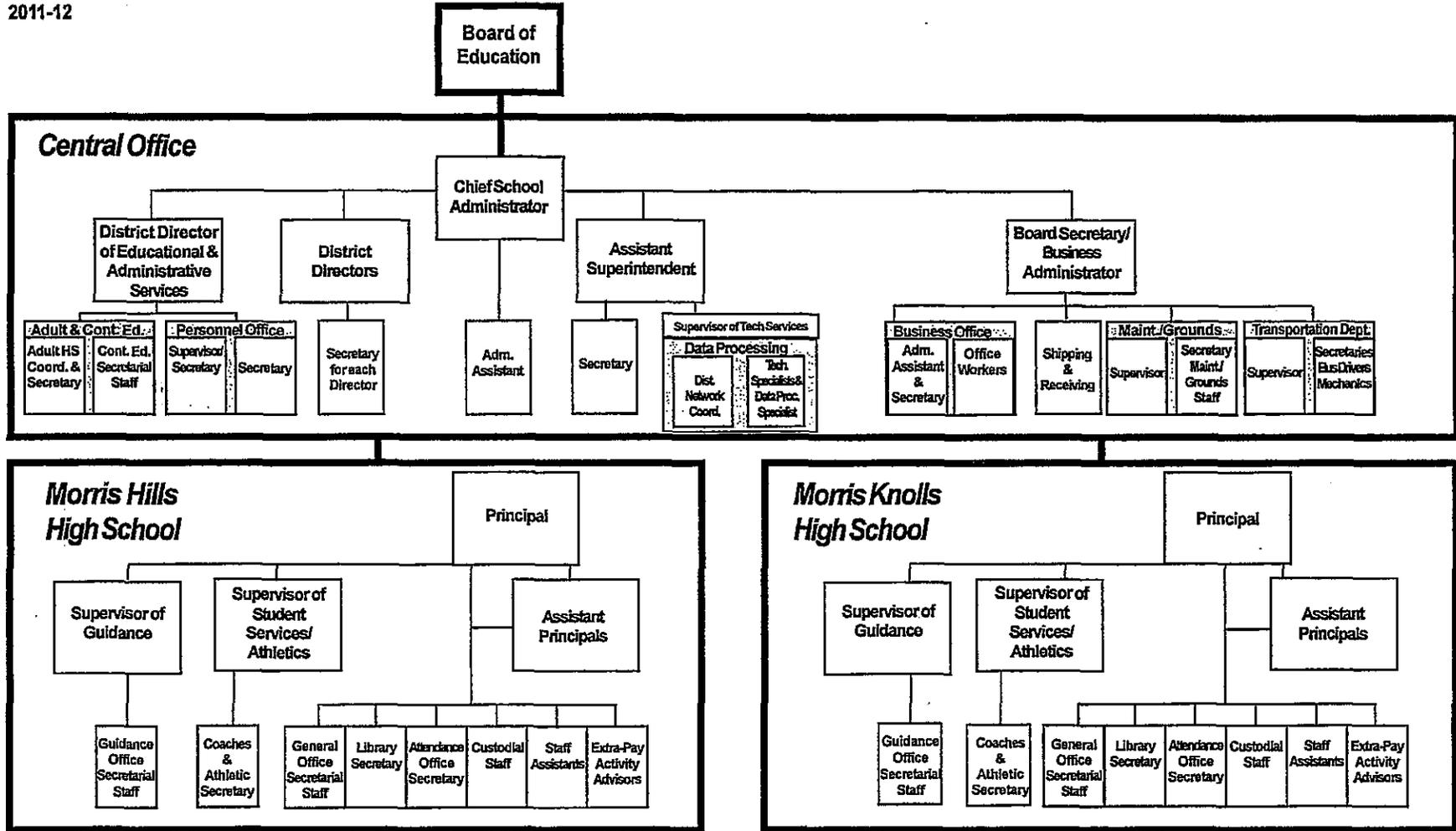


Joann Gilman
Board Secretary/Business Administrator

**MORRIS HILLS REGIONAL DISTRICT
 ORGANIZATIONAL CHART - CERTIFIED STAFF
 2011-12**



MORRIS HILLS REGIONAL DISTRICT
 ORGANIZATIONAL CHART - SUPPORT STAFF
 2011-12



**MORRIS HILLS REGIONAL SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2012**

<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
Deryls M. Gutierrez	Board Attorney

MORRIS HILLS REGIONAL SCHOOL DISTRICT
Consultants and Advisors

Attorney

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Audit Firm

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Mount Arlington, NJ 07856-1320

Official Depository

PNC Bank
55 West Main Street
Rockaway, NJ 07866

FINANCIAL SECTION



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 Mt. Arlington, NJ 07856
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 Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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

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, 2012 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 Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 16, 2012 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 Honorable President and Members
of the Board of Education
Morris Hills Regional School District
Page 2

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

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 financial statements. The accompanying supplementary information schedules such as the combining and individual nonmajor fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information such as the combining and individual nonmajor fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Nisivoccia, LLP

NISIVOCCIA, LLP

Mount Arlington, New Jersey
November 16, 2012

Kathryn L. Mantell

Kathryn L. Mantell

Licensed Public School Accountant #884

Certified Public Accountant

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

**Morris Hills Regional School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(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, 2012. 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 (2011-2012) and the prior year (2010-2011) is required to be presented in the MD&A.

Financial Highlights

- The District's net assets increased by \$1,126,965 during the course of the fiscal year.
- Overall revenue was \$67,766,515 for the fiscal year.
- Overall expenditures were \$66,639,550 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, 2012
(Unaudited)**

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

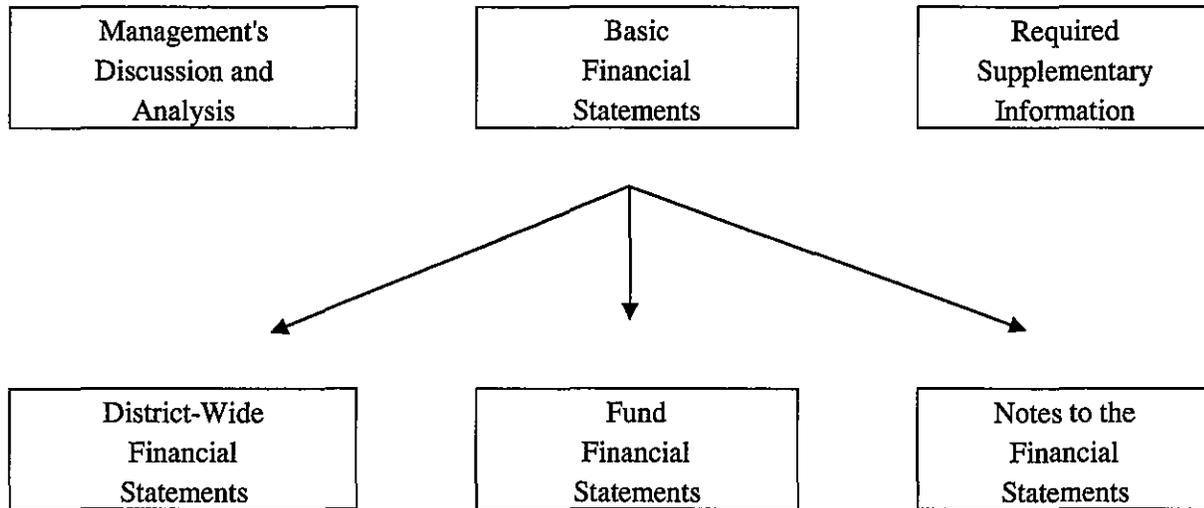


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

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

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

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building Maintenance	Activities the District operates similar to private businesses: food services, academy for technology, adult continuing education, custodial services, special education services, technology services and transportation services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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

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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.

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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 \$11,367,521 on June 30, 2012, \$1,126,965 or 11% more than they were the year before (See Figure A-3). Net assets invested in capital assets increased by \$1,684,526 due to \$465,581 of capitalized expenditures, \$30,507,000 of bonded debt defeased, and the retirement of \$1,310,000 of bonded debt and \$347,611 of capital leases, offset by \$28,230,000 of refunding bonds issued and \$2,680,910 and \$34,756 of depreciation related to governmental and business-type capital assets, respectively. Restricted net assets increased by \$2,336,867 which is comprised of capital reserve deposits and interest of \$2,251,597, maintenance reserve deposits of \$100,000, offset by \$7,200 in capital projects expenditures and a net decrease in debt service fund balance of \$7,530. Unrestricted net assets decreased by \$2,894,428, primarily due to a net decrease in the operations of the proprietary enterprise funds, increases in compensated absences and the capital and maintenance reserve accounts of \$160,397, \$2,251,597 and \$100,000, respectively, \$90,994 in capital projects expenditures, and a net increase in unamortized bond premiums of \$4,963,194, offset by \$2,648,790 of deferred interest on the bond refunding and a net increase in the operations of the governmental funds and capital projects revenue (SDA grants) of \$262,929.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2011/12
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	
Current and							
Other Assets	\$ 8,115,205	\$ 3,833,397	\$ 374,069	\$ 387,248	\$ 8,489,274	\$ 4,220,645	101.14%
Capital Assets	44,952,418	47,167,747	595,274	630,030	45,547,692	47,797,777	-4.71%
Total Assets	53,067,623	51,001,144	969,343	1,017,278	54,036,966	52,018,422	3.88%
Long-Term Debt							
Outstanding	34,184,668	40,607,672			34,184,668	40,607,672	-15.82%
Other Liabilities	8,268,263	1,086,484	216,514	83,710	8,484,777	1,170,194	625.07%
Total Liabilities	42,452,931	41,694,156	216,514	83,710	42,669,445	41,777,866	2.13%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	11,190,521	9,471,239	595,274	630,030	11,785,795	10,101,269	16.68%
Restricted	4,095,383	1,758,516			4,095,383	1,758,516	132.89%
Unrestricted (Deficit)	(4,671,212)	(1,922,767)	157,555	303,538	(4,513,657)	(1,619,229)	-178.75%
Total Net Assets	\$ 10,614,692	\$ 9,306,988	\$ 752,829	\$ 933,568	\$ 11,367,521	\$ 10,240,556	11.00%

Changes in Net Assets. The District's combined net assets increased by \$1,126,965, or 11%. Net assets from governmental activities increased \$1,307,704 while net assets from business-type activities decreased by \$180,739 (See Figure A-4).

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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
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	Change 2011/12
Revenue:							
Program Revenue:							
Charges for Services			\$ 3,149,052	\$ 3,040,956	\$ 3,149,052	\$ 3,040,956	3.55%
Grants and Contributions:							
Operating	\$ 7,702,596	\$ 5,894,275	214,499	218,410	7,917,095	6,112,685	29.52%
Capital	422,673	636,162			422,673	636,162	-33.56%
General Revenue:							
Property Taxes	52,225,854	51,230,767			52,225,854	51,230,767	1.94%
Unrestricted Federal and State Aid	3,770,140	3,771,122			3,770,140	3,771,122	-0.03%
Other	281,701	363,534			281,701	363,534	-22.51%
Total Revenue	64,402,964	61,895,860	3,363,551	3,259,366	67,766,515	65,155,226	4.01%
Expenses:							
Instruction	31,860,781	29,798,949			31,860,781	29,798,949	6.92%
Pupil and Instruction Services	13,552,512	13,445,578			13,552,512	13,445,578	0.80%
Administration and Business	4,705,283	4,001,760			4,705,283	4,001,760	17.58%
Maintenance and Operations	4,798,296	5,482,109			4,798,296	5,482,109	-12.47%
Transportation	4,135,401	4,115,382			4,135,401	4,115,382	0.49%
Other	4,042,987	4,180,924	3,544,290	3,100,977	7,587,277	7,281,901	4.19%
Total Expenses	63,095,260	61,024,702	3,544,290	3,100,977	66,639,550	64,125,679	3.92%
Increase/(Decrease) in Net Assets	\$ 1,307,704	\$ 871,158	\$ (180,739)	\$ 158,389	\$ 1,126,965	\$ 1,029,547	9.46%

Revenue Sources. The District's total revenue for the 2011/12 school year was \$67,766,515 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$52,225,854 of the total, or 77.07 percent (See Figure A-5). The remaining 22.93 percent of revenue is comprised of 17.86 percent from state formula aid and federal and state categorical grants, 4.65 percent from charges for services and .42 percent from other miscellaneous sources. The \$5,322,865 of federal and state categorical grants revenue includes \$2,369,542 of funds that are not paid to the District, but are included in funding for Post-Retirement Medical Benefits and Pension Contributions that the State of New Jersey is paying on behalf of the District as well as \$1,834,996 of reimbursed TPAF Social Security Contributions. The Morris Hills Regional School District primarily conducts its operations from the revenue it receives from its local taxpayers and State Aid.

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**Figure A-5
Sources of Revenue for Fiscal Year 2012 and 2011**

Sources of Income:	2011/12		2010/11	
	Amount	Percentage	Amount	Percentage
State Formula Aid	\$ 5,322,865	7.85%	\$ 4,520,090	6.94%
Property Taxes	52,225,854	77.07%	51,230,767	78.63%
Federal and State Categorical Grants	6,787,043	10.01%	5,999,879	9.21%
Charges for Services	3,149,052	4.65%	3,040,956	4.67%
Other	281,701	0.42%	363,534	0.55%
	<u>\$ 67,766,515</u>	<u>100.00%</u>	<u>\$ 65,155,226</u>	<u>100.00%</u>

The total cost of all programs and services was \$66,639,550. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (74.36 percent) (See Figure A-6). The District's administrative and business costs accounted for 7.06 percent of total costs and maintenance and operations costs accounted for 7.20% of total costs. It is important to note that other expenses include \$400,370 for special schools, \$2,314,925 of unallocated depreciation, \$1,327,692 of interest on long-term debt and \$3,544,290 for business-type activities expenses and represented 11.38% of total costs.

**Figure A-6
Expenses for Fiscal Year 2012 and 2011**

Expense Category:	2011/12		2010/11	
	Amount	Percentage	Amount	Percentage
Instruction	\$ 31,860,781	47.81%	\$ 29,798,949	46.47%
Pupil and Instruction Services	13,552,512	20.34%	13,445,578	20.97%
Administration and Business	4,705,283	7.06%	4,001,760	6.24%
Maintenance and Operations	4,798,296	7.20%	5,482,109	8.55%
Transportation	4,135,401	6.21%	4,115,382	6.42%
Other	7,587,277	11.38%	7,281,901	11.35%
	<u>\$ 66,639,550</u>	<u>100.00%</u>	<u>\$ 64,125,679</u>	<u>100.00%</u>

Governmental Activities

The financial position of the District increased by 11% during the year primarily due to \$1,549,481 in unexpended budget appropriations due to cost containment measures and \$552,790 of unexpended capital projects balances. 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.

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2011/2012</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2010/2011</u>
Instruction	\$ 31,860,781	\$ 29,798,949	\$25,607,181	\$25,291,291
Pupil and Instruction Services	13,552,512	13,445,578	12,472,056	12,303,298
Administration and Business	4,705,283	4,001,760	4,477,179	3,818,527
Maintenance and Operations	4,798,296	5,482,109	4,297,120	4,977,143
Transportation	4,135,401	4,115,382	4,114,513	3,995,361
Other	4,042,987	4,180,924	4,001,942	4,108,645
	<u>\$ 63,095,260</u>	<u>\$ 61,024,702</u>	<u>\$ 54,969,991</u>	<u>\$ 54,494,265</u>

- The cost of all governmental activities this year was \$63,095,260.
- The federal and state governments subsidized certain programs with grants and contributions (\$6,787,043).
- Most of the District's costs, however, were financed by District taxpayers (\$52,225,854).
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$5,322,865).
- The remainder of funding came from tuition, investment earnings and miscellaneous revenue (\$281,701).

Business-Type Activities

The net assets of the District's business-type activities decreased by \$180,739 which was comprised of \$2,101 for food service, \$19,572 for the academy for technology, \$24,124 for custodial services, \$92,548 for special education services, \$24,614 for technology services and \$17,780 for transportation services as a result of increased costs associated with providing the various services. (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 subsequent year's budgets. At June 30, 2012 the District's 2% limit is \$1,087,488 plus adjustments for additional State Aid of \$169,472, for a total of \$1,256,960 as allowable General Fund unassigned fund balance. Additionally, the District appropriated \$300,000 of surplus as revenue in its 2012-2013 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
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(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
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	Change 2011/12
Sites (Land)	\$ 288,500	\$ 288,500			\$ 288,500	\$ 288,500	0.00%
Construction in Progress Buildings and Building Improvements	497,981	2,608,293			497,981	2,608,293	-80.91%
Land Improvements	40,825,361	40,605,378			40,825,361	40,605,378	0.54%
Machinery & Equipment	1,492,132	1,719,796	\$ 595,274	\$ 630,030	1,492,132	1,719,796	-13.24%
	1,848,444	1,945,780			2,443,718	2,575,810	-5.13%
Total Capital Assets, Net of Depreciation	\$ 44,952,418	\$ 47,167,747	\$ 595,274	\$ 630,030	\$ 45,547,692	\$ 47,797,777	-4.71%

The District invested \$465,581 in capital assets (\$98,194 of capital projects expenditures and \$367,387 in capital outlay expenditures for equipment purchases) and incurred \$2,680,910 and \$34,756 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 \$32,470,000 in general obligation bonds outstanding which were offset by \$2,648,790 of deferred interest (reported as a net \$29,821,210), \$3,071,561 in compensated absences payable and \$1,291,897 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
	2011/12	2010/11	Change 2011/12
General Obligation Bonds (Financed with Property Taxes), Net	\$ 29,821,210	\$ 36,057,000	-17.29%
Other Long-Term Liabilities	4,363,458	4,550,672	-4.11%
	\$ 34,184,668	\$ 40,607,672	-15.82%

- The District retired \$1,310,000 of its general obligation bonds during the fiscal year.
- The District defeased \$30,507,000 of bonded debt and issued \$28,230,000 of school refunding bonds.
- The District's liability for compensated absences increased by the net amount of \$160,397 due to fewer retirements.
- The District paid down \$347,611 of capital leases payable during the 2011-2012 fiscal year for the local share of the Morris Knolls High School's roof replacement capital project and school buses, computers and security access equipment.

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

Factors Bearing on the District's Future

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

- The labor unit contract agreement with the District's Transportation bargaining unit expired June 30, 2012 and was settled in July 2012. The labor unit contract agreements with the District's Teachers', Administrators' and Custodial bargaining units expire June 30, 2013, 2014, and 2015, 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

Exhibit A-1

MORRIS HILLS REGIONAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,683,072	\$ 199,768	\$ 2,882,840
Internal Balances	140,862	(140,862)	
Receivables from Federal Government	362,284	11,672	373,956
Receivables from State Government	755,035	420	755,455
Receivables - Other	233,685	155,323	389,008
Unamortized Bond Issuance Costs, Net	337,230		337,230
Inventories		6,886	6,886
Restricted Assets:			
Capital Reserve Account - Cash	3,303,037		3,303,037
Maintenance Reserve Account - Cash	300,000		300,000
Capital Assets, Net:			
Sites (Land) and Construction in Progress	786,481		786,481
Depreciable Buildings and Building Improvements, Land Improvements, Machinery and Equipment	44,165,937	595,274	44,761,211
Total Assets	<u>53,067,623</u>	<u>828,481</u>	<u>53,896,104</u>
LIABILITIES			
Current Liabilities:			
Payable to State Government	21,658		21,658
Accounts Payable	512,930	75,652	588,582
Accrued Interest Payable	383,654		383,654
Unamortized Bond Premiums, Net	5,143,194		5,143,194
Deferred Revenue	2,206,827		2,206,827
Noncurrent Liabilities:			
Due Within One Year	1,716,376		1,716,376
Due Beyond One Year	32,468,292		32,468,292
Total Liabilities	<u>42,452,931</u>	<u>75,652</u>	<u>42,528,583</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	11,190,521	595,274	11,785,795
Restricted for:			
Capital Projects	3,792,168		3,792,168
Debt Service	3,215		3,215
Other Purposes	300,000		300,000
Unrestricted/(Deficit)	<u>(4,671,212)</u>	<u>157,555</u>	<u>(4,513,657)</u>
Total Net Assets	<u>\$ 10,614,692</u>	<u>\$ 752,829</u>	<u>\$ 11,367,521</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, 2012

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
Governmental Activities:							
Instruction:							
Regular	\$ 23,580,347		\$ 2,428,798		\$ (21,151,549)		\$ (21,151,549)
Special Education	4,572,377		3,403,258		(1,169,119)		(1,169,119)
Other Special Instruction	721,897		91,264		(630,633)		(630,633)
Other Instruction	2,986,160		330,280		(2,655,880)		(2,655,880)
Support Services:							
Tuition	5,210,362				(5,210,362)		(5,210,362)
Student & Instruction Related Services	8,342,150		920,712	\$ 159,744	(7,261,694)		(7,261,694)
General Administration Services	889,261				(889,261)		(889,261)
School Administration Services	2,277,283		228,104		(2,049,179)		(2,049,179)
Central Services	1,188,886				(1,188,886)		(1,188,886)
Administrative Information Technology	349,853				(349,853)		(349,853)
Plant Operations and Maintenance	4,798,296		238,247	262,929	(4,297,120)		(4,297,120)
Pupil Transportation	4,135,401		20,888		(4,114,513)		(4,114,513)
Special Schools	400,370		41,045		(359,325)		(359,325)
Interest on Long-Term Debt	1,327,692				(1,327,692)		(1,327,692)
Unallocated Depreciation	2,314,925				(2,314,925)		(2,314,925)
Total Governmental Activities	63,095,260		7,702,596	422,673	(54,969,991)		(54,969,991)

MORRIS HILLS REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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
Business-Type Activities:						
Food Service	\$ 953,281	\$ 736,681	\$ 214,499		\$ (2,101)	\$ (2,101)
Academy for Technology	1,137,372	1,117,800			(19,572)	(19,572)
Adult Continuing Education	189,211	189,211				
Custodial Services	405,644	381,520			(24,124)	(24,124)
Special Education Services	646,206	553,658			(92,548)	(92,548)
Technology Services	147,318	122,704			(24,614)	(24,614)
Transportation Services	65,258	47,478			(17,780)	(17,780)
Total Business-Type Activities	3,544,290	3,149,052	214,499		(180,739)	(180,739)
Total Primary Government	\$ 66,639,550	\$ 3,149,052	\$ 7,917,095	\$ 422,673	\$ (54,969,991)	(180,739)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net					49,510,522	49,510,522
Taxes Levied for Debt Service					2,715,332	2,715,332
Federal and State Aid Not Restricted					3,770,140	3,770,140
Tuition Charges					230,252	230,252
Investment Earnings					12,238	12,238
Miscellaneous Income					39,211	39,211
Total General Revenues					56,277,695	- 0 -
Change in Net Assets					1,307,704	(180,739)
Net Assets - Beginning					9,306,988	933,568
Net Assets - Ending					\$ 10,614,692	\$ 752,829

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, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,262,459		\$ 693,615	\$ 726,998	\$ 2,683,072
Interfund Receivable	392,868				392,868
Receivables from Federal Government	79,222	\$ 283,062			362,284
Receivables from State Government	752,990	2,045			755,035
Receivables - Other	233,685				233,685
Restricted Cash and Cash Equivalents	3,603,037				3,603,037
Total Assets	\$ 6,324,261	\$ 285,107	\$ 693,615	\$ 726,998	\$ 8,029,981
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable		\$ 252,006			\$ 252,006
Payable to State Government		21,658			21,658
Accounts Payable	\$ 501,487	11,443			512,930
Deferred Revenue	1,483,044			\$ 723,783	2,206,827
Total Liabilities	1,984,531	285,107		723,783	2,993,421
Fund Balances:					
Restricted:					
Capital Reserve Account	3,303,037				3,303,037
Maintenance Reserve Account	300,000				300,000
Capital Projects Fund			\$ 489,131		489,131
Debt Service Fund				3,215	3,215
Committed			204,484		204,484
Assigned:					
Designated for Subsequent Year's Expenditures	300,000				300,000
Unassigned	436,693				436,693
Total Fund Balances	4,339,730	- 0 -	693,615	3,215	5,036,560
Total Liabilities and Fund Balances	\$ 6,324,261	\$ 285,107	\$ 693,615	\$ 726,998	\$ 8,029,981

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

Total Fund Balances (Per Above)	\$ 5,036,560
Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds. The Cost of the assets is \$103,223,560 and the accumulated depreciation is \$58,271,142	44,952,418
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.	(34,184,668)
Bond Issuance costs are reported as expenditures in the Funds. These costs total \$355,968 and the accumulated amortization is \$18,738.	337,230
Bond Premiums are reported as revenue in the Funds. These premiums total \$5,428,927 and the accumulated amortization is \$285,733.	(5,143,194)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(383,654)
Net Assets of Governmental Activities	\$ 10,614,692

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, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$ 49,510,522			\$ 2,715,332	\$ 52,225,854
Tuition Charges	230,252				230,252
Miscellaneous	48,588		\$ 2,861		51,449
Total - Local Sources	<u>49,789,362</u>		<u>2,861</u>	<u>2,715,332</u>	<u>52,507,555</u>
State Sources	10,280,393	\$ 178,635	262,929		10,721,957
Federal Sources	243,375	930,077			1,173,452
Total Revenues	<u>60,313,130</u>	<u>1,108,712</u>	<u>265,790</u>	<u>2,715,332</u>	<u>64,402,964</u>
EXPENDITURES					
Current:					
Regular Instruction	17,834,102	55,933			17,890,035
Special Education Instruction	2,742,262	718,764			3,461,026
Other Special Instruction	630,633				630,633
Other Instruction	2,655,880				2,655,880
Support Services and Undistributed Costs:					
Tuition	5,210,362				5,210,362
Student & Instruction Related Services	5,751,772	170,787			5,922,559
General Administration Services	835,692				835,692
School Administration Services	1,704,511				1,704,511
Central Services	888,915				888,915
Administrative Information Technology	283,277				283,277
Plant Operations and Maintenance	3,683,888				3,683,888
Pupil Transportation	2,979,435				2,979,435
Allocated Benefits	8,222,549				8,222,549
Unallocated Benefits	4,204,538				4,204,538

MORRIS HILLS REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Capital Outlay	\$ 595,211	\$ 163,228	\$ 98,194		\$ 856,633
Special Schools	359,325				359,325
Debt Service:					
Principal				\$ 1,310,000	1,310,000
Interest and Other Charges				1,415,723	1,415,723
Total Expenditures	<u>58,582,352</u>	<u>1,108,712</u>	<u>98,194</u>	<u>2,725,723</u>	<u>62,514,981</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>1,730,778</u>	<u>- 0 -</u>	<u>167,596</u>	<u>(10,391)</u>	<u>1,887,983</u>
OTHER FINANCING SOURCES/(USES)					
Transfers In	552,790			2,861	555,651
Transfers Out			(555,651)		(555,651)
School Refunding Bonds Issued				28,230,000	28,230,000
School Bonds Defeased				(30,507,000)	(30,507,000)
Bond Issuance Costs				(355,968)	(355,968)
Bond Premiums				5,428,927	5,428,927
Deferred Bond Interest				(2,795,959)	(2,795,959)
Total Other Financing Sources/(Uses)	<u>552,790</u>	<u>- 0 -</u>	<u>(555,651)</u>	<u>2,861</u>	<u>- 0 -</u>
Net Change in Fund Balances	<u>2,283,568</u>	<u>- 0 -</u>	<u>(388,055)</u>	<u>(7,530)</u>	<u>1,887,983</u>
Fund Balance—July 1	<u>2,056,162</u>	<u>- 0 -</u>	<u>1,081,670</u>	<u>10,745</u>	<u>3,148,577</u>
Fund Balance—June 30	<u>\$ 4,339,730</u>	<u>\$ - 0 -</u>	<u>\$ 693,615</u>	<u>\$ 3,215</u>	<u>\$ 5,036,560</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, 2012

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ 1,887,983
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	\$ (2,680,910)
	Capital Outlays	<u>465,581</u>
		(2,215,329)
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.		1,310,000
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 (+).		18,010
The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		(18,738)
The governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (+)		285,733
The governmental funds report the effect of deferred bond interest when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		(147,169)
Proceeds from debt issued for the advanced refunding less the amount of bonds defeased are not recorded in the Governmental Funds.		
	School Refunding Bonds Issued	\$ (28,230,000)
	School Bonds Defeased	30,507,000
	Bond Issuance Costs	355,968
	Bond Premiums	(5,428,927)
	Deferred Bond Interest	<u>2,795,959</u>
		- 0 -

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, 2012

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.	\$ 347,611
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>(160,397)</u>
Change in Net Assets of Governmental Activities (Exhibit A-2)	<u>\$ 1,307,704</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, 2012

	Business-Type Activities - Enterprise Funds							Totals
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	
ASSETS:								
Current Assets:								
Cash and Cash Equivalents	\$ 183,377		\$ 16,300				\$ 91	\$ 199,768
Receivable from:								
Federal Government	11,672							11,672
State Government	420							420
Receivables - Other		\$ 111,780		\$ 8,533	\$ 27,346	\$ 7,664		155,323
Inventories	6,886							6,886
Total Current Assets	202,355	111,780	16,300	8,533	27,346	7,664	91	374,069
Non-Current Assets:								
Capital Assets	385,187	1,002,113						1,387,300
Less: Accumulated Depreciation	(337,936)	(454,090)						(792,026)
Total Non-Current Assets	47,251	548,023						595,274
Total Assets	249,606	659,803	16,300	8,533	27,346	7,664	91	969,343

MORRIS HILLS REGIONAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF JUNE 30, 2012

	Business-Type Activities - Enterprise Funds							
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	Totals
LIABILITIES:								
Current Liabilities:								
Interfund Payable - General Fund Accounts Payable	\$ 67,657	\$ 98,586 6,575	\$ 62	\$ 7,266 1,267	\$ 27,346	\$ 7,664	\$ 91	\$ 140,862 75,652
Total Current Liabilities	67,657	105,161	62	8,533	27,346	7,664	91	216,514
Total Liabilities	67,657	105,161	62	8,533	27,346	7,664	91	216,514
NET ASSETS:								
Investment in Capital Assets, Net of Related Debt Unrestricted	47,251 134,698	548,023 6,619	16,238					595,274 157,555
Total Net Assets	\$ 181,949	\$ 554,642	\$ 16,238	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 752,829

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, 2012

	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	\$ 347,043							\$ 347,043
Non-Reimbursable Programs	380,399							380,399
Special Events	9,239							9,239
Tuition		\$1,117,800	\$ 189,211					1,307,011
Service Fees				\$ 381,520	\$ 553,658	\$ 122,704	\$ 47,478	1,105,360
Total Operating Revenue	736,681	1,117,800	189,211	381,520	553,658	122,704	47,478	3,149,052
Operating Expenses:								
Cost of Sales	338,002							338,002
Salaries	233,985	770,675	66,506	250,095	444,854	114,814	33,429	1,914,358
Payroll Taxes	31,715	35,274	3,834	15,836	3,860	6,899	1,635	99,053
Employee Benefits	147,527	192,726	17,583	87,761	71,842	25,605	30,194	573,238
Purchased Professional and Technical Services		5,180	73,028		124,150			202,358
Other Purchased Services		28,000	28,260					56,260
Purchased Property Services	96,243	79,013						175,256
Supplies and Materials	90,625	6,932		51,793				149,350
Other Objects				159	1,500			1,659
Depreciation Expense	15,184	19,572						34,756
Total Operating Expenses	953,281	1,137,372	189,211	405,644	646,206	147,318	65,258	3,544,290

MORRIS HILLS REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	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	
Non-Operating Revenue:								
Federal Sources:								
School Breakfast Program	\$ 26,489							\$ 26,489
National School Lunch Program	163,636							163,636
Food Distribution Program	16,742							16,742
State Sources:								
School Lunch Program	7,632							7,632
Total Non-Operating Revenue	214,499							214,499
Change in Net Assets	(2,101)	\$ (19,572)		\$ (24,124)	\$ (92,548)	\$ (24,614)	\$ (17,780)	(180,739)
Net Assets - Beginning of Year	184,050	574,214	\$ 16,238	24,124	92,548	24,614	17,780	933,568
Net Assets - End of Year	<u>\$ 181,949</u>	<u>\$ 554,642</u>	<u>\$ 16,238</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 752,829</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	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	
Cash Flows from Operating Activities:								
Receipts from Customers	\$ 736,681	\$ 1,006,020	\$ 189,211	\$ 407,572	\$ 556,315	\$ 122,540	\$ 52,078	\$ 3,070,417
Payments to Employees		(805,949)	(70,340)	(264,889)	(448,714)	(121,713)	(34,973)	(1,746,578)
Payments to Food Service Vendor	(927,609)							(927,609)
Payments to Suppliers	(8,579)	(206,690)	(119,154)	(142,683)	(170,146)	(17,941)	(30,194)	(695,387)
Net Cash Provided/(Used) for Operating Activities	(199,507)	(6,619)	(283)	- 0 -	(62,545)	(17,114)	(13,089)	(299,157)
Cash Flows from Noncapital and Related Financing Activities:								
Federal Subsidy Reimbursements	191,892							191,892
State Subsidy Reimbursements	8,084							8,084
Net Cash Provided by Noncapital and Related Financing Activities	199,976	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	199,976
Net Increase/(Decrease) in Cash and Cash Equivalents	469	(6,619)	(283)	- 0 -	(62,545)	(17,114)	(13,089)	(99,181)
Cash and Cash Equivalents, July 1	182,908	6,619	16,583	- 0 -	62,545	17,114	13,180	298,949
Cash and Cash Equivalents, June 30	\$ 183,377	\$ - 0 -	\$ 16,300	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 91	\$ 199,768

MORRIS HILLS REGIONAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds							Total Enterprise Funds
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transportation Services	
Provided (Used) by Operating Activities:								
Operating Income/(Loss)	\$ (216,600)	\$ (19,572)	\$ - 0 -	\$ (24,124)	\$ (92,548)	\$ (24,614)	\$ (17,780)	\$ (395,238)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) for Operating Activities:								
Depreciation	15,184	19,572						34,756
Federal Food Distribution Program	16,742							16,742
Changes in Assets and Liabilities:								
(Increase)/Decrease in Other Receivables		(111,780)		26,052	2,657	(164)	4,600	(78,635)
(Increase)/Decrease in Inventory	167							167
Increase/(Decrease) in Accounts Payable	(15,000)	6,575	(283)	559			91	(8,058)
Increase/(Decrease) in Interfund Payable		98,586		(2,487)	27,346	7,664		131,109
Net Cash Provided/(Used) for Operating Activities	<u>\$ (199,507)</u>	<u>\$ (6,619)</u>	<u>\$ (283)</u>	<u>\$ - 0 -</u>	<u>\$ (62,545)</u>	<u>\$ (17,114)</u>	<u>\$ (13,089)</u>	<u>\$ (299,157)</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 \$16,742 for the fiscal year ended June 30, 2012.

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, 2012

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:				
Cash and Cash Equivalents	\$ 465,250	\$ 116,184	\$ 865	\$ 279,866
Total Assets	<u>465,250</u>	<u>116,184</u>	<u>865</u>	<u>279,866</u>
LIABILITIES:				
Payroll Deductions and Withholdings Due to Student Groups	2,200 <u>463,050</u>			
Total Liabilities	<u>465,250</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
NET ASSETS:				
Held in Trust for:				
Unemployment Claims		116,184		
Flexible Spending Account Claims			865	
Scholarships				<u>279,866</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ 116,184</u>	<u>\$ 865</u>	<u>\$ 279,866</u>

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

Exhibit B-8

MORRIS HILLS REGIONAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions:			
Employee	\$ 87,989	\$ 14,289	
Other			\$ 27,603
Total Contributions	87,989	14,289	27,603
Investment Earnings:			
Interest	37		988
Net Investment Earnings	37		988
Total Additions	88,026	14,289	28,591
DEDUCTIONS:			
Unemployment Claims	122,886		
Flexible Spending Account Claims		13,424	
Scholarships Awarded			28,690
Total Deductions	122,886	13,424	28,690
Change in Net Assets	(34,860)	865	(99)
Net Assets - Beginning of the Year	151,044		279,965
Net Assets - End of the Year	\$ 116,184	\$ 865	\$ 279,866

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, 2012

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, 2012
(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, 2012
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary funds:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 budget was submitted to the County office and was voted upon at the annual school election on the fourth Wednesday 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, 2012
(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	\$ 60,465,120	\$ 956,808
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.		151,904
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes	385,017	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements	<u>(537,007)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 60,313,130</u>	<u>\$ 1,108,712</u>
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 58,582,352	\$ 956,808
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.		<u>151,904</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 58,582,352</u>	<u>\$ 1,108,712</u>
	Capital Projects Fund SDA Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (Exhibit F-1)	\$ (186,452)	\$ 693,615
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	<u>452,242</u>	<u>- 0 -</u>
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (Exhibit B-2)	<u>\$ 265,790</u>	<u>\$ 693,615</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012
(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, 2012.

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, 2012
(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, 2012.

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 \$4,339,730 General Fund balance at June 30, 2012, \$3,303,037 is restricted in the capital reserve account; \$300,000 is restricted in the maintenance reserve account; \$300,000 is assigned and included as anticipated revenue for the year ending June 30, 2013; and \$436,693 is unassigned which is \$537,007 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, 2013.

Capital Projects Fund: Of the \$693,615 Capital Projects Fund balance at June 30, 2012, \$489,131 is restricted and \$204,484 is committed.

Debt Service Fund: The Debt Service Fund balance at June 30, 2012 of \$3,215 is restricted.

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, 2012.

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 \$537,007 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event one or more state school aid payments are not made until the following school budget year, districts must record those state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the 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 prior 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, 2012.

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 \$300,000 of assigned resources designated for subsequent year's expenditures in the General Fund at June 30, 2012.

R. Deficit Net Assets:

The District has a \$4,671,212 deficit in net assets from governmental activities primarily due to the accrual of \$3,071,561 in compensated absences payable, \$383,654 in accrued interest payable, \$5,143,194 of unamortized bond premiums, offset by \$337,230 of unamortized bond issuance costs and Governmental Funds committed, assigned and unassigned fund balances. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Net 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, 2012
(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, 2012
(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, 2012
(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, 2012, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	<u>Restricted</u> Capital Reserve Account	Maintenance Reserve Account	<u>Total</u>
Checking and Savings Accounts	<u>\$ 3,745,005</u>	<u>\$ 3,303,037</u>	<u>\$ 300,000</u>	<u>\$ 7,348,042</u>

During the period ended June 30, 2012, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2012 was \$7,348,042 and the bank balance was \$7,548,957.

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, 2012
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$ 1,051,440
Interest Earnings	200
Increase by Board Resolution - June 25, 2012	2,200,000
Unexpended Funds Returned	<u>51,397</u>
Ending Balance, June 30, 2012	<u>\$ 3,303,037</u>

The balance in the capital reserve account at June 30, 2012 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, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$ 200,000
Increase by Board Resolution - June 25, 2012	<u>100,000</u>
Ending Balance, June 30, 2012	<u>\$ 300,000</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 288,500			\$ 288,500
Construction in Progress	2,608,293	\$ 98,194	\$ (2,208,506)	497,981
Total Capital Assets Not Being Depreciated	<u>2,896,793</u>	<u>98,194</u>	<u>(2,208,506)</u>	<u>786,481</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	86,730,372		2,201,306	88,931,678
Land Improvements	3,893,811			3,893,811
Machinery and Equipment	9,237,003	367,387	7,200	9,611,590
Total Capital Assets Being Depreciated	<u>99,861,186</u>	<u>367,387</u>	<u>2,208,506</u>	<u>102,437,079</u>
Governmental Activities Capital Assets	<u>102,757,979</u>	<u>465,581</u>		<u>103,223,560</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(46,124,994)	(1,981,323)		(48,106,317)
Land Improvements	(2,174,015)	(227,664)		(2,401,679)
Machinery and Equipment	(7,291,223)	(471,923)		(7,763,146)
	<u>(55,590,232)</u>	<u>(2,680,910)</u>		<u>(58,271,142)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 47,167,747</u>	<u>\$ (2,215,329)</u>	<u>\$ -0-</u>	<u>\$ 44,952,418</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Buildings and Building Improvements	\$ 782,890			\$ 782,890
Furniture and Equipment	604,410			604,410
Total Capital Assets Being Depreciated	<u>1,387,300</u>			<u>1,387,300</u>
Less Accumulated Depreciation	<u>(757,270)</u>	<u>\$ (34,756)</u>		<u>(792,026)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 630,030</u>	<u>\$ (34,756)</u>	<u>\$ -0-</u>	<u>\$ 595,274</u>

The increases totaling \$465,581 represent current year capitalized expenditures in the General, Special Revenue and Capital Projects Funds. The District had active unexpended construction projects balances totaling \$693,615 as of June 30, 2012. The District had no outstanding construction encumbrances as of June 30, 2012.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 96,408
Student and Instruction Related Services	37,528
General Administrative Services	104,986
Plant Operations and Maintenance	11,091
Pupil Transportation	115,972
Unallocated	<u>2,314,925</u>
	<u>\$ 2,680,910</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 7: TRANSFERS TO/FROM CAPITAL OUTLAY

During the year ended June 30, 2012, the District transferred a net amount of \$33,338 from 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, 2012, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2011	Added	Retired/ Defeased	Balance 6/30/2012
Serial Bonds Payable	\$ 36,057,000	\$ 28,230,000	\$ 31,817,000	\$ 32,470,000
Less: Deferred Amount on Refunding		(2,795,959)	(147,169)	(2,648,790)
Net Serial Bonds Payable	36,057,000	25,434,041	31,669,831	29,821,210
Compensated Absences Payable	2,911,164	325,163	164,766	3,071,561
Capital Lease Payable	1,639,508		347,611	1,291,897
	<u>\$ 40,607,672</u>	<u>\$ 25,759,204</u>	<u>\$ 32,182,208</u>	<u>\$ 34,184,668</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 by the Debt Service Fund.

The District had bonds outstanding as of June 30, 2012 as follows:

Final Maturity	Interest Rate	Amount
10/01/2014	3.50%-4.00%	\$ 4,240,000
10/01/2029	2.00%-5.00%	28,230,000
		<u>\$32,470,000</u>

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

Year Ended June 30,	Principal	Interest	Total
2013	\$ 1,360,000	\$ 1,359,538	\$ 2,719,538
2014	1,410,000	1,297,450	2,707,450
2015	1,470,000	1,239,850	2,709,850
2016	1,420,000	1,196,250	2,616,250
2017	1,450,000	1,167,550	2,617,550
Thereafter:			
2018-2022	8,075,000	5,021,800	13,096,800
2023-2027	9,990,000	3,112,450	13,102,450
2028-2030	7,295,000	558,875	7,853,875
	<u>\$32,470,000</u>	<u>\$ 14,953,763</u>	<u>\$ 47,423,763</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

A. Bonds Payable: (Cont'd)

On March 28, 2012, the District issued \$28,230,000 refunding bonds with interest rates ranging from 2.00% to 5.00% to advance refund \$30,507,000 school bonds with interest rates of 3.50% to 4.25%. The refunding bonds mature on October 1, 2015 through 2029. The net proceeds from the issuance of the refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called on October 1, 2014. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's financial statements. Bond issuance costs are expenditures in the fund financial statements; but are amortized over the life of the shorter of the refunding issue or the refunded issues in the district-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$1,673,394, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,657,647.

B. Bonds Authorized But Not Issued:

As of June 30, 2012, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

In fiscal year 2011, the District entered into a \$1,355,400 capital lease agreement for the local share of the Morris Knolls High School roof replacement capital project of which \$255,483 has been amortized. In fiscal year 2010, the District entered into a capital lease agreement for school buses, computers and security access equipment valued at \$467,325 of which \$275,345 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, 2012.

<u>Year</u>	<u>Amount</u>
2013	\$ 397,417
2014	397,417
2015	298,104
2016	298,104
	<u>1,391,042</u>
Less: Amount representing interest	<u>(99,145)</u>
Present value of net minimum lease payments	<u>\$ 1,291,897</u>

The current portion of capital lease payable at June 30, 2012 is \$356,376 and the long-term portion is \$935,521. Capital leases payable will be liquidated by the General Fund.

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. There is no current portion of the compensated absences balance of the governmental funds; therefore, the entire \$3,071,561 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, 2012, no liability existed for compensated absences in the Proprietary Funds.

NOTE 9. PENSION PLANS

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

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

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS and TPAF went from 5.5% to 6.50% 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. Under current statute, the District is a noncontributing employer of the TPAF. Employee contributions for DCRP are based on a percentage of 5.50% of employees' annual compensation, as defined. 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.

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

District contributions to PERS amounted to \$686,180, \$560,091 and \$453,722 for 2012, 2011 and 2010, respectively.

During the fiscal years ended June 30, 2012, 2011 and 2010, the State of New Jersey contributed 787,155, \$-0- and \$-0-, respectively, to the TPAF for normal pension benefits on-behalf of the District.

Employee contributions to the DCRP for the fiscal years ended June 30, 2012 and 2011 were \$6,042 and \$442, respectively. Employer contributions to the DCRP for the fiscal years ended June 30, 2012 and 2011 were \$3,250 and \$241, respectively. For the fiscal year ended June 30, 2010, no employee or employer contributions to the DCRP were required.

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, 2011, there were 93,323 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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members for Fiscal Year 2011.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,582,387, \$1,595,541 and \$1,626,430 for 2012, 2011 and 2010, respectively.

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.

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

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.

The June 30, 2012 financial statements for the Group were not available as of the date of this audit. 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, 2012
(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>
2011-2012	\$ -0-	\$ 37	\$ 87,989	\$ 122,886	\$ 116,184
2010-2011	-0-	80	78,668	61,072	151,044
2009-2010	-0-	217	91,884	124,085	133,368

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, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 392,868	
Special Revenue Fund		\$ 252,006
Proprietary Funds		140,862
	<u>\$ 392,868</u>	<u>\$ 392,868</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 14. DEFERRED COMPENSATION

The Board offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

The plan administrators are as follows:

403b

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

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

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

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

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

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

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

The Legend Group
1200 Route 22 East
Bridgewater, NJ 08807

MetLife
P.O. Box 120945
Dallas, TX 75312

457

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

The Legend Group
1200 Route 22 East
Bridgewater, NJ 08807

MetLife
P.O. Box 120945
Dallas, TX 75312

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.

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2012:

	Governmental Activities			Business-Type Activities
	General Fund	Special Revenue Fund	Total Governmental Funds	Proprietary Funds
Salaries	\$ 69,620	\$ 178	\$ 69,798	\$ 1,133
Vendors	431,867	11,265	443,132	74,519
	<u>\$ 501,487</u>	<u>\$ 11,443</u>	<u>\$ 512,930</u>	<u>\$ 75,652</u>

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, 2012, there were no encumbrances in the governmental funds. All of the governmental funds are considered to be major funds:

BUDGETARY COMPARISON SCHEDULES

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 49,510,522		\$ 49,510,522	\$ 49,510,522	
Tuition	150,858		150,858	230,252	\$ 79,394
Interest Earned on Capital Reserve Fund	200		200	200	
Miscellaneous	237,562		237,562	48,388	(189,174)
Total - Local Sources	49,899,142		49,899,142	49,789,362	(109,780)
State Sources:					
Extraordinary Special Education Aid	583,518		583,518	732,102	148,584
Nonpublic School Transportation Costs				20,888	20,888
Special Education Categorical Aid	1,676,484		1,676,484	1,676,484	
Equalization Aid	3,107,258		3,107,258	3,654,777	547,519
School Choice Aid				143,594	143,594
On-Behalf Contributions:					
TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,582,387	1,582,387
TPAF Pension (Non-Budgeted)				787,155	787,155
TPAF Social Security (Reimbursed - Non-Budgeted)				1,834,996	1,834,996
Total State Sources	5,367,260		5,367,260	10,432,383	5,065,123
Federal Sources:					
Medicaid Reimbursement	22,846		22,846	5,128	(17,718)
Education Jobs Fund	231,010	\$ 7,237	238,247	238,247	
Total Federal Sources	253,856	7,237	261,093	243,375	(17,718)
TOTAL REVENUES	55,520,258	7,237	55,527,495	60,465,120	4,937,625

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Grades 9-12 - Salaries of Teachers	\$ 16,037,948	\$ 191,756	\$ 16,229,704	\$ 16,229,696	\$ 8
Regular Programs - Home Instruction:					
Salaries of Teachers	150,000	(29,126)	120,874	120,874	
Purchased Professional - Educational Services	40,000	31,053	71,053	70,589	464
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	6,750	257	7,007	5,254	1,753
Other Purchased Services (400-500 series)	439,341	2,758	442,099	426,306	15,793
General Supplies	812,634	6,972	819,606	746,718	72,888
Textbooks	211,078	19,482	230,560	227,746	2,814
Other Objects	11,590	(2,227)	9,363	6,919	2,444
Total Regular Programs - Instruction	17,709,341	220,925	17,930,266	17,834,102	96,164
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	404,610	(67,132)	337,478	333,437	4,041
Other Salaries for Instruction	94,511	(20,300)	74,211	74,154	57
Other Purchased Services (400-500 series)	250	(65)	185		185
General Supplies	5,595		5,595	5,139	456
Textbooks	3,155		3,155	2,398	757
Total Learning and/or Language Disabilities	508,121	(87,497)	420,624	415,128	5,496

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	\$ 129,915	\$ 85,934	\$ 215,849	\$ 215,837	\$ 12
Other Salaries for Instruction	68,811	60,080	128,891	125,013	3,878
Other Purchased Services (400-500 series)		135	135	104	31
General Supplies	1,530	3,000	4,530	4,522	8
Textbooks	1,000	(50)	950	154	796
Total Multiple Disabilities	201,256	149,099	350,355	345,630	4,725
Resource Room/Resource Center:					
Salaries of Teachers	1,892,395	(16,130)	1,876,265	1,869,897	6,368
Other Salaries for Instruction	106,906	(3,840)	103,066	100,290	2,776
Other Purchased Services (400-500 series)	300		300	110	190
General Supplies	3,250	2,500	5,750	5,602	148
Textbooks	7,800	(2,500)	5,300	3,917	1,383
Other Objects		5,000	5,000	1,688	3,312
Total Resource Room/Resource Center	2,010,651	(14,970)	1,995,681	1,981,504	14,177
Total Special Education Instruction	2,720,028	46,632	2,766,660	2,742,262	24,398
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	565,908	(33,360)	532,548	517,555	14,993
Total Basic Skills/Remedial - Instruction	565,908	(33,360)	532,548	517,555	14,993

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Bilingual Education - Instruction:					
Salaries of Teachers	\$ 133,825	\$ (5,850)	\$ 127,975	\$ 107,196	\$ 20,779
Other Salaries for Instruction		6,000	6,000	4,117	1,883
Other Purchased Services (400-500 series)	620	(500)	120	91	29
General Supplies	848	(462)	386	51	335
Textbooks	2,541	(1,035)	1,506	1,384	122
Other Objects	350		350	239	111
Total Bilingual Education - Instruction	138,184	(1,847)	136,337	113,078	23,259
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	458,336	5,600	463,936	463,841	95
Purchased Services (300-500 series)	25,610	1,949	27,559	22,886	4,673
Supplies and Materials	22,538	(3,812)	18,726	13,570	5,156
Other Objects	9,875	267	10,142	9,435	707
Total School-Sponsored Cocurricular Activities - Instruction	516,359	4,004	520,363	509,732	10,631
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	1,827,343	(12,590)	1,814,753	1,812,000	2,753
Purchased Services (300-500 series)	163,080	(4,418)	158,662	156,132	2,530
Supplies and Materials	165,410	(9,886)	155,524	150,983	4,541
Other Objects	47,290	(17,596)	29,694	27,033	2,661
Total School-Sponsored Cocurricular Athletics - Instruction	2,203,123	(44,490)	2,158,633	2,146,148	12,485
Total Instruction	23,852,943	191,864	24,044,807	23,862,877	181,930

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 454,684	\$ (19,000)	\$ 435,684	\$ 415,561	\$ 20,123
Tuition to County Vocational Schools - Regular	1,075,718	(13,000)	1,062,718	1,052,959	9,759
Tuition to County Vocational Schools - Special	54,076	26,000	80,076	57,517	22,559
Tuition to County Special Services Schools and Regional Day Schools	591,000	56,975	647,975	539,600	108,375
Tuition to Private Schools for the Disabled - Within the State	2,740,706	(78,375)	2,662,331	2,534,792	127,539
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	616,613	(10,000)	606,613	579,183	27,430
Tuition - State Facilities	30,750		30,750	30,750	
Total Undistributed Expenditures - Instruction	5,563,547	(37,400)	5,526,147	5,210,362	315,785
Attendance and Social Work Services:					
Salaries	93,257	(4,125)	89,132	87,427	1,705
Supplies and Materials	3,000	1,039	4,039	3,925	114
Total Attendance and Social Work Services	96,257	(3,086)	93,171	91,352	1,819
Health Services:					
Salaries	319,105	10,664	329,769	329,552	217
Purchased Professional and Technical Services	500	8,900	9,400	7,713	1,687
Other Purchased Services (400-500 series)	18,850	9,141	27,991	26,057	1,934
Supplies and Materials	5,350	(565)	4,785	4,287	498
Total Health Services	343,805	28,140	371,945	367,609	4,336

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	\$ 271,300	\$ (4,350)	\$ 266,950	\$ 266,904	\$ 46
Purchased Professional - Educational Services	359,823	1,300	361,123	273,851	87,272
Total Other Support Services - Speech, OT, PT and Related Services	631,123	(3,050)	628,073	540,755	87,318
Other Support Services - Students - Extraordinary Services:					
Salaries	266,834	22,900	289,734	279,785	9,949
Supplies and Materials	2,000	32,000	34,000	22,661	11,339
Total Other Support Services - Students - Extraordinary Services	268,834	54,900	323,734	302,446	21,288
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	1,190,769	86,005	1,276,774	1,274,560	2,214
Salaries of Secretarial and Clerical Assistants	241,801	50	241,851	241,843	8
Purchased Professional - Educational Services	4,633	(250)	4,383	3,937	446
Other Purchased Services (400-500 series)	37,232	440	37,672	37,304	368
Supplies and Materials	12,505	1,260	13,765	13,545	220
Other Objects	800		800	800	
Total Other Support Services - Students - Guidance	1,487,740	87,505	1,575,245	1,571,989	3,256
Other Support Services - Child Study Teams:					
Salaries of Other Professional Staff	1,175,409	(41,710)	1,133,699	1,037,323	96,376
Salaries of Secretarial and Clerical Assistants	140,544	19,710	160,254	159,665	589
Purchased Professional - Educational Services	10,000	(4,500)	5,500	3,190	2,310
Miscellaneous Purchased Services	4,384	9,658	14,042	12,760	1,282
Supplies and Materials	3,816	1,640	5,456	4,814	642
Total Other Support Services - Child Study Teams	1,334,153	(15,202)	1,318,951	1,217,752	101,199

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	\$ 760,699	\$ (75,500)	\$ 685,199	\$ 684,964	\$ 235
Salaries of Secretarial and Clerical Assistants	278,227	1,223	279,450	279,212	238
Purchased Professional - Educational Services	8,500	(7,635)	865		865
Other Purchased Services (400-500 series)	11,500	2,615	14,115	13,615	500
Supplies and Materials	2,000	(1,716)	284	284	
Other Objects	2,050	(1,500)	550		550
Total Improvement of Instructional Services	1,062,976	(82,513)	980,463	978,075	2,388
Educational Media Services/School Library:					
Salaries	302,242	1,370	303,612	303,608	4
Other Purchased Services (400-500 series)	24,110	(5,200)	18,910	18,460	450
Supplies and Materials	124,305	5,500	129,805	127,768	2,037
Total Educational Media Services/School Library	450,657	1,670	452,327	449,836	2,491
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	132,476	(600)	131,876	131,728	148
Salaries of Other Professional Staff	8,000	9,620	17,620	17,615	5
Salaries of Secretarial and Clerical Assistants	49,097	202	49,299	49,273	26
Other Salaries	20,000	1,655	21,655	21,650	5
Purchased Professional - Educational Services	15,000	(4,600)	10,400	9,500	900
Other Purchased Services (400-500 series)	7,363	(4,023)	3,340	639	2,701
Supplies and Materials	10,187	(8,631)	1,556	1,553	3
Total Instructional Staff Training Services	242,123	(6,377)	235,746	231,958	3,788

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Support Services - General Administration:					
Salaries	\$ 245,386	\$ (850)	\$ 244,536	\$ 244,536	
Legal Services	60,000	(21,909)	38,091	16,484	\$ 21,607
Audit Fees	70,000	675	70,675	70,675	
Architectural/Engineering Services	15,000	31,000	46,000	34,093	11,907
Other Purchased Professional Services	28,200	(11,000)	17,200	11,552	5,648
Communications/Telephone	175,000	(62,000)	113,000	102,684	10,316
BOE Other Purchased Services	500	584	1,084	1,084	
Miscellaneous Purchased Services (400-500 series)	263,458	50,450	313,908	306,767	7,141
General Supplies	15,450	(790)	14,660	12,921	1,739
Miscellaneous Expenditures	5,967	1,200	7,167	6,982	185
BOE Membership Dues and Fees	27,683	400	28,083	27,914	169
Total Support Services - General Administration	906,644	(12,240)	894,404	835,692	58,712
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,066,815	32,629	1,099,444	1,099,053	391
Salaries of Secretarial and Clerical Assistants	457,467	16,406	473,873	472,731	1,142
Other Purchased Services (400-500 series)	122,004	(5,996)	116,008	111,427	4,581
Supplies and Materials	20,467		20,467	19,260	1,207
Other Objects	1,759	281	2,040	2,040	
Total Support Services - School Administration	1,668,512	43,320	1,711,832	1,704,511	7,321

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Central Services:					
Salaries	\$ 726,304	\$ 63,965	\$ 790,269	\$ 786,439	\$ 3,830
Purchased Professional Services	25,400		25,400	13,804	11,596
Miscellaneous Purchased Services (400-500 series)	62,555	12,000	74,555	68,357	6,198
Supplies and Materials	14,630	3,017	17,647	15,685	1,962
Miscellaneous Expenditures	4,650		4,650	4,630	20
Total Central Services	833,539	78,982	912,521	888,915	23,606
Administration Information Technology:					
Salaries	198,835	(5,470)	193,365	172,855	20,510
Other Purchased Services (400-500 series)	44,795	25,209	70,004	65,889	4,115
Supplies and Materials	40,550	6,050	46,600	44,533	2,067
Total Administration Information Technology	284,180	25,789	309,969	283,277	26,692
Required Maintenance for School Facilities:					
Salaries	479,182	(8,880)	470,302	463,024	7,278
Cleaning, Repair and Maintenance Services	242,000	83,500	325,500	320,684	4,816
General Supplies	152,000	(47,300)	104,700	100,478	4,222
Total Required Maintenance for School Facilities	873,182	27,320	900,502	884,186	16,316

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Custodial Services:					
Salaries	\$ 1,129,291	\$ (151,113)	\$ 978,178	\$ 978,167	\$ 11
Purchased Professional and Technical Services	42,000	24,600	66,600	62,763	3,837
Cleaning, Repair and Maintenance Services	134,000	8,182	142,182	142,181	1
Other Purchased Property Services	46,000	28,269	74,269	72,473	1,796
Insurance	215,000	(7,819)	207,181	207,181	
Miscellaneous Purchased Services	24,700	(19,200)	5,500	4,381	1,119
General Supplies	176,000	26,575	202,575	201,013	1,562
Energy (Natural Gas)	175,000	(20,026)	154,974	119,314	35,660
Energy (Electricity)	644,657	(120,100)	524,557	404,987	119,570
Energy (Oil)	350,000	(12,500)	337,500	303,597	33,903
Other Objects	500		500	375	125
Total Custodial Services	2,937,148	(243,132)	2,694,016	2,496,432	197,584
Care & Upkeep of Grounds:					
Salaries	110,346	(515)	109,831	109,238	593
Total Care & Upkeep of Grounds	110,346	(515)	109,831	109,238	593
Security:					
Salaries	194,587	(4,329)	190,258	190,196	62
Purchased Professional and Technical Services	4,000		4,000	3,836	164
Total Security	198,587	(4,329)	194,258	194,032	226

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 1,134,060	\$ 147,592	\$ 1,281,652	\$ 1,281,650	\$ 2
Between Home and School - Special Education	191,077	23,421	214,498	214,498	
Other Than Between Home and School	242,178	(66,148)	176,030	176,029	1
Between Home and School - Nonpublic Schools	21,349	(20,282)	1,067	1,067	
Cleaning, Repair and Maintenance Services	14,375	(6,720)	7,655	7,652	3
Contracted Services:					
Between Home and School - Joint Agreements	40,000	48,840	88,840	88,840	
Special Education Students - Vendors		750	750	750	
Special Education Students - Joint Agreements	700,000	84,852	784,852	784,851	1
Aid in Lieu of Payments - Nonpublic Students	114,500	(8,447)	106,053	106,053	
Miscellaneous Purchased Services	13,250	(2,218)	11,032	11,032	
Transportation Supplies	237,774	68,257	306,031	306,031	
Other Objects	200	782	982	982	
Total Student Transportation Services	2,708,763	270,679	2,979,442	2,979,435	7
Allocated Benefits:					
Regular Programs - Instruction:					
Social Security Contributions	67,028	5,522	72,550	72,549	1
Other Retirement Contributions - PERS		292	292	292	
Workmen's Compensation	95,000		95,000	95,000	
Health Benefits	2,989,784	23,750	3,013,534	2,946,161	67,373
Tuition Reimbursement	91,600	(47,422)	44,178	44,178	
Other Employee Benefits	132,257	(46,506)	85,751	82,507	3,244
Total Allocated Benefits - Regular Programs - Instruction	3,375,669	(64,364)	3,311,305	3,240,687	70,618

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Allocated Benefits:					
Special Programs - Instruction:					
Social Security Contributions	\$ 30,631	\$ 6,933	\$ 37,564	\$ 37,543	\$ 21
Other Retirement Contributions - PERS	29,859	873	30,732	30,731	1
Workmen's Compensation	12,500		12,500	12,500	
Health Benefits	594,257	(29,973)	564,284	526,539	37,745
Tuition Reimbursement	12,400	(990)	11,410	11,400	10
Other Employee Benefits	16,386	29,814	46,200	43,377	2,823
Total Allocated Benefits - Special Programs - Instruction	696,033	6,657	702,690	662,090	40,600
Other Instructional Programs - Instruction:					
Social Security Contributions	178,879	(51,990)	126,889	126,833	56
Other Retirement Contributions - PERS	12,930	(2,100)	10,830	10,818	12
Other Retirement Contributions - Regular		210	210	119	91
Workmen's Compensation	12,500		12,500	12,500	
Health Benefits	244,141	(14,112)	230,029	218,523	11,506
Other Employee Benefits	1,387	(980)	407	400	7
Total Allocated Benefits - Other Instructional Programs - Instruction	449,837	(68,972)	380,865	369,193	11,672
Attendance and Social Work Services:					
Social Security Contributions	6,533	325	6,858	6,858	
Other Retirement Contributions - PERS	9,435	(1,917)	7,518	7,517	1
Workmen's Compensation	6,250		6,250	6,250	
Health Benefits	33,216	(11,242)	21,974	21,680	294
Other Employee Benefits	1,387	1,500	2,887	2,750	137
Total Allocated Benefits - Attendance and Social Work Services	56,821	(11,334)	45,487	45,055	432

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Allocated Benefits:					
Health Services:					
Social Security Contributions	\$ 535	\$ 2,367	\$ 2,902	\$ 2,902	
Workmen's Compensation	5,000		5,000	5,000	
Health Benefits	46,522	5,840	52,362	52,360	\$ 2
Other Employee Benefits	1,387	4,613	6,000	6,000	
Total Allocated Benefits - Health Services	53,444	12,820	66,264	66,262	2
Other Support Services - Speech, OT, PT and Related Services:					
Social Security Contributions	535	40	575	572	3
Workmen's Compensation	1,250		1,250	1,250	
Health Benefits	29,037	821	29,858	29,682	176
Other Employee Benefits	1,387	1,613	3,000	3,000	
Total Allocated Benefits - Other Support Services - Speech, OT, PT and Related Services	32,209	2,474	34,683	34,504	179
Other Support Services - Students - Extraordinary Services:					
Social Security Contributions	13,828	2,235	16,063	16,063	
Other Retirement Contributions - PERS	19,969	(4,840)	15,129	15,128	1
Health Benefits	109,178	(16,810)	92,368	84,517	7,851
Total Allocated Benefits - Other Support Services - Students - Extraordinary Services	142,975	(19,415)	123,560	115,708	7,852

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Allocated Benefits:					
Other Support Services - Students - Guidance:					
Social Security Contributions	\$ 20,779	\$ 1,400	\$ 22,179	\$ 22,147	\$ 32
Other Retirement Contributions - PERS	26,919	3,140	30,059	30,059	
Workmen's Compensation	7,500		7,500	7,500	
Health Benefits	354,342	(40,527)	313,815	313,756	59
Tuition Reimbursement	3,000	845	3,845	3,845	
Other Employee Benefits	94	2,656	2,750	2,750	
Total Allocated Benefits - Other Support Services - Students - Guidance	412,634	(32,486)	380,148	380,057	91
Other Support Services - Child Study Teams:					
Social Security Contributions	13,428	3,268	16,696	16,696	
Other Retirement Contributions - PERS	15,530	(1,173)	14,357	14,336	21
Workmen's Compensation	12,500		12,500	12,500	
Health Benefits	217,826	(34,457)	183,369	183,309	60
Tuition Reimbursement	3,000	(945)	2,055	2,050	5
Other Employee Benefits	18,059	22,941	41,000	39,000	2,000
Total Allocated Benefits - Other Support Services - Child Study Teams	280,343	(10,366)	269,977	267,891	2,086
Improvement of Instruction Services:					
Social Security Contributions	21,283	930	22,213	22,213	
Other Retirement Contributions - PERS	30,742	3,770	34,512	34,510	2
Workmen's Compensation	7,500		7,500	7,500	
Health Benefits	113,244	14,889	128,133	122,074	6,059
Other Employee Benefits	15,300	(1,860)	13,440	13,401	39
Total Allocated Benefits - Improvement of Instruction Services	188,069	17,729	205,798	199,698	6,100

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Allocated Benefits:					
Educational Media Services - School Library:					
Social Security Contributions	\$ 9,803		\$ 9,803	\$ 9,765	\$ 38
Other Retirement Contributions - PERS	10,316	\$ 2,340	12,656	12,649	7
Workmen's Compensation	7,500		7,500	7,500	
Health Benefits	79,660	(7,451)	72,209	71,083	1,126
Other Employee Benefits	1,179	(1,100)	79		79
Total Allocated Benefits - Educational Media Services - School Library	108,458	(6,211)	102,247	100,997	1,250
Instructional Staff Training Services:					
Social Security Contributions	3,756	3,959	7,715	7,715	
Other Retirement Contributions - PERS	5,425	670	6,095	6,090	5
Workmen's Compensation	7,500		7,500	7,500	
Health Benefits	19,513	4,844	24,357	21,815	2,542
Other Employee Benefits	2,700	(1,150)	1,550	1,538	12
Total Allocated Benefits - Instructional Staff Training Services	38,894	8,323	47,217	44,658	2,559
Support Services - General Administration:					
Social Security Contributions	5,442	20	5,462	5,458	4
Other Retirement Contributions - PERS	7,861	985	8,846	8,843	3
Workmen's Compensation	7,500		7,500	7,500	
Health Benefits	27,520	(3,389)	24,131	24,086	45
Tuition Reimbursement	3,000	(3,000)			
Other Employee Benefits	1,387	(1,380)	7		7
Total Allocated Benefits - Support Services - General Administration	52,710	(6,764)	45,946	45,887	59

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Allocated Benefits:					
Support Services - School Administration:					
Social Security Contributions	\$ 37,080	\$ 100	\$ 37,180	\$ 37,164	\$ 16
Other Retirement Contributions - PERS	53,560	4,042	57,602	57,601	1
Workmen's Compensation	7,500		7,500	7,500	
Health Benefits	264,783	(34,942)	229,841	215,099	14,742
Tuition Reimbursement		1,300	1,300	1,300	
Other Employee Benefits	2,100	20,950	23,050	23,050	
Total Allocated Benefits - Support Services - School Administration	365,023	(8,550)	356,473	341,714	14,759
Support Services - Central Services:					
Social Security Contributions	36,613	2,670	39,283	39,261	22
Other Retirement Contributions - PERS	52,155	7,335	59,490	59,490	
Workmen's Compensation	7,500		7,500	7,500	
Health Benefits	172,027	12,641	184,668	180,830	3,838
Other Employee Benefits	900	15,203	16,103	16,103	
Total Allocated Benefits - Support Services - Central Services	269,195	37,849	307,044	303,184	3,860
Support Services - Administrative Information Technology:					
Social Security Contributions	15,218	425	15,643	15,640	3
Other Retirement Contributions - PERS	21,982	(4,300)	17,682	10,747	6,935
Workmen's Compensation	7,500		7,500	7,500	
Health Benefits	45,907	(12,677)	33,230	29,689	3,541
Other Employee Benefits	1,000	2,000	3,000	3,000	
Total Allocated Benefits - Support Services - Administrative Information Technology	91,607	(14,552)	77,055	66,576	10,479

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Allocated Benefits:					
Required Maintenance for School Facilities:					
Social Security Contributions	\$ 35,065	\$ 1,583	\$ 36,648	\$ 36,648	
Other Retirement Contributions - PERS	50,642	4,155	54,797	54,794	\$ 3
Health Benefits	113,790	(7,664)	106,126	95,362	10,764
Other Employee Benefits	80	4,680	4,760	4,757	3
Total Allocated Benefits - Required Maintenance for School Facilities	199,577	2,754	202,331	191,561	10,770
Custodial Services:					
Social Security Contributions	146,393	(66,236)	80,157	80,157	
Other Retirement Contributions - PERS	210,468	(86,870)	123,598	123,114	484
Workmen's Compensation	83,157	(7,820)	75,337	75,327	10
Health Benefits	377,578	(67,308)	310,270	309,155	1,115
Other Employee Benefits	14,620	(12,635)	1,985	1,735	250
Total Allocated Benefits - Custodial Services	832,216	(240,869)	591,347	589,488	1,859
Care and Upkeep of Grounds:					
Social Security Contributions	7,714	937	8,651	8,651	
Other Retirement Contributions - PERS	11,145	1,478	12,623	12,623	
Health Benefits	24,502	(2,314)	22,188	22,133	55
Other Employee Benefits		1,540	1,540	1,538	2
Total Allocated Benefits - Care and Upkeep of Grounds	43,361	1,641	45,002	44,945	57

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Allocated Benefits:					
Security:					
Social Security Contributions	\$ 14,882	\$ (220)	\$ 14,662	\$ 14,659	\$ 3
Other Retirement Contributions - PERS	21,502	193	21,695	21,567	128
Health Benefits	122,604	5,099	127,703	89,473	38,230
Other Employee Benefits	3,962	(960)	3,002	3,000	2
Total Allocated Benefits - Security	162,950	4,112	167,062	128,699	38,363
Student Transportation Services:					
Social Security Contributions	104,436	30,828	135,264	135,264	
Other Retirement Contributions - PERS	136,420	(7,790)	128,630	128,509	121
Workmen's Compensation	30,000	(15,119)	14,881	14,881	
Health Benefits	692,460	29,851	722,311	699,930	22,381
Other Employee Benefits	12,766	(5,096)	7,670	5,111	2,559
Total Allocated Benefits - Student Transportation Services	976,082	32,674	1,008,756	983,695	25,061
Total Allocated Benefits	8,828,107	(356,850)	8,471,257	8,222,549	248,708
On-Behalf Contributions:					
TPAF Post Retirement Medical Benefits (Non-budgeted)				1,582,387	(1,582,387)
TPAF Pension (Non-budgeted)				787,155	(787,155)
Reimbursed TPAF Social Security Contributions (Non-budgeted)				1,834,996	(1,834,996)
Total On-Behalf Contributions				4,204,538	(4,204,538)
Total Personal Services - Employee Benefits	8,828,107	(356,850)	8,471,257	12,427,087	(3,955,830)
Total Undistributed Expenses	30,830,223	(146,389)	30,683,834	33,764,939	(3,081,105)
TOTAL GENERAL CURRENT EXPENSE	54,683,166	45,475	54,728,641	57,627,816	(2,899,175)

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Grades 9-12	\$ 146,100	\$ (15,423)	\$ 130,677	\$ 130,022	\$ 655
School-Sponsored Cocurricular Athletics - Instruction		19,190	19,190	19,123	67
Undistributed Expenditures:					
Support Services:					
Educational Media Services/School Library	17,045	9,368	26,413	26,382	31
Central Services	8,000	(8,000)			
Custodial Services		25,797	25,797	25,797	
Student Transportation Services	8,999	3,001	12,000	11,163	837
Student Transportation Services - School Buses - Regular	180,000	(67,271)	112,729	3,476	109,253
Total Equipment	360,144	(33,338)	326,806	215,963	110,843
Facilities Acquisition and Construction Services:					
Lease Purchase Agreements - Principal	298,105		298,105	298,104	1
Other Objects - Debt Service Assessment	81,144		81,144	81,144	
Total Facilities Acquisition and Construction Services	379,249		379,249	379,248	1
TOTAL CAPITAL OUTLAY	739,393	(33,338)	706,055	595,211	110,844
SPECIAL SCHOOLS:					
Accredited Evening/Adult High School - Post-Graduate - Instruction:					
Salaries of Teachers	332,247	(2,055)	330,192	251,530	78,662
General Supplies	7,800		7,800	4,475	3,325
Textbooks	1,600		1,600		1,600
Other Objects	400		400	91	309
Total Accredited Evening/Adult High School - Post-Graduate - Instruction	342,047	(2,055)	339,992	256,096	83,896

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
SPECIAL SCHOOLS:					
Accredited Evening/Adult High School - Post-Graduate - Support Services:					
Personal Services - Employee Benefits	\$ 23,964	\$ (6,956)	\$ 17,008	\$ 9,121	\$ 7,887
Purchased Professional and Technical Services	5,100		5,100	3,579	1,521
Other Purchased Services (400-500 series)	14,600		14,600	3,696	10,904
Total Accredited Evening/Adult High School - Post-Graduate - Support Ser	43,664	(6,956)	36,708	16,396	20,312
Total Accredited Evening/Adult High School - Post-Graduate	385,711	(9,011)	376,700	272,492	104,208
Adult Education - Local - Instruction:					
Purchased Professional and Technical Services	35,159		35,159	32,870	2,289
General Supplies	800		800	640	160
Textbooks	2,160		2,160	482	1,678
Total Adult Education - Local - Instruction	38,119		38,119	33,992	4,127
Total Adult Education - Local	38,119		38,119	33,992	4,127
Vocational Evening - Local - Instruction:					
Salaries of Teachers		4,245	4,245	4,245	
General Supplies	600		600		600
Textbooks	4,200	(2,340)	1,860		1,860
Total Vocational Evening - Local - Instruction	4,800	1,905	6,705	4,245	2,460
Vocational Evening - Local - Support Services:					
Salaries	45,262	825	46,087	27,052	19,035
Personal Services - Employee Benefits	20,207	1,756	21,963	21,499	464
Other Purchased Services (400-500 series)	3,400	(375)	3,025	45	2,980
Total Vocational Evening - Local - Support Services	68,869	2,206	71,075	48,596	22,479
Total Vocational Evening - Local	73,669	4,111	77,780	52,841	24,939
TOTAL SPECIAL SCHOOLS	497,499	(4,900)	492,599	359,325	133,274

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
TOTAL EXPENDITURES	\$ 55,920,058	\$ 7,237	\$ 55,927,295	\$ 58,582,352	\$ (2,655,057)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(399,800)	- 0 -	(399,800)	1,882,768	2,282,568
OTHER FINANCING SOURCES/(USES):					
Operating Transfer In:					
Capital Projects Fund:					
Capital Outlay - Unexpended Project Balances				501,393	501,393
Capital Reserve - Unexpended Project Balances				51,397	51,397
Total Other Financing Sources/(Uses)				552,790	552,790
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	(399,800)		(399,800)	2,435,558	2,835,358
Fund Balance, July 1	2,441,179		2,441,179	2,441,179	
Fund Balance, June 30	<u>\$ 2,041,379</u>	<u>\$ - 0 -</u>	<u>\$ 2,041,379</u>	<u>\$ 4,876,737</u>	<u>\$ 2,835,358</u>

Recapitulation of Fund Balance at June 30, 2012:

Restricted:					
Capital Reserve				\$ 3,303,037	
Maintenance Reserve				300,000	
Assigned - Designated for Subsequent Year's Expenditures				300,000	
Unassigned				973,700	
Total Fund Balance - Budgetary Basis				4,876,737	
Reconciliation to Governmental Fund Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis				(537,007)	
Fund Balance per Governmental Fund on (Exhibit B-2)				<u>\$ 4,339,730</u>	

Exhibit C-2

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 216,318	\$ (16,025)	\$ 200,293	\$ 178,635	\$ (21,658)
Federal Sources	655,706	122,467	778,173	778,173	
Total Revenues	872,024	106,442	978,466	956,808	(21,658)
EXPENDITURES:					
Instruction:					
Personal Services - Salaries		6,345	6,345	6,345	
Other Purchased Services	723,017	41,781	764,798	743,140	21,658
General Supplies	1,916	1,789	3,705	3,705	
Textbooks	25,692	(4,185)	21,507	21,507	
Total Instruction	750,625	45,730	796,355	774,697	21,658
Support Services:					
Personal Services - Salaries	30,114	4,873	34,987	34,987	
Personal Services - Employee Benefits	6,023	(3,274)	2,749	2,749	
Purchased Professional - Educational Services	61,116	68,436	129,552	129,552	
Supplies and Materials	3,537	(38)	3,499	3,499	
Total Support Services	100,790	69,997	170,787	170,787	
Facilities Acquisition:					
Instructional Equipment	20,609	(9,314)	11,295	11,295	
Non-Instructional Equipment		29	29	29	
Total Facilities Acquisition	20,609	(9,285)	11,324	11,324	
Total Expenditures	872,024	106,442	978,466	956,808	21,658
Excess of Revenues Over Expenditures	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

MORRIS HILLS REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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	\$ 60,465,120	\$ 956,808
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		151,904
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	385,017	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(537,007)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 60,313,130	\$ 1,108,712
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 58,582,352	\$ 956,808
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		151,904
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 58,582,352	\$ 1,108,712
		Capital Projects Fund
	SDA Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (Exhibit F-1)	\$ (186,452)	\$ 693,615
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	452,242	- 0 -
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (Exhibit B-2)	\$ 265,790	\$ 693,615

MORRIS HILLS REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget was submitted to the County office and was voted upon at the annual school election on the fourth Wednesday 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, 2012

	<u>IDEA Part B, Basic Regular</u>			Vocational Education - Perkins Secondary
	<u>ARRA 2009-11</u>	<u>2011-12</u>	<u>2010-11</u>	
REVENUE:				
State Sources				
Federal Sources	\$ 29	\$ 664,781	\$ 57,457	\$ 15,000
Total Revenue	<u>29</u>	<u>664,781</u>	<u>57,457</u>	<u>15,000</u>
EXPENDITURES:				
Instruction:				
Personal Services - Salaries			4,300	
Other Purchased Services		588,057		
General Supplies				3,705
Textbooks				
Total Instruction		<u>588,057</u>	<u>4,300</u>	<u>3,705</u>
Support Services:				
Personal Services - Salaries			329	
Personal Services - Employee Benefits			52,828	
Purchased Professional - Educational Services		76,724		
Supplies and Materials				
Total Support Services		<u>76,724</u>	<u>53,157</u>	
Facilities Acquisition:				
Instructional Equipment				11,295
Non-Instructional Equipment	29			
Total Facilities Acquisition	<u>29</u>			<u>11,295</u>
Total Expenditures	<u>\$ 29</u>	<u>\$ 664,781</u>	<u>\$ 57,457</u>	<u>\$ 15,000</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	No Child Left Behind Consolidated				NJ Nonpublic	
	Title II, Part A		Title II, Part D		Auxiliary Services (Chapter 192)	
	2011-12	2010-11	2011-12	2011-12	Compensatory Education	Home Instruction
REVENUE:						
State Sources					\$ 44,463	\$ 2,045
Federal Sources	\$ 1,516	\$ 39,221	\$ 137	\$ 32		
Total Revenue	1,516	39,221	137	32	44,463	2,045
EXPENDITURES:						
Instruction:						
Personal Services - Salaries						2,045
Other Purchased Services					44,463	
General Supplies						
Textbooks						
Total Instruction					44,463	2,045
Support Services:						
Personal Services - Salaries		34,829	128	30		
Personal Services - Employee Benefits		2,409	9	2		
Purchased Professional - Educational Services						
Supplies and Materials	1,516	1,983				
Total Support Services	1,516	39,221	137	32		
Facilities Acquisition:						
Instructional Equipment						
Non-Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	\$ 1,516	\$ 39,221	\$ 137	\$ 32	\$ 44,463	\$ 2,045

MORRIS HILLS REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	NJ Nonpublic					Totals June 30, 2012
	Handicapped Services (Chapter 193)			NJ Nonpublic		
	Examination & Classification	Supplementary Instruction	Corrective Speech	Textbooks	Nursing	
REVENUE:						
State Sources	\$ 44,122	\$ 35,145	\$ 632	\$ 21,507	\$ 30,721	\$ 178,635
Federal Sources						778,173
Total Revenue	44,122	35,145	632	21,507	30,721	956,808
EXPENDITURES:						
Instruction:						
Personal Services - Salaries						6,345
Other Purchased Services	44,122	35,145	632		30,721	743,140
General Supplies						3,705
Textbooks				21,507		21,507
Total Instruction	44,122	35,145	632	21,507	30,721	774,697
Support Services:						
Personal Services - Salaries						34,987
Personal Services - Employee Benefits						2,749
Purchased Professional - Educational Services						129,552
Supplies and Materials						3,499
Total Support Services						170,787
Facilities Acquisition:						
Instructional Equipment						11,295
Non-Instructional Equipment						29
Total Facilities Acquisition						11,324
Total Expenditures	\$ 44,122	\$ 35,145	\$ 632	\$ 21,507	\$ 30,721	\$ 956,808

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, 2012

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ (189,313)
Interest Revenue	2,861
	<hr/>
Total Revenue and Other Financing Sources	(186,452)
	<hr/>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	21,051
Construction Services	77,143
Operating Transfers Out:	
General Fund:	
Capital Outlay - Unexpended Project Balances	501,393
Capital Reserve - Unexpended Project Balances	51,397
Debt Service Fund - Interest Earned	2,861
	<hr/>
Total Expenditures and Other Financing Uses	653,845
	<hr/>
Excess/(Deficiency) of Revenue and Other Financing Sources	
Over/(Under) Expenditures and Other Financing Uses	(840,297)
	<hr/>
Fund Balance - Beginning	1,533,912
	<hr/>
Fund Balance - Ending	\$ 693,615
	<hr/> <hr/>
<u>Reconciliation of Revenue from Budgetary Basis to GAAP Basis:</u>	
State SDA Grant Revenue Realized (Budgetary Basis)	\$ (186,452)
SDA Grants are Recognized as Revenue on the Budgetary Basis when	
Awarded but are not Recognized on the GAAP Basis until Expended	452,242
	<hr/>
State SDA Grant Revenue Realized (GAAP Basis)	\$ 265,790
	<hr/> <hr/>
<u>Recapitulation of Fund Balance at June 30, 2012:</u>	
Restricted	\$ 489,131
Committed	204,484
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 693,615
	<hr/> <hr/>

Exhibit F-1a

MORRIS HILLS REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
CONSTRUCT AND EQUIP RENOVATIONS AND ADDITIONS TO
BOTH MORRIS HILLS AND MORRIS KNOLLS HIGH SCHOOLS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Prior Periods	Current Year	Totals	Project Authorization
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 12,870,155		\$ 12,870,155	\$ 12,870,155
Bond Proceeds and Transfers	43,092,397		43,092,397	43,092,397
Total Revenue and Other Financing Sources	55,962,552	\$ - 0 -	55,962,552	55,962,552
Expenditures:				
Purchased Professional & Technical Services	2,355,521		2,355,521	2,908,714
Construction Services	52,433,799	7,200	52,440,999	52,376,936
Miscellaneous Expenditures	676,901		676,901	676,902
Total Expenditures	55,466,221	7,200	55,473,421	55,962,552
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 496,331	\$ (7,200)	\$ 489,131	\$ - 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	99.13%
Original Target Completion Date	August 2007
Revised Target Completion Date	December 2007; December 2012

Exhibit F-1b

MORRIS HILLS REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
MORRIS HILLS HIGH SCHOOL FRONT ENTRANCEWAY
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Prior Periods	Current Year	Totals	Revised Project Authorization
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 155,000	\$ (40,131)	\$ 114,869	\$ 155,000
Transfer from Capital Reserve	232,500	(51,397)	181,103	232,500
Total Revenue and Other Financing Sources	<u>387,500</u>	<u>(91,528)</u>	<u>295,972</u>	<u>387,500</u>
Expenditures:				
Purchased Professional and Technical Services	15,013		15,013	37,500
Construction Services	280,959		280,959	350,000
Total Expenditures	<u>295,972</u>	<u>-0-</u>	<u>295,972</u>	<u>387,500</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 91,528</u>	<u>\$ (91,528)</u>	<u>\$ -0-</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-
Unexpended Balance - SDA Grant Canceled	\$ (40,131)
Unexpended Balance - Transferred to Capital Reserve	\$ (51,397)
Revised Authorized Cost	\$ 295,972
Change Order Percentage	0.00%
Percentage Completion	100.00%
Original Target Completion Date	January 18, 2010
Revised Target Completion Date	December 31, 2010

Exhibit F-1c

MORRIS HILLS REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
MORRIS KNOLLS HIGH SCHOOL ROOF REPLACEMENT
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Project</u> <u>Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 903,600	\$ (149,182)	\$ 754,418	\$ 754,418
Capital Lease Proceeds	1,355,400		1,355,400	1,355,400
Transfer from Capital Outlay	501,393	(501,393)		
Total Revenue and Other Financing Sources	<u>2,760,393</u>	<u>(650,575)</u>	<u>2,109,818</u>	<u>2,109,818</u>
Expenditures:				
Purchased Professional and Technical Services	46,567	21,051	67,618	68,425
Construction Services	1,767,773	69,943	1,837,716	2,041,393
Total Expenditures	<u>1,814,340</u>	<u>90,994</u>	<u>1,905,334</u>	<u>2,109,818</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 946,053</u>	<u>\$ (741,569)</u>	<u>\$ 204,484</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
Unexpended Balance - SDA Grant Canceled	\$ (149,182)
Unexpended Balance - Transferred to Capital Outlay	\$ (501,393)
Revised Authorized Cost	\$ 2,109,818
Change Order Percentage	22.20%
Percentage Completion	100.00%
Original Target Completion Date	November 30, 2010
Revised Target Completion Date	February 27, 2012

PROPRIETARY FUNDS

MORRIS HILLS REGIONAL SCHOOL DISTRICT
PROPRIETARY FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

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>Totals</u>
ASSETS:								
Current Assets:								
Cash and Cash Equivalents	\$ 183,377		\$ 16,300				\$ 91	\$ 199,768
Receivable from:								
Federal Government	11,672							11,672
State Government	420							420
Receivables - Other		\$ 111,780		\$ 8,533	\$ 27,346	\$ 7,664		155,323
Inventories	6,886							6,886
Total Current Assets	202,355	111,780	16,300	8,533	27,346	7,664	91	374,069
Non-Current Assets:								
Capital Assets	385,187	1,002,113						1,387,300
Less: Accumulated Depreciation	(337,936)	(454,090)						(792,026)
Total Non-Current Assets	47,251	548,023						595,274
Total Assets	249,606	659,803	16,300	8,533	27,346	7,664	91	969,343

MORRIS HILLS REGIONAL SCHOOL DISTRICT
PROPRIETARY FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

Business-Type Activities - Enterprise Funds

	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	Totals
LIABILITIES:								
Current Liabilities:								
Interfund Payable - General Fund		\$ 98,586		\$ 7,266	\$ 27,346	\$ 7,664		\$ 140,862
Accounts Payable	\$ 67,657	6,575	\$ 62	1,267			\$ 91	75,652
Total Current Liabilities	67,657	105,161	62	8,533	27,346	7,664	91	216,514
Total Liabilities	67,657	105,161	62	8,533	27,346	7,664	91	216,514
NET ASSETS:								
Investment in Capital Assets, Net of Related Debt	47,251	548,023						595,274
Unrestricted	134,698	6,619	16,238					157,555
Total Net Assets	\$ 181,949	\$ 554,642	\$ 16,238	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 752,829

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, 2012

	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	\$ 331,561							\$ 331,561
School Breakfast Program	15,482							15,482
Total Daily Sales - Reimbursable Programs	347,043							347,043
Daily Sales - Non-Reimbursable Programs	380,399							380,399
Special Events	9,239							9,239
Tuition		\$ 1,117,800	\$ 189,211					1,307,011
Service Fees				\$ 381,520	\$ 553,658	\$ 122,704	\$ 47,478	1,105,360
Total Operating Revenue	736,681	1,117,800	189,211	381,520	553,658	122,704	47,478	3,149,052
Operating Expenses:								
Cost of Sales	338,002							338,002
Salaries	233,985	770,675	66,506	250,095	444,854	114,814	33,429	1,914,358
Payroll Taxes	31,715	35,274	3,834	15,836	3,860	6,899	1,635	99,053
Employee Benefits	147,527	192,726	17,583	87,761	71,842	25,605	30,194	573,238
Purchased Professional - Educational Services		5,180	73,028		124,150			202,358
Other Purchased Services		28,000	28,260					56,260
Purchased Property Services	96,243	79,013						175,256
Supplies and Materials	90,625	6,932		51,793				149,350
Other Objects				159	1,500			1,659

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, 2012

	Business-Type Activities - Enterprise Funds							
	Food Service	Academy for Technology	Adult Continuing Education	Custodial Services	Special Education Services	Technology Services	Transpor- tation Services	Total Enterprise Funds
Operating Expenses:								
Depreciation Expense	\$ 15,184	\$ 19,572						\$ 34,756
Total Operating Expenses	953,281	1,137,372	\$ 189,211	\$ 405,644	\$ 646,206	\$ 147,318	\$ 65,258	3,544,290
Operating Loss	(216,600)	(19,572)	-0-	(24,124)	(92,548)	(24,614)	(17,780)	(395,238)
Non-Operating Revenue:								
Federal Sources:								
School Breakfast Program	26,489							26,489
National School Lunch Program	163,636							163,636
Food Distribution Program	16,742							16,742
State Sources:								
School Lunch Program	7,632							7,632
Total Non-Operating Revenue	214,499							214,499
Change in Net Assets	(2,101)	(19,572)	-0-	(24,124)	(92,548)	(24,614)	(17,780)	(180,739)
Net Assets - Beginning of Year	184,050	574,214	16,238	24,124	92,548	24,614	17,780	933,568
Net Assets - End of Year	<u>\$ 181,949</u>	<u>\$ 554,642</u>	<u>\$ 16,238</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 752,829</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT
PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	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
Cash Flows from Operating Activities:								
Receipts from Customers	\$ 736,681	\$ 1,006,020	\$ 189,211	\$ 407,572	\$ 556,315	\$ 122,540	\$ 52,078	\$ 3,070,417
Payments to Employees		(805,949)	(70,340)	(264,889)	(448,714)	(121,713)	(34,973)	(1,746,578)
Payments to Food Service Vendor	(927,609)							(927,609)
Payments to Suppliers	(8,579)	(206,690)	(119,154)	(142,683)	(170,146)	(17,941)	(30,194)	(695,387)
Net Cash Used by Operating Activities	(199,507)	(6,619)	(283)	-0-	(62,545)	(17,114)	(13,089)	(299,157)
Cash Flows from Noncapital and Related Financing Activities:								
Federal Subsidy Reimbursements	191,892							191,892
State Subsidy Reimbursements	8,084							8,084
Net Cash Provided by Noncapital and Related Financing Activities	199,976							199,976
Net Increase/(Decrease) in Cash and Cash Equivalents	469	(6,619)	(283)	-0-	(62,545)	(17,114)	(13,089)	(99,181)
Cash and Cash Equivalents, July 1	182,908	6,619	16,583		62,545	17,114	13,180	298,949
Cash and Cash Equivalents, June 30	<u>\$ 183,377</u>	<u>\$ -0-</u>	<u>\$ 16,300</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 91</u>	<u>\$ 199,768</u>

MORRIS HILLS REGIONAL SCHOOL DISTRICT
PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	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	
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:								
Operating Loss	\$ (216,600)	\$ (19,572)	\$ -0-	\$ (24,124)	\$ (92,548)	\$ (24,614)	\$ (17,780)	\$ (395,238)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:								
Depreciation	15,184	19,572						34,756
Federal Food Distribution Program	16,742							16,742
Changes in Assets and Liabilities:								
(Increase)/Decrease in Other Receivables		(111,780)		26,052	2,657	(164)	4,600	(78,635)
Decrease in Inventory	167							167
Increase/(Decrease) in Accounts Payable	(15,000)	6,575	(283)	559			91	(8,058)
Increase/(Decrease) in Interfund Payable		98,586		(2,487)	27,346	7,664		131,109
Net Cash Used for Operating Activities	<u>\$ (199,507)</u>	<u>\$ (6,619)</u>	<u>\$ (283)</u>	<u>\$ -0-</u>	<u>\$ (62,545)</u>	<u>\$ (17,114)</u>	<u>\$ (13,089)</u>	<u>\$ (299,157)</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 \$16,742 for the fiscal year ended June 30, 2012.

FIDUCIARY FUNDS

MORRIS HILLS REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>				<u>Total</u>
ASSETS:						
Cash and Cash Equivalents	\$ 463,050	\$ 2,200	\$ 465,250	\$ 116,184	\$ 865	\$ 279,866
Total Assets	463,050	2,200	465,250	116,184	865	279,866
LIABILITIES:						
Payroll Deductions and Withholdings Due to Student Groups	463,050	2,200	2,200			463,050
Total Liabilities	463,050	2,200	465,250	- 0 -	- 0 -	- 0 -
NET ASSETS:						
Held in Trust for:						
Unemployment Claims			116,184			
Flexible Spending Account Claims				865		
Scholarships						279,866
Total Net Assets	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 116,184	\$ 865	\$ 279,866

Exhibit H-2

MORRIS HILLS REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:			
Contributions:			
Employee	\$ 87,989	\$ 14,289	
Donations			\$ 27,603
	<u>87,989</u>	<u>14,289</u>	<u>27,603</u>
Total Contributions			
	<u>87,989</u>	<u>14,289</u>	<u>27,603</u>
Investment Earnings:			
Interest	37		988
	<u>37</u>		<u>988</u>
Net Investment Earnings			
	<u>37</u>		<u>988</u>
Total Additions	<u>88,026</u>	<u>14,289</u>	<u>28,591</u>
DEDUCTIONS:			
Unemployment Claims	122,886		
Flexible Spending Account Claims		13,424	
Scholarships Awarded			28,690
	<u>122,886</u>	<u>13,424</u>	<u>28,690</u>
Total Deductions			
	<u>122,886</u>	<u>13,424</u>	<u>28,690</u>
Change in Net Assets	(34,860)	865	(99)
Net Assets - Beginning of the Year	<u>151,044</u>	<u>- 0 -</u>	<u>279,965</u>
Net Assets - End of the Year	<u>\$ 116,184</u>	<u>\$ 865</u>	<u>\$ 279,866</u>

Exhibit H-3

MORRIS HILLS REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 439,599	\$ 626,904	\$ 603,453	\$ 463,050
Total Assets	<u>\$ 439,599</u>	<u>\$ 626,904</u>	<u>\$ 603,453</u>	<u>\$ 463,050</u>
LIABILITIES:				
Liabilities:				
Due to Student Groups	\$ 439,599	\$ 626,904	\$ 603,453	\$ 463,050
Total Liabilities	<u>\$ 439,599</u>	<u>\$ 626,904</u>	<u>\$ 603,453</u>	<u>\$ 463,050</u>

Exhibit H-4

MORRIS HILLS REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Senior High Schools:				
Morris Hills	\$ 186,400	\$ 257,407	\$ 248,668	\$ 195,139
Morris Knolls	251,540	367,720	353,239	266,021
District-Wide	<u>1,659</u>	<u>1,777</u>	<u>1,546</u>	<u>1,890</u>
Total All Schools	<u>\$ 439,599</u>	<u>\$ 626,904</u>	<u>\$ 603,453</u>	<u>\$ 463,050</u>

Exhibit H-5

MORRIS HILLS REGIONAL SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 6,514	\$ 39,427,977	\$ 39,432,291	\$ 2,200
Total Assets	<u>\$ 6,514</u>	<u>\$ 39,427,977</u>	<u>\$ 39,432,291</u>	<u>\$ 2,200</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 6,514	\$ 39,427,977	\$ 39,432,291	\$ 2,200
Total Liabilities	<u>\$ 6,514</u>	<u>\$ 39,427,977</u>	<u>\$ 39,432,291</u>	<u>\$ 2,200</u>

LONG-TERM DEBT

MORRIS HILLS REGIONAL SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2011	Issued	Matured	Defeased	Balance June 30, 2012
			Date	Amount						
School Improvements	04/01/04	\$ 43,092,000	10/01/12	\$ 1,360,000	3.50%	\$ 36,057,000		\$ 1,310,000	\$ 30,507,000	\$ 4,240,000
			10/01/13	1,410,000	4.00%					
			10/01/14	1,470,000	4.00%					
Refunding Bonds	03/28/12	28,230,000	10/01/15	1,420,000	2.00%					
			10/01/16	1,450,000	2.00%					
			10/01/17	1,500,000	4.00%					
			10/01/18	1,555,000	4.00%					
			10/01/19	1,610,000	3.00%					
			10/01/20	1,670,000	4.00%					
			10/01/21	1,740,000	4.00%					
			10/01/22	1,810,000	4.00%					
			10/01/23	1,895,000	5.00%					
			10/01/24	1,990,000	5.00%					
			10/01/25	2,095,000	5.00%					
			10/01/26	2,200,000	5.00%					
			10/01/27	2,315,000	5.00%					
			10/01/28	2,430,000	5.00%					
			10/01/29	2,550,000	5.00%					
						<u>\$ 36,057,000</u>	<u>\$ 28,230,000</u>	<u>\$ 1,310,000</u>	<u>\$ 30,507,000</u>	<u>\$ 32,470,000</u>

Exhibit I-2

MORRIS HILLS REGIONAL SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2011</u>	<u>Matured</u>	<u>Balance June 30, 2012</u>
School Buses, Computers and Security Access Equipment	2.75%	\$ 467,325	\$ 284,108	\$ 92,128	\$ 191,980
Morris Knolls High School Roof Replacement	3.31%	1,355,400	<u>1,355,400</u>	<u>255,483</u>	<u>1,099,917</u>
			<u>\$ 1,639,508</u>	<u>\$ 347,611</u>	<u>\$ 1,291,897</u>

Exhibit I-3

MORRIS HILLS REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,715,332		\$ 2,715,332	\$ 2,715,332	
Total Revenues	2,715,332		2,715,332	2,715,332	
EXPENDITURES:					
Regular Debt Service:					
Interest	1,415,723		1,415,723	1,415,723	
Redemption of Principal	1,310,000		1,310,000	1,310,000	
Total Regular Debt Service	2,725,723		2,725,723	2,725,723	
Total Expenditures	2,725,723		2,725,723	2,725,723	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(10,391)		(10,391)	(10,391)	
Other Financing Sources:					
Operating Transfers In:					
Capital Projects Fund - Interest				2,861	\$ 2,861
School Refunding Bonds Issued				28,230,000	28,230,000
School Bonds Defeased				(30,507,000)	(30,507,000)
Bond Issuance Costs				(355,968)	(355,968)
Bond Premiums				5,428,927	5,428,927
Deferred Bond Interest				(2,795,959)	(2,795,959)
Total Other Financing Sources				2,861	2,861
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	(10,391)		(10,391)	(7,530)	2,861
Fund Balance, July 1	10,745		10,745	10,745	- 0 -
Fund Balance, June 30	\$ 354	\$ - 0 -	\$ 354	\$ 3,215	\$ 2,861

Recapitulation of Fund Balance at June 30, 2012:

Restricted for Subsequent Year's Expenditures	\$ 2,854
Restricted	361
	<u>\$ 3,215</u>

**STATISTICAL SECTION
(UNAUDITED)**

STATISTICAL SECTION
(UNAUDITED)

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

Contents

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 EIGHT FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:								
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	\$ 11,190,521
Restricted	40,043,591	22,660,622	5,439,966	2,897,496	2,019,387	2,016,795	1,758,516	4,095,383
Unrestricted (Deficit)	(1,754,968)	(2,147,442)	(2,488,934)	(2,404,949)	(1,947,179)	(3,045,007)	(1,922,767)	(4,671,212)
Total Governmental Activities Net Assets	\$ 9,681,706	\$ 16,999,829	\$ 15,195,612	\$ 12,914,910	\$ 11,141,938	\$ 8,435,830	\$ 9,306,988	\$ 10,614,692
Business-type Activities:								
Invested in Capital Assets, Net of Related Debt	\$ 685,069	\$ 665,456	\$ 645,884	\$ 652,071	\$ 630,159	\$ 664,787	\$ 630,030	\$ 595,274
Unrestricted	93,857	108,027	111,661	67,113	69,400	110,392	303,538	157,555
Total Business-type Activities Net Assets	\$ 778,926	\$ 773,483	\$ 757,545	\$ 719,184	\$ 699,559	\$ 775,179	\$ 933,568	\$ 752,829
District-wide:								
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	\$ 11,785,795
Restricted	40,043,591	22,660,622	5,439,966	2,897,496	2,019,387	2,016,795	1,758,516	4,095,383
Unrestricted (Deficit)	(1,661,111)	(2,039,415)	(2,377,273)	(2,337,836)	(1,877,779)	(2,934,615)	(1,619,229)	(4,513,657)
Total District-wide Net Assets	\$ 10,460,632	\$ 17,773,312	\$ 15,953,157	\$ 13,634,094	\$ 11,841,497	\$ 9,211,009	\$ 10,240,556	\$ 11,367,521

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 EIGHT FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

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

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 7,702,596
Capital Grants and Contributions	64,351	6,586,398	5,530,294	177,607	511,505	173,080	636,162	422,673
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	8,125,269
Business-type Activities:								
Charges for Services:								
Food Service	629,614	696,105	756,245	741,880	713,207	701,268	694,895	736,681
Academy for Technology	880,000	960,000	988,800	1,038,400	1,080,000	1,117,800	1,117,800	1,117,800
Adult Continuing Education						199,393	171,705	189,211
Custodial Services							372,958	381,520
Special Education Services							518,958	553,658
Technology Services							118,640	122,704
Transportation Services							46,000	47,478
Operating Grants and Contributions	107,984	112,740	130,135	130,260	139,991	185,914	218,410	214,499
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	3,363,551
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	\$ 11,488,820
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)	\$(54,969,991)
Business-type Activities	(37,199)	(5,443)	(15,938)	(38,361)	(19,625)	6,120	158,389	(180,739)
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)	\$(55,150,730)

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 49,510,522
Taxes Levied for Debt Service	1,669,980	2,528,072	1,754,175	2,563,086	2,693,541	2,729,910	2,691,040	2,715,332
Unrestricted Grants and Contributions	2,902,488	3,013,438	3,132,475	3,517,027	3,905,398	4,011,895	3,771,122	3,770,140
Tuition	126,511	120,797	67,232	96,970	207,811	54,325	199,137	230,252
Investment Earnings	1,125,726	1,366,772	343,366	264,432	123,411	28,606	15,924	12,238
Miscellaneous Income	88,190	18,867	129,994	181,629	132,632	372,180	148,473	39,211
Special Item - Reappraisal of Capital Assets Transfers	(40,000)		(3,725,082)					
Total Governmental Activities General Revenues and Other Changes	42,444,514	45,199,296	41,962,542	50,197,024	51,918,555	53,846,908	55,365,423	56,277,695
Business-type Activities:								
Special Item - Reappraisal of Capital Assets Transfers	40,000					69,500		
Total Business-type Activities General Revenues and Other Changes	40,000	- 0 -	- 0 -	- 0 -	- 0 -	69,500	- 0 -	- 0 -
Total District-wide General Revenues & 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	\$ 56,277,695
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	\$ 1,307,704
Business-type Activities	2,801	(5,443)	(15,938)	(38,361)	(19,625)	75,620	158,389	(180,739)
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	\$ 1,126,965

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 EIGHT FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

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

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 EIGHT FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

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

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

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

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>
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
2012	9,377	230,252	20,943	*	18,268	278,840

* - 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 EIGHT YEARS
UNAUDITED

DENVILLE TOWNSHIP

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

ROCKAWAY BOROUGH

Year End Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	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
2011	7,576,300	566,923,205	-0-	-0-	152,356,300	31,661,525	22,292,400	780,809,730	1,257,313	782,067,043	73,741,400	0.63	932,413,631

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 EIGHT YEARS
UNAUDITED

ROCKAWAY TOWNSHIP

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

WHARTON BOROUGH

Year End Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	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	616,147,698
2006	3,949,500	235,960,300	146,900	2,500	57,911,700	28,603,100	20,922,300	347,496,300	425,268	347,921,568	25,906,500	1.00	700,086,600
2007	5,165,300	233,507,500	146,900	2,500	38,138,900	53,739,800	20,922,300	351,623,200	389,636	352,012,836	24,823,900	1.13	810,504,523
2008*	17,248,900	567,671,400	703,100	4,000	102,222,100	126,740,600	28,526,200	843,116,300	1,164,475	844,280,775	68,002,200	0.52	875,685,946
2009	16,610,600	568,140,100	703,100	4,000	103,002,400	126,740,600	28,526,200	843,727,000	-0-	843,727,000	67,736,000	0.54	863,774,131
2010*	12,431,400	489,700,200	621,200	4,000	102,374,200	113,236,100	24,354,300	742,721,400	-0-	742,721,400	66,238,700	0.61	841,091,053
2011	12,263,900	489,528,100	621,200	4,000	101,874,000	105,180,200	24,354,300	733,825,700	-0-	733,825,700	66,891,500	0.61	786,503,886

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 ^a	General Obligation Debt Service ^b	Total Direct Rate	Denville Township	Denville Township Public Schools	Morris County	
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
2011	0.71	0.04	0.75	0.55	1.12	0.35	2.77

ROCKAWAY BOROUGH

Year Ended Dec. 31,	Morris Hills Regional School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct Rate	Rockaway Borough	Rockaway Borough Public Schools	Morris County	
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
2011	0.60	0.03	0.63	0.63	0.88	0.28	2.42

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

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

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

* - Property revaluation became effective in this year.

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

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

UNAUDITED

(Rate per \$100 of Assessed Value)

ROCKAWAY TOWNSHIP

Year Ended Dec. 31,	Morris Hills Regional School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct Rate	Rockaway Township	Rockaway Township Public Schools	Morris County	
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
2011	0.86	0.05	0.91	0.89	1.44	0.36	3.60

WHARTON BOROUGH

Year Ended Dec. 31,	Morris Hills Regional School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct Rate	Wharton Borough	Wharton Borough Public Schools	Morris County	
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 *
2011	0.58	0.03	0.61	0.61	1.07	0.25	2.54

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	2011		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
St. Francis Life Care Corporation	\$ 47,650,000	2.09%	\$ 47,650,000	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%
Rockaway River Country Club	8,767,600	0.38%	8,400,000	0.77%
Individual Taxpayer #1	6,737,000	0.30%	8,800,000	0.80%
WP Properties, LLC	5,700,000	0.25%	7,500,000	0.68%
Denville Station LLC	5,472,900	0.24%		
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 West Main, LLC	4,900,000	0.21%		
Denville Hites Limited Partnership			11,985,700	1.09%
Verizon			6,337,882	0.58%
Georgia Pacific			5,150,000	0.47%
Total	\$ 123,505,700	5.41%	\$ 118,653,582	10.83%

ROCKAWAY BOROUGH

Taxpayer	2011		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Rockaway Commons	\$ 11,751,250	1.50%		
McWilliams Forge	10,319,500	1.32%	\$ 8,383,100	1.89%
HS Gardens, LLC	8,002,000	1.02%	4,950,000	1.11%
Highway Enterprises, Inc.	6,625,000	0.85%	3,701,200	0.83%
Individual Taxpayer #1	4,413,400	0.56%	2,968,000	0.67%
Gustov L. Hollenstein, Inc.	4,249,200	0.54%	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%
Total	\$ 57,634,350	7.37%	\$ 35,087,100	7.88%

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

Source: Municipal Tax Assessors.

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

ROCKAWAY TOWNSHIP

Taxpayer	2011		2002	
	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.	\$ 156,729,000	5.54%	\$ 209,442,000	18.47%
Mt. Hope Rock Products, Inc. (Tilcon)	35,778,200	1.26%	32,940,000	2.91%
MarketPlace at Rockaway, LLC	21,581,700	0.76%		
GIM PA Partners	20,722,300	0.73%		
Rustic Ridge, Inc.	20,424,100	0.72%		
Bergen Record	19,000,000	0.67%	37,216,700	3.28%
Dover VF c/o Vornado Realty Trust	18,103,600	0.64%		
Macy's East, Inc./Federated Department Stores	17,876,100	0.63%	32,940,000	2.91%
Retail Property Trust	15,635,600	0.55%	25,314,400	2.23%
Target Corporation	14,535,200	0.51%		
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%
Total	\$ 340,385,800	12.03%	\$ 471,713,400	41.61%

WHARTON BOROUGH

Taxpayer	2011		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
TA Wharton LLC	\$ 59,267,700	8.08%		
The Realty Associates Fund VIII LP	37,223,900	5.07%		
Glass Paramus	19,433,900	2.65%	\$ 8,568,200	2.58%
Costco Wholesale Club	17,842,300	2.43%	9,450,600	2.84%
C.C.K.K. LLC (Wharton Industrial)	11,615,400	1.58%		
Bayview Gardens	8,700,000	1.19%		
Wharton Mall	8,273,700	1.13%	4,000,000	1.20%
Brentwood Associates	6,528,500	0.89%		
Wharton Apartments	4,000,000	0.55%	2,200,000	0.66%
Waltann Greenbrook, LLC	3,863,700	0.53%		
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%
Total	\$ 176,749,100	24.09%	\$ 77,470,000	23.30%

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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2012	17,869,628	17,869,628	100.00%	-0-

ROCKAWAY BOROUGH

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2012	5,033,016	5,033,016	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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2012	24,750,107	24,750,107	100.00%	-0-

WHARTON BOROUGH

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2012	4,573,103	4,573,103	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 EIGHT FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	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	1.33%	\$ 806.47	
2006	42,012,000	-0-	-0-	-0-	-0-	42,012,000	1.24%	780.33	
2007	40,897,000	-0-	-0-	12,000,000	-0-	52,897,000	1.45%	981.70	
2008	39,747,000	-0-	-0-	11,600,000	-0-	51,347,000	1.34%	954.55	
2009	38,557,000	-0-	-0-	-0-	-0-	38,557,000	0.97%	715.87	
2010	37,327,000	-0-	373,754	-0-	-0-	37,700,754	1.03%	697.62	
2011	36,057,000	-0-	1,639,508	-0-	-0-	37,696,508	1.00%	700.74	
2012	32,470,000	-0-	1,291,897	-0-	-0-	33,761,897	0.89%	624.67	

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.

Exhibit J-11

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	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%	670.27
2012	32,470,000	-0-	32,470,000	0.490%	600.76

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.

Exhibit J-12

MORRIS HILLS REGIONAL SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2011
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Denville Township	\$ 6,973,809	100.00%	\$ 6,973,809
Rockaway Borough	5,007,000	100.00%	5,007,000
Rockaway Township	25,353,862	100.00%	25,353,862
Wharton Borough	1,750,792	100.00%	1,750,792
Morris County General Obligation Debt	269,247,125	9.53%	<u>25,662,455</u>
Subtotal, Overlapping Debt			64,747,918
Morris Hills Regional School District Direct Debt			<u>33,761,897</u>
Total Direct and Overlapping Debt			<u>\$ 98,509,815</u>

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

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

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

Exhibit J-13

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

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Debt Limit	\$ 143,448,972	\$ 157,596,505	\$ 175,614,492	\$ 196,598,831	\$ 252,233,365
Total Net Debt Applicable to Limit	-0-	43,092,000	43,092,000	42,012,000	40,897,000
Legal Debt Margin	<u>\$ 143,448,972</u>	<u>\$ 114,504,505</u>	<u>\$ 132,522,492</u>	<u>\$ 154,586,831</u>	<u>\$ 211,336,365</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	27.34%	24.54%	21.37%	16.21%

	Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012
Debt Limit	\$ 276,509,624	\$ 290,090,146	\$ 295,799,348	\$ 292,189,888	\$ 284,994,990
Total Net Debt Applicable to Limit	39,747,000	38,557,000	37,327,000	36,057,000	32,470,000
Legal Debt Margin	<u>\$ 236,762,624</u>	<u>\$ 251,533,146</u>	<u>\$ 258,472,348</u>	<u>\$ 256,132,888</u>	<u>\$ 252,524,990</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	14.37%	13.29%	12.62%	12.34%	11.39%

Legal Debt Margin Calculation for Fiscal Year 2012

Year Ended December 31,	Denville Township	Rockaway Borough	Rockaway Township	Wharton Borough	Equalized Valuation Basis
2009	\$ 3,393,139,991	\$ 938,179,459	\$ 4,773,119,327	\$ 834,959,921	\$ 9,939,398,698
2010	3,391,997,625	916,030,457	4,294,685,693	790,549,654	9,393,263,429
2011	3,350,706,876	890,725,222	4,179,191,955	746,212,833	9,166,836,886
	<u>\$ 10,135,844,492</u>	<u>\$ 2,744,935,138</u>	<u>\$ 13,246,996,975</u>	<u>\$ 2,371,722,408</u>	<u>\$ 28,499,499,013</u>
	Average Equalized Valuation of Taxable Property				<u>\$ 9,499,833,004</u>
	Debt Limit ^a (3% of Average Equalization Value)				\$ 284,994,990
	Net Bonded School Debt at June 30, 2012				<u>32,470,000</u>
	Legal Debt Margin				<u>\$ 252,524,990</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 ^a	Morris County Per Capita Personal		Unemployment Rate ^d
		Income ^b	Personal Income ^c	
2002	15,816	\$ 56,422	\$ 892,370,352	3.50%
2003	15,796	56,804	897,275,984	3.50%
2004	15,987	60,780	971,689,860	2.80%
2005	16,242	62,930	1,022,109,060	2.90%
2006	16,211	67,918	1,101,018,698	3.00%
2007	16,212	71,191	1,154,148,492	2.70%
2008	16,259	74,025	1,203,572,475	3.60%
2009	16,309	67,614	1,102,716,726	6.30%
2010	16,649	69,811	1,162,283,339	6.30%
2011	16,727	69,811 *	1,167,728,597	6.10%

ROCKAWAY BOROUGH

Year	Population ^a	Morris County Per Capita Personal		Unemployment Rate ^d
		Income ^b	Personal Income ^c	
2002	6,401	\$ 56,422	\$ 361,157,222	5.70%
2003	6,381	56,804	362,466,324	5.70%
2004	6,358	60,780	386,439,240	4.60%
2005	6,323	62,930	397,906,390	5.10%
2006	6,272	67,918	425,981,696	5.30%
2007	6,247	71,191	444,730,177	4.80%
2008	6,233	74,025	461,397,825	6.30%
2009	6,231	67,614	421,302,834	10.70%
2010	6,443	69,811	449,792,273	10.80%
2011	6,474	69,811 *	451,956,414	10.50%

* - Latest Morris County per capita personal income available (2010) 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 ^a	Morris County Per Capita Personal Income ^b	Personal Income ^c	Unemployment Rate ^d
2002	24,377	\$ 56,422	\$ 1,375,399,094	4.20%
2003	24,823	56,804	1,410,045,692	4.20%
2004	24,924	60,780	1,514,880,720	3.30%
2005	25,142	62,930	1,582,186,060	2.30%
2006	25,320	67,918	1,719,683,760	2.50%
2007	25,267	71,191	1,798,782,997	2.30%
2008	25,312	74,025	1,873,720,800	2.90%
2009	25,438	67,614	1,719,964,932	7.10%
2010	24,176	69,811	1,687,750,736	7.00%
2011	24,290	69,811 *	1,695,709,190	7.40%

WHARTON BOROUGH

Year	Population ^a	Morris County Per Capita Personal Income ^b	Personal Income ^c	Unemployment Rate ^d
2002	6,215	\$ 56,422	\$ 350,662,730	2.70%
2003	6,185	56,804	351,332,740	2.70%
2004	6,164	60,780	374,647,920	2.20%
2005	6,132	62,930	385,886,760	7.20%
2006	6,080	67,918	412,941,440	7.50%
2007	6,066	71,191	431,844,606	6.80%
2008	6,056	74,025	448,295,400	8.90%
2009	6,064	67,614	410,011,296	14.80%
2010	6,527	69,811	455,656,397	14.90%
2011	6,557	69,811 *	457,750,727	14.50%

* - Latest Morris County per capita personal income available (2010) 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	2011		Employer	2002	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Novartis	6,200	2.44%			
U.S. Army Armament Research and Development	5,274	2.08%			
Atlantic Health	5,013	1.98%			
United Parcel Service	2,332	0.92%			
County of Morris	1,928	0.76%			
Automatic Data Processing, Inc.	1,924	0.76%			
AT&T Corporation	1,550	0.61%			
Chilton Memorial	1,440	0.57%			
BASF Corporation	1,400	0.55%			
Avis Budget Group Inc.	1,378	0.54%			
	28,439	11.21%			
Total Employment *	253,719				

Information is Not Available

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

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction:								
Regular	212.0	212.0	213.0	214.0	215.0	219.0	221.0	225.0
Special Education	13.0	13.0	14.0	14.0	14.0	30.0	28.0	34.0
Other Special Instruction	6.0	7.0	7.0	7.0	7.0	7.0	10.0	11.0
Adult/Continuing Education Programs	6.0	6.0	6.0	6.0	6.0	6.0	2.0	2.0
Support Services:								
Student & Instruction Related Services	70.0	70.0	70.0	70.0	70.0	71.0	68.5	68.6
General Administration Services	10.0	10.0	10.0	10.0	10.0	2.0	2.0	2.0
School Administration Services	24.0	24.0	24.0	24.0	24.0	24.0	23.0	24.0
Plant Operations and Maintenance	46.0	48.0	48.0	48.0	48.0	49.0	47.0	48.0
Pupil Transportation	41.0	41.0	47.0	47.0	47.0	45.0	53.0	50.0
Business and Other Support Services	9.0	9.0	9.0	9.0	9.0	11.0	11.0	11.0
Total	<u>437.0</u>	<u>440.0</u>	<u>448.0</u>	<u>449.0</u>	<u>450.0</u>	<u>464.0</u>	<u>465.5</u>	<u>475.6</u>

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 EIGHT FISCAL YEARS
UNAUDITED

Fiscal Year	October 15 Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percent Change	Teaching Staff ^b	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) ^c	Average Daily Attendance (ADA) ^c		
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%
2012	2,835	58,932,625	20,128	-5.98%	249	11.1:1	12.0:1	2,734.5	2,642.2	-1.60%	96.62%

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

^a - Operating expenditures equal total expenditures less capital outlay, special schools and debt service.

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

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

^d - 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 EIGHT 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>	<u>2012</u>
Morris Hills High School (1953):								
Square Feet	180,660	180,660	229,760	229,760	229,760	229,760	229,760	225
Capacity (Students)	1,040	1,040	1,398	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	1,119
Morris Knolls High School (1964):								
Square Feet	218,715	218,715	263,065	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	1,652
Enrollment	1,491	1,580	1,493	1,587	1,620	1,682	1,669	1,716
Enrollment - Adult High School	310	196	197	196	137	135	129	129

Number of Schools at June 30, 2012:

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:

School Facilities*	Fiscal Year Ended June 30,							225	2011	2012
	2003	2004	2005	2006	2007	2008	2009	2010		
Morris Hills	\$ 397,837	\$ 1,796,884	\$ 64,013	\$ 1,361,498	\$ 1,392,562	\$ 653,941	\$ 412,013	\$ 471,540	\$ 546,707	\$ 519,004
Morris Knolls	513,569	1,779,413	481,872	984,353	866,415	726,569	1,188,735	420,671	521,889	556,743
Grand Total	\$ 911,406	\$ 3,576,297	\$ 545,885	\$ 2,345,851	\$ 2,258,977	\$ 1,380,510	\$ 1,600,748	\$ 892,211	\$ 1,068,596	\$ 1,075,747

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

Source: Morris Hills Regional School District records.

MORRIS HILLS REGIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
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, 2012
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
Workers Compensation Policy -		
NJ School Boards Association Insurance Group	Statutory	

Source: Morris Hills Regional School District records.

SINGLE AUDIT SECTION



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

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, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 16, 2012. 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 Office of School Finance, 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 expressing 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Office of School Finance, Department of Education, State of New Jersey. However, we noted a certain matter that we have reported to management in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated November 16, 2012.

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

NISIVOCCIA, LLP

Mount Arlington, New Jersey
November 16, 2012

Kathryn L. Mantell

Kathryn L. Mantell
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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 OMB's Circular 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, 2012. 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 Office of School Finance, 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 Non-profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, Federal OMB Circular A-133, and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the 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, 2012.

The Honorable President and Members
of the Board of Education
Morris Hills Regional School District
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Internal Control Over Compliance

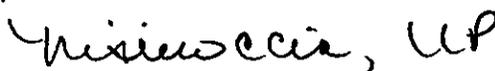
The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control 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.

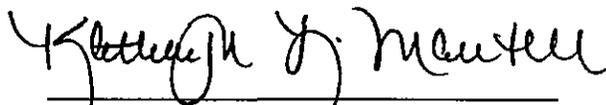
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did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

Mount Arlington, New Jersey
November 16, 2012



NISIVOCCIA, LLP



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, 2012

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program/ Award Amount	June 30, 2011	Cash Received	Budgetary Expenditures	June 30, 2012
			From	To		Balance/ (Accounts Receivable)			(Accounts Receivable)
U.S. Department of Education - Passed-through State Department of Education:									
General Fund:									
Education Jobs Fund	84.410	N/A	8/1/10	9/30/12	\$ 238,247		\$ 160,102	\$ (238,247)	\$ (78,145)
Total General Fund							160,102	(238,247)	(78,145)
Special Revenue Fund:									
Special Education Cluster:									
I.D.E.A. - Part B, Basic Regular - ARRA	84.391	ARRA-3370-10	8/1/09	8/31/11	693,833	\$ (161,666)	161,695	(29)	
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-3370-12	9/1/11	8/31/12	664,781		383,267	(664,781)	(281,514)
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-3370-11	9/1/10	8/31/11	581,195	(207,145)	264,602	(57,457)	
Total Special Education Cluster						(368,811)	809,564	(722,267)	(281,514)
No Child Left Behind Consolidated Formula Subgrant:									
Title II - Part A	84.367A	NCLB-3370-12	9/1/11	8/31/12	35,544			(1,516)	(1,516)
Title II - Part D	84.367A	NCLB-3370-12	9/1/11	8/31/12	137		137	(137)	
Title II - Part A and D	84.367A	NCLB-3370-11	9/1/10	8/31/11	42,051	(2,830)	42,051	(39,221)	
Title II - Part A and D	84.367A	NCLB-3370-10	9/1/09	8/31/10	37,997	(1)	1		
Title III	84.365A	NCLB-3370-12	9/1/11	8/31/12	8,548			(32)	(32)
Vocational Education - Perkins Secondary	84.048 84.048	PERK-3370-12 PERK-3370-11	7/1/11 7/1/10	6/30/12 6/30/11	15,000 22,525		15,000 22,525	(15,000)	
Total Special Revenue Fund						(394,167)	889,278	(778,173)	(283,062)
Total U.S. Department of Education						(394,167)	1,049,380	(1,016,420)	(361,207)

MORRIS HILLS REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program/ Award Amount	June 30, 2011			June 30, 2012
			From	To		Balance/ (Accounts Receivable)	Cash Received	Budgetary Expenditures	(Accounts Receivable)
U.S. Department of Health and Human Services - Passed-through State									
State Department of Human Services:									
Medical Assistance Program (SEMI)	93.778	N/A	7/1/11	6/30/12	\$ 5,128		\$ 4,051	\$ (5,128)	\$ (1,077)
Medical Assistance Program (SEMI)	93.778	N/A	7/1/10	6/30/11	5,477	\$ (1,430)	1,430		
Total U.S. Department of Health and Human Services						(1,430)	5,481	(5,128)	(1,077)
U.S. Department of Agriculture - Passed- through State Department of Education:									
Child Nutrition Cluster:									
School Breakfast Program	10.553	N/A	7/1/11	6/30/12	26,489		24,253	(26,489)	(2,236)
School Breakfast Program	10.553	N/A	7/1/10	6/30/11	28,299	(2,723)	2,723		
Federal Food Distribution Program	10.555	N/A	7/1/11	6/30/12	16,742		16,742	(16,742)	
National School Lunch Program	10.555	N/A	7/1/11	6/30/12	163,636		154,200	(163,636)	(9,436)
National School Lunch Program	10.555	N/A	7/1/10	6/30/11	153,243	(10,716)	10,716		
Total Child Nutrition Cluster						(13,439)	208,634	(206,867)	(11,672)
Total U.S. Department of Agriculture						(13,439)	208,634	(206,867)	(11,672)
Total Federal Awards						\$ (409,036)	\$ 1,263,495	\$ (1,228,415)	\$ (373,956)

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, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	June 30, 2011		Cash Received	Budgetary Expenditures	Repayment of Balances	Canceled	June 30, 2012		MEMO								
		From	To		Budgetary Deferred Revenue/ (Accounts Receivable)	Due to Grantor					GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure							
State Department of Education:																					
General Fund:																					
Equalization Aid	12-495-034-5120-078	7/1/11	6/30/12	\$ 3,654,777			\$ 3,296,294	\$(3,654,777)					\$ 358,483	\$ 3,654,777							
Equalization Aid	11-495-034-5120-078	7/1/10	6/30/11	3,732,201	\$ (339,208)		339,208														
Special Education Categorical Aid	12-495-034-5120-089	7/1/11	6/30/12	1,676,484			1,512,044	(1,676,484)					164,440	1,676,484							
Special Education Categorical Aid	11-495-034-5120-089	7/1/10	6/30/11	504,021	(45,809)		45,809														
School Choice Aid	12-495-034-5120-068	7/1/11	6/30/12	143,594			129,510	(143,594)					14,084	143,594							
Extraordinary Special Education Costs	12-100-034-5120-473	7/1/11	6/30/12	732,102				(732,102)			\$ (732,102)		732,102	732,102							
Extraordinary Special Education Costs	11-100-034-5120-473	7/1/10	6/30/11	709,639	(709,639)		709,639														
Nonpublic School Transportation Costs	12-495-034-5120-014	7/1/11	6/30/12	20,888				(20,888)			(20,888)		20,888	20,888							
Nonpublic School Transportation Costs	11-495-034-5120-014	7/1/10	6/30/11	21,277	(21,277)		21,277														
Reimbursed TPAF Social Security Aid	12-495-034-5095-002	7/1/11	6/30/12	1,834,996			1,834,996	(1,834,996)						1,834,996							
Total General Fund State Aid													(1,115,933)	7,888,777	(8,062,841)		(752,990)	1,289,997	8,062,841		
Special Revenue Fund:																					
NJ Nonpublic Aid:																					
Textbook Aid (Chapter 194)	12-100-034-5120-064	7/1/11	6/30/12	21,507			21,507	(21,507)											21,507		
Nursing Services (Chapter 226)	12-100-034-5120-070	7/1/11	6/30/12	30,721			30,721	(30,721)											30,721		
Auxiliary Services (Chapter 192):																					
Compensatory Education	12-100-034-5120-067	7/1/11	6/30/12	54,946			54,946	(44,463)					\$ 10,483						44,463		
Compensatory Education	11-100-034-5120-067	7/1/10	6/30/11	57,772		\$ 11,469			\$ (11,469)												
Home Instruction	12-100-034-5120-067	7/1/11	6/30/12	2,045				(2,045)			(2,045)								2,045		
Handicapped Services (Chapter 193):																					
Examination & Classification	12-100-034-5120-066	7/1/11	6/30/12	49,596			49,596	(44,122)					5,474						44,122		
Examination & Classification	11-100-034-5120-066	7/1/10	6/30/11	53,599		4,216			(4,216)												
Supplementary Instruction	12-100-034-5120-066	7/1/11	6/30/12	40,688			40,688	(35,145)					5,543						35,145		
Supplementary Instruction	11-100-034-5120-066	7/1/10	6/30/11	47,248		15,704			(15,704)												
Corrective Speech	12-100-034-5120-066	7/1/11	6/30/12	790			790	(632)					158						632		
Corrective Speech	11-100-034-5120-066	7/1/10	6/30/11	1,565		861			(861)												
Total Special Revenue Fund														32,250	198,248	(178,635)		(32,250)	(2,045)	21,658	178,635

MORRIS HILLS REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	June 30, 2011		Cash Received	Budgetary Expenditures	Repayment of Balances	Canceled	June 30, 2012		MEMO	
		From	To		Budgetary Deferred Revenue/ (Accounts Receivable)	Due to Grantor					GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:														
Enterprise Fund:														
State School Lunch Program	12-100-010-3350-023	7/1/11	6/30/12	\$ 7,632			\$ 7,212	\$ (7,632)				\$ (420)	\$ 420	\$ 7,632
State School Lunch Program	11-100-010-3350-023	7/1/10	6/30/11	6,913	\$ (513)		513							
State School Lunch Program - Supplemental	11-100-010-3350-023	7/1/10	6/30/11	359	(359)		359							
Total Enterprise Fund					(872)		8,084	(7,632)				(420)	420	7,632
Schools Development Authority:														
Capital Projects Fund:														
Educational Facilities Construction & Financing Act:														
Morris Hills High School	SP-3370-050-09-1003	2/26/09	6/30/12	155,000	(151,745)		111,614	(111,614)		\$ 40,131			151,745	114,869
Morris Knolls High School	SP-3370-060-09-1001	2/26/09	6/30/12	903,600	(300,497)		151,315	(151,315)		149,182			300,497	754,418
Total Capital Projects Fund					(452,242)		262,929	(262,929)		189,313			452,242	869,287
Total State Awards					<u>\$(1,569,047)</u>	<u>\$ 32,250</u>	<u>\$ 8,358,038</u>	<u>\$(8,512,037)</u>	<u>\$ (32,250)</u>	<u>\$ -0-</u>	<u>\$ (755,455)</u>	<u>\$ 21,658</u>	<u>\$ 1,742,659</u>	<u>\$ 9,118,395</u>

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net 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 \$(151,990) for the General Fund, \$151,904 for the Special Revenue Fund and \$262,929 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 Pension Contributions revenue of \$1,582,387 and \$787,155, respectively.

MORRIS HILLS REGIONAL SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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	\$ 243,375	\$10,280,393	\$10,523,768
Special Revenue Fund	930,077	178,635	1,108,712
Capital Projects Fund		262,929	262,929
Food Service Enterprise Fund	<u>206,867</u>	<u>7,632</u>	<u>214,499</u>
Total Financial Assistance	<u>\$ 1,380,319</u>	<u>\$10,729,589</u>	<u>\$12,109,908</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2012. 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, 2012

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 Non-profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District's major programs for the current fiscal year consisted of the following federal and state awards:

	<u>CFDA # or State Grant/Project #</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. - Part B, Basic:				
2011-12	84.027	9/1/11-8/31/12	\$ 664,781	\$ 664,781
2010-11	84.027	9/1/10-8/31/11	581,195	57,457
ARRA - I.D.E.A. Part B, Basic	84.391	8/1/09-8/31/11	693,833	29
<u>State:</u>				
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	3,654,777	3,654,777
Special Education Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	1,676,484	1,676,484
School Choice Aid	12-495-034-5120-068	7/1/11-6/30/12	143,594	143,594

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

MORRIS HILLS REGIONAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

The District had no prior year audit findings.