

TOWN OF MORRISTOWN FIVE YEAR FINANCIAL TREND ANALYSIS

Years ended December 31, 2009
through December 31, 2013



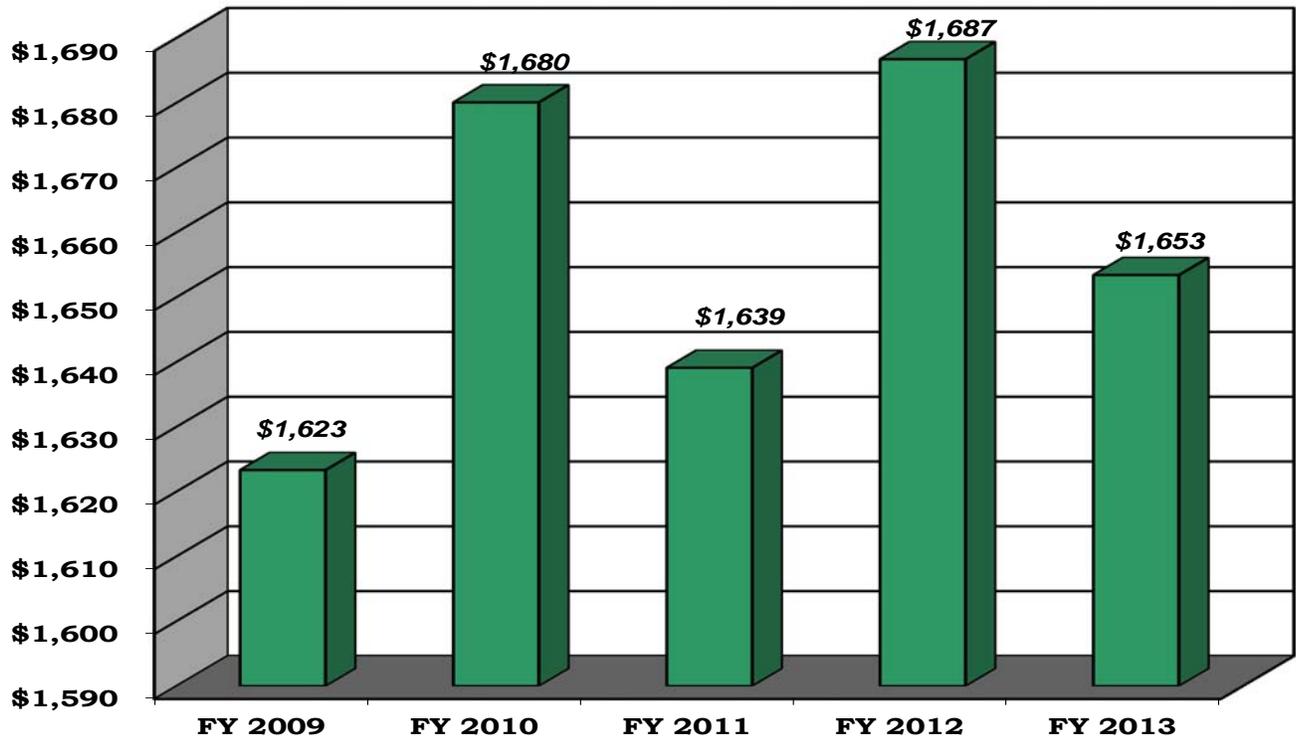
REVENUE ANALYSIS

OPERATING REVENUE PER CAPITA

Warning Trend: Decreasing Operating Revenue Per Capita.

Formula:

$$\frac{\text{Net Operating Revenue (Constant Dollars)}}{\text{Population}}$$



<u>YEAR END</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Operating Revenue (Actual)*	\$37,191,445	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018
CPI Index	214.5	218.0	224.9	229.6	233.1
CPI Constant	121.19	123.17	127.06	129.72	131.70
CPI In Decimals	1.212	1.232	1.271	1.297	1.317
Net Operating Revenue (Constant)	\$30,689,045	\$31,761,891	\$30,177,672	\$31,054,614	\$30,441,188
Population	18,905	18,905	18,411	18,411	18,411
Operating Revenue Per Capita	\$1,623	\$1,680	\$1,639	\$1,687	\$1,653
Dollar Change	\$(6)	\$57	\$(41)	\$48	\$(33)
Percent Change	-0.37%	3.50%	-2.44%	2.91%	-1.98%

*Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

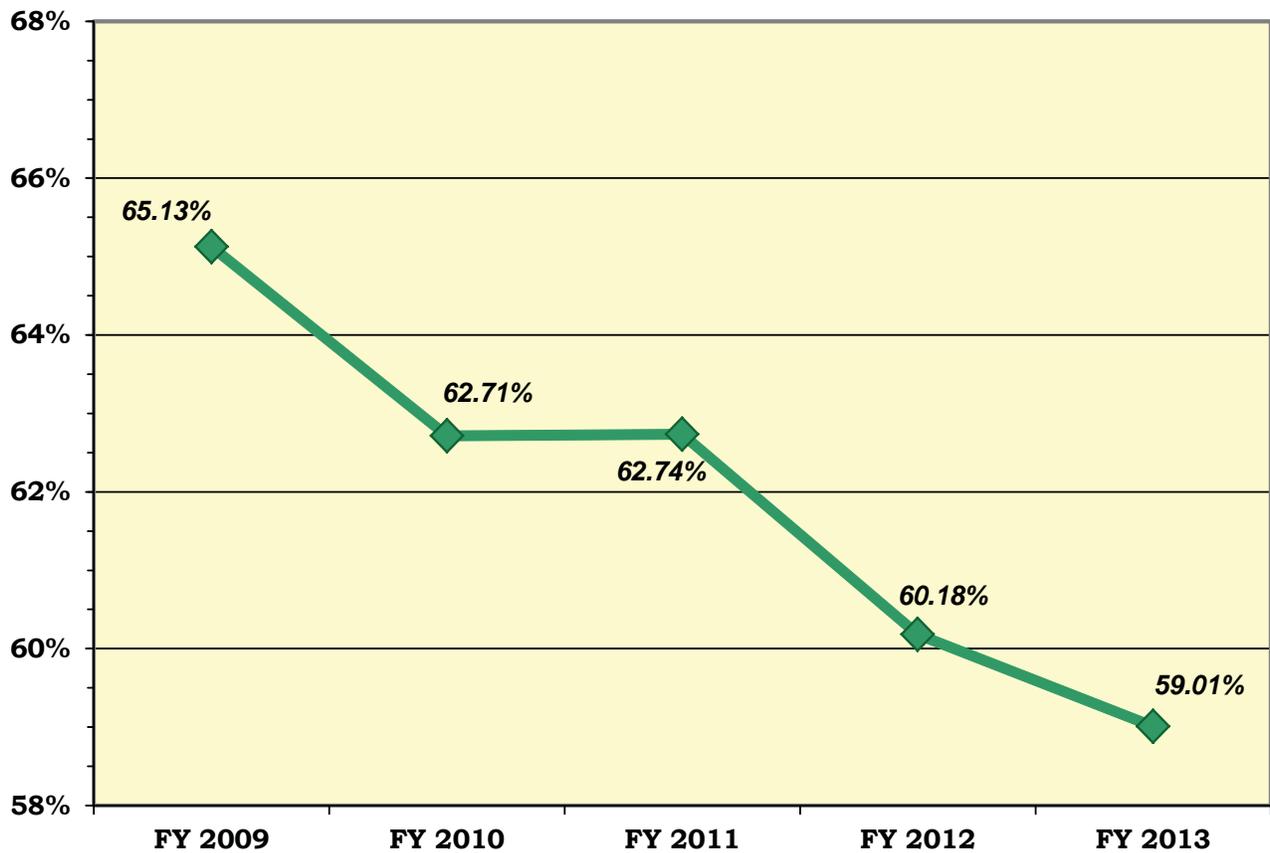
As population increases, it is expected that revenue and the need for service would increase proportionately. Per Capita Revenue shows changes in revenue relative to population. For a municipality to remain financially stable, Revenue Per Capita should remain at least constant and be relative to Expenditure Per Capita.

PROPERTY TAX REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Steady increase in the reliance of property tax revenue to balance the municipal budget.

Formula:

$$\frac{\text{Property Tax Revenue}}{\text{Total Operating Revenue}}$$



YEAR END	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Total Operating Revenue*	\$37,191,445	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018
Property Tax Revenue	\$24,221,031	\$24,533,234	\$24,055,720	\$24,242,684	\$23,656,701
Percent of Total	65.13%	62.71%	62.74%	60.18%	59.01%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

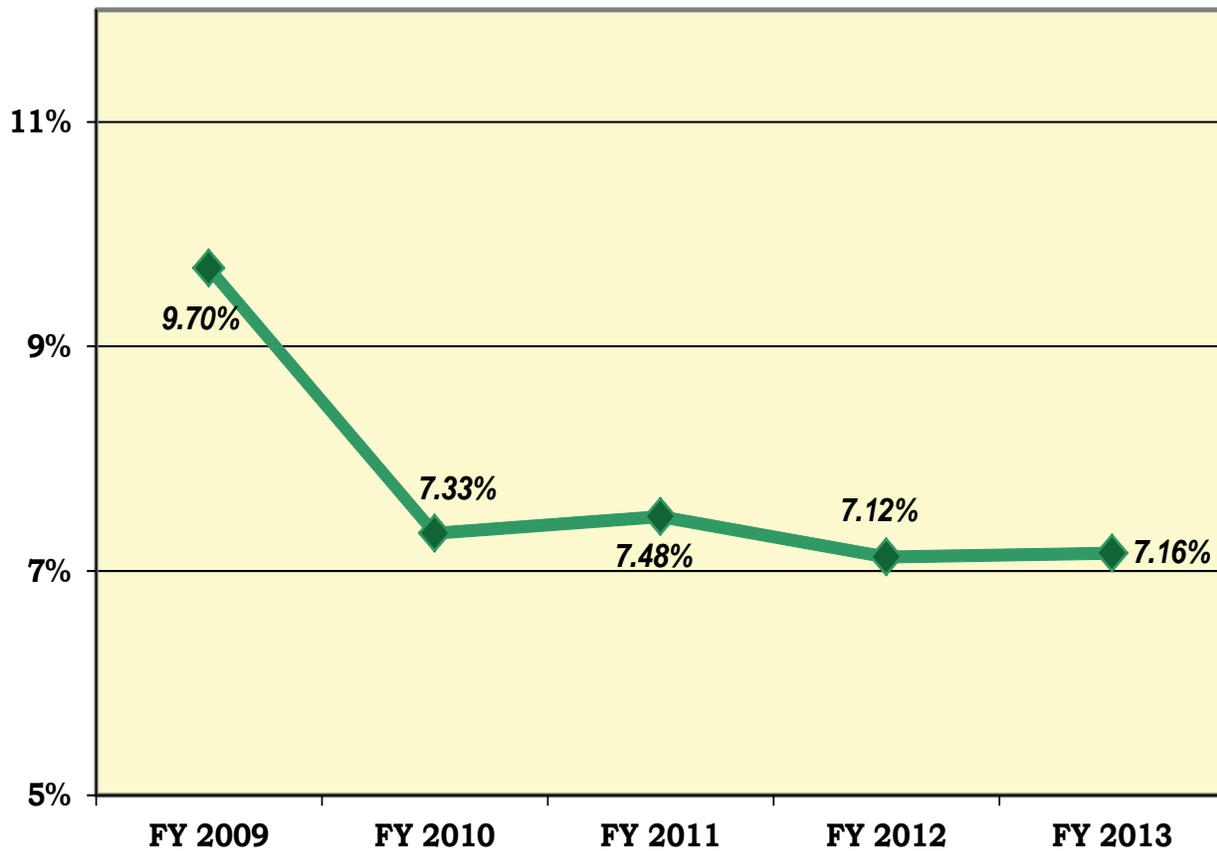
This indicator shows changes in revenue structure. Strong shifts in the percentage of any revenue source may be a warning of financial problems.

STATE AID REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Decreasing amount of State Aid Revenue as a percentage of Total Operating Revenue.

Formula:

$$\frac{\text{State Aid Revenue}}{\text{Total Operating Revenue}}$$



FISCAL YEAR	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Total Operating Revenue*	\$37,191,445	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018
State Aid Revenue	\$3,606,033	\$2,868,599	\$2,868,599	\$2,868,599	\$2,868,599
Percent of Total	9.70%	7.33%	7.48%	7.12%	7.16%
CPI In Decimals	1.212	1.232	1.271	1.297	1.317

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

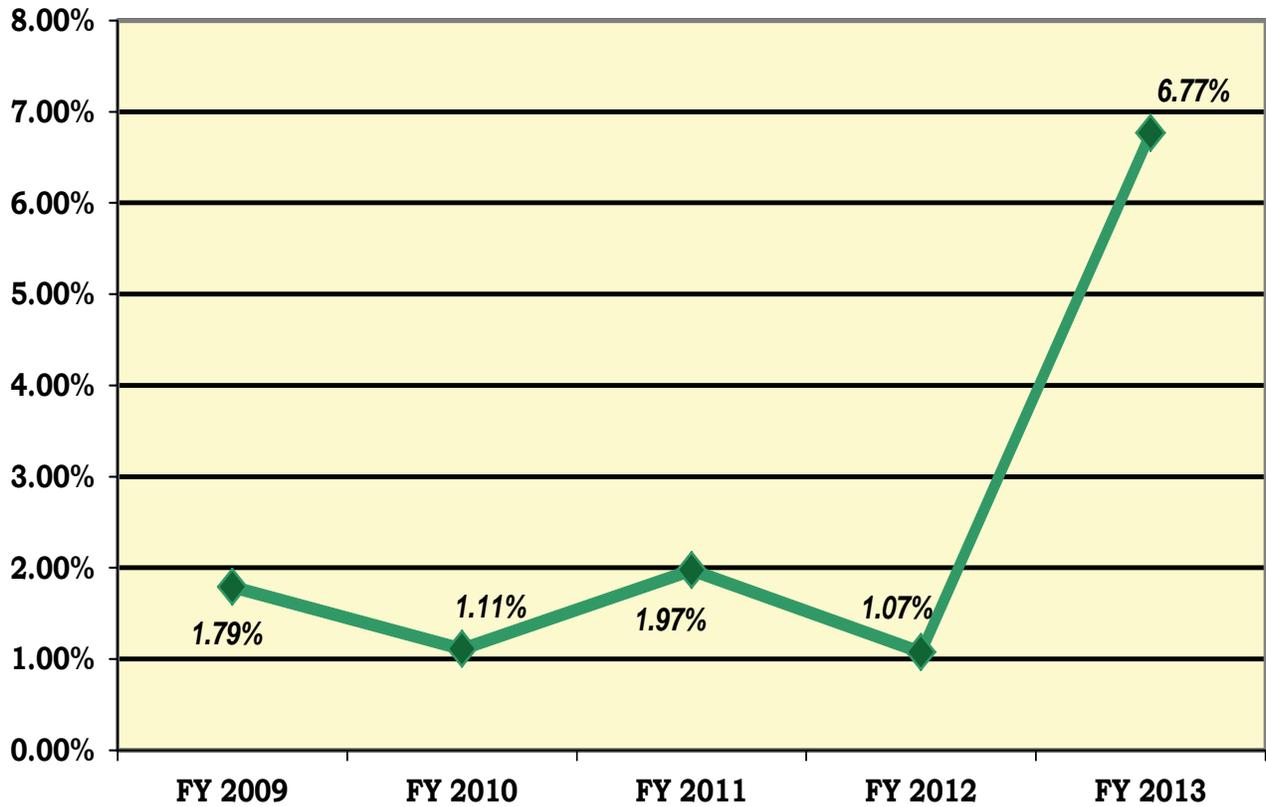
State aid includes: Consolidated Municipal Property Tax Relief Aid and Energy Receipts Tax. This revenue is not earmarked and may be allocated towards any purpose. Decreasing State Aid Revenue and overdependence on its use to balance budget may create financial inflexibility and signal immediate financial vulnerability.

GRANT REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Decreasing amount of Grant Revenue as a percentage of Total Operating Revenue.

Formula:

$$\frac{\text{Grant Revenue}}{\text{Total Operating Revenue}}$$



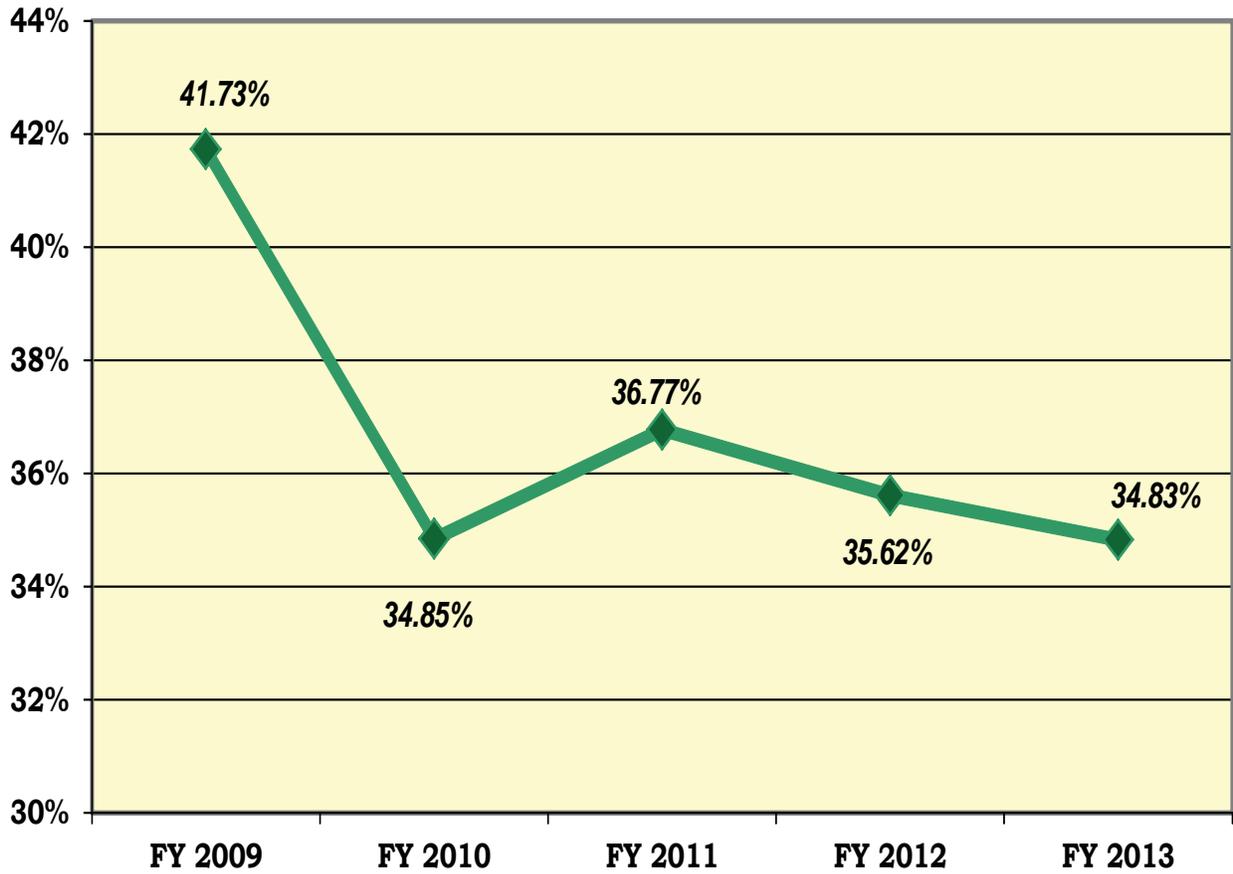
YEAR END	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Total Operating Revenue*	\$37,191,445	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018
Grant Revenue	\$666,008	\$434,428	\$756,633	\$432,375	\$2,712,595
Percent of Total	1.79%	1.11%	1.97%	1.07%	6.77%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

Grants include Clean Communities, Municipal Alliance, Drunk Driving, Public Health Priority, Environmental. Protection, Body Armor Replacement program, Open Space land acquisition and various programs for Police Services. The grants are earmarked for specific purposes, often to implement State or Federal Programs. Decreasing Grant Revenue places a greater burden on the tax rate to balance the budget.

LOCAL REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Decreasing amount of Local Revenue as a percentage of Total Operating Revenue.



<u>YEAR END</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Total Operating Revenue*	\$37,191,445	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018
Local Revenue*	\$15,520,895	\$13,632,606	\$14,100,058	\$14,347,953	\$13,963,452
Percent of Total	41.73%	34.85%	36.77%	35.62%	34.83%

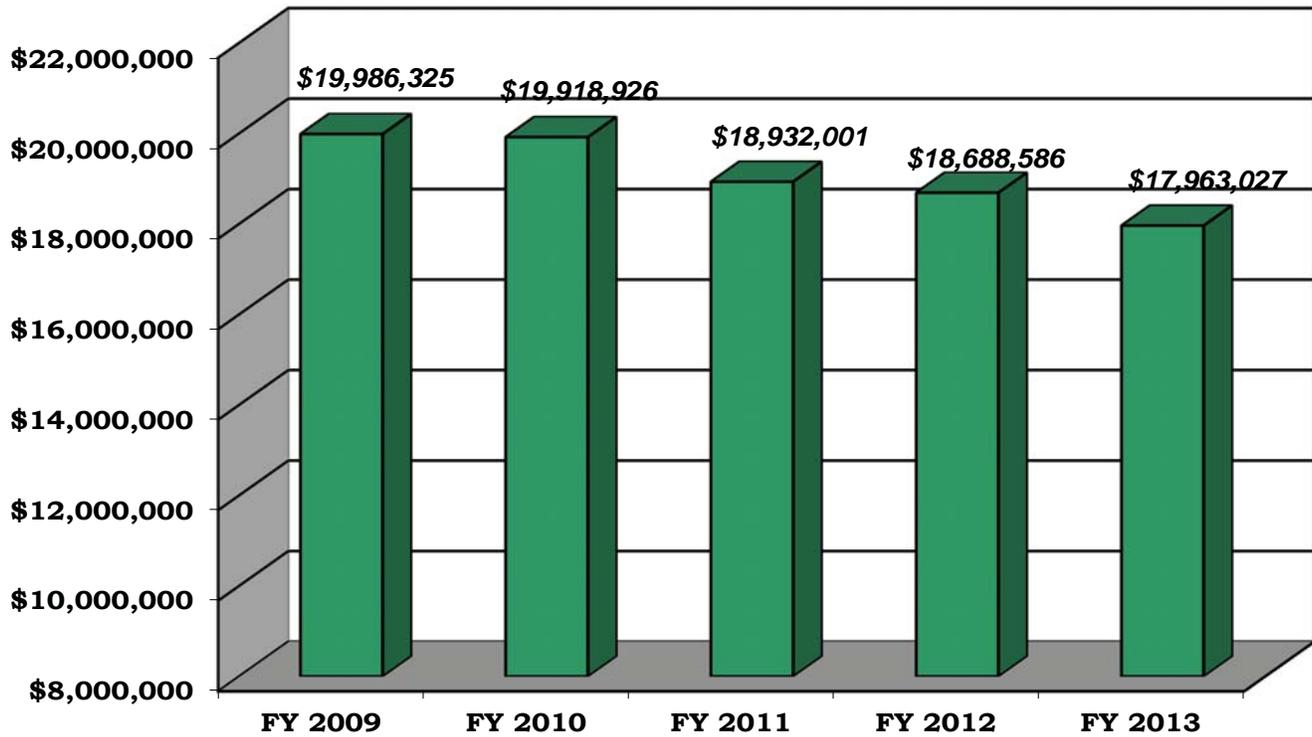
* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

PROPERTY TAX REVENUE

Warning Trend: Decline in total Property Tax Revenue

Formula:

$$\frac{\text{Property Tax Revenue (Constant)}}{\text{CPI In Decimals}}$$



<u>YEAR END</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Property Tax Revenue (Actual)*	\$24,221,031	\$24,533,234	\$24,055,720	\$24,242,684	\$23,656,701
CPI Index	214.5	218.0	224.9	229.6	233.1
CPI Constant	121.19	123.17	127.06	129.72	131.70
CPI In Decimals	1.212	1.232	1.271	1.297	1.317
Property Tax Revenue (Constant)	\$19,986,325	\$19,918,926	\$18,932,001	\$18,688,586	\$17,963,027
Dollar Change	\$1,532,556	\$(67,399)	\$(986,925)	\$(243,416)	\$(725,559)
Percent Change	8.30%	-0.34%	-4.95%	-1.29%	-3.88%

* Property tax revenues are audited figures that include prior year delinquencies.

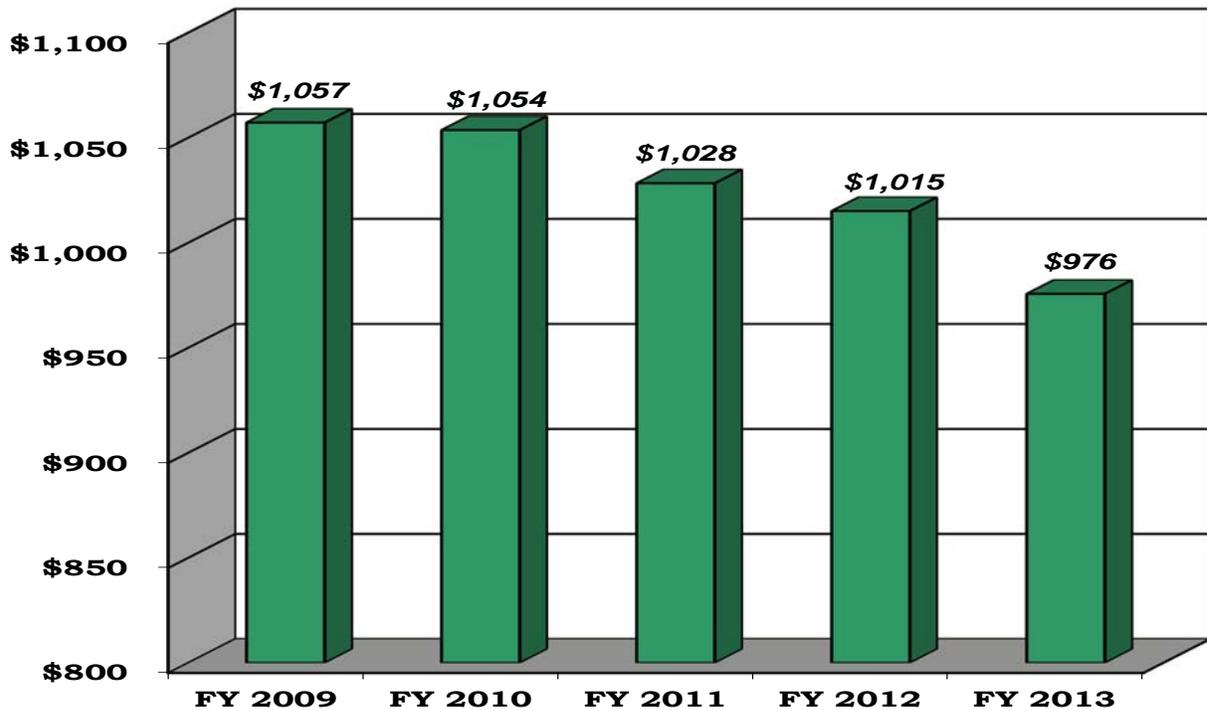
Fluctuations in Property Tax Revenue can be caused by many factors including new development, decline or rise in property values, age of property or a general decline in the regional economy. Towns that rely heavily on Property Tax Revenue are susceptible to serious economic disruption.

PROPERTY TAX REVENUE PER CAPITA

Warning Trend: Decreasing Property Tax Revenue Per Capita.

Formula:

$$\frac{\text{Property Tax Revenue (Constant)}}{\text{Population}}$$



YEAR END	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Property Tax Revenue (Actual)*	\$24,221,031	\$24,533,234	\$24,055,720	\$24,242,684	\$23,656,701
CPI Index	214.5	218	224.9	229.6	233.1
CPI Constant	121.19	123.17	127.06	129.72	131.70
CPI In Decimals	1.212	1.232	1.271	1.297	1.317
Property Tax Revenue (Constant)	\$19,986,325	\$19,918,926	\$18,932,001	\$18,688,586	\$17,963,027
Population	18,905	18,905	18,411	18,411	18,411
Property Tax Revenue Per Capita	\$1,057	\$1,054	\$1,028	\$1,015	\$976
Dollar Change	\$(10)	\$(4)	\$(3)	\$(14)	\$(13)
Percent Change	-1.04%	-0.34%	-0.28%	-1.38%	-1.28%

* Property tax revenues are audited figures that include prior year delinquencies.

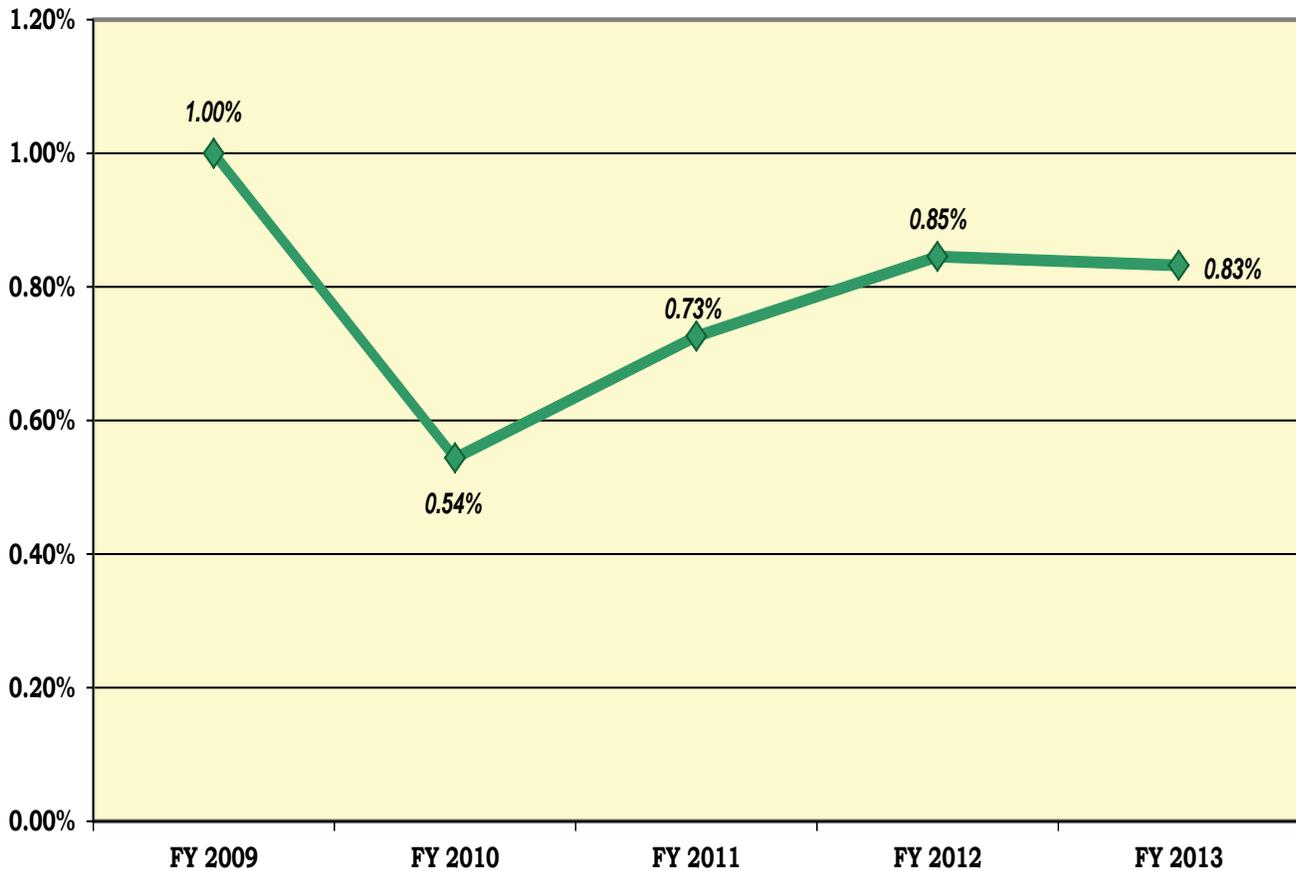
As population increases, it is expected that revenue and the need for service would increase proportionately. Per Capita Property Tax shows changes relative to population. For a municipality to remain financially stable, losses in Property Tax should be offset by increases in other forms of revenue.

OUTSTANDING PROPERTY TAXES

Warning Trend: Increasing Outstanding Property Tax Revenue as a percentage of Property Tax Levy.

Formula:

$$\frac{\text{Outstanding Property Taxes}}{\text{Property Tax Levy}}$$



<u>YEAR END</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Total Tax Levy	\$56,519,873	\$58,495,486	\$58,700,648	\$58,065,575	\$57,110,536
Outstanding Property Taxes	\$564,995	\$318,158	\$ 426,339	\$490,782	\$475,325
Percent of Total	1.00%	0.54%	0.73%	0.85%	0.83%

* Includes added and/or omitted tax assessed billings made in the 4th quarter of FY 2013 and not due until 1st quarter, FY 2014.

Increases in the percentage of property tax not collected indicates a serious financial problem. High levels of outstanding uncollected Property Tax decreases liquidity and the ability for the Town to meet its current bills and liabilities.

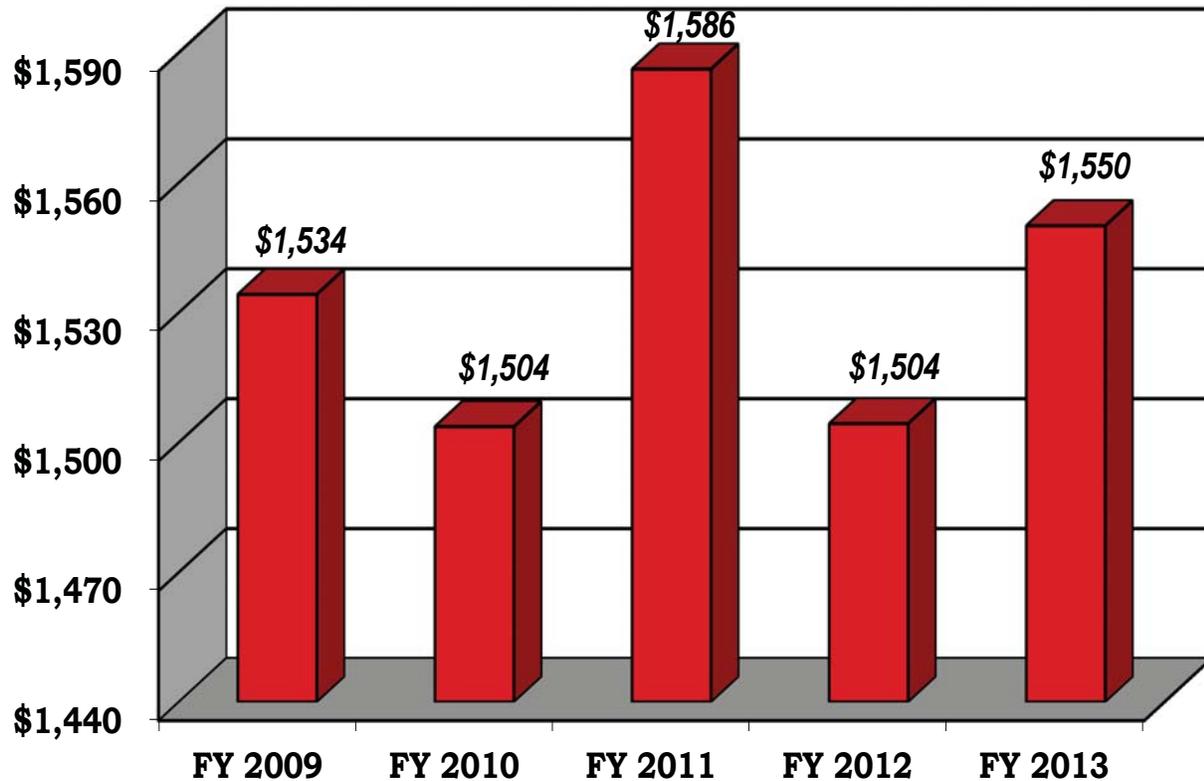
EXPENDITURE ANALYSIS

EXPENDITURE PER CAPITA

Warning Trend: Increase in Expenditures per Capita.

Formula:

$$\frac{\text{Total Expenditures (Constant)}}{\text{Population}}$$



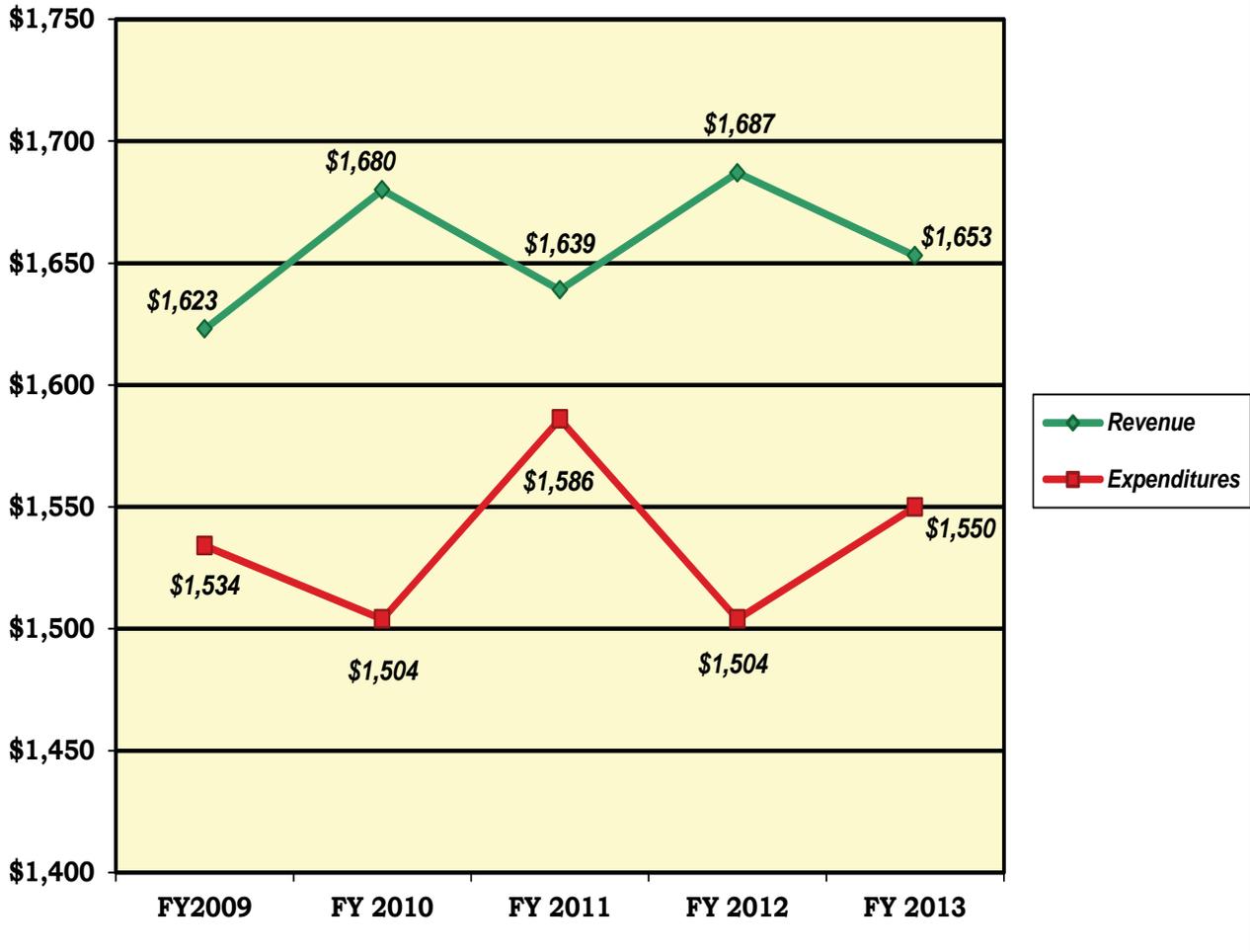
<u>YEAR END</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Total Expenditures (Actual)*	\$35,855,624	\$36,253,398	\$37,245,956	\$36,060,873	\$37,722,864
CPI Index	218.0	224.9	224.9	229.6	233.1
CPI Constant	123.62	127.54	127.54	130.20	132.19
CPI In Decimals	1.236	1.275	1.275	1.302	1.322
Total Expenditures (Constant)	\$29,003,585	\$28,425,633	\$29,203,880	\$27,695,884	\$28,537,326
Population	18,905	18,905	18,411	18,411	18,411
Expenditure Per Capita	\$1,534	\$1,504	\$1,586	\$1,504	\$1,550
Percent Change	-4.08%	-1.99%	5.49%	-5.16%	3.04%

* Final budget amounts spent in respective FY that differs from adopted FY budget amounts.

Fluctuations in Expenditures can be caused by many factors including new development, debt service, contractual obligations, changes in health and/or liability insurance.

REVENUE & EXPENDITURE PER CAPITA

Warning Trend: Expenditure Per Capita greater than Revenue Per Capita.



	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
OPERATING REVENUE PER CAPITA	\$1,623	\$1,680	\$1,639	\$1,687	\$1,653
EXPENDITURES PER CAPITA	\$1,534	\$1,504	\$1,586	\$1,504	\$1,550

PROPERTY TAX LEVY AS % OF EXPENDITURES PER PROPERTY OWNER

Appropriations	As Modified after Adoption FY 2013	Portion Funded through Tax Levy	Cost per Property Owner	Proposed FY 2014	Portion Funded through Tax Levy	Cost per Property Owner
<i>Municipal Operations</i>						
Business Administration/ Purchasing	\$ 557,260	\$ 328,291	\$ 75.63	\$ 818,178	\$ 510,391	\$ 117.71
Town Clerk	394,020	232,123	53.47	329,784	205,724	47.45
Police	5,289,096	3,115,893	717.78	5,943,776	3,707,815	855.12
Fire	3,081,035	1,815,088	418.13	3,221,135	2,009,392	463.42
Revenue and Finance	923,260	543,908	125.30	951,029	593,266	136.82
Code Enforcement	975,399	574,624	132.37	911,351	568,514	131.11
Building and UCC	805,290	474,410	109.29	802,010	500,306	115.38
Public Works	5,059,106	2,980,402	686.57	5,576,199	3,478,515	802.24
Legal	423,940	249,750	57.59	441,428	275,369	63.51
Municipal Court	523,710	308,526	71.07	549,723	342,925	79.09
Total Municipal Operations	\$18,032,116		\$2,447.19	\$19,544,613		\$2,811.86
<i>Other Appropriations</i>						
Insurance	\$5,617,539	\$ 3,309,384	\$ 762.36	\$5,053,776	\$3,152,620	\$727.08
Contributions to Organizations	185,600	109,340	25.19	209,600	130,752	30.15
Morris School District	187,159	110,258	25.40	187,737	117,113	27.01
Shared Service Agreements	367,224	216,338	49.84	503,032	313,799	72.37
Pensions and OASI	3,262,063	1,921,735	442.69	3,131,358	1,953,387	450.50
Deferred Charges & Judgment	279,100	164,422	37.88	0	0	0.00
Reserves and Contingent	1,130,000	665,702	153.35	825,000	514,647	118.69
Grants (Equal Revenue Amt.)	2,732,595			330,800		
Capital Improvements	180,000	106,041	24.43	250,000	155,954	35.97
Debt Service	5,074,152	2,989,266	688.61	5,058,457	3,155,540	727.75
Reserve for Uncollected Taxes	852,346	502,131	115.67	804,949	502,139	115.81
Total Other Appropriations	\$19,867,777		\$2,325.41	\$16,354,709		\$2,305.34
Total Appropriations	\$37,899,893	\$ 22,327,449		\$35,899,322	\$22,394,526	

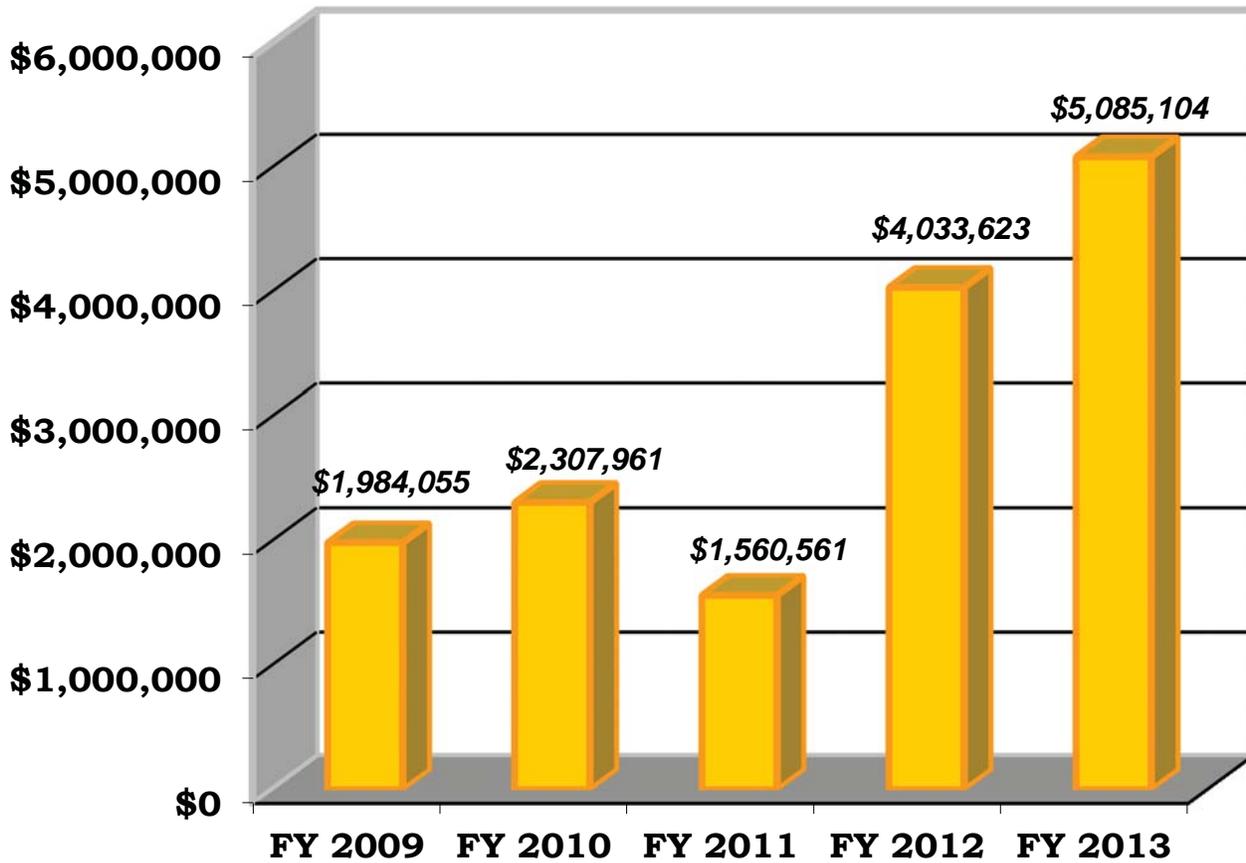
Tax Levy	\$22,329,349	\$22,394,526
Total Taxable Property Units	4,341	4,336

Tax payers should be aware of what municipal services and other expenditures are funded through the budget as well as how much of their tax dollars are being spent for each appropriation purpose. To illustrate these costs in a different manner, the chart above shows how much a property owner would pay annually for each area of the municipal budget if the tax levy was not based upon Net Assessed Valuation ("NAV"), but was determined simply by owning a property in the Town.

OPERATING POSITION

CHANGE IN FUND BALANCE

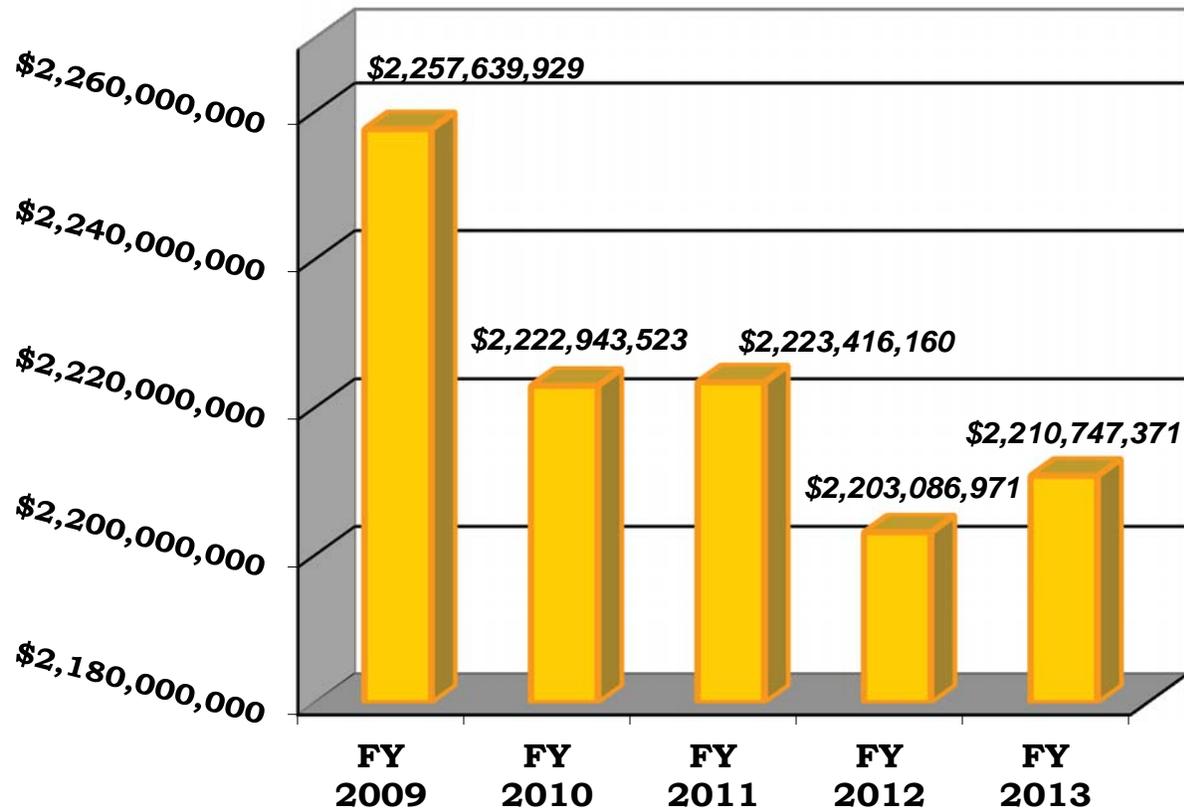
Warning Trend: Decrease in Fund Balance - 6% of the operating budget is an acceptable level of fund balance (approximately \$2 million).



<u>YEAR END</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Fund Bal. January 1st	\$1,212,377	\$1,984,055	\$2,307,961	\$1,560,561	\$4,033,623
Fund Bal. December 31st	\$1,984,055	\$2,307,961	\$1,560,561	\$4,033,623	\$5,085,104
Change in Fund Balance	\$771,678	\$323,906	\$(747,400)	\$2,473,062	\$1,051,481
Percentage Change	63.65%	16.33%	-32.38%	158.47%	26.07%

CHANGE IN NET ASSESSED VALUATION

Warning Trend: Decrease in Net Assessed Valuation.

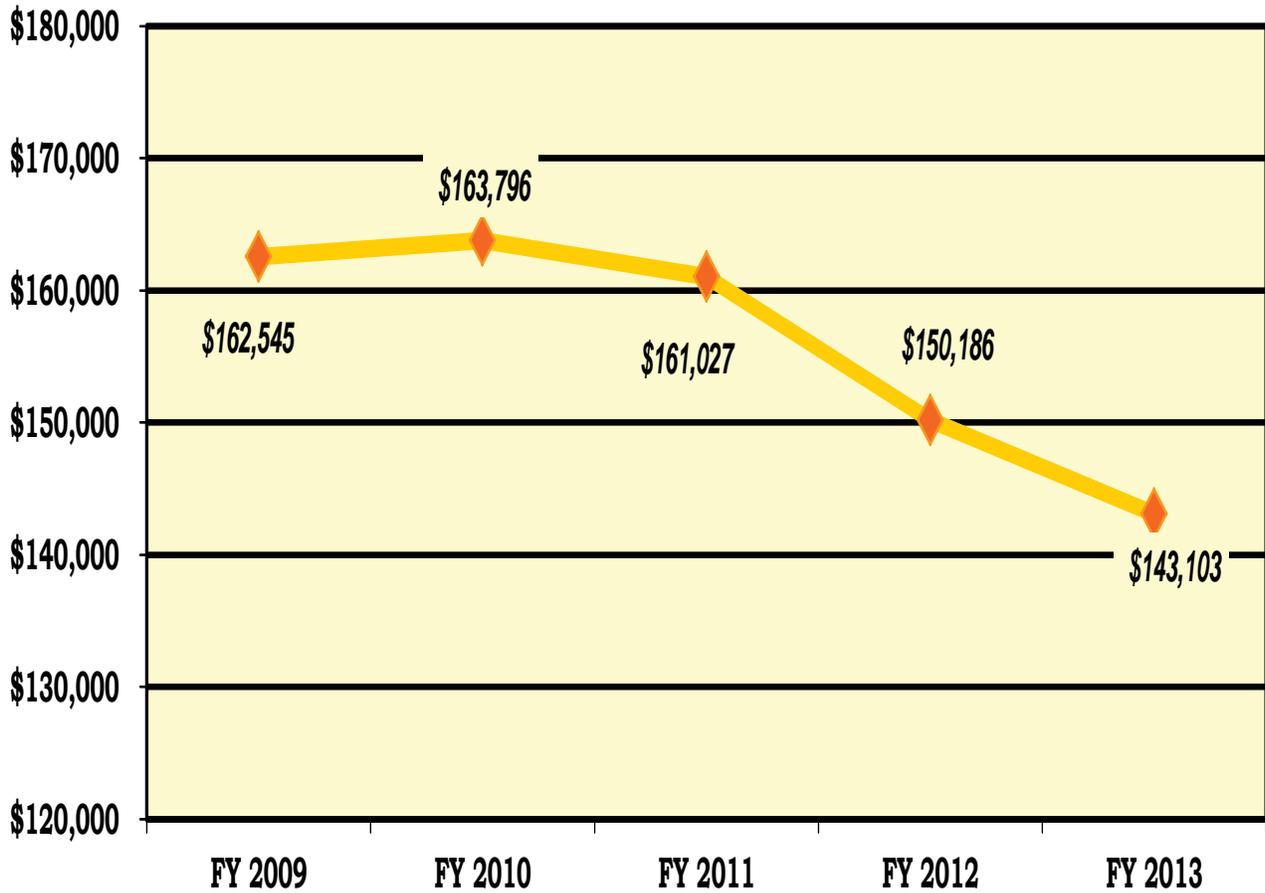


<u>YEAR END</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
NAV Bal. January 1st	\$2,225,534,793	\$2,257,639,929	\$2,222,943,523	\$2,223,416,160	\$2,203,086,971
NAV Bal. December 31st	\$2,257,639,929	\$2,222,943,523	\$2,223,416,160	\$2,203,086,971	\$2,210,747,371
Change in NAV (\$)	\$32,105,136	\$(34,696,270)	\$472,637	\$(20,329,189)	\$7,660,400
Percentage Change	1.44%	-1.54%	0.02%	-0.91%	0.35%

The graph above clearly shows the Town’s year-to-year struggle with, on the positive side, NAV increases due to new development projects and, on the negative side, tax appeal losses as a result of the severe real estate market downturn.

EQUALIZED VALUE PER CAPITA

This indicator is used for comparison purposes only.

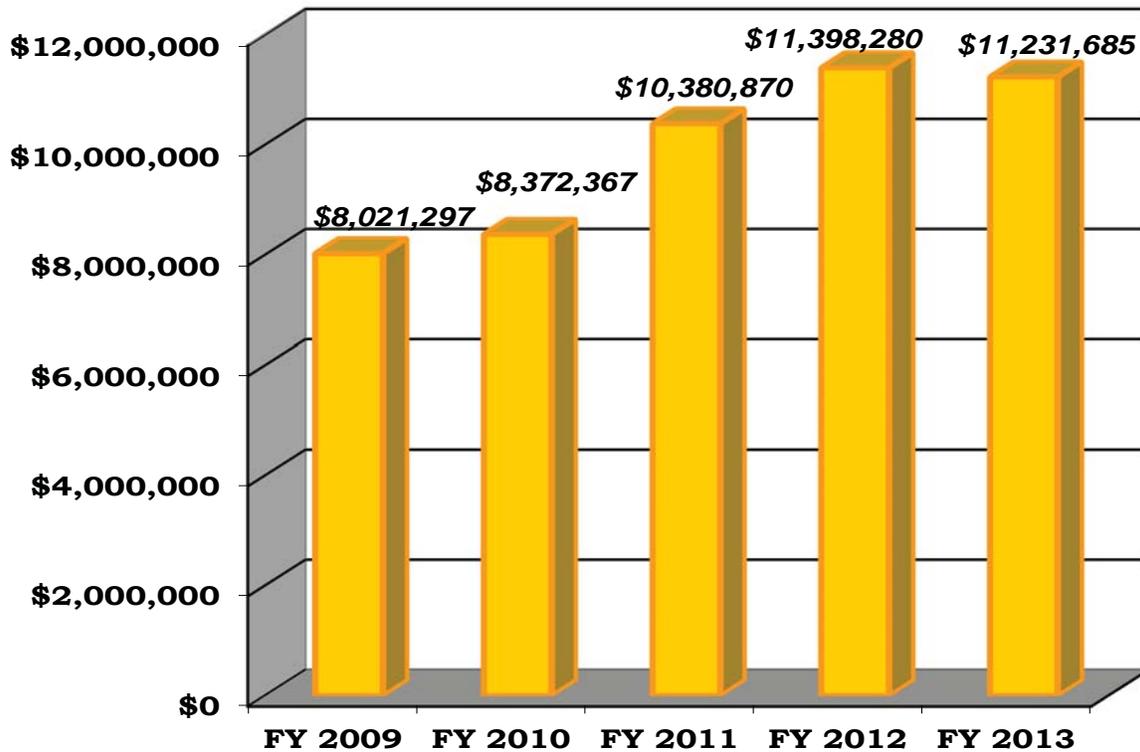


YEAR END	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
3 Yr. Avg. Equalized Valuation	\$3,072,921,003	\$3,096,558,331	\$2,964,665,587	\$2,765,081,613	\$2,634,667,314
Population	18,905	18,905	18,411	18,411	18,411
Equalized Value Per Capita	\$162,545	\$163,796	\$161,027	\$150,186	\$143,103

CASH FLOW

Warning Trend: Decline in Cash Balance.

Formula:
Cash Balance as of December 31st



<u>YEAR END</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Cash Bal. (Jan. 1st)	\$7,076,164	\$8,021,297	\$8,372,367	\$10,380,870	\$11,398,280
Cash Bal. (Dec. 31st)	\$8,021,297	\$8,372,367	\$10,380,870	\$11,398,280	\$11,231,685
Change in Cash Balance	\$945,133	\$351,070	\$2,008,503	\$1,017,410	\$(166,595)
Percentage Change	13.36%	4.38%	23.99%	9.80%	-1.46%

Liquidity determines a Town’s ability to meet its short term obligations. Poor levels of liquidity may be a sign of future economic disruption. In 2013, the Town reduced its Tax Anticipation Note borrowing by \$1 million (from \$4.5 million to \$3.5 million). Otherwise, the Town’s Cash Balance would have been significantly higher. Notwithstanding this cash flow reduction, the Town’s cash balance is still very healthy.

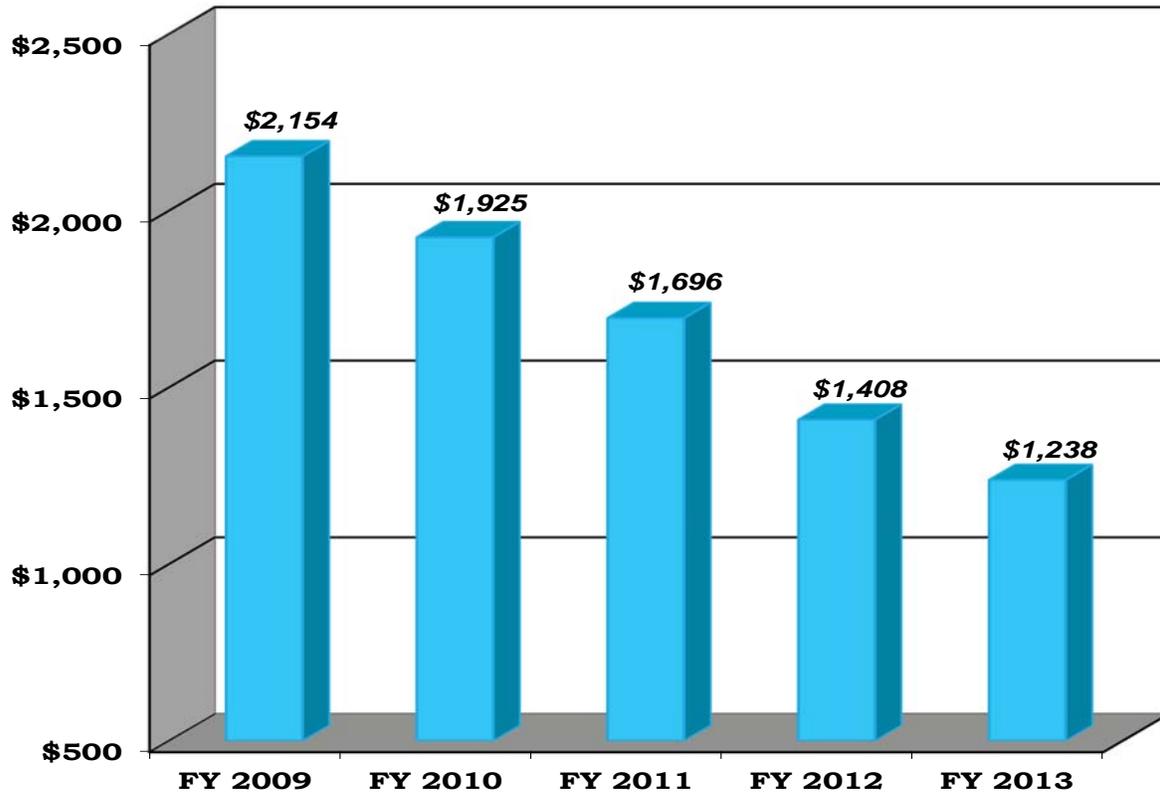
DEBT STRUCTURE

NET DEBT PER CAPITA

Warning Trend: Increasing Bonded Long Term Debt Per Capita.

Formula:

$$\frac{\text{Net Debt (Constant)}}{\text{Population}}$$



FISCAL YEAR	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Total Net Debt	\$49,339,393	\$44,811,391	\$39,673,439	\$33,635,057	\$30,014,816
CPI Index	214.5	218.0	224.9	229.6	233.1
CPI Constant	121.19	123.17	127.06	129.72	131.70
CPI In Decimals	1.212	1.232	1.271	1.297	1.317
Net Debt (Constant)	\$40,713,096	\$36,383,087	\$31,223,243	\$25,929,127	\$22,790,877
Population	18,905	18,905	18,411	18,411	18,411
Net Debt Per Capita	\$2,154	\$1,925	\$1,696	\$1,408	\$1,238
Dollar Change	-\$244	\$(229)	\$(229)	\$(288)	\$(170)
Percent Change	-10.19%	-10.64%	-11.88%	-16.96%	-12.10%

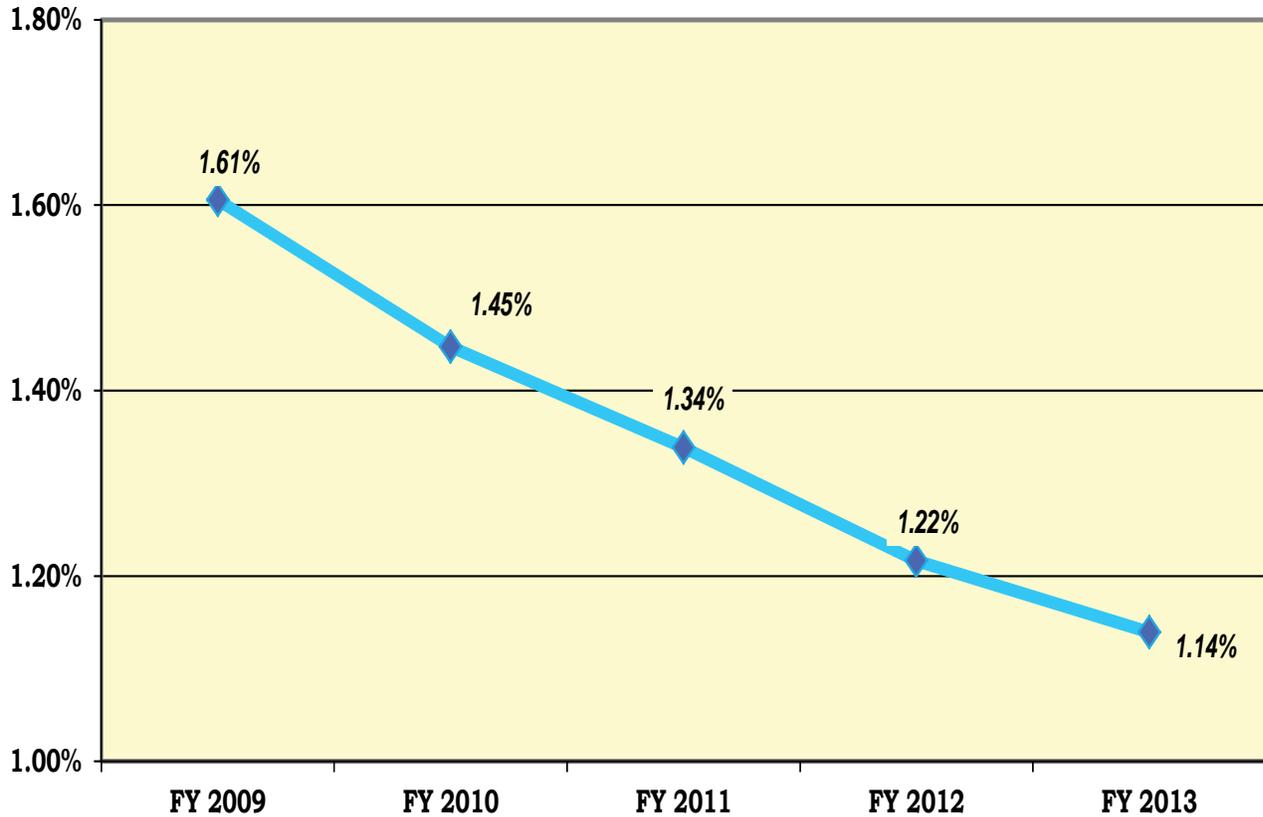
Increased Debt Per Capita presents a threat to the ability of property owners to pay their taxes. This may lead to an increase in outstanding property taxes. The Town’s more fiscally prudent long-term debt management policy over the last 6 years has led to a steady reduction (\$4-5 million per year) in its Net Debt. Indeed, since FY 2005, Net Debt has declined by approximately \$33.6 million. Thus, the decline in Net Debt per Capita has been a positive indicator of its healthy financial position.

NET DEBT AS A PERCENTAGE OF EQUALIZED VALUATION

Warning Trend: Increasing Net Debt as a percentage of average equalized valuation.

Formula:

$$\frac{\text{Net Debt}}{\text{3-yr. Avg. Equalized Valuation}}$$



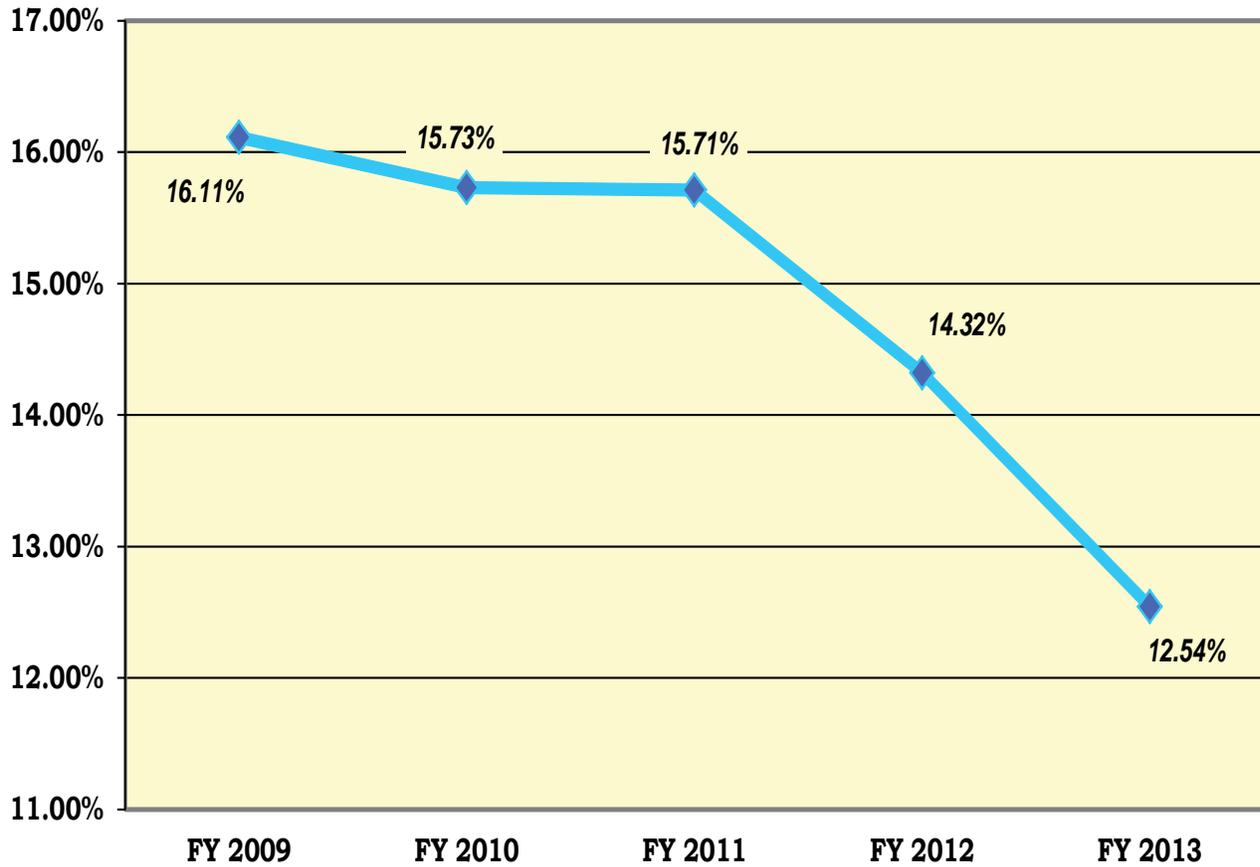
YEAR END	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
3 Year Average Equalized Valuation	\$3,072,921,003	\$3,096,558,331	\$2,964,665,587	\$2,765,081,613	\$2,634,667,314
Net Debt per Annual Debt Statement	\$49,339,393	\$44,811,391	\$39,673,439	\$33,635,057	\$30,014,816
Percentage Change	1.61%	1.45%	1.34%	1.22%	1.14%

DEBT SERVICE EXPENSE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Increasing Debt Service expense as a percentage of Operating Revenue (8% is an acceptable general guideline).

Formula:

$$\frac{\text{Debt Service Expense}}{\text{Total Operating Revenue}}$$



<u>YEAR END</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Total Operating Revenue*	\$37,191,445	\$39,119,674	\$38,344,897	\$40,283,797	\$40,090,018
Debt Service Expense**	\$5,992,000	\$6,153,000	\$6,025,000	\$5,768,739	5,028,365
Trend	16.11%	15.73%	15.71%	14.32%	12.54%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

**Increasing Debt Service decreases expenditure flexibility by adding to a Town’s fixed cost obligation (includes interest on BAN’s).