

**SCHOOL DISTRICT
OF
PEQUANNOCK TOWNSHIP**

**Pequannock Township School District
Board of Education
Pequannock, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010**

**Comprehensive Annual
Financial Report**

of the

**Pequannock Township School District
Board of Education**

Pequannock, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

**Pequannock Township School District
Board of Education
Business Office**

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION

Pequannock Township Board of Education

538 Newark-Pompton Turnpike
Second Floor
Pompton Plains, New Jersey 07444

Dominic Butler
Interim Business Administrator/Board Secretary

(973) 616-6030/fax (973) 616-6041
e-mail: dominic.butler@pequannock.org

November 17, 2010

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

Dear Board Members:

The comprehensive annual financial report of the Pequannock Township School District (the "District") for the fiscal year ended June 30, 2010, 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, 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 economic and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels K through 12. These services include regular, vocational as well as special education for handicapped youngsters. The District completed the 2009-2010 fiscal year with an enrollment of 2,382 students, which is 37 students below the previous year's enrollment and represents a decrease of 1.53%. The changes in the District's average daily enrollment over the past five years are presented as follows:

The Honorable President and Members of
the Board of Education
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<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-2010	2,382	-1.53%
2008-2009	2,419	-0.49%
2007-2008	2,431	-2.25%
2006-2007	2,487	-1.43%
2005-2006	2,523	0.64%

2) ECONOMIC CONDITION AND OUTLOOK: Pequannock Township continues to view development and expansion with a close eye to maintaining the character of the community. Frequently described as “colonial”, “rural” and “picturesque”, Pequannock Township is in fact a mixture of architectural design styles and life styles, while retaining the flavor or quality of the descriptive terms. The perception of a “sense of place” is a frequent experience of residents and visitors.

The Township recently completed a full revision to its Master Plan. While the soul of the plan is tied to the maintenance of the Township’s neighborhoods and open spaces, as well as the protection of its quality of life, it lays out an aggressive approach to a continuation of controlled and managed development in the commercial districts and along the Route 23 corridor.

The Township further recognizes the need for an increasing tax base, both residential and commercial, and this continues to be a part of the community’s vision. This realization has assisted in the maintenance of a relatively stable local property tax rate.

The current growth and expansion in both the residential and commercial markets in the Township are expected to continue.

3) MAJOR INITIATIVES: During the 2009-2010 school year, the Pequannock Township School District administration and staff focused their efforts on the implementation of the following goals that were adopted by the Board of Education.

Continuous Improvement:

1. Student Achievement

The district continued to implement various benchmarking assessments to monitor and address learning deficiencies using data to inform instruction and curriculum. There was a comprehensive review and revision of elementary curriculum in social studies and world cultures, as well as electives for high school students. Implementation began on various initiatives to prepare students for high stake tests such as HSPA, NJASK, SAT and the End Of Course (EOC) assessments as efforts focused on high school student achievement and improved teaching of math and science at all levels. The district continues to improve articulations between all grades and equalization efforts among their elementary and middle schools.

Pequannock Township School District continued to expand and improve their technology infrastructure and resources to provide students digital learning opportunities in a global perspective to prepare them for the 21st century world. SmartBoards were installed in all middle and high school classrooms. This district implementation will continue with the elementary schools. Various instructional and assessment software is used to monitor students’ progress and enhance classroom pedagogy.

The Honorable President and Members of
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Pequannock Township School District
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2. Schedules

With the implementation of block scheduling at the high school, adjustments continued throughout the year to promote effectiveness for students and staff. Professional development opportunities were provided to enhance instruction in the extended learning blocks.

3. Guidance

The Pequannock Township School District explored new ways of working together in areas such as Guidance and Professional Learning Communities where leadership positions will be eliminated due to budgetary requirements. Student transition programs for grades 5 and 6 and grades 8 and 9 were upgraded where needed and the District continues to focus on increased parent communications. New software tracking programs were implemented.

4. Administration and Athletics

The Pequannock Township School District received notification of monitoring and evaluation by the Department of Education's QSAC. This single comprehensive accountability system includes the State's monitoring requirements for operations, instruction and program, governance, fiscal management and personnel. All administrative staff began review of these areas for improving overall performance and effectiveness. The District continued to look for efficiencies in athletics and activities throughout the district through the consolidation of similar clubs and establishment of minimum participation numbers for funding sports teams.

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

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

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. 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 fiscal year-end are either canceled or are included as reappropriations of fund balance in the subsequent fiscal year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

The Honorable President and Members of
the Board of Education
Pequannock Township School District
Page 4
November 17, 2010

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, 2010, the District's outstanding debt issues consisted of \$14,530,000 in school bonds to improve the District's facilities.

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. A schedule of insurance coverage is found on Exhibit J-20.

The Board is a member of the Pooled Insurance Program of New Jersey ("PIP"). The PIP 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 workers' compensation insurance coverage to its members. Additional information on the PIP is included in Note 10 to the Basic Financial Statements.

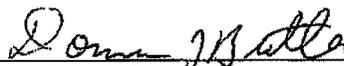
10) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company LLP, CPAs, was selected by the Board's audit committee. In addition to meeting the requirements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

11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Pequannock Township 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,



William Trusheim, Ed.D.
Superintendent of Schools

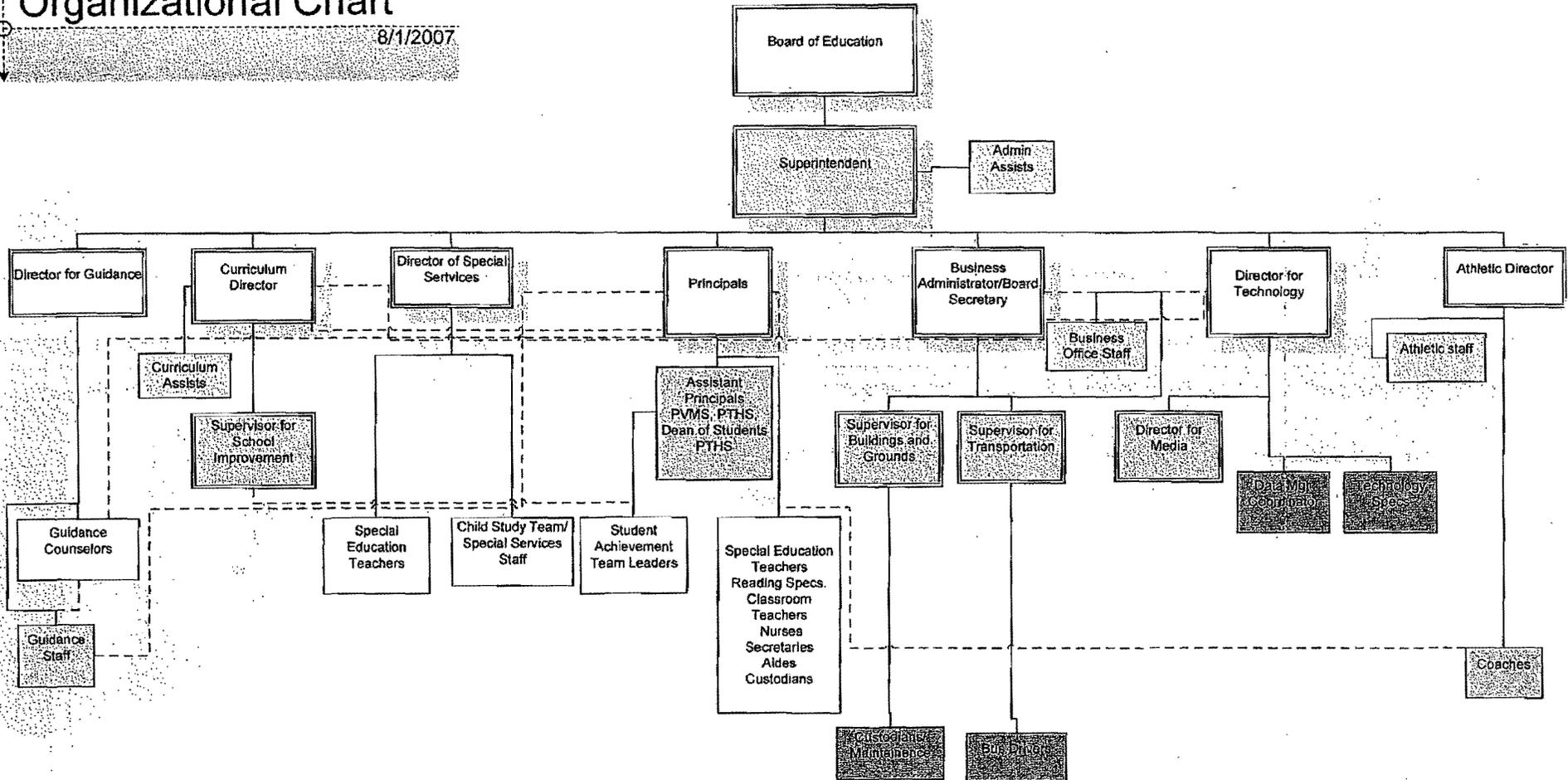


Dominic J. Butler
Interim Business Administrator/Board Secretary

Pequannock Township Organizational Chart

8/1/2007

ADMINISTRATION
1110 Organizational Chart
Adopted 8/06/07



**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2010**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Joseph Cropanese, President	2011
William Sayre, Vice President	2012
John Buonomo	2013
Glen Forrest	2012
Vincent Gallipoli	2011
Kenneth Hardaker	2013
Megan Hollberg	2012
Robert Lee	2013
Thomas Molica	2011

Other OfficialsTitle

Dr. William Trusheim	Superintendent of Schools
Rosalie Winning	Assistant Superintendent
J. Steven DiGeronimo	Business Administrator/Board Secretary
Raymond G. Karaty	Treasurer of School Monies
Anthony P. Sciarrillo, Esq.	Board Attorney
Joseph Rosano	Student Representative to the Board of Education

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors

Attorney

Anthony P. Sciarrillo, Esq.
Lindabury, McCormick & Estabrook, P.C.
53 Cardinal Drive
PO Box 2369
Westfield, NJ 07091

Audit Firm

Nisivoccia & Company LLP
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, New Jersey 07856-1320

and

Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Official Depository

Lakeland Bank
901 Route 23 South
Pompton Plains, NJ 07444

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road Suite300
 Mount Arlington, NJ 07856-1320
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Pequannock Township 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 Pequannock Township School District in the County of Morris as of and for the fiscal year ended June 30, 2010 which collectively comprise the School District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, 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 Pequannock Township School District in the County of Morris as of June 30, 2010, 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 17, 2010 on our consideration of the Board of Education of the Pequannock Township School District's internal control over financial reporting and on 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
Pequannock Township School District
Page 2

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

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

Nisivoccia & Company, LLP

NISIVOCCIA & COMPANY, LLP

Mount Arlington, New Jersey
November 17, 2010

Kathryn L. Mantell

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

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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

This section of Pequannock Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's net assets increased \$976,668 during the year.
- Overall revenue was \$38,146,172 – \$37,419,227 from governmental activities and \$726,945 from business-type activities.
- Overall expenses were \$37,113,950 - \$36,384,452 from governmental activities and \$729,498 from business-type activities.

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 service.
- *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 fiscal year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

**Figure A-1
Organization of Pequannock Township School District's Financial Report**

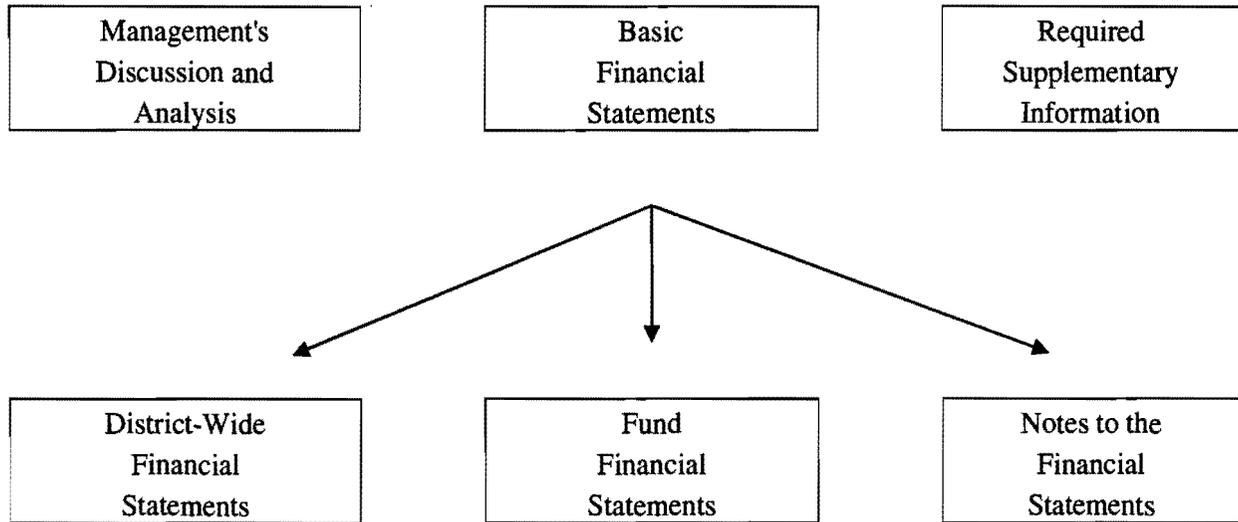


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 and Imagine Program	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current fiscal 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 and Imagine Program is 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 fiscal 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. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets increased by 6.63%. Net assets from governmental activities increased \$979,221 and net assets from business-type activities decreased by \$2,553.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
Current and							
Other Assets	\$ 10,185,591	\$ 21,536,743	\$ 86,044	\$ 117,444	\$ 10,271,635	\$ 21,654,187	-52.57%
Capital Assets, Net	21,106,080	13,707,493	57,596	16,131	21,163,676	13,723,624	54.21%
Total Assets	<u>31,291,671</u>	<u>35,244,236</u>	<u>143,640</u>	<u>133,575</u>	<u>31,435,311</u>	<u>35,377,811</u>	-11.14%
Long-Term Debt							
Outstanding	14,866,123	15,353,744			14,866,123	15,353,744	-3.18%
Other Liabilities	835,208	5,279,373	18,902	6,284	854,110	5,285,657	-83.84%
Total Liabilities	<u>15,701,331</u>	<u>20,633,117</u>	<u>18,902</u>	<u>6,284</u>	<u>15,720,233</u>	<u>20,639,401</u>	-23.83%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	10,576,913	9,792,774	57,596	16,131	10,634,509	9,808,905	8.42%
Restricted	4,918,814	4,851,595			4,918,814	4,851,595	1.39%
Unrestricted/(Deficit)	<u>94,613</u>	<u>(33,250)</u>	<u>67,142</u>	<u>111,160</u>	<u>161,755</u>	<u>77,910</u>	107.62%
Total Net Assets	<u>\$ 15,590,340</u>	<u>\$ 14,611,119</u>	<u>\$ 124,738</u>	<u>\$ 127,291</u>	<u>\$ 15,715,078</u>	<u>\$ 14,738,410</u>	6.63%

Changes in Net Assets. The District's combined net assets were \$15,715,078 at June 30, 2010, \$976,668 or 6.63% more than they were the year before (See Figure A-3). Net assets invested in capital assets increased by \$825,604 as a result of \$470,000 of long-term debt maturities, \$828,952 in capital acquisitions offset by depreciation of \$336,466 and \$5,185 in its governmental and business-type activities, and a \$134,145 net disposal of capital assets. Restricted net assets increased by \$67,219 primarily due to increases of \$60,004 in encumbrances, \$2,677 in Capital Projects Funds, \$15,335 in Debt Service Funds offset by decreases of \$463,742 in prior and current year excess surplus and \$16,385 for Mortgage Sale of Building. Unrestricted net assets increased by \$83,845 or 107.62% primarily due to a \$67,662 decrease in accrued interest payable on the School Bonds issued in May 2009. (See Figure A-3).

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	Change 2009/10
Revenue:							
Program Revenue:							
Charges for Services	\$ 312,987	\$ 332,267	\$ 628,289	\$ 626,214	\$ 941,276	\$ 958,481	-1.80%
Grants and Contributions:							
Operating	4,643,807	5,025,800	98,112	85,060	4,741,919	5,110,860	-7.22%
Capital		4,144				4,144	-100.00%
General Revenue:							
Property Taxes	31,052,015	29,799,102			31,052,015	29,799,102	4.20%
Federal and State Aid Not Restricted	1,185,186	1,335,400			1,185,186	1,335,400	-11.25%
Other	225,232	471,974	544	2,117	225,776	474,091	-52.38%
Total Revenue	<u>37,419,227</u>	<u>36,968,687</u>	<u>726,945</u>	<u>713,391</u>	<u>38,146,172</u>	<u>37,682,078</u>	1.23%
Expenses:							
Instruction	22,140,804	21,963,944			22,140,804	21,963,944	0.81%
Pupil and Instruction Services	6,398,988	5,636,092			6,398,988	5,636,092	13.54%
Administration and Business	3,664,408	3,598,392			3,664,408	3,598,392	1.83%
Maintenance and Operations	2,438,628	2,946,804			2,438,628	2,946,804	-17.24%
Transportation	1,037,114	953,110			1,037,114	953,110	8.81%
Other	704,510	532,638	729,498	723,884	1,434,008	1,256,522	14.13%
Total Expenses	<u>36,384,452</u>	<u>35,630,980</u>	<u>729,498</u>	<u>723,884</u>	<u>37,113,950</u>	<u>36,354,864</u>	2.09%
Transfers	<u>(55,554)</u>	<u>(56,758)</u>			<u>(55,554)</u>	<u>(56,758)</u>	2.12%
Change in Net Assets	<u>\$ 979,221</u>	<u>\$ 1,280,949</u>	<u>\$ (2,553)</u>	<u>\$ (10,493)</u>	<u>\$ 976,668</u>	<u>\$ 1,270,456</u>	-23.12%

Revenue Sources. The District's total revenue for the 2009/10 school year was \$38,146,172 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$31,052,015 of the total, or 81.40 percent (See Figure A-5). Another 15.54 percent came from state and federal aid for specific programs and contributions, 2.47 percent came from charges for services and the remaining .59% from other miscellaneous sources. It is important to note that \$1,084,905 which represents TPAF Noncontributory Insurance and Post-Retirement Medical Benefits that the State of New Jersey pays on behalf of the District is included in the categorical grants totaling \$3,959,089. The Pequannock Township School District primarily conducts its operations from the revenue it receives from its local taxpayers.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

**Figure A-5
Sources of Revenue for Fiscal Year 2010 and 2009**

Sources of Income:	2010	Percentage	2009	Percentage
State Formula Aid	\$ 1,968,016	5.16%	\$ 2,707,029	7.10%
Property Taxes	31,052,015	81.40%	29,799,102	78.12%
Federal & State Categorical Grants	3,959,089	10.38%	3,743,375	9.81%
Charges for Services	941,276	2.47%	958,481	2.51%
Other	225,776	0.59%	474,091	1.24%
	<u>\$ 38,146,172</u>	<u>100.00%</u>	<u>\$ 37,682,078</u>	<u>98.78%</u>

The total cost of all programs and services was \$37,113,950. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (79.69 percent) (See Figure A-6). The District's administrative and business activities accounted for 9.87 percent of total costs and maintenance and operations accounted for 6.57 percent of total costs. The remaining 3.86 percent of total costs is comprised of other costs (which includes \$729,498 of costs associated with the District's food service operations).

**Figure A-6 -
Expenses for Fiscal Year 2010 and 2009**

Expense Category:	2010	Percentage	2009	Percentage
Instruction	\$ 22,140,804	59.66%	\$ 21,963,944	60.42%
Pupil and Instruction Services	6,398,988	17.24%	5,636,092	15.50%
Administration and Business	3,664,408	9.87%	3,598,392	9.90%
Maintenance and Operations	2,438,628	6.57%	2,946,804	8.11%
Transportation	1,037,114	2.79%	953,110	2.62%
Other	1,434,008	3.86%	1,256,522	3.46%
	<u>\$ 37,113,950</u>	<u>100.00%</u>	<u>\$ 36,354,864</u>	<u>100.00%</u>

Governmental Activities

Maintaining existing programs with increased enrollment with the provision of a multitude of special programs/services for disabled pupils place great demand on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings methods in place during the fiscal year were:

- Employees share in the cost of prescription and dental insurance premiums.
- The majority of school supplies are purchased through a cooperative bidding process with the Educational Services Commission of Morris County.
- The District also uses the same cooperative bidding process with the Educational Services Commission of Morris County for transportation.
- The District utilizes an hourly bus driver to reduce the costs for athletic transportation.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Figure A-7 presents the cost of six major District activities: instruction, pupil and instruction 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:

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

	Total Cost of Services		Net Cost of Services	
	2009/2010	2008/2009	2009/2010	2008/2009
Instruction	\$ 22,140,804	\$ 21,963,944	\$ 18,092,489	\$ 17,703,452
Pupil & Instruction Services	6,398,988	5,636,092	5,771,509	4,869,054
Administration & Business	3,664,408	3,598,392	3,664,408	3,598,392
Maintenance & Operations	2,438,628	2,946,804	2,438,628	2,946,804
Transportation	1,037,114	953,110	756,114	622,573
Other	704,510	532,638	704,510	528,494
	<u>\$ 36,384,452</u>	<u>\$ 35,630,980</u>	<u>\$ 31,427,658</u>	<u>\$ 30,268,769</u>

- The cost of all governmental activities this fiscal year was \$36,384,452.
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$1,968,016).
- Most of the District's costs, however, were financed by \$31,052,015 of District taxes.
- The remainder of funding for governmental activities came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net assets from the District's business-type activities decreased by \$2,553 (Refer to Figure A-4). The increase in expenses associated with the District's Food Service program exceeded the related revenues and was the primary contributing factor for the decrease in business-type net assets during the year.

Financial Analysis of the District's Funds

The District's financial position has decreased nearly 23% (a \$976,668 decrease in net assets) as a result of the changes in the student population and difficult economic times. Expenditures during the recent fiscal year increased significantly as a result of an increase in the number of pupils requiring special needs. In addition to the greater numbers, these pupils require more complex educational and related services. The District also realized a significant increase in transportation costs for special education students.

The District has had a multi-year practice of utilizing funds from unreserved fund balance to reduce the tax levy. As overall expenditures for the District increase, the amount of funds necessary for this purpose likewise increase. Ratables of the municipality remain more or less stable, thus generating concern for the local tax levy in the future.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

General Fund Budgetary Highlights

Over the course of the fiscal 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		Percent Change 2009/10
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
Land	\$ 4,659,600	\$ 4,659,600			\$ 4,659,600	\$ 4,659,600	0.00%
Construction in Progress	8,991,615	1,904,719			8,991,615	1,904,719	372.07%
Site Improvements		9,372				9,372	-100.00%
Buildings/Building Improvements	6,056,490	6,193,480			6,056,490	6,193,480	-2.21%
Machinery and Equipment	1,398,375	940,322	\$ 57,596	\$ 16,131	1,455,971	956,453	52.23%
Total	\$21,106,080	\$13,707,493	\$ 57,596	\$ 16,131	\$21,163,676	\$13,723,624	54.21%

The District's capital assets increased \$7,708,342 or 56.17% during the year. Capital assets acquisitions totaled \$7,869,198 and consisted of equipment and construction in progress. These acquisitions were offset by \$336,466 and \$5,185 in depreciation from its governmental and business-type activities, respectively. Additionally, assets with an historical cost of \$348,890 and accumulated depreciation of \$214,745, or a net book value of \$134,145, were disposed during the year. (More detailed information about the District's capital assets is presented in Note 6 to the financial statements).

Long-term Debt

At fiscal year-end, the District had \$14,530,000 in general obligation bonds outstanding. The decrease from the prior year represents the bond principal payments of \$470,000 – as shown in Figure A-9 (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Figure A-9

Outstanding Long-Term Debt	Total School District		Percentage Change 2009/10
	2009/10	2008/09	
General Obligation Bonds (Financed with Property Taxes)	\$ 14,530,000	\$ 15,000,000	-3.13%
Other Long-Term Debt	336,123	353,744	-4.98%
	\$ 14,866,123	\$ 15,353,744	-3.18%

- The District continued to pay down its debt and retired \$470,000 of outstanding bonds, and \$17,621 in compensated absences payable during the year.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 District's contract with the Pequannock Township Education Association ("PTEA") expired on June 30, 2010. The Board of Education Negotiating Committee will soon commence the negotiation process with the PTEA. The contractual obligations that result from the negotiation process will directly affect future budgets and their funding.
- The District has adopted a 5 year curriculum review cycle. The costs associated with the constant updating of curriculum have a direct effect on future budgets.
- The District has retained, through a Competitive Contracting process, the services of a Facilities Consultant/Grant Writer to help procure alternative funding sources for infrastructure and capital needs. This will help alleviate the financial pressures of trying to improve facilities in a time of shrinking revenues.
- The District has suffered a loss of State Aid for the fiscal years 2009-2010 and 2010-2011 in excess of \$933k. The District has had to use an additional \$600k for Revenue for the 2010-2011 fiscal year which further depleted their ability to generate an excess surplus to be used in subsequent years.
- The District realized a slight increase in Free and Reduced lunch counts due to the economic conditions in the country, state, and surely the township.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and customers 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, 538 Newark-Pompton Turnpike, Pompton Plains, New Jersey 07444.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 8,183,254	\$ 58,251	\$ 8,241,505
Internal Balances	(3,988)	3,988	
Interfund Receivables	17		17
Receivables from Federal Government	621,419	6,251	627,670
Receivables from State Government	476,281	591	476,872
Receivables from Other Governments		9,252	9,252
Receivables - Mortgage Note	165,151		165,151
Receivables - Other	66,863		66,863
Deferred Charge - Unamortized Bond Issuance Costs	62,396		62,396
Inventory		7,711	7,711
Restricted Assets:			
Capital Reserve Account - Cash	614,198		614,198
Capital Assets, Net:			
Sites (Land)	4,659,600		4,659,600
Construction in Progress	8,991,615		8,991,615
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	7,454,865	57,596	7,512,461
Total Assets	<u>31,291,671</u>	<u>143,640</u>	<u>31,435,311</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	269,027		269,027
Interfund Payable	3		3
Payable to State Government	13,109		13,109
Payable to Federal Government	858		858
Accounts Payable - Vendors	534,036	18,902	552,938
Deferred Revenue	18,175		18,175
Noncurrent Liabilities:			
Due Within One Year	740,000		740,000
Due Beyond One Year	14,126,123		14,126,123
Total Liabilities	<u>15,701,331</u>	<u>18,902</u>	<u>15,720,233</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	10,576,913	57,596	10,634,509
Restricted for:			
Debt Service	1,053		1,053
Capital Projects	969,000		969,000
Other Purposes	3,948,761		3,948,761
Unrestricted	94,613	67,142	161,755
Total Net Assets	<u>\$ 15,590,340</u>	<u>\$ 124,738</u>	<u>\$ 15,715,078</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	\$ 16,630,347		\$ 1,817,606		\$ (14,812,741)		\$ (14,812,741)
Special Education	4,632,100		2,230,709		(2,401,391)		(2,401,391)
Other Special Instruction	269,116				(269,116)		(269,116)
Other Instruction	609,241				(609,241)		(609,241)
Support Services:							
Tuition	1,906,607	\$ 280,000			(1,626,607)		(1,626,607)
Student & Instruction Related Services	4,492,381		347,479		(4,144,902)		(4,144,902)
General Administrative Services	581,531				(581,531)		(581,531)
School Administrative Services	2,269,299				(2,269,299)		(2,269,299)
Central Services	555,533				(555,533)		(555,533)
Administration Information Technology	258,045				(258,045)		(258,045)
Plant Operations and Maintenance	2,438,628				(2,438,628)		(2,438,628)
Pupil Transportation	1,037,114	32,987	248,013		(756,114)		(756,114)
Interest on Long-Term Debt	417,284				(417,284)		(417,284)
Capital Outlay	184,295				(184,295)		(184,295)
Unallocated Depreciation	102,931				(102,931)		(102,931)
Total Governmental Activities	36,384,452	312,987	4,643,807	\$ - 0 -	(31,427,658)		(31,427,658)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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
Business-Type Activities:							
Food Service	\$ 729,498	\$ 628,289	\$ 98,112		\$ (3,097)	\$ (3,097)	
Imagine Program	- 0 -	- 0 -	- 0 -		- 0 -	- 0 -	
Total Business-Type Activities	729,498	628,289	98,112		(3,097)	(3,097)	
Total Primary Government	\$ 37,113,950	\$ 941,276	\$ 4,741,919	\$ - 0 -	\$ (31,427,658)	(3,097)	(31,430,755)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					30,448,340		30,448,340
Taxes Levied for Debt Service					603,675		603,675
Federal and State Aid Not Restricted					1,185,186		1,185,186
Investment Earnings					123,748	544	124,292
Miscellaneous Income					101,484		101,484
Transfers					(55,554)		(55,554)
Total General Revenues, Special Items, and Transfers					32,406,879	544	32,407,423
Change in Net Assets					979,221	(2,553)	976,668
Net Assets - Beginning					14,611,119	127,291	14,738,410
Net Assets - Ending					\$ 15,590,340	\$ 124,738	\$ 15,715,078

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

FUND FINANCIAL STATEMENTS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 4,158,401		\$ 4,023,800	\$ 1,053	\$ 8,183,254
Interfund Receivable	559,498		353,343		912,841
Receivables from Federal Government		\$ 621,419			621,419
Receivables from State Government	476,281				476,281
Receivables - Mortgage Note	165,151				165,151
Receivables - Other	66,863				66,863
Restricted Cash and Cash Equivalents	614,198				614,198
TOTAL ASSETS	\$ 6,040,392	\$ 621,419	\$ 4,377,143	\$ 1,053	\$ 11,040,007
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable	\$ 357,334	\$ 559,481			\$ 916,815
Payable to State Government		13,109			13,109
Payable to Federal Government		858			858
Accounts Payable - Vendors	482,732	29,796	\$ 21,508		534,036
Deferred Revenue		18,175			18,175
Total Liabilities	840,066	621,419	21,508		1,482,993
Fund Balances:					
Reserved for:					
Encumbrances	854,332		300		854,632
Capital Reserve Account	614,198				614,198
Excess Surplus - Current Year	736,916				736,916
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	1,592,362				1,592,362
Mortgage Sale of Building	165,151				165,151

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Unreserved, Reported in:					
General Fund:					
Designated for Subsequent Year's Expenditures	\$ 600,000				\$ 600,000
Unreserved/Undesignated	637,367				637,367
Capital Projects Fund			\$ 4,355,335		4,355,335
Debt Service Fund:					
Designated for Subsequent Year's Expenditures				\$ 910	910
Unreserved/Undesignated				143	143
Total Fund Balances	<u>5,200,326</u>		<u>4,355,635</u>	<u>1,053</u>	<u>9,557,014</u>
TOTAL LIABILITIES & FUND BALANCES	<u><u>\$ 6,040,392</u></u>	<u><u>\$ 621,419</u></u>	<u><u>\$ 4,377,143</u></u>	<u><u>\$ 1,053</u></u>	<u><u>\$ 11,040,007</u></u>

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

Total Fund Balances - Governmental Funds (Above)	\$ 9,557,014
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$35,069,215 and the accumulated depreciation is \$13,963,814. (See Note 6)	21,106,080
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. (See Note 7)	(14,866,123)
Bond issuance costs are not reported as expenditures in the Governmental Funds in the year of the expenditure. The cost is \$66,067 of which \$3,671 has been amortized.	62,396
Accrued Interest on Long-Term Liabilities, including Bonds Payable, is not due and payable in the current period and therefore is not reported as a liability in the funds.	<u>(269,027)</u>
Net Assets of Governmental Activities	<u><u>\$ 15,590,340</u></u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 30,448,340			\$ 603,675	\$ 31,052,015
Tuition	280,000				280,000
Transportation Fees	32,987				32,987
Capital Reserve Interest	5,125				5,125
Investment Income			\$ 59,548	143	59,691
Miscellaneous	160,416	\$ 6,072			166,488
Total - Local Sources	30,926,868	6,072	59,548	603,818	31,596,306
State Sources	4,544,585	166,324		332,122	5,043,031
Federal Sources	182,307	597,583			779,890
Total Revenues	35,653,760	769,979	59,548	935,940	37,419,227
EXPENDITURES					
Current:					
Regular Instruction	12,015,301	210,958			12,226,259
Special Education Instruction	3,306,338	40,638			3,346,976
Other Special Instruction	262,115				262,115
Other Instruction	609,241				609,241
Support Services and Undistributed Costs:					
Tuition	1,431,074	475,533			1,906,607
Student & Instruction Related Services	3,468,484	17,024			3,485,508
General Administration Services	660,728				660,728
School Administration Services	1,797,649				1,797,649
Central Services	445,747				445,747

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 199,071				\$ 199,071
Plant Operations and Maintenance	2,429,010				2,429,010
Pupil Transportation	956,396				956,396
Allocated Benefits	5,522,472				5,522,472
Unallocated Benefits	2,344,575				2,344,575
Capital Outlay	78,300	\$ 25,826	\$ 7,086,896		7,191,022
Debt Service:					
Principal				\$ 470,000	470,000
Interest and Other Charges				481,275	481,275
Total Expenditures	<u>35,526,501</u>	<u>769,979</u>	<u>7,086,896</u>	<u>951,275</u>	<u>44,334,651</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>127,259</u>		<u>(7,027,348)</u>	<u>(15,335)</u>	<u>(6,915,424)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In	59,548		357,250		416,798
Transfers Out	(412,804)		(59,548)		(472,352)
Total Other Financing Sources/(Uses)	<u>(353,256)</u>		<u>297,702</u>		<u>(55,554)</u>
Net Change in Fund Balances	<u>(225,997)</u>		<u>(6,729,646)</u>	<u>(15,335)</u>	<u>(6,970,978)</u>
Fund Balance—July 1	<u>5,426,323</u>		<u>11,085,281</u>	<u>16,388</u>	<u>16,527,992</u>
Fund Balance—June 30	<u>\$ 5,200,326</u>	<u>\$ -0-</u>	<u>\$ 4,355,635</u>	<u>\$ 1,053</u>	<u>\$ 9,557,014</u>

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

PEQUANNOCK TOWNSHIP 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, 2010

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ (6,970,978)
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital Outlays are reported in the 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 and disposal of capital assets exceeded Capital Outlays during the period.		
	Depreciation Expense	\$ (336,466)
	Disposal of Capital Assets, Net of Accumulated Depreciation	(134,145)
	Capital Outlays	<u>7,869,198</u>
		7,398,587
In the Statement of Activities, certain operating expenses, e.g., compensated absences (sick days) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		17,621
Repayment of bond 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.		
		470,000
In the Statement of Activities, Interest on Long-term Debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		
		67,662
The Governmental Funds report the effect of Issuance Costs when debt is first issued, where as these amounts are deferred and amortized in the Statement of Activities (-).		
		<u>(3,671)</u>
Change in Net Assets of Governmental Activities (Exhibit A-2)		<u>\$ 979,221</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	Business-Type Activities: Enterprise Funds		
	Food Service	Imagine Program	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 54,895	\$ 3,356	\$ 58,251
Interfund Receivable	3,988		3,988
Receivable from Federal Government	6,251		6,251
Receivables from State Government	591		591
Receivables - Other	9,252		9,252
Inventory	7,711		7,711
Total Current Assets	82,688	3,356	86,044
Non-Current Assets:			
Capital Assets	130,250		130,250
Less: Accumulated Depreciation	(72,654)		(72,654)
Total Non-Current Assets	57,596		57,596
Total Assets	140,284	3,356	143,640
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	18,902		18,902
Total Liabilities	18,902		18,902
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt	57,596		57,596
Unrestricted	63,786	3,356	67,142
Total Net Assets	\$ 121,382	\$ 3,356	\$ 124,738

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities:		
	Enterprise Funds		
	Food Service	Imagine Program	Total
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 316,068		\$ 316,068
Daily Sales - Non-Reimbursable Programs	308,461		308,461
Special Events	3,760		3,760
Total Operating Revenue	628,289		628,289
Operating Expenses:			
Cost of Sales	326,470		326,470
Salaries	228,602		228,602
Payroll Taxes	32,286		32,286
Employee Benefits	18,556		18,556
Purchased Property Services	86,446		86,446
Supplies and Materials	31,953		31,953
Depreciation Expense	5,185		5,185
Total Operating Expenses	729,498		729,498
Operating Income/(Loss)	(101,209)		(101,209)
Non-Operating Revenue:			
Federal Sources:			
National School Lunch Program	51,700		51,700
Special Milk Program	14,116		14,116
Food Distribution Program	26,208		26,208
State Sources:			
School Lunch Program	6,088		6,088
Local Sources:			
Interest Revenue	529	\$ 15	544
Total Non-Operating Revenue	98,641	15	98,656
Change in Net Assets	(2,568)	15	(2,553)
Net Assets - Beginning of Year	123,950	3,341	127,291
Net Assets - End of Year	<u>\$ 121,382</u>	<u>\$ 3,356</u>	<u>\$ 124,738</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities:		
	Enterprise Funds		
	Food Service	Imagine Program	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 663,261		\$ 663,261
Payments to Food Service Vendor	(669,851)		(669,851)
Payments to Suppliers	(15,925)		(15,925)
Net Cash Provided by/(Used for) Operating Activities	(22,515)		(22,515)
Cash Flows from Investing Activities:			
Interest Revenue	529	\$ 15	544
Net Cash Provided by Investing Activities	529	15	544
Cash Flows from Noncapital Financing Activities:			
Receipt of Federal Aid	63,221		63,221
Receipt of State Aid	5,828		5,828
Net Cash Provided by/(Used for) Noncapital Financing Activities	69,049		69,049
Cash Flows from Capital and Related Financing Activities:			
Purchases of Capital Assets	(46,650)		(46,650)
Net Cash Used for Capital and Related Financing Activities	(46,650)		(46,650)
Net Increase in Cash and Cash Equivalents	413	15	428
Cash and Cash Equivalents, July 1	54,482	3,341	57,823
Cash and Cash Equivalents, June 30	\$ 54,895	\$ 3,356	\$ 58,251
Reconciliation of Operating Income/(Loss) to Net Cash			
Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (101,209)	\$ - 0 -	\$ (101,209)
Adjustment to Reconcile Operating Income/(Loss) to Cash			
Provided by/(Used for) Operating Activities:			
Depreciation	5,185		5,185
Federal Food Distribution Program	26,208		26,208
Changes in Assets and Liabilities:			
Decrease in Interfund Receivable	12,791		12,791
Decrease in Accounts Receivable	22,181		22,181
(Increase) in Inventory	(289)		(289)
Increase in Accounts Payable	12,618		12,618
Net Cash Used for Operating Activities	\$ (22,515)	\$ - 0 -	\$ (22,515)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$26,208 for the fiscal year ended June 30, 2010.

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 867,058	\$ 222,893	\$ 7,756
Investments	18,000		186,404
Interfund Receivable - General Fund	3		
Interfund Receivable - Payroll Agency Fund		35,744	
Total Assets	885,061	258,637	194,160
LIABILITIES:			
Accrued Salaries and Wages	726,894		
Accounts Payable - Vendors	2,577		
Interfund Payable - General Fund	17		
Interfund Payable - Unemployment Compensation Trust Fund	35,744		
Payroll Deductions and Withholdings	4,547		
Due to Student Groups	115,282		
Total Liabilities	885,061	-0-	-0-
NET ASSETS:			
Held in Trust for:			
Unemployment Claims		258,637	
Scholarships			194,160
Total Net Assets	\$ -0-	\$ 258,637	\$ 194,160

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:		
Contributions - Employee	\$ 169,947	
Contributions - District	40,000	
Donations		\$ 42,686
Total Contributions	<u>209,947</u>	<u>42,686</u>
Investment Earnings:		
Interest	<u>1,321</u>	<u>2,758</u>
Net Investment Earnings	<u>1,321</u>	<u>2,758</u>
Total Additions	<u>211,268</u>	<u>45,444</u>
DEDUCTIONS:		
Unemployment Compensation Claims	101,749	
Scholarships Awarded		<u>30,835</u>
Total Deductions	<u>101,749</u>	<u>30,835</u>
Change in Net Assets	109,519	14,609
Net Assets - Beginning of Year	<u>149,118</u>	<u>179,551</u>
Net Assets - End of the Year	<u><u>\$ 258,637</u></u>	<u><u>\$ 194,160</u></u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Pequannock Township 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 financial 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 elementary, middle and senior high schools located in the Township of Pequannock. 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 with 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by 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.

Special Revenue Fund: 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 to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from 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. In addition, financial resources may also be derived from capital outlay or capital reserve funds from the General Fund.

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary funds:

Enterprise Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria (Food Service) and Imagine Program operations. The Food Service and Imagine Program 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, and Unemployment Compensation Insurance Trust Fund and Private Purpose Scholarship Trust Fund.

C. Measurement Focus and Basis of Accounting

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

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

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 Food Service Fund 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

D. Budgets/Budgetary Control:

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

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 35,667,481	\$ 768,107
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not		1,872
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	265,104	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(278,825)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 35,653,760	\$ 769,979

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 35,526,501	\$ 768,107
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		1,872
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 35,526,501	\$ 769,979
		Capital Projects Fund
		Fund
	Revenue	Balance
Reserve for Encumbrances		\$ 300
Unreserved Fund Balance		4,593,502
Total Revenue/Fund Balance - Budgetary Basis	\$ 238,167	4,593,802
Reconciliation to Governmental Funds Statements (GAAP):		
SDA Grants not Recognized on the GAAP Basis	(238,167)	(238,167)
Revenue/Fund Balance per Governmental Funds (GAAP Basis)	\$ - 0 -	\$4,355,635

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 saving 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 governmental units. If a public depository

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

E. Cash and Cash Equivalents and Investments: (Cont'd)

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 source/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. 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 reservations of 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.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (Continued)

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

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as 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, 2010.

K. Capital Assets:

During the fiscal 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	40 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital 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 premium 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

M. Accrued Salaries and Wages:

The District allows certain employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year. New Jersey statutes require that these earned but not disbursed amounts be retained in a separate bank account. As of June 30, 2010, the District had \$726,794 in a summer savings plan account for accrued salaries and wages earned by these employees which had not yet been disbursed.

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 employee contracts/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 contracts and 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 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 \$5,200,326 General Fund balance at June 30, 2010, \$854,332 is reserved for encumbrances; \$614,198 is reserved in the capital reserve account; \$165,151 is reserved for the mortgage sale of building; \$2,329,278 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701); prior year excess surplus in the amount of \$1,592,362 together with \$600,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2011, and current year excess surplus in the amount of \$736,916 will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2012; and \$637,367 is unreserved and undesignated which is \$278,825 less on the GAAP basis than the calculated maximum unreserved fund balance (budgetary basis) due to the final last two state aid payments which are not recognized until the fiscal year ending June 30, 2011.

Capital Projects Fund: Of the \$4,355,635 Capital Projects Fund balance at June 30, 2010, \$300 is reserved for encumbrances and \$4,355,335 is unreserved and undesignated.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

Debt Service Fund: Of the \$1,053 Debt Service Fund balance at June 30, 2010, \$910 is included as anticipated revenue for the fiscal year ending June 30, 2011 and the remaining \$143 is unreserved and undesignated.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended, the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund 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 total excess fund balance at June 30, 2010 is \$2,329,278 which is comprised of prior year excess of \$1,592,362 and current year excess of \$736,916.

The District's unreserved/undesignated fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$278,825 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two 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 final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditures. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, capital, and excess surplus as defined by State law. The District also has a reserve for the mortgage receivable for the sale of a building which is not considered available expendable resources until the mortgage is collected.

R. Deficit Fund Balances/Net Assets

The District has no deficit fund balances or net assets as of June 30, 2010.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued) _

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

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, income 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 income taxes is recognized in the period in which the income is earned. 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.

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Funds. For the School District, these revenues are sales for the food service program and tuition for the Imagine program. 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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 below and on the following page.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

Investments

New Jersey statutes permit the Board 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
- (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, 2010, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Capital Reserve Account</u>	<u>Total</u>
Checking and Savings Accounts	\$ 9,339,212		\$ 614,198	\$ 9,953,410
Certificates of Deposit		\$ 204,404		204,404
	<u>\$ 9,339,212</u>	<u>\$ 204,404</u>	<u>\$ 614,198</u>	<u>\$ 10,157,814</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

During the period ended June 30, 2010, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2010, was \$10,157,814 and the bank balance was \$10,497,577.

NOTE 4. CAPITAL RESERVE ACCOUNT

A Capital Reserve Account was established by the District by inclusion of \$1 on October 2, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The Capital Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the Capital Reserve Account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a District 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. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the Capital Reserve Account for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance, July 1, 2009	\$ 966,323
Interest Earnings	5,125
Budgeted Withdrawal	<u>(357,250)</u>
Ending Balance, June 30, 2010	<u>\$ 614,198</u>

The \$614,198 balance in the Capital Reserve Account at June 30, 2010 does not exceed the local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan ("LRFP"). Withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's Long Range Facilities Plan.

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2010, the District transferred \$41,549 to capital outlay accounts for the acquisition of equipment which did not require approval of the County Superintendent.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2010 were as follows:

	Balance 6/30/2009	Increases	Decreases	Balance 6/30/2010
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Sites (Land)	\$ 4,659,600			\$ 4,659,600
Construction in Progress	1,904,719	\$ 7,086,896		8,991,615
Total Capital Assets Not Being Depreciated	6,564,319	7,086,896		13,651,215
Capital Assets Being Depreciated:				
Site Improvements	316,000			316,000
Buildings and Building Improvements	18,506,805			18,506,805
Machinery and Equipment	2,162,462	782,302	\$ (348,890)	2,595,874
Total Capital Assets Being Depreciated	20,985,267	782,302	(348,890)	21,418,679
Governmental Activities Capital Assets	27,549,586	7,869,198	(348,890)	35,069,894
Less Accumulated Depreciation for:				
Site Improvements	(306,628)	(9,372)		(316,000)
Buildings and Building Improvements	(12,313,325)	(136,990)		(12,450,315)
Machinery and Equipment	(1,222,140)	(190,104)	214,745	(1,197,499)
	(13,842,093)	(336,466)	214,745	(13,963,814)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 13,707,493	\$ 7,532,732	\$ (134,145)	\$ 21,106,080
	Balance 6/30/2009	Increases	Decreases	Balance 6/30/2010
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 83,600	\$ 46,650		\$ 130,250
Less Accumulated Depreciation	(67,469)	(5,185)		(72,654)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 16,131	\$ 41,465	\$ - 0 -	\$ 57,596

The District expended \$7,086,896 from the Capital Projects Fund for continued construction in progress and \$756,476, \$25,826 and \$46,650 from the General, Special Revenue and Food Service Funds, respectively, for the purchase of equipment. Additionally, assets with historical cost of \$348,890 and accumulated depreciation of \$214,745, or a net book value of \$134,145, were disposed during the year.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 52,811
General Administrative Services	16,223
School Administrative Services	6,810
Central Services	15,527
Plant Operations and Maintenance	14,820
Pupil Transportation	25,244
Unallocated	<u>161,635</u>
	<u>\$ 336,466</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2010, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2009</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2010</u>
Serial Bonds Payable	\$ 15,000,000		\$ 470,000	\$ 14,530,000
Compensated Absences Payable	<u>353,744</u>	<u>\$ 4,441</u>	<u>22,062</u>	<u>336,123</u>
	<u>\$ 15,353,744</u>	<u>\$ 4,441</u>	<u>\$ 492,062</u>	<u>\$ 14,866,123</u>

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2010 as follows:

<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
02/15/2013	4.25%	\$ 1,540,000
01/15/2029	3.50% - 4.375%	<u>12,990,000</u>
		<u>\$ 14,530,000</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

Principal and interest due on serial bonds outstanding are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 740,000	\$ 586,900	\$ 1,326,900
2012	555,000	561,000	1,116,000
2013	575,000	537,713	1,112,713
2014	600,000	503,775	1,103,775
2015	620,000	482,425	1,102,425
2016-2020	3,410,000	2,045,650	5,455,650
2021-2025	4,075,000	1,183,381	5,258,381
2026-2029	3,955,000	174,288	4,129,288
	<u>\$14,530,000</u>	<u>\$ 6,075,132</u>	<u>\$ 20,605,132</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2010, the Board had no bonds authorized but not issued.

C. Compensated Absences:

The current contract with the teaching and support staff limits the District's fiscal year liability for compensated absences. The District's liability is capped at \$65,000 per fiscal year with regard to teaching and support staff retirees. If the District's total liability for teaching and support staff retirees exceeds \$65,000 in any fiscal year, the amount would be prorated among the retirees so as not to exceed \$65,000 for that fiscal year.

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. No portion of the compensated absences balance of the governmental funds at June 30, 2010 is currently payable; therefore, the long-term liability balance of compensated absences is \$336,123.

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, 2010, no liability existed for compensated absences in the Food Service Enterprise Fund.

NOTE 8. 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. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 10 years of service.

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, New Jersey, 08625.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

The State's on behalf APC contributions to TPAF amounted to \$-0-, \$-0- and \$1,171,388 for 2010, 2009 and 2008, respectively.

<u>Three-Year Trend for TPAF (Paid on-behalf of District)</u>			
<u>Year Funding</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2010	\$ - 0 -	100.00%	\$ - 0 -
2009	- 0 -	100.00%	- 0 -
2008	1,171,388	100.00%	1,171,388

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 are as follows:

- 20% for payments due in State fiscal year 2005
- Not more than 40% for payments due in State fiscal year 2006
- Not more than 60% for payments due in State fiscal year 2007
- Not more than 80% for payments due in State fiscal year 2008

<u>Three-Year Trend for PERS</u>			
<u>Year Funding</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2010	\$ 248,769	100.00%	\$ 248,769
2009	226,660	100.00%	226,660
2008	190,894	80.00%	152,715

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required 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. Chapter 103 of Public Laws 2007 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, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, of Public Laws 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126 of Public Laws 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$1,030,060, \$1,000,748, and \$1,403,381 for 2010, 2009, and 2008, respectively.

NOTE 10. 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.

Property and Liability Insurance and Health Benefits

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report. The District is a member of a joint insurance fund for workers' compensation. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

The District is a member of the Pooled Insurance Program of New Jersey (the "PIP"). The PIP provides the District with workers' compensation insurance. The PIP 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 for its members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the PIP are elected.

As a member of the PIP, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the PIP were to be exhausted, members would become responsible for their respective shares of the PIP's liabilities.

The PIP can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10. RISK MANAGEMENT(Cont'd)

Selected, summarized financial information as of June 30, 2009 is as follows:

	<u>Pooled Insurance Program of New Jersey</u>
Total Assets	<u>\$ 18,004,519</u>
Net Assets	<u>\$ 5,024,312</u>
Total Revenue	<u>\$ 7,294,019</u>
Total Expenses and Adjustments	<u>\$ 5,809,113</u>
Change in Net Assets	<u>\$ 1,484,906</u>
Net Assets Distribution to Participating Members	<u>\$ 1,030,793</u>

Financial statements for the PIP are available at the Executive Director's Office:

Burton Agency
44 Bergen Street
PO Box 270
Westwood, NJ 07675
(201) 664-0310

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method" effective for the fiscal year ended June 30, 2010. 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.

New Jersey Unemployment Compensation Insurance

A summary of the District and employee contributions, interest, reimbursements to the State for benefits paid and balance of the District's Unemployment Fiduciary Fund for the current and previous two years follows:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>District Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010	\$ 169,947	\$ 40,000	\$ 1,321	\$ 101,749	\$ 258,637
2009		50,000	3,544	31,652	149,118
2008			4,033	20,804	127,226

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The District is periodically involved in pending lawsuits. The District estimates that the potential claims against it resulting from any litigation and not covered by insurance would not materially affect the financial statements of the District.

Grant Programs

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

Arbitrage

The District may have a liability for arbitrage payable to the federal government relative to its \$12,990,000 School Bonds dated May 5, 2009. The amount of arbitrage payable, if any, is unknown and has not been recorded in the District's financial statements as of June 30, 2010.

NOTE 12. DEFERRED COMPENSATION

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

Equitable
Financial Resources
Great West Life & Annuity Insurance Co.
Lincoln National Life Insurance Co.
Security First Group
Variable Annuity Life Insurance Company (VALIC)

NOTE 13. 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 559,498	\$ 357,334
Special Revenue Fund		559,481
Capital Projects Fund	353,343	
Proprietary Fund:		
Food Service Enterprise Fund	3,988	
Fiduciary Fund:		
Student Activity Agency	3	
Unemployment Compensation Trust	35,744	
Payroll Agency		35,761
	<u>\$ 952,576</u>	<u>\$ 952,576</u>

During the fiscal year, the General Fund transferred \$55,554 to the Fiduciary Funds for the District's contribution for Interscholastic Athletics and \$357,250 to the Capital Projects Fund for the local share of current year budgeted capital projects. Also, the Capital Projects Fund earned \$59,548 in interest which was transferred to the General Fund.

The General Fund interfund receivable is comprised of \$17 of interest earnings due from the Payroll Agency Fund and \$559,481 advanced to the Special Revenue Fund awaiting the collection of grants receivable. The General Fund interfund payable is comprised of the \$3 deficit balance in the Interscholastic Athletics Account in the Student Activity Agency Fund, \$353,343 of the local share of current year budgeted capital projects to the Capital Projects Fund, and \$3,988 due to the Food Service Enterprise Fund for subsidy claims received but not transferred as of June 30, 2010. The interfund receivable in the Unemployment Compensation Trust Fund and the interfund payable in the Payroll Agency Fund represent employee unemployment contributions due to the District's unemployment trust fund.

NOTE 15. TAX CALENDAR

Property taxes are levied by the District's constituent municipality 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 municipality and are remitted to the District on a predetermined mutually agreed-upon schedule.

BUDGETARY COMPARISON SCHEDULES

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 30,448,340		\$ 30,448,340	\$ 30,448,340	
Tuition	280,000		280,000	280,000	
Transportation Fees from Other LEAs	26,000		26,000	32,987	\$ 6,987
Capital Reserve Interest	2,000		2,000	5,125	3,125
Miscellaneous	185,100		185,100	160,416	(24,684)
Total - Local Sources	30,941,440		30,941,440	30,926,868	(14,572)
State Sources:					
Categorical Special Education Aid	1,385,095		1,385,095	902,041	(483,054)
Equalization Aid	1,004,748	\$ (182,307)	822,441	541,676	(280,765)
Categorical Security Aid	181,846		181,846	118,200	(63,646)
Categorical Transportation Aid	365,405		365,405	237,513	(127,892)
Extraordinary Special Education Costs Aid	170,004		170,004	392,272	222,268
Nonpublic School Transportation Costs				22,029	22,029
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				54,845	54,845
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				1,030,060	1,030,060
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				1,259,670	1,259,670
Total State Sources	3,107,098	(182,307)	2,924,791	4,558,306	1,633,515
Federal Sources:					
Education Stabilization Fund - ARRA		175,513	175,513	175,513	
Government Services Fund - ARRA		6,794	6,794	6,794	
Total Federal Sources		182,307	182,307	182,307	
TOTAL REVENUES	34,048,538		34,048,538	35,667,481	1,618,943

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Kindergarten - Salaries of Teachers	\$ 209,360	\$ 501	\$ 209,861	\$ 204,509	\$ 5,352
Grades 1-5 - Salaries of Teachers	3,806,615	39,487	3,846,102	3,795,314	50,788
Grades 6-8 - Salaries of Teachers	2,926,506	(137,228)	2,789,278	2,760,953	28,325
Grades 9-12 - Salaries of Teachers	3,757,656	(16,387)	3,741,269	3,709,954	31,315
Regular Programs - Home Instruction:					
Salaries of Teachers	15,000	5,869	20,869	20,869	
Purchased Professional - Educational Services	15,000	(555)	14,445	5,544	8,901
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	221,851	63,875	285,726	285,726	
Purchased Professional - Educational Services	86,451	(18,157)	68,294	1,212	67,082
Purchased Technical Services	21,850	14,848	36,698	36,698	
Other Purchased Services (400-500 series)	211,174		211,174	117,860	93,314
General Supplies	1,322,830	5,656	1,328,486	786,432	542,054
Textbooks	434,179	(11,525)	422,654	288,270	134,384
Other Objects	2,970		2,970	1,960	1,010
Total Regular Programs - Instruction	13,031,442	(53,616)	12,977,826	12,015,301	962,525
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	442,364	891	443,255	436,495	6,760
Other Salaries for Instruction	137,999	(14,422)	123,577	115,370	8,207
General Supplies	30,682	(6,417)	24,265	16,861	7,404
Total Learning and/or Language Disabilities	611,045	(19,948)	591,097	568,726	22,371

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Behavioral Disabilities:					
Salaries of Teachers	\$ 62,155	\$ (400)	\$ 61,755	\$ 57,472	\$ 4,283
Other Salaries for Instruction	19,260	250	19,510	19,427	83
Other Purchased Services (400-500 series)	100		100		100
General Supplies	1,500		1,500	164	1,336
Textbooks	1,000		1,000		1,000
Total Behavioral Disabilities	84,015	(150)	83,865	77,063	6,802
Resource Room/Resource Center:					
Salaries of Teachers	1,623,990	55,592	1,679,582	1,647,902	31,680
Other Salaries for Instruction	231,716	(66,882)	164,834	164,401	433
General Supplies	22,532	97	22,629	14,889	7,740
Textbooks	1,000		1,000	584	416
Total Resource Room/Resource Center	1,879,238	(11,193)	1,868,045	1,827,776	40,269
Autism:					
Salaries of Teachers	201,463	(4,034)	197,429	180,650	16,779
Other Salaries for Instruction	140,929	(3,926)	137,003	134,143	2,860
Purchased Professional - Educational Services	297,407	130,797	428,204	340,397	87,807
General Supplies	42,646	(16,047)	26,599	26,595	4
Other Objects	1,000		1,000		1,000
Total Autism	683,445	106,790	790,235	681,785	108,450

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Preschool Disabilities - Part-time:					
Salaries of Teachers	\$ 98,017	\$ (928)	\$ 97,089	\$ 91,745	\$ 5,344
Other Salaries for Instruction	59,384	1,420	60,804	58,940	1,864
General Supplies	2,000		2,000	303	1,697
Total Preschool Disabilities - Part-time	<u>159,401</u>	<u>492</u>	<u>159,893</u>	<u>150,988</u>	<u>8,905</u>
Total Special Education Instruction	<u>3,417,144</u>	<u>75,991</u>	<u>3,493,135</u>	<u>3,306,338</u>	<u>186,797</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	239,963		239,963	230,918	9,045
Total Basic Skills/Remedial - Instruction	<u>239,963</u>		<u>239,963</u>	<u>230,918</u>	<u>9,045</u>
Bilingual Education - Instruction:					
Salaries of Teachers	31,578		31,578	31,197	381
General Supplies	1,835		1,835		1,835
Total Bilingual Education - Instruction	<u>33,413</u>		<u>33,413</u>	<u>31,197</u>	<u>2,216</u>
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	172,669	(225)	172,444	167,192	5,252
Purchased Services (300-500 series)	8,000	(2,727)	5,273	5,273	
Supplies and Materials	16,384	(10,722)	5,662	4,733	929
Other Objects	1,100	(800)	300	146	154
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	<u>198,153</u>	<u>(14,474)</u>	<u>183,679</u>	<u>177,344</u>	<u>6,335</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 317,282	\$ 2,335	\$ 319,617	\$ 312,974	\$ 6,643
Purchased Services (300-500 series)	67,158	(14,524)	52,634	52,312	322
Supplies and Materials	51,600	6,247	57,847	57,630	217
Other Objects	8,075	1,300	9,375	8,981	394
Total School-Sponsored Cocurricular Athletics - Instruction	444,115	(4,642)	439,473	431,897	7,576
Other Instructional Programs - Instruction:					
Salaries	23,055	(4,961)	18,094		18,094
Total Other Instructional Programs - Instruction	23,055	(4,961)	18,094		18,094
Total Instruction	17,387,285	(1,702)	17,385,583	16,192,995	1,192,588
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	137,241	20,903	158,144	154,784	3,360
Tuition to County Vocational Schools - Regular	232,209	87,614	319,823	293,537	26,286
Tuition to County Vocational Schools - Special	58,680	30,406	89,086	82,526	6,560
Tuition to County Special Services Schools and Regional Day Schools	118,500	(50,420)	68,080	68,080	
Tuition to Private Schools for the Disabled - Within the State	959,951	(130,290)	829,661	827,647	2,014
Tuition - State Facilities	4,500		4,500	4,500	
Total Undistributed Expenditures - Instruction	1,511,081	(41,787)	1,469,294	1,431,074	38,220

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Health Services:					
Salaries	\$ 384,609	\$ 6,864	\$ 391,473	\$ 388,403	\$ 3,070
Purchased Professional and Technical Services	37,235	(1,200)	36,035	30,707	5,328
Other Purchased Services (400-500 series)	4,000	(3,420)	580	105	475
Supplies and Materials	5,686	4,720	10,406	7,762	2,644
Total Health Services	<u>431,530</u>	<u>6,964</u>	<u>438,494</u>	<u>426,977</u>	<u>11,517</u>
Speech, OT, PT & Related Services:					
Salaries	319,548	4,321	323,869	323,369	500
Purchased Professional - Educational Services	272,310	6,884	279,194	197,789	81,405
Supplies and Materials	3,000		3,000	2,794	206
Total Speech, OT, PT & Related Services	<u>594,858</u>	<u>11,205</u>	<u>606,063</u>	<u>523,952</u>	<u>82,111</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	105,770	42,327	148,097	145,243	2,854
Total Other Support Services - Students - Extraordinary Services	<u>105,770</u>	<u>42,327</u>	<u>148,097</u>	<u>145,243</u>	<u>2,854</u>
Guidance:					
Salaries of Other Professional Staff	527,393	5,972	533,365	533,365	
Salaries of Secretarial and Clerical Assistants	121,534	(170)	121,364	121,364	
Purchased Professional - Educational Services	50,972		50,972	38,654	12,318
Other Purchased Professional and Technical Services	2,000	191	2,191	2,191	
Other Purchased Services (400-500 series)	26,000		26,000	17,401	8,599
Supplies and Materials	13,800	59	13,859	12,874	985
Other Objects	2,500	(250)	2,250	234	2,016
Total Guidance	<u>744,199</u>	<u>5,802</u>	<u>750,001</u>	<u>726,083</u>	<u>23,918</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 575,770	\$ (29,727)	\$ 546,043	\$ 540,549	\$ 5,494
Salaries of Secretarial and Clerical Assistants	43,396		43,396	43,396	
Other Salaries	10,000	(1,457)	8,543	8,425	118
Purchased Professional - Educational Services	28,000	(1,350)	26,650	25,717	933
Other Purchased Professional and Technical Services	4,900	50	4,950	4,950	
Miscellaneous Purchased Services	12,494	1	12,495	10,478	2,017
Supplies and Materials	20,064	(1,925)	18,139	17,732	407
Other Objects	2,125		2,125	1,153	972
Total Child Study Teams	696,749	(34,408)	662,341	652,400	9,941
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	184,527		184,527	183,219	1,308
Salaries of Other Professional Staff	218,000		218,000	212,762	5,238
Salaries of Secretarial and Clerical Assistants	52,990	(150)	52,840	52,738	102
Salaries of Facilitators, Math Coaches & Literacy Coaches		2,850	2,850	2,850	
Purchased Professional - Educational Services	5,000		5,000	2,136	2,864
Other Purchased Services (400-500 series)	1,800	2,200	4,000		4,000
Supplies and Materials	10,700		10,700	1,937	8,763
Other Objects	4,400		4,400	2,446	1,954
Total Improvement of Instructional Services	477,417	4,900	482,317	458,088	24,229

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Educational Media Services/School Library:					
Salaries	\$ 485,330	\$ 6,258	\$ 491,588	\$ 469,838	\$ 21,750
Purchased Professional and Technical Services	176,656	26,406	203,062	15,977	187,085
Other Purchased Services (400-500 series)		1,000	1,000	980	20
Supplies and Materials	39,541	1,361	40,902	37,909	2,993
Total Educational Media Services/School Library	701,527	35,025	736,552	524,704	211,848
Instructional Staff Training Services:					
Purchased Professional - Educational Services	28,500		28,500	4,378	24,122
Other Purchased Services (400-500 series)	11,500		11,500	2,298	9,202
Supplies and Materials	10,200		10,200	3,838	6,362
Other Objects	3,300		3,300	523	2,777
Total Instructional Staff Training Services	53,500		53,500	11,037	42,463
Support Services - General Administration:					
Salaries	235,367		235,367	234,158	1,209
Legal Services	107,000	20,000	127,000	92,342	34,658
Audit Fees	39,500	(550)	38,950	38,950	
Other Purchased Professional Services	21,950	5,675	27,625	17,117	10,508
Purchased Technical Services	25,400	17,375	42,775	34,271	8,504
Communications/Telephone	159,800	14,950	174,750	162,637	12,113
Other Purchased Services (400-500 series)	107,750	(10,200)	97,550	48,753	48,797
Supplies and Materials	12,173		12,173	4,780	7,393
Miscellaneous Expenditures	94,667	(20,000)	74,667	27,720	46,947
Total Support Services - General Administration	803,607	27,250	830,857	660,728	170,129

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 970,854	\$ 3,808	\$ 974,662	\$ 950,998	\$ 23,664
Salaries of Other Professional Staff	394,366	7,757	402,123	383,052	19,071
Salaries of Secretarial and Clerical Assistants	378,946	(11,566)	367,380	360,166	7,214
Purchased Professional and Technical Services	18,797	926	19,723	9,441	10,282
Other Purchased Services (400-500 series)	59,461	13,163	72,624	47,240	25,384
Supplies and Materials	46,257	(4,905)	41,352	34,145	7,207
Other Objects	20,026	(6,519)	13,507	12,607	900
Total Support Services - School Administration	1,888,707	2,664	1,891,371	1,797,649	93,722
Central Services:					
Salaries	373,541		373,541	371,069	2,472
Purchased Technical Services	28,000		28,000	25,004	2,996
Miscellaneous Purchased Services (400-500 series)	21,800		21,800	14,053	7,747
Supplies and Materials	23,253	5,414	28,667	6,412	22,255
Interest on Lease Purchase Agreements	3,550		3,550	2,920	630
Interest on Bond Anticipation Notes (BANs)		24,586	24,586	24,586	
Miscellaneous Expenditures	3,600		3,600	1,703	1,897
Total Central Services	453,744	30,000	483,744	445,747	37,997
Administrative Information Technology:					
Salaries	199,888		199,888	199,071	817
Total Administrative Information Technology	199,888		199,888	199,071	817

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Required Maintenance of School Facilities:					
Salaries	\$ 259,960	\$ (4,482)	\$ 255,478	\$ 225,150	\$ 30,328
Cleaning, Repair and Maintenance Services	318,365	135,014	453,379	282,199	171,180
General Supplies	31,060	6,214	37,274	36,245	1,029
Total Required Maintenance of School Facilities	<u>609,385</u>	<u>136,746</u>	<u>746,131</u>	<u>543,594</u>	<u>202,537</u>
Custodial Services:					
Salaries	999,170	4,482	1,003,652	946,167	57,485
Purchased Professional and Technical Services	18,500	(346)	18,154	17,514	640
Cleaning, Repair and Maintenance Services	138,000	(20,123)	117,877	116,516	1,361
Rental of Land and Buildings (Other Than Lease Purchase Agreements)	5,400		5,400	5,360	40
Other Purchased Property Services	63,500	(23,500)	40,000	36,370	3,630
Insurance	137,100		137,100	124,048	13,052
Miscellaneous Purchased Services	8,748	(7,126)	1,622	1,575	47
General Supplies	55,350	279	55,629	53,096	2,533
Energy (Natural Gas)	400,000	(354)	399,646	219,638	180,008
Energy (Electricity)	400,000	(39,646)	360,354	360,354	
Energy (Oil)	8,500	(3,352)	5,148	4,648	500
Other Objects	1,150	(970)	180	130	50
Total Custodial Services	<u>2,235,418</u>	<u>(90,656)</u>	<u>2,144,762</u>	<u>1,885,416</u>	<u>259,346</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 146,199	\$ (1,551)	\$ 144,648	\$ 131,677	\$ 12,971
Between Home and School - Special	77,481	339	77,820	77,820	
Other Than Between Home and School - Regular	43,800	2,430	46,230	46,230	
Management Fee - ESC and CTSA Transportation Program	15,000		15,000	15,000	
Other Purchased Professional and Technical Services	500	(500)			
Cleaning, Repair and Maintenance Services	21,000	4,133	25,133	22,622	2,511
Contracted Services:					
Other Than Between Home and School - Vendors	80,550	10,861	91,411	89,935	1,476
Special Education Students - Vendors	60,738	(17,475)	43,263	43,250	13
Special Education Students - Joint Agreements	9,975	(6,285)	3,690	3,690	
Regular Students - ESC's and CTSA's	17,221	17,525	34,746	33,830	916
Special Education Students - ESC's and CTSA's	325,000	15,365	340,365	329,574	10,791
Aid in Lieu of Payments - Nonpublic Students	144,000	(9,035)	134,965	134,820	145
Miscellaneous Purchased Services	1,800	(455)	1,345	1,345	
Supplies and Materials	37,100	(4,245)	32,855	25,758	7,097
Other Objects	1,000	(155)	845	845	
Total Student Transportation Services	981,364	10,952	992,316	956,396	35,920

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Regular Programs - Instruction - Employee Benefits:					
Social Security Contributions	\$ 204,224		\$ 204,224	\$ 197,387	\$ 6,837
Other Retirement Contributions - Regular	166,589		166,589	107,004	59,585
Unemployment Compensation	5,000		5,000		5,000
Workmen's Compensation	122,869		122,869	99,841	23,028
Health Benefits	2,714,318	\$ (125,663)	2,588,655	2,353,113	235,542
Tuition Reimbursement	49,000		49,000	48,812	188
Other Employee Benefits	52,000		52,000	9,221	42,779
Total Regular Programs - Instruction - Employee Benefits	3,314,000	(125,663)	3,188,337	2,815,378	372,959
Special Programs - Instruction - Employee Benefits:					
Social Security Contributions	49,236		49,236	49,236	
Other Retirement Contributions - Regular	46,275		46,275	46,275	
Workmen's Compensation	34,130		34,130	27,732	6,398
Health Benefits	753,976		753,976	736,076	17,900
Tuition Reimbursement	11,145		11,145	9,575	1,570
Other Employee Benefits	6,000		6,000	1,424	4,576
Total Special Programs - Instruction - Employee Benefits	900,762		900,762	870,318	30,444
Other Instructional Programs - Instruction - Employee Benefits:					
Social Security Contributions	7,001		7,001	7,001	
Total Other Instructional Programs - Instruction - Employee Benefits	7,001		7,001	7,001	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Health Services - Employee Benefits:					
Social Security Contributions	\$ 3,775		\$ 3,775	\$ 3,775	
Other Retirement Contributions - Regular	3,085		3,085	3,085	
Workmen's Compensation	2,275		2,275	1,849	\$ 426
Health Benefits	50,265		50,265	50,265	
Tuition Reimbursement	950		950	945	5
Total Health Services - Employee Benefits	60,350		60,350	59,919	431
Other Support Serv. - Speech, OT, PT & Related Services - Employee Benefits:					
Social Security Contributions	3,775		3,775	3,775	
Other Retirement Contributions - Regular	3,085		3,085	3,085	
Workmen's Compensation	2,275		2,275	1,849	426
Health Benefits	50,265		50,265	50,265	
Total Other Support Serv. - Speech, OT, PT & Related Services - Employee Benefits	59,400		59,400	58,974	426
Other Supp. Serv. - Students - Extraordinary Serv. - Employee Benefits:					
Social Security Contributions	3,775		3,775	3,775	
Other Retirement Contributions - Regular	3,085		3,085	3,085	
Workmen's Compensation	2,275		2,275	1,849	426
Health Benefits	50,264		50,264	50,264	
Total Other Supp. Serv. - Students - Extraordinary Services - Employee Benefits	59,399		59,399	58,973	426

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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 - Guidance - Employee Benefits:					
Social Security Contributions	\$ 11,324		\$ 11,324	\$ 11,324	
Other Retirement Contributions - Regular	9,255		9,255	9,255	
Workmen's Compensation	6,826		6,826	5,547	\$ 1,279
Health Benefits	150,796		150,796	146,007	4,789
Tuition Reimbursement	3,000		3,000	1,330	1,670
Other Employee Benefits	5,000		5,000		5,000
Total Other Support Services - Guidance - Employee Benefits	186,201		186,201	173,463	12,738
Other Support Services - Child Study Teams - Employee Benefits:					
Social Security Contributions	11,324		11,324	11,324	
Other Retirement Contributions - Regular	9,255		9,255	9,255	
Workmen's Compensation	6,826		6,826	5,547	1,279
Health Benefits	150,796		150,796	146,007	4,789
Tuition Reimbursement	2,000		2,000	2,000	
Other Employee Benefits	2,000		2,000		2,000
Total Other Support Services - Child Study Teams - Employee Benefits	182,201		182,201	174,133	8,068
Improvement of Instruction Services - Employee Benefits:					
Social Security Contributions	3,775		3,775	3,775	
Other Retirement Contributions - Regular	3,085		3,085	3,085	
Workmen's Compensation	2,275		2,275	1,849	426
Health Benefits	50,265		50,265	50,265	
Other Employee Benefits	1,100		1,100		1,100
Total Improvement of Instruction Services - Employee Benefits	60,500		60,500	58,974	1,526

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Educational Media Services - School Library - Employee Benefits:					
Social Security Contributions	\$ 7,550		\$ 7,550	\$ 7,550	
Other Retirement Contributions - Regular	6,170		6,170	6,170	
Workmen's Compensation	4,550		4,550	3,697	\$ 853
Health Benefits	100,530		100,530	100,530	
Tuition Reimbursement	2,000		2,000	1,895	105
Total Educational Media Services - School Library - Employee Benefits	120,800		120,800	119,842	958
Support Services - General Administration - Employee Benefits:					
Social Security Contributions	7,550		7,550	7,550	
Other Retirement Contributions - Regular	6,170		6,170	6,170	
Workmen's Compensation	4,550		4,550	3,697	853
Health Benefits	100,530		100,530	100,530	
Other Employee Benefits	8,100		8,100		8,100
Total Support Services - General Administration - Employee Benefits	126,900		126,900	117,947	8,953
Support Services - School Administration - Employee Benefits:					
Social Security Contributions	30,198		30,198	30,198	
Other Retirement Contributions - Regular	24,680		24,680	24,680	
Workmen's Compensation	18,203		18,203	14,791	3,412
Health Benefits	402,121		402,121	389,351	12,770
Tuition Reimbursement	21,600		21,600	5,119	16,481
Other Employee Benefits	36,000		36,000	23,115	12,885
Total Support Services - School Administration - Employee Benefits	532,802		532,802	487,254	45,548

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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 - Central Services - Employee Benefits:					
Social Security Contributions	\$ 7,550		\$ 7,550	\$ 7,550	
Other Retirement Contributions - Regular	6,170		6,170	6,170	
Workmen's Compensation	4,550		4,550	3,697	\$ 853
Health Benefits	100,530		100,530	98,039	2,491
Total Support Services - Central Services - Employee Benefits	118,800		118,800	115,456	3,344
Support Services - Admin. Info. Technology - Employee Benefits:					
Social Security Contributions	3,775		3,775	3,775	
Other Retirement Contributions - Regular	3,085		3,085	3,085	
Workmen's Compensation	2,275		2,275	1,849	426
Health Benefits	50,265		50,265	50,265	
Total Support Services - Admin. Info. Technology - Employee Benefits	59,400		59,400	58,974	426
Operation and Maintenance of Plant Services - Employee Benefits:					
Social Security Contributions	18,874		18,874	18,874	
Other Retirement Contributions - Regular	15,425		15,425	15,425	
Workmen's Compensation	11,377		11,377	9,245	2,132
Health Benefits	251,330		251,330	243,348	7,982
Other Employee Benefits	1,000		1,000	1,000	
Total Operation and Maintenance of Plant Services - Employee Benefits	298,006		298,006	286,892	11,114

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Student Transportation Services - Employee Benefits:					
Social Security Contributions	\$ 3,775		\$ 3,775	\$ 3,775	
Other Retirement Contributions - Regular	3,085		3,085	3,085	
Workmen's Compensation	2,275		2,275	1,849	\$ 426
Health Benefits	50,265		50,265	50,265	
Other Employee Benefits	1,000		1,000		1,000
Total Student Transportation Services - Employee Benefits	<u>60,400</u>		<u>60,400</u>	<u>58,974</u>	<u>1,426</u>
 Total Allocated Benefits	 <u>6,146,922</u>	 <u>\$ (125,663)</u>	 <u>6,021,259</u>	 <u>5,522,472</u>	 <u>498,787</u>
 On-Behalf Contributions:					
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				54,845	(54,845)
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				1,030,060	(1,030,060)
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				1,259,670	(1,259,670)
Total On-Behalf Contributions				<u>2,344,575</u>	<u>(2,344,575)</u>
 Total Personal Services - Employee Benefits	 <u>6,146,922</u>	 <u>(125,663)</u>	 <u>6,021,259</u>	 <u>7,867,047</u>	 <u>(1,845,788)</u>
 Total Undistributed Expenses	 <u>18,635,666</u>	 <u>21,321</u>	 <u>18,656,987</u>	 <u>19,255,206</u>	 <u>(598,219)</u>
 TOTAL GENERAL CURRENT EXPENSE	 <u>36,022,951</u>	 <u>19,619</u>	 <u>36,042,570</u>	 <u>35,448,201</u>	 <u>594,369</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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		\$ 3,757	\$ 3,757	\$ 3,610	\$ 147
Undistributed Expenditures:					
Support Services - Child Study Teams	\$ 5,000	21,768	26,768	26,768	
School Administration	2,000	4,024	6,024	6,024	
Custodial Services	10,978	12,000	22,978	10,180	12,798
Non-Instructional Equipment - Student Transportation		6,995	6,995	6,995	
Student Transportation:					
School Buses - Regular	39,595	(6,995)	32,600	24,723	7,877
Total Equipment	<u>57,573</u>	<u>41,549</u>	<u>99,122</u>	<u>78,300</u>	<u>20,822</u>
TOTAL CAPITAL OUTLAY	<u>57,573</u>	<u>41,549</u>	<u>99,122</u>	<u>78,300</u>	<u>20,822</u>
TOTAL EXPENDITURES	<u>36,080,524</u>	<u>61,168</u>	<u>36,141,692</u>	<u>35,526,501</u>	<u>615,191</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(2,031,986)</u>	<u>(61,168)</u>	<u>(2,093,154)</u>	<u>140,980</u>	<u>2,234,134</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Sources/(Uses):					
Operating Transfer In/(Out):					
Interest Earned in Capital Projects Fund				\$ 59,548	\$ 59,548
Student Activity Agency Fund	\$ (61,000)	\$ (1,500)	\$ (62,500)	(55,554)	6,946
Transfer from Capital Reserve to Capital Projects Fund	(372,600)		(372,600)	(357,250)	15,350
Total Other Financing Sources/(Uses)	<u>(433,600)</u>	<u>(1,500)</u>	<u>(435,100)</u>	<u>(353,256)</u>	<u>81,844</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	(2,465,586)	(62,668)	(2,528,254)	(212,276)	2,315,978
Fund Balance, July 1	<u>5,691,427</u>		<u>5,691,427</u>	<u>5,691,427</u>	
Fund Balance, June 30	<u>\$ 3,225,841</u>	<u>\$ (62,668)</u>	<u>\$ 3,163,173</u>	<u>\$ 5,479,151</u>	<u>\$ 2,315,978</u>
Recapitulation:					
Reserve for Encumbrances				\$ 854,332	
Reserve for Excess Surplus				736,916	
Reserve for Excess Surplus - Designated for Subsequent Year's Expenditures				1,592,362	
Capital Reserve				614,198	
Reserved for Mortgage Sale of Building				165,151	
Unreserved - Designated for Subsequent Year's Expenditures				600,000	
Unreserved - Undesignated				916,192	
				<u>5,479,151</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(278,825)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 5,200,326</u>	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 15,393	\$ 15,393	\$ 6,072	\$ (9,321)
State Sources	\$ 122,600	53,457	176,057	166,324	(9,733)
Federal Sources	500,000	670,728	1,170,728	595,711	(575,017)
Total Revenues	<u>622,600</u>	<u>739,578</u>	<u>1,362,178</u>	<u>768,107</u>	<u>(594,071)</u>
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services	122,600	66,967	189,567	147,589	41,978
Other Purchased Professional Services		25,244	25,244	25,244	
Tuition	500,000	(24,467)	475,533	475,533	
General Supplies		542,539	542,539	55,603	486,936
Textbooks		21,288	21,288	21,288	
Total Instruction	<u>622,600</u>	<u>631,571</u>	<u>1,254,171</u>	<u>725,257</u>	<u>528,914</u>
Support Services:					
Personal Services - Salaries		1,179	1,179	1,179	
Purchased Professional and Technical Services		79,871	79,871	12,469	67,402
Supplies and Materials		321	321		321
Other Objects		3,903	3,903	3,376	527
Total Support Services		<u>85,274</u>	<u>85,274</u>	<u>17,024</u>	<u>68,250</u>
Equipment:					
Instructional Equipment		22,733	22,733	25,826	(3,093)
Total Equipment		<u>22,733</u>	<u>22,733</u>	<u>25,826</u>	<u>(3,093)</u>
Total Expenditures	<u>622,600</u>	<u>739,578</u>	<u>1,362,178</u>	<u>768,107</u>	<u>594,071</u>
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	General	Special
Sources/Inflows of Resources:	Fund	Revenue
Actual Amounts (Budgetary Basis) "Revenue"	<u> </u>	<u> </u>
from the Budgetary Comparison Schedule	\$ 35,667,481	\$ 768,107
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.		1,872
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	265,104	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(278,825)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 35,653,760</u>	<u>\$ 769,979</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 35,526,501	\$ 768,107
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>1,872</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 35,526,501</u>	<u>\$ 769,979</u>

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the County office and are voted on at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m). 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 or 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 the GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>No Child Left Behind</u>			<u>Character Education Aid</u>	<u>Character Education Aid Carryover</u>
	<u>Title II A</u>	<u>Title II A Carryover</u>	<u>Title IV</u>		
REVENUE:					
Local Sources					
State Sources				\$ 1,459	\$ 1,917
Federal Sources	\$ 36,421	\$ 916	\$ 3,651		
Total Revenue	<u>36,421</u>	<u>916</u>	<u>3,651</u>	<u>1,459</u>	<u>1,917</u>
EXPENDITURES:					
Instruction:					
Purchased Professional/Educational Services	31,130	43			
Other Purchased Professional Services					
Tuition					
General Supplies	5,291	873	3,651		
Textbooks					
Total Instruction	<u>36,421</u>	<u>916</u>	<u>3,651</u>		
Support Services:					
Salaries of Other Professional Staff					
Purchased Professional & Technical Services					
Other Objects				1,459	1,917
Total Support Services				<u>1,459</u>	<u>1,917</u>
Facilities Acquisition:					
Instructional Equipment					
Total Facilities Acquisition					
Total Expenditures	<u>\$ 36,421</u>	<u>\$ 916</u>	<u>\$ 3,651</u>	<u>\$ 1,459</u>	<u>\$ 1,917</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ARRA - IDEA, Part B	IDEA, Part B		
	Basic	Basic	Basic Carryover	Preschool
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 49,783	\$ 479,727	\$ 10,331	\$ 14,882
Total Revenue	<u>49,783</u>	<u>479,727</u>	<u>10,331</u>	<u>14,882</u>
EXPENDITURES:				
Instruction:				
Purchased Professional/Educational Services				
Other Purchased Professional Services				
Tuition		460,651		14,882
General Supplies	27,050	18,738		
Textbooks				
Total Instruction	<u>27,050</u>	<u>479,389</u>		<u>14,882</u>
Support Services:				
Salaries of Other Professional Staff				
Purchased Professional & Technical Services		338	10,331	
Other Objects				
Total Support Services		<u>338</u>	<u>10,331</u>	
Facilities Acquisition:				
Instructional Equipment	22,733			
Total Facilities Acquisition	<u>22,733</u>			
Total Expenditures	<u>\$ 49,783</u>	<u>\$ 479,727</u>	<u>\$ 10,331</u>	<u>\$ 14,882</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Nonpublic Auxiliary Services (Chapter 192)		Nonpublic Handicapped Services (Chapter 193)		
	Compensatory Education	English as a Second Language	Supplementary Instruction	Examination and Classification	Corrective Speech
REVENUE:					
Local Sources					
State Sources	\$ 22,553	\$ 979	\$ 28,591	\$ 42,952	\$ 21,341
Federal Sources					
Total Revenue	<u>22,553</u>	<u>979</u>	<u>28,591</u>	<u>42,952</u>	<u>21,341</u>
EXPENDITURES:					
Instruction:					
Purchased Professional/Educational Services	22,553	979	28,591	42,952	21,341
Other Purchased Professional Services					
Tuition					
General Supplies					
Textbooks					
Total Instruction	<u>22,553</u>	<u>979</u>	<u>28,591</u>	<u>42,952</u>	<u>21,341</u>
Support Services:					
Salaries of Other Professional Staff					
Purchased Professional & Technical Services					
Other Objects					
Total Support Services					
Facilities Acquisition:					
Instructional Equipment					
Total Facilities Acquisition					
Total Expenditures	<u>\$ 22,553</u>	<u>\$ 979</u>	<u>\$ 28,591</u>	<u>\$ 42,952</u>	<u>\$ 21,341</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Nonpublic</u>		<u>Local Grants</u>	<u>Totals June 30, 2010</u>
	<u>Textbook</u>	<u>Nursing</u>		
REVENUE:				
Local Sources			\$ 6,072	\$ 6,072
State Sources	\$ 21,288	\$ 25,244		166,324
Federal Sources				595,711
Total Revenue	<u>21,288</u>	<u>25,244</u>	<u>6,072</u>	<u>768,107</u>
EXPENDITURES:				
Instruction:				
Purchased Professional/Educational Services				147,589
Other Purchased Professional Services		25,244		25,244
Tuition				475,533
General Supplies				55,603
Textbooks	21,288			21,288
Total Instruction	<u>21,288</u>	<u>25,244</u>		<u>725,257</u>
Support Services:				
Salaries of Other Professional Staff			1,179	1,179
Purchased Professional & Technical Services			1,800	12,469
Other Objects				3,376
Total Support Services			<u>2,979</u>	<u>17,024</u>
Facilities Acquisition:				
Instructional Equipment			3,093	25,826
Total Facilities Acquisition			<u>3,093</u>	<u>25,826</u>
Total Expenditures	<u>\$ 21,288</u>	<u>\$ 25,244</u>	<u>\$ 6,072</u>	<u>\$ 768,107</u>

CAPITAL PROJECTS FUND

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2010

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 238,167
Investment Income	59,548
Transfer from Capital Reserve	<u>357,250</u>
Total Revenue and Other Financing Sources	<u>654,965</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	\$ 1,634,232
Construction Services	5,452,664
Operating Transfers Out:	
Transfer to General Fund	<u>59,548</u>
Total Expenditures and Other Financing Uses	<u>7,146,444</u>
Excess/Deficiency of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	(6,491,479)
Fund Balance - Beginning	<u>11,085,281</u>
Fund Balance - Ending	<u><u>\$ 4,593,802</u></u>
<u>Recapitulation of Fund Balance at June 30, 2010:</u>	
Reserve for Encumbrances	\$ 300
Unreserved - Undesignated	<u>4,593,502</u>
	4,593,802
Reconciliation to Governmental Funds Statement (GAAP):	
State Sources - SDA Grant not Recognized on GAAP Basis	<u>(238,167)</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 4,355,635</u></u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
RENOVATIONS AND ALTERATIONS AT
PEQUANNOCK HIGH SCHOOL AND PEQUANNOCK VALLEY MIDDLE SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Bond Proceeds and Transfers	\$ 12,990,000		\$ 12,990,000	\$ 12,990,000
Total Revenue and Other Financing Sources	12,990,000		12,990,000	12,990,000
Expenditures:				
Purchased Professional & Technical Services	862,371	\$ 1,631,784	2,494,155	2,608,387
Construction Services	1,042,348	5,452,664	6,495,012	10,381,613
Total Expenditures	1,904,719	7,084,448	8,989,167	12,990,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ 11,085,281	\$ (7,084,448)	\$ 4,000,833	\$ -0-

Additional Project Information:

Project Number(s)	4080-050-08-1000; 4080-080-08-1000
Grant Date	N/A - District opted to receive Debt Service Aid.
Bond Authorization Date	05/05/09
Bonds Authorized	\$ 12,990,000
Bonds Issued	\$ 12,990,000
Original Authorized Cost	\$ 12,990,000
Change Orders	\$ -0-
Revised Authorized Cost	\$ 12,990,000
Change Order Percentage	0.00%
Percentage Completion	69.20%
Original Target Completion Date	9/1/2010
Revised Target Completion Date	9/1/2011

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
PEQUANNOCK VALLEY MIDDLE SCHOOL GYMNASIUM BLEACHERS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 42,167	\$ 42,167	\$ 42,167
Transfer from Capital Reserve		63,250	63,250	63,250
Total Revenue and Other Financing Sources	\$ -0-	105,417	105,417	105,417
Expenditures:				
Purchased Professional & Technical Services		1,224	1,224	21,083
Construction Services				84,334
Total Expenditures	-0-	1,224	1,224	105,417
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 104,193	\$ 104,193	\$ -0-

Additional Project Information:

Project Number(s)	4080-080-09-1001
Grant Date	6/15/2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 105,417
Change Orders	\$ -0-
Revised Authorized Cost	\$ 105,417
Change Order Percentage	0.00%
Percentage Completion	1.16%
Original Target Completion Date	10/14/2010
Revised Target Completion Date	N/A

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
STEPHEN J. GERACE ELEMENTARY SCHOOL BOILER REPLACEMENT
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 196,000	\$ 196,000	\$ 196,000
Transfer from Capital Reserve		294,000	294,000	294,000
Total Revenue and Other Financing Sources	<u>-0-</u>	<u>490,000</u>	<u>490,000</u>	<u>490,000</u>
Expenditures:				
Purchased Professional & Technical Services		1,224	1,224	97,224
Construction Services				392,776
Total Expenditures	<u>-0-</u>	<u>1,224</u>	<u>1,224</u>	<u>490,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ -0-</u>	<u>\$ 488,776</u>	<u>\$ 488,776</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	4080-100-09-1002
Grant Date	6/15/2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 490,000
Change Orders	\$ -0-
Revised Authorized Cost	\$ 490,000
Change Order Percentage	0.00%
Percentage Completion	0.25%
Original Target Completion Date	10/14/2010
Revised Target Completion Date	N/A

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF NOTES PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Balance July 1, 2009</u>	<u>Issued</u>	<u>Retired or Matured</u>	<u>Balance June 30, 2010</u>
School Improvements	12/18/2008	7/15/2009	\$ 3,500,000	3.400%	\$ 3,500,000		\$ 3,500,000	\$ -0-
					<u>\$ 3,500,000</u>	<u>\$ -0-</u>	<u>\$ 3,500,000</u>	<u>\$ -0-</u>

PROPRIETARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	Business-Type Activities:		
	Enterprise Funds		
	Food Service	Imagine Program	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 54,895	\$ 3,356	\$ 58,251
Interfund Receivable	3,988		3,988
Receivable from Federal Government	6,251		6,251
Receivable from State Government	591		591
Receivables - Other	9,252		9,252
Inventory	7,711		7,711
Total Current Assets	<u>82,688</u>	<u>3,356</u>	<u>86,044</u>
Non-Current Assets:			
Capital Assets	130,250		130,250
Less: Accumulated Depreciation	<u>(72,654)</u>		<u>(72,654)</u>
Total Non-Current Assets	<u>57,596</u>		<u>57,596</u>
Total Assets	<u>140,284</u>	<u>3,356</u>	<u>143,640</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	<u>18,902</u>		<u>18,902</u>
Total Liabilities	<u>18,902</u>		<u>18,902</u>
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt	57,596		57,596
Unrestricted	<u>63,786</u>	<u>3,356</u>	<u>67,142</u>
Total Net Assets	<u>\$ 121,382</u>	<u>\$ 3,356</u>	<u>\$ 124,738</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities: Enterprise Funds		
	Food Service	Imagine Program	Total
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 316,068		\$ 316,068
Daily Sales - Non-Reimbursable Programs	308,461		308,461
Special Events	3,760		3,760
Total Operating Revenue	<u>628,289</u>		<u>628,289</u>
Operating Expenses:			
Cost of Sales	326,470		326,470
Salaries	228,602		228,602
Payroll Taxes	32,286		32,286
Employee Benefits	18,556		18,556
Purchased Property Services	86,446		86,446
Supplies and Materials	31,953		31,953
Depreciation Expense	5,185		5,185
Total Operating Expenses	<u>729,498</u>		<u>729,498</u>
Operating Income/(Loss)	<u>(101,209)</u>		<u>(101,209)</u>
Non-Operating Revenue:			
Federal Sources:			
National School Lunch Program	51,700		51,700
Special Milk Program	14,116		14,116
Food Distribution Program	26,208		26,208
State Sources:			
State School Lunch Program	6,088		6,088
Local Sources:			
Interest Revenue	529	\$ 15	544
Total Non-Operating Revenue	<u>98,641</u>	<u>15</u>	<u>98,656</u>
Change in Net Assets	(2,568)	15	(2,553)
Net Assets - Beginning of Year	<u>123,950</u>	<u>3,341</u>	<u>127,291</u>
Net Assets - End of Year	<u>\$ 121,382</u>	<u>\$ 3,356</u>	<u>\$ 124,738</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities:		
	Enterprise Funds		
	Food Service	Imagine Program	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 663,261		\$ 663,261
Payments to Food Service Vendor	(669,851)		(669,851)
Payments to Suppliers	(15,925)		(15,925)
Net Cash Provided by/(Used for) Operating Activities	<u>(22,515)</u>		<u>(22,515)</u>
Cash Flows from Investing Activities:			
Interest Revenue	529	\$ 15	544
Net Cash Provided by/(Used for) Investing Activities	<u>529</u>	<u>15</u>	<u>544</u>
Cash Flows from Noncapital Financing Activities:			
Receipt of Federal Aid	63,221		63,221
Receipt of State Aid	5,828		5,828
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>69,049</u>		<u>69,049</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of Capital Assets	(46,650)		(46,650)
Net Cash Used for Capital and Related Financing Activities	<u>(46,650)</u>		<u>(46,650)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	413	15	428
Cash and Cash Equivalents, July 1	<u>54,482</u>	<u>3,341</u>	<u>57,823</u>
Cash and Cash Equivalents, June 30	<u>\$ 54,895</u>	<u>\$ 3,356</u>	<u>\$ 58,251</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (101,209)	\$ - 0 -	\$ (101,209)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used for) Operating Activities:			
Depreciation	5,185		5,185
Federal Food Distribution Program	26,208		26,208
Changes in Assets and Liabilities:			
Decrease in Interfund Receivable	12,791		12,791
Decrease in Accounts Receivable	22,181		22,181
(Increase) in Inventory	(289)		(289)
Increase in Accounts Payable	12,618		12,618
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (22,515)</u>	<u>\$ - 0 -</u>	<u>\$ (22,515)</u>
<u>Non-Cash Investing, Capital and Financing Activities:</u>			

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$26,208 for the fiscal year ended June 30, 2010.

FIDUCIARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>			<u>Total</u>
ASSETS:					
Cash and Cash Equivalents	\$ 97,279	\$ 769,779	\$ 867,058	\$ 222,893	\$ 7,756
Investments	18,000		18,000		186,404
Interfund Receivable - General Fund	3		3		
Interfund Receivable - Payroll Agency Fund				35,744	
Total Assets	<u>115,282</u>	<u>769,779</u>	<u>885,061</u>	<u>258,637</u>	<u>194,160</u>
LIABILITIES:					
Accrued Salaries and Wages		726,894	726,894		
Accounts Payable - Vendors		2,577	2,577		
Interfund Payable - General Fund		17	17		
Interfund Payable - Unemployment Compensation Trust Fund		35,744	35,744		
Payroll Deductions and Withholdings		4,547	4,547		
Due to Student Groups	115,282		115,282		
Total Liabilities	<u>115,282</u>	<u>769,779</u>	<u>885,061</u>	<u>-0-</u>	<u>-0-</u>
NET ASSETS:					
Held in Trust for:					
Unemployment Claims				258,637	
Scholarships					194,160
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 258,637</u>	<u>\$ 194,160</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
ADDITIONS:			
Contributions - Employee	\$ 172,236		\$ 172,236
Contributions - District	40,000		40,000
Donations		\$ 42,686	42,686
Total Contributions	212,236	42,686	254,922
Investment Earnings:			
Interest	1,321	2,758	4,079
Net Investment Earnings	1,321	2,758	4,079
Total Additions	213,557	45,444	259,001
DEDUCTIONS:			
Unemployment Compensation Claims	101,749		101,749
Scholarships Awarded		30,835	30,835
Total Deductions	101,749	30,835	132,584
Change in Net Assets	111,808	14,609	126,417
Net Assets - Beginning of the Year	146,829	179,551	326,380
Net Assets - End of the Year	\$ 258,637	\$ 194,160	\$ 452,797

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$ 68,610	\$ 407,566	\$ 378,897	\$ 97,279
Investments	18,000			18,000
Interfund Receivable - General Fund		3		3
Total Assets	<u>\$ 86,610</u>	<u>\$ 407,569</u>	<u>\$ 378,897</u>	<u>\$ 115,282</u>
LIABILITIES:				
Due to Student Groups	\$ 86,606	\$ 407,569	\$ 378,893	\$ 115,282
Interfund Payable - General Fund	4		4	
Total Liabilities	<u>\$ 86,610</u>	<u>\$ 407,569</u>	<u>\$ 378,897</u>	<u>\$ 115,282</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
Middle School:				
Pequannock Valley	\$ 18,626	\$ 100,365	\$ 96,606	\$ 22,385
Senior High School:				
Pequannock	67,980	246,267	221,350	92,897
Interscholastic Athletics		60,937	60,937	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total All Schools	<u>\$ 86,606</u>	<u>\$ 407,569</u>	<u>\$ 378,893</u>	<u>\$ 115,282</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$ 821,704	\$24,053,539	\$24,105,464	\$ 769,779
Total Assets	<u>\$ 821,704</u>	<u>\$24,053,539</u>	<u>\$24,105,464</u>	<u>\$ 769,779</u>
 LIABILITIES:				
Accrued Salaries and Wages	\$ 642,003	\$ 727,360	\$ 642,469	\$ 726,894
Interfund Payable - General Fund	56,296	3,350	59,629	17
Interfund Payable - Unemployment Compensation Trust Fund		35,744		35,744
Accounts Payable - Vendors		2,577		2,577
Payroll Deductions and Withholdings	123,405	23,284,508	23,403,366	4,547
Total Liabilities	<u>\$ 821,704</u>	<u>\$24,053,539</u>	<u>\$24,105,464</u>	<u>\$ 769,779</u>

LONG-TERM DEBT

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2009	Retired/ Matured	Balance June 30, 2010
			Date	Amount				
School Improvements	2/15/99	\$ 5,500,000	2/15/11	\$ 490,000	4.25%	\$ 2,010,000	\$ 470,000	\$ 1,540,000
			2/15/12	515,000	4.25%			
			2/15/13	535,000	4.25%			
Schools Renovations and Alterations	5/5/2009	12,990,000	1/15/2011	250,000	3.500%			
			1/15/2012	40,000	3.500%			
			1/15/2013	40,000	3.500%			
			1/15/2014	600,000	3.500%			
			1/15/2015	620,000	3.500%			
			1/15/2016	640,000	3.500%			
			1/15/2017	660,000	3.750%			
			1/15/2018	680,000	4.000%			
			1/15/2019	705,000	4.000%			
			1/15/2020	725,000	4.000%			
			1/15/2021	755,000	4.000%			
			1/15/2022	780,000	4.000%			
			1/15/2023	810,000	4.250%			
			1/15/2024	845,000	4.250%			
			1/15/2025	885,000	4.250%			
			1/15/2026	920,000	4.250%			
			1/15/2027	965,000	4.250%			
1/15/2028	1,010,000	4.375%						
1/15/2029	1,060,000	4.375%						
						12,990,000		12,990,000
						<u>\$ 15,000,000</u>	<u>\$ 470,000</u>	<u>\$ 14,530,000</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ 603,675		\$ 603,675	\$ 603,675	
Investment Income				143	\$ 143
State Sources:					
Debt Service Aid Type II	332,122		332,122	332,122	
Total Revenues	<u>935,797</u>		<u>935,797</u>	<u>935,940</u>	<u>143</u>
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	481,275		481,275	481,275	
Redemption of Principal	470,000		470,000	470,000	
Total Regular Debt Service	<u>951,275</u>		<u>951,275</u>	<u>951,275</u>	
Total Expenditures	<u>951,275</u>		<u>951,275</u>	<u>951,275</u>	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	<u>(15,478)</u>		<u>(15,478)</u>	<u>(15,335)</u>	<u>143</u>
Fund Balance, July 1	<u>16,388</u>		<u>16,388</u>	<u>16,388</u>	
Fund Balance, June 30	<u>\$ 910</u>	<u>\$ - 0 -</u>	<u>\$ 910</u>	<u>\$ 1,053</u>	<u>\$ 143</u>

Recapitulation:

Unreserved - Designated for Subsequent Year's Expenditures	\$ 910
Unreserved - Undesignated	<u>143</u>
	<u><u>\$ 1,053</u></u>

STATISTICAL SECTION

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

Contents

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <p>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.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>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.</p>	J-14 thru J-15
<p>Operating Information</p> <p>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.</p>	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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities:						
Invested in Capital Assets, Net of Related Debt	\$ 8,077,842	\$ 9,167,007	\$10,014,056	\$ 9,537,969	\$ 9,792,774	\$10,576,913
Restricted	2,702,586	2,345,488	2,731,058	3,549,283	4,851,595	4,918,814
Unrestricted/(Deficit)	<u>251,694</u>	<u>37,784</u>	<u>254,813</u>	<u>242,918</u>	<u>(33,250)</u>	<u>94,613</u>
Total Governmental Activities Net Assets	<u><u>\$11,032,122</u></u>	<u><u>\$11,550,279</u></u>	<u><u>\$12,999,927</u></u>	<u><u>\$13,330,170</u></u>	<u><u>\$14,611,119</u></u>	<u><u>\$15,590,340</u></u>
Business-type Activities:						
Invested in Capital Assets, Net of Related Debt	\$ 3,768	\$ 2,717	\$ 2,557	\$ 17,299	\$ 16,131	\$ 57,596
Unrestricted	<u>57,764</u>	<u>74,542</u>	<u>123,952</u>	<u>120,485</u>	<u>111,160</u>	<u>67,142</u>
Total Business-type Activities Net Assets	<u><u>\$ 61,532</u></u>	<u><u>\$ 77,259</u></u>	<u><u>\$ 126,509</u></u>	<u><u>\$ 137,784</u></u>	<u><u>\$ 127,291</u></u>	<u><u>\$ 124,738</u></u>
District-wide:						
Invested in Capital Assets, Net of Related Debt	\$ 8,081,610	\$ 9,169,724	\$10,016,613	\$ 9,555,268	\$ 9,808,905	\$10,634,509
Restricted	2,702,586	2,345,488	2,731,058	3,549,283	4,851,595	4,918,814
Unrestricted	<u>309,458</u>	<u>112,326</u>	<u>378,765</u>	<u>363,403</u>	<u>77,910</u>	<u>161,755</u>
Total District-wide Net Assets	<u><u>\$11,093,654</u></u>	<u><u>\$11,627,538</u></u>	<u><u>\$13,126,436</u></u>	<u><u>\$13,467,954</u></u>	<u><u>\$14,738,410</u></u>	<u><u>\$15,715,078</u></u>

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

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

Expenses:	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Governmental Activities:						
Instruction:						
Regular	\$ 14,283,463	\$ 15,488,782	\$ 16,830,619	\$ 16,152,474	\$ 16,168,742	\$ 16,630,347
Special Education	2,857,648	3,129,124	3,857,096	4,844,401	4,929,171	4,632,100
Other Special Instruction	252,758	371,834	375,639	332,834	278,841	269,116
Other Instruction	608,516	676,099	694,825	610,206	587,190	609,241
Support Services:						
Tuition	1,014,819	1,282,879	1,673,444	1,357,758	1,194,968	1,906,607
Student & Instruction Related Services	3,818,276	3,930,783	3,731,949	4,685,640	4,441,124	4,492,381
General Administration Services	830,689	924,604	960,744	802,171	764,705	581,531
School Administration Services	1,929,416	1,976,568	2,050,554	1,981,556	2,035,764	2,269,299
Central Services	465,931	443,272	473,513	522,433	557,846	555,533
Administrative Information Technology	187,001	194,677	227,287	214,917	240,077	258,045
Plant Operations and Maintenance	2,613,203	2,491,532	2,753,346	2,843,071	2,946,804	2,438,628
Pupil Transportation	783,266	873,065	960,427	1,062,808	953,110	1,037,114
Interest on Long-term Debt	283,796	189,316	154,777	119,075	335,966	417,284
Unallocated Depreciation	214,850	211,393	58,844	350,936	173,464	102,931
Capital Outlay					23,208	184,295
Total Governmental Activities Expenses	30,143,632	32,183,928	34,803,064	35,880,280	35,630,980	36,384,452
Business-type Activities:						
Food Service	529,117	592,744	599,184	637,106	694,376	729,498
Imagine Program			34,478	54,039	29,508	
Total Business-type Activities Expenses	529,117	592,744	633,662	691,145	723,884	729,498
Total District-wide Expenses	30,672,749	32,776,672	35,436,726	36,571,425	36,354,864	37,113,950

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Program Revenues:						
Governmental Activities:						
Charges for Services:						
Tuition	\$ 91,630	\$ 267,488	\$ 268,650	\$ 182,523	\$ 285,191	\$ 280,000
Pupil Transportation		29,896	40,736	36,646	47,076	32,987
Operating Grants and Contributions	4,792,022	5,118,945	6,281,038	6,369,840	5,025,800	4,643,807
Capital Grants and Contributions	398,103	294,886	189,811		4,144	
Total Governmental Activities Program Revenues	<u>5,281,755</u>	<u>5,711,215</u>	<u>6,780,235</u>	<u>6,589,009</u>	<u>5,362,211</u>	<u>4,956,794</u>
Business-type Activities:						
Charges for Services:						
Food Service	464,926	545,794	545,607	553,105	625,291	628,289
Imagine Program			75,750	43,964	923	
Operating Grants and Contributions	64,094	60,381	57,782	86,287	85,060	98,112
Total Business-type Activities Program Revenues	<u>529,020</u>	<u>606,175</u>	<u>679,139</u>	<u>683,356</u>	<u>711,274</u>	<u>726,401</u>
Total District-wide Program Revenues	<u>5,810,775</u>	<u>6,317,390</u>	<u>7,459,374</u>	<u>7,272,365</u>	<u>6,073,485</u>	<u>5,683,195</u>
Net (Expense)/Revenue:						
Governmental Activities	\$(24,861,877)	\$(26,472,713)	\$(28,022,829)	\$(29,291,271)	\$(30,268,769)	\$(31,427,658)
Business-type Activities	(97)	13,431	45,477	(7,789)	(12,610)	(3,097)
Total District-wide Net (Expense)/Revenue	<u>(24,861,974)</u>	<u>(26,459,282)</u>	<u>(27,977,352)</u>	<u>(29,299,060)</u>	<u>(30,281,379)</u>	<u>(31,430,755)</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets:						
Governmental Activities:						
Property Taxes Levied for General Purposes, Net	\$ 23,931,328	\$ 25,186,576	\$ 27,271,858	\$ 28,377,446	\$ 29,453,628	\$ 30,448,340
Taxes Levied for Debt Service	1,230,445	695,424	979,346	977,709	345,474	603,675
Unrestricted Grants and Contributions	923,481	926,761	923,283	1,186,084	1,335,400	1,185,186
Investment Earnings	124,944	153,273	218,547	20,452	60,735	123,748
Miscellaneous Income	139,496	76,441	131,195	301,961	411,239	101,484
Transfers	(47,115)	(47,605)	(51,752)	(51,700)	(56,758)	(55,554)
Total Governmental Activities General Revenues & Other Changes in Net Assets	<u>26,302,579</u>	<u>26,990,870</u>	<u>29,472,477</u>	<u>30,811,952</u>	<u>31,549,718</u>	<u>32,406,879</u>
Business-type Activities:						
Investment Earnings	1,424	2,296	3,773	3,153	2,117	544
Total Business-type Activities General Revenues & Other Changes in Net Assets	<u>1,424</u>	<u>2,296</u>	<u>3,773</u>	<u>3,153</u>	<u>2,117</u>	<u>544</u>
Total District-wide General Revenues & Other Changes in Net Assets	<u>26,304,003</u>	<u>26,993,166</u>	<u>29,476,250</u>	<u>30,815,105</u>	<u>31,551,835</u>	<u>32,407,423</u>
Change in Net Assets:						
Governmental Activities	1,440,702	518,157	1,449,648	1,520,681	1,280,949	979,221
Business-type Activities	1,327	15,727	49,250	(4,636)	(10,493)	(2,553)
Total Districtwide Change in Net Assets	<u>\$ 1,442,029</u>	<u>\$ 533,884</u>	<u>\$ 1,498,898</u>	<u>\$ 1,516,045</u>	<u>\$ 1,270,456</u>	<u>\$ 976,668</u>

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

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
General Fund:						
Reserved	\$2,222,423	\$2,315,270	\$2,805,933	\$3,510,739	\$ 4,735,207	\$3,962,959
Unreserved	771,638	583,034	606,851	620,558	691,116	1,237,367
Total General Fund	\$2,994,061	\$2,898,304	\$3,412,784	\$4,131,297	\$ 5,426,323	\$5,200,326
Other Governmental Funds:						
Unreserved, Reported in:						
Capital Projects Fund	\$ 189,862	\$ 26,709			\$11,085,281	\$4,355,635
Debt Service Fund	290,301	3,509	\$ 25,125	\$ 38,544	16,388	1,053
Total Other Governmental Funds	\$ 480,163	\$ 30,218	\$ 25,125	\$ 38,544	\$11,101,669	\$4,356,688
Total Governmental Funds:						
Reserved	\$2,222,423	\$2,315,270	\$2,805,933	\$3,510,739	\$ 4,735,207	\$3,962,959
Unreserved, Reported in:						
General Fund	771,638	583,034	606,851	620,558	691,116	1,237,367
Capital Projects Fund	189,862	26,709			11,085,281	4,355,635
Debt Service Fund	290,301	3,509	25,125	38,544	16,388	1,053
Total Governmental Funds	\$3,474,224	\$2,928,522	\$3,437,909	\$4,169,841	\$16,527,992	\$9,557,014

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

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Revenues:						
Tax Levy	\$ 25,161,773	\$ 25,882,000	\$ 28,251,204	\$ 29,355,155	\$ 29,799,102	\$ 31,052,015
Tuition Charges	91,630	267,488	268,650	182,523	285,191	280,000
Transportation Fees		29,896	40,736	36,646	47,076	32,987
Interest Earnings	124,944	153,273	218,547	4,974	60,735	128,873
Miscellaneous	139,496	76,441	131,195	317,439	411,239	102,431
State Sources	5,601,597	5,794,891	6,784,346	6,939,892	5,808,449	5,043,031
Federal Sources	512,009	545,701	609,786	616,032	556,895	779,890
Total Revenues	31,631,449	32,749,690	36,304,464	37,452,661	36,968,687	37,419,227
Expenditures:						
Instruction:						
Regular Instruction	11,108,817	11,518,695	11,747,591	11,449,389	12,022,672	12,226,259
Special Education	218,910	2,326,700	2,722,729	3,596,363	3,733,052	3,346,976
Other Special Instruction	189,847	266,918	254,660	231,072	273,841	262,115
Other Instruction	477,659	505,943	502,435	608,428	606,745	609,241
Support Services:						
Tuition	1,014,819	1,282,879	1,673,444	1,357,758	1,194,968	1,906,607
Student & Instruction Related Services	3,048,266	3,069,438	3,003,943	3,291,953	3,349,465	3,485,508
General Administration	742,176	834,527	890,125	749,471	643,909	660,728
School Administration	1,463,849	1,512,804	1,521,726	1,678,295	1,720,616	1,797,649
Central Services	346,235	360,507	368,803	396,948	415,313	445,747
Administrative Information Technology	140,355	158,647	185,528	184,078	187,711	199,071
Plant Operations and Maintenance	2,271,160	2,232,425	2,494,093	2,583,266	2,658,151	2,429,010
Pupil Transportation	713,748	814,863	897,050	977,462	880,920	956,396

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Expenditures:						
Support Services:						
Allocated Benefits				\$ 4,605,491	\$ 4,997,184	\$ 5,522,472
Unallocated Benefits	\$ 6,026,728	\$ 6,803,066	\$ 8,090,326	3,701,862	2,289,306	2,344,575
Capital Outlay	639,659	389,041	223,689	90,245	2,015,375	7,191,022
Debt Service:						
Principal	965,000	970,000	1,000,000	1,035,000	450,000	470,000
Interest & Other Charges	212,043	201,334	167,183	131,948	104,550	481,275
Total Expenditures	<u>29,579,271</u>	<u>33,247,787</u>	<u>35,743,325</u>	<u>36,669,029</u>	<u>37,543,778</u>	<u>44,334,651</u>
Other Financing Sources (Uses):						
Bond Proceeds					12,990,000	
Transfers In	2,959,519	2,059	30,133		51,860	416,798
Transfers Out	(3,871,200)	(49,664)	(81,885)	(51,700)	(108,618)	(472,352)
Total Other Financing Sources (Uses)	<u>(911,681)</u>	<u>(47,605)</u>	<u>(51,752)</u>	<u>(51,700)</u>	<u>12,933,242</u>	<u>(55,554)</u>
Net Change in Fund Balances	<u>\$ 1,140,497</u>	<u>\$ (545,702)</u>	<u>\$ 509,387</u>	<u>\$ 731,932</u>	<u>\$ 12,358,151</u>	<u>\$ (6,970,978)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.07%	3.56%	3.29%	3.19%	1.56%	2.56%

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

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

Fiscal Year Ending June 30,	Interest on Investments	Transportation Fees	Tuition	Rentals - Use of Facilities	Other	Total
2001	\$ 103,599			\$ 33,667	\$ 99,223	\$ 236,489
2002	51,809			36,000	67,432	155,241
2003	77,236			37,800	45,976	161,012
2004	112,011			37,800	51,487	201,298
2005	123,495		\$ 91,630	36,000	103,496	354,621
2006	151,214	\$ 29,896	267,488	40,675	35,766	525,039
2007	215,849	40,736	268,650	52,674	78,521	656,430
2008	191,425	36,646	182,523	41,914	73,596	526,104
2009	134,394	47,076	285,191	43,235	241,575	751,471
2010	64,057	32,987	280,000	53,193	48,291	478,528

Source: Pequannock Township School District records.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST SIX YEARS
UNAUDITED

Year Ended December 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	\$10,933,100	\$ 915,095,300	\$5,392,300	\$ 307,853	\$140,427,100	\$13,642,000	\$76,238,600	\$1,162,036,253	\$1,475,100	\$1,163,511,353	\$119,964,500	\$2.10	\$1,839,053,629
2005	10,448,700	923,347,600	6,325,900	294,247	142,716,500	13,642,000	87,568,100	1,184,343,047	1,263,484	1,185,606,531	119,403,100	2.17	2,093,119,341
2006*	21,728,100	2,221,857,000	12,415,300	107,700	256,253,900	23,322,300	219,494,400	2,755,178,700	2,051,300	2,757,230,000	229,964,700	0.98	2,379,505,973
2007	21,088,900	2,224,782,400	11,812,300	107,700	257,880,100	24,111,400	263,282,000	2,803,064,800	2,106,955	2,805,171,755	231,893,300	1.03	2,752,270,375
2008	22,344,500	2,238,253,800	12,825,200	113,700	235,470,600	46,101,500	333,506,000	2,888,615,300	2,289,198	2,890,904,498	232,288,200	1.03	2,900,519,174
2009	22,344,500	2,238,253,800	12,825,200	113,700	235,471,600	46,101,500	333,506,000	2,888,616,300	2,289,198	2,890,905,498	232,288,200	1.05	2,865,854,019

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. Revaluation of the Township's real property was effective in 2006.

* - Revaluation of the Township's real property was effective in 2006.

^a - Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

^b - Tax rates are per \$100 of assessed value.

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

Source: Pequannock Township Tax Assessor.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	<u>Pequannock Township School District Direct Rate</u>			<u>Overlapping Rates</u>		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Pequannock Township	Morris County	
2000	\$ 1.74	\$ 0.07	\$ 1.81	\$ 0.48	\$ 0.35	\$ 2.64
2001	1.77	0.12	1.89	0.50	0.36	2.75
2002	1.87	0.11	1.98	0.52	0.39	2.89
2003	1.98	0.10	2.08	0.56	0.42	3.06
2004	1.99	0.11	2.10	0.57	0.44	3.11
2005	2.06	0.11	2.17	0.62	0.47	3.26
2006	* 0.95 *	0.03 *	0.98 *	0.31 *	0.22 *	1.51
2007	0.99	0.04	1.03	0.33	0.23	1.59
2008	1.02	0.01	1.03	0.36	0.23	1.62
2009	1.03	0.02	1.05	0.39	0.23	1.66

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.

* - Revaluation of the Township's real property was effective in 2006.

^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.

Source: Pequannock Township Tax Collector and School Business Administrator.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable
Point View Campus LLC	\$ 329,630,600	1	11.40%			
Plaza 23 Associates	27,743,100	2	0.96%	\$ 17,149,300	1	1.63%
West End Road Associates	7,436,500	3	0.26%	4,800,000	2	0.46%
Adjess Associates	6,412,100	4	0.22%			
New EKC Corporation	6,291,200	5	0.22%	2,182,300	10	0.21%
PEQ Joint Venture	6,200,400	6	0.21%			
Perrin Associates LLC	5,948,700	7	0.21%			
Panraq Associates	4,812,200	8	0.17%	2,392,500	8	0.23%
Adventure Holdings I LLC	4,639,200	9	0.16%			
Virginia Ind. LLC	4,542,500	10	0.16%	2,700,000	6	0.26%
Marx Realty				4,000,000	3	0.38%
Edwards Engineering				3,500,000	4	0.33%
Pequannock Motel Associates				3,387,300	5	0.32%
Individual Taxpayer #1				2,603,200	7	0.25%
Morris Industries				2,214,800	9	0.21%
Total	\$ 403,656,500		14.64%	\$ 44,929,400		4.28%

Source: Pequannock Township Tax Assessor.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

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	
2001	\$ 19,987,977	\$ 19,987,977	100.00%	- 0 -
2002	21,399,179	21,399,179	100.00%	- 0 -
2003	22,668,511	22,668,511	100.00%	- 0 -
2004	23,986,035	23,986,035	100.00%	- 0 -
2005	25,161,773	25,161,773	100.00%	- 0 -
2006	25,882,000	25,882,000	100.00%	- 0 -
2007	28,251,204	28,251,204	100.00%	- 0 -
2008	29,355,155	29,355,155	100.00%	- 0 -
2009	29,799,102	29,799,102	100.00%	- 0 -
2010	31,052,015	31,052,015	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: Pequannock Township School District records, including the Certificate and Report of Report of School Taxes (A4F form).

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SIX FISCAL YEARS
UNAUDITED

Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases			
2005	\$ 3,710,000	\$ 1,755,000	\$ 11,628	\$ 5,476,628	0.60%	\$ 364.60
2006	3,310,000	1,185,000	- 0 -	4,495,000	0.46%	292.41
2007	2,895,000	600,000	- 0 -	3,495,000	0.32%	217.53
2008	2,460,000	- 0 -	- 0 -	2,460,000	0.21%	147.41
2009	15,000,000	- 0 -	- 0 -	15,000,000	1.26%	900.47
2010	14,530,000	- 0 -	- 0 -	14,530,000	1.21%	868.50

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: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SIX FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation Taxable ^a	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 3,710,000	\$ -0-	\$ 3,710,000	0.319%	\$ 246.99
2006	3,310,000	-0-	3,310,000	0.279%	215.33
2007	2,895,000	-0-	2,895,000	0.105%	180.18
2008	2,460,000	-0-	2,460,000	0.088%	147.41
2009	15,000,000	-0-	15,000,000	0.519%	900.47
2010	14,530,000	-0-	14,530,000	0.503%	868.50

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.

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

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2009
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:			
Pequannock Township	\$ 7,104,063	100.00%	\$ 7,104,063
Morris County General Obligation Debt	255,031,540	0.21%	<u>533,228</u>
Subtotal Overlapping Debt			7,637,291
Pequannock Township School District Direct Debt			<u>15,000,000</u>
Total Direct and Overlapping Debt			<u>\$ 22,637,291</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 Pequannock. 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.

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2010

Year Ended December 31,	Equalized Valuation Basis
2007	\$ 2,811,217,330
2008	2,849,443,203
2009	2,849,014,992
	<u>\$ 8,509,675,525</u>
Average Equalized Valuation of Taxable Property	<u>\$ 2,836,558,508</u>
Debt Limit ^a (3% of Average Equalization Value)	\$ 85,096,755
Net Bonded School Debt	<u>14,530,000</u>
Legal Debt Margin	<u>\$ 70,566,755</u>

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt Limit	\$ 47,358,820	\$ 51,774,385	\$ 57,459,201	\$ 63,928,104	\$ 72,087,334
Total Net Debt Applicable to Limit	<u>5,165,000</u>	<u>4,820,000</u>	<u>4,465,000</u>	<u>4,095,000</u>	<u>3,710,000</u>
Legal Debt Margin	<u>\$ 42,193,820</u>	<u>\$ 46,954,385</u>	<u>\$ 52,994,201</u>	<u>\$ 59,833,104</u>	<u>\$ 68,377,334</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	10.91%	9.31%	7.77%	6.41%	5.15%

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt Limit	\$ 81,746,500	\$ 94,109,547	\$ 104,309,795	\$ 111,423,919	\$ 85,096,755
Total Net Debt Applicable to Limit	<u>3,310,000</u>	<u>2,895,000</u>	<u>2,460,000</u>	<u>15,000,000</u>	<u>14,530,000</u>
Legal Debt Margin	<u>\$ 78,436,500</u>	<u>\$ 91,214,547</u>	<u>\$ 101,849,795</u>	<u>\$ 96,423,919</u>	<u>\$ 70,566,755</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.05%	3.08%	2.36%	13.46%	17.07%

^a - Limit set by NJSA 18A:24-19 for a K through 12 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Township Population ^a	Morris County Per Capita Personal Income ^b	Township Personal Income ^c	Township Unemployment Rate ^d
2000	\$ 13,873	\$ 56,177	\$ 779,343,521	2.40%
2001	13,744	56,673	778,913,712	3.00%
2002	14,069	56,535	795,390,915	4.60%
2003	14,388	57,018	820,374,984	4.60%
2004	15,021	61,101	917,798,121	3.70%
2005	15,372	63,297	973,001,484	3.70%
2006	16,067	68,364	1,098,404,388	4.00%
2007	16,688	71,300	1,189,854,400	3.60%
2008	16,658	71,812	1,196,244,296	4.80%
2009	16,730	71,812 *	1,201,414,760	8.20%

* - Latest Morris County per capita personal income available (2008) 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - MORRIS COUNTY
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Employer	2009		Employer	2000	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
United Parcel Service	1,927	0.76%	United Parcel Service	1,800	0.71%
Automatic Data Processing	1,400	0.55%	Merck-Medco	1,500	0.59%
Wyndham	1,366	0.54%	Cendant Corp.	1,200	0.47%
Avis	1,025	0.40%	AT&T	1,200	0.47%
Deloitte-Touche	1,000	0.39%	Tiffany & Company	1,100	0.43%
Realogy	900	0.35%	Automatic Data Processing	1,010	0.40%
State Farm	870	0.34%	Dialogic Corp.	950	0.37%
Tiffany & Company	800	0.31%	Lucent Technologies	850	0.33%
EBI	580	0.23%	Nabisco	825	0.32%
Common Health	555	0.22%	Dun & Bradstreet	700	0.28%
Total	10,423	4.09%	Total	11,135	4.38%
Total Employment *	254,678		Total Employment *	254,319	

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

Source: Morris County Treasurer's Office.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SIX 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>
Instruction:						
Regular	173.02	176.90	175.43	176.74	166.64	165.63
Special Education	53.28	57.40	58.66	60.40	63.90	63.90
Support Services:						
Student & Instruction Related Services	37.25	37.25	40.45	38.20	41.84	41.84
General Administration Services	6.00	4.00	5.00	4.50	4.00	4.00
School Administration Services	18.85	18.85	15.85	18.85	19.35	19.35
Plant Operations and Maintenance	22.50	22.50	21.00	25.00	24.50	24.50
Pupil Transportation	4.50	4.50	5.50	6.00	5.50	5.50
Business and Other Support Services	8.00	8.00	8.00	8.00	8.00	8.00
Total	<u>323.40</u>	<u>329.40</u>	<u>329.89</u>	<u>337.69</u>	<u>333.73</u>	<u>332.72</u>

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

Source: Pequannock Township School District Personnel Records.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST SIX FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary								
						Hillview	North Boulevard	Stephen J. Gerace	Middle School	High School				
2005	2,513	\$ 29,724,569	\$ 11,828	7.27%	216	13.7:1	13.5:1	13.2:1	10.7:1	11.5:1	2,507	2,406	4.50%	95.97%
2006	2,523	31,687,412	12,559	6.18%	208	12.0:1	13.5:1	14.5:1	10.9:1	11.8:1	2,523	2,400	0.64%	95.12%
2007	2,478	34,352,453	13,863	10.38%	209	12.9:1	13.6:1	13.6:1	10.5:1	11.2:1	2,487	2,377	-1.43%	95.58%
2008	2,432	35,411,836	14,561	5.03%	209	11.7:1	11.6:1	12.1:1	10.3:1	11.5:1	2,431	2,320	-2.25%	95.43%
2009	2,425	34,973,853	14,422	-0.95%	205	12.2:1	12.9:1	12.2:1	10.8:1	11.9:1	2,419	2,326	-0.49%	96.16%
2010	2,382	36,192,354	15,194	5.35%	223	12.2:1	12.9:1	12.2:1	10.8:1	11.9:1	2,366	2,262	-2.19%	95.60%

Note: Enrollment based on annual October District count.

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

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

^c - Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

^d - Cost per pupil is calculated based upon the enrollment and operating expenditures presented above which 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: Pequannock Township School District records.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SIX 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>
Hillview School (1962):						
Square Feet	45,005	45,005	45,005	45,005	45,005	45,005
Capacity (Students)	344	344	344	344	344	344
Enrollment	377	366	373	375	372	367
North Boulevard School (1954):						
Square Feet	45,902	45,902	45,902	45,902	45,902	45,902
Capacity (Students)	347	347	347	347	347	347
Enrollment	386	399	394	391	374	337
Stephen J. Gerace School (1969):						
Square Feet	34,834	34,834	34,834	34,834	34,834	34,834
Capacity (Students)	285	285	285	285	285	285
Enrollment	337	364	340	325	329	324
Pequannock Valley Middle School (1950):						
Square Feet	84,754	84,754	84,754	84,754	84,754	84,754
Capacity (Students)	453	453	453	453	453	453
Enrollment	615	612	597	557	578	619
Pequannock High School (1957):						
Square Feet	130,547	130,547	130,547	130,547	130,547	130,547
Capacity (Students)	541	541	541	541	541	541
Enrollment	798	782	774	784	772	735
Board Office:						
Square Feet	2,700	2,700	2,700	2,700	2,700	2,700

Number of Schools at June 30, 2010:

 Elementary = 3
 Middle School = 1
 High School = 1

Note: Year of original construction is shown in parentheses. 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: Pequannock Township School District Facilities Office.

PEQUANNOCK TOWNSHIP 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:

Fiscal Year Ended	Hillview Elementary School	North Boulevard Elementary School	Stephen J. Gerace Elementary School	Pequannock Valley Middle School	Pequannock High School	Total School Facilities*
2001	\$ 46,692	\$ 48,693	\$ 34,775	\$ 87,404	\$ 142,582	\$ 360,146
2002	43,901	45,782	32,696	82,179	134,058	338,616
2003	35,789	70,938	43,176	103,074	197,161	450,138
2004	52,414	67,719	41,909	72,420	150,890	385,352
2005	65,065	75,250	58,490	119,410	306,631	624,846
2006	51,153	52,172	39,592	96,332	148,381	387,630
2007	63,175	57,451	63,377	142,227	239,178	565,408
2008	80,570	66,535	52,739	134,712	211,269	545,825
2009	78,871	78,847	67,303	148,617	252,120	625,758
2010	70,667	70,667	59,796	135,898	206,566	543,594

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

Source: Pequannock Township School District records.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Pooled Insurance Program		
School Package Policy - Zurich Insurance Company:		
Property - Blanket Building and Contents	\$ 45,161,213	\$ 5,000
Crime-Blanket Employee Dishonesty	250,000	5,000
Forgery or Alteration	50,000	1,000
Form C -		
Loss Inside & Outside Money & Securities	50,000	1,000
Computer Fraud	50,000	1,000
Earthquake	5,000,000	5% of Limit
Flood (Outside Zones A, V or B)	5,000,000	50,000
(Zone B)	2,000,000	100,000
(Zone A or V)	1,000,000	5,000,000
Commercial General Liability	2,000,000	
Commercial Automotive Liability		
Towing & Labor		25
Comprehensive & Collision		1,000
Commercial Umbrella - American Alternative Insurance Company	9,000,000	10,000
School Board Legal Liability - Darwin National Assurance	1,000,000	Per Policy
Boiler and Machinery - Insurance Corporation of Hannover	100,000,000	1,000
School Board Legal Liability - Diamond State Insurance Company:		
Wrongful Acts (Directors and Officers Policy)	1,000,000	Per Policy
Excess Liability - Fireman's Fund Insurance Company	50,000,000	10,000
Student Accident Insurance - National Union Fire	Per Policy	
Sports Accident - Life Insurance Company of North America	Per Policy	
Accidental Death and Dismemberment - Gerber Life:		
Principal Sum	100,000	
Aggregate	500,000	
Public Employees' Faithful Performance Blanket Position Bond -		
Hartford Fire Insurance Company:		
Board Secretary/Business Administrator	250,000	
Treasurer	250,000	
Environmental Impairment Liability (Site Specific) -		
American Safety & Casualty Insurance Company:		
Each Occurrence	1,000,000	
Aggregate	3,000,000	15,000
Program Aggregate	20,000,000	
Workers' Compensation	1,000,000	
	Each Occurrence	

Source: Pequannock Township School District records.

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road Suite300
 Mount Arlington, NJ 07856-1320
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

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
 Pequannock Township 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 Pequannock Township School District, in the County of Morris (the "Board") as of, and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Finance, 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 opinions on the financial statements, but not for the purpose of expressing our 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 was not designed to identify all deficiencies in internal control over financial reporting 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
Pequannock Township School District
Page 2

Compliance and Other Matters

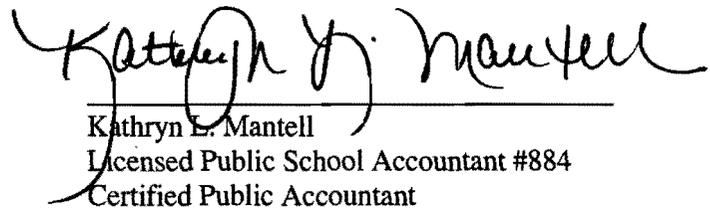
As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

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.

Mount Arlington, New Jersey
November 17, 2010



NISIVOCCIA & COMPANY, LLP



Kathryn E. Mantell
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Certified Public Accountant



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

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

Compliance

We have audited the compliance of the Board of Education of the Pequannock Township 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 the Board's major federal and state programs for the fiscal year ended June 30, 2010. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, 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; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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, 2010.

Honorable President and Members
of the Board of Education
Pequannock Township School District
Page 2

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal and 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 17, 2010

Nisivoccia & Company, LLP

NISIVOCCIA & COMPANY, LLP

Kathryn L. Mantell

Kathryn L. Mantell

Licensed Public School Accountant #884

Certified Public Accountant

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program/ Award Amount	Balance at June 30, 2009		Cash Received	Budgetary Expenditures	Adjust- ments	June 30, 2010				
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor				(Accounts Receivable)	Deferred Revenue	Due to Grantor		
U.S. Department of Education															
General Fund:															
ARRA - SFSF- ESF (Educ. State Grants)	84.394	N/A	7/1/09	6/30/10	\$ 175,513			\$ 175,513	\$ (175,513)						
ARRA - SFSF- GSF (Government Services)	84.397	N/A	7/1/09	6/30/10	6,794			6,794	(6,794)						
Total General Fund								182,307	(182,307)						
US Department of Education - Passed-through															
State Department of Education:															
Special Education Cluster:															
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-4080-10	9/1/09	8/31/10	502,006				(479,727)			\$ (479,727)			
I.D.E.A. - Part B, Preschool	84.173	IDEA-4080-10	9/1/09	8/31/10	14,882				(14,882)			(14,882)			
I.D.E.A. - Part B, Basic Regular - ARRA	84.391	ARRA-4080-10	7/1/09	8/31/11	575,213				(49,783)			(49,783)			
I.D.E.A. - Part B, Preschool - ARRA	84.392	ARRA-4080-10	7/1/09	8/31/11	20,818										
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-4080-09	9/1/08	8/31/09	505,584	\$ (495,253)		484,861	(10,331)	\$ 11,307		(9,416)			
I.D.E.A. - Part B, Preschool	84.173	IDEA-4080-09	9/1/08	8/31/09	14,919	(14,919)		1,444				(13,475)			
I.D.E.A. - Part B, Basic Regular - Carryover	84.027	IDEA-4080-09	9/1/07	8/31/09	498,186		\$ 636						\$ 636		
I.D.E.A. - Part B, Preschool	84.027	IDEA-4080-06	9/1/05	8/31/06	15,655		350						350		
Total Special Education Cluster								(510,172)	986	486,305	(554,723)	11,307	(567,283)	986	
No Child Left Behind:															
Title II, Part A	84.367A	NCLB-4080-09	9/1/08	8/31/09	37,521	(15,706)		1,213	(916)			(15,409)			
Title II, Part A	84.367A	NCLB-4080-10	9/1/09	8/31/10	38,288				(36,421)			(36,421)			
Title II, Part A - Carryover	84.367A	NCLB-4080-09	9/1/07	8/31/09	40,110		72			2			74		
Title II, Part A	84.367A	NCLB-4080-07	9/1/06	8/31/08	38,862		120						120		
Title II, Part A	84.367A	NCLB-4080-06	9/1/05	8/31/07	39,324		54						54		
Title IV	84.186A	NCLB-4080-10	9/1/09	8/31/10	3,893				(3,651)			(3,651)			
Title IV	84.186A	NCLB-4080-09	9/1/08	8/31/09	4,056	(4,056)		3,529				(527)			
Title IV - Carryover	84.186A	NCLB-4080-09	9/1/05	8/31/06	5,470		31						31		
Title V - Carryover	84.298A	NCLB-4080-06	9/1/05	8/31/07	3,755		192						192		
Hurricane Education Recovery Act	84.938C	EMER-4080-07	9/1/06	8/31/07	23,497		857			1			\$ 858		
Total US Department of Education								(529,934)	2,312	673,354	(778,018)	11,310	(623,291)	1,457	858

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program/ Award Amount	June 30, 2009			Adjust- ments	June 30, 2010			
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	(Accounts Receivable)	Deferred Revenue	Due to Grantor
US Department of Agriculture - Passed- through State Department of Education:													
Child Nutrition Cluster:													
National School Lunch Program	10.555	N/A	7/1/09	6/30/10	\$ 51,700			\$ 46,531	\$ (51,700)		\$ (5,169)		
National School Lunch Program	10.555	N/A	7/1/08	6/30/09	43,119	\$ (2,715)		2,715					
Federal Food Distribution Program	10.555	N/A	7/1/09	6/30/10	26,208			26,208	(26,208)				
Special Milk Program	10.556	N/A	7/1/09	6/30/10	14,116			13,034	(14,116)		(1,082)		
Special Milk Program	10.556	N/A	7/1/08	6/30/09	17,365	(941)		941					
Total Child Nutrition Cluster						(3,656)		89,429	(92,024)		(6,251)		
Total US Department of Agriculture						(3,656)		89,429	(92,024)		(6,251)		
TOTAL FEDERAL AWARDS						\$ (533,590)	\$ 2,312	\$ 762,783	\$ (870,042)	\$ 11,310	\$ (629,542)	\$ 1,457	\$ 858

N/A - Not Available

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2009		Cash Received	Budgetary Expenditures	Repayment of Balances	Balance at June 30, 2010			MEMO	
		From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Budgetary Deferred Revenue	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:														
General Fund:														
Transportation Aid	10-495-034-5120-014	7/1/09	6/30/10	\$ 237,513			\$ 200,710	\$ (237,513)					\$ (36,803)	\$ 237,513
Categorical Special Education	10-495-034-5120-089	7/1/09	6/30/10	902,041			762,268	(902,041)					(139,773)	902,041
Security Aid	10-495-034-5120-084	7/1/09	6/30/10	118,200			99,885	(118,200)					(18,315)	118,200
Equalization Aid	10-495-034-5120-078	7/1/09	6/30/10	541,676			457,742	(541,676)					(83,934)	541,676
Extraordinary Aid	10-100-034-5120-473	7/1/09	6/30/10	392,272				(392,272)		\$ (392,272)			(392,272)	392,272
Nonpublic Transportation	N/A	7/1/09	6/30/10	22,029				(22,029)		(22,029)			(22,029)	22,029
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09	6/30/10	1,259,670			1,197,690	(1,259,670)		(61,980)			(61,980)	1,259,670
Transportation Aid	09-495-034-5120-014	7/1/08	6/30/09	270,857	\$ (25,274)		25,274							270,857
Categorical Special Education	09-495-034-5120-089	7/1/08	6/30/09	1,357,800	(126,700)		126,700							1,357,800
Security Aid	09-495-034-5120-084	7/1/08	6/30/09	178,909	(16,695)		16,695							178,909
Equalization Aid	09-495-034-5120-078	7/1/08	6/30/09	1,033,465	(96,435)		96,435							1,033,465
Extraordinary Aid	09-100-034-5120-473	7/1/08	6/30/09	418,096	(418,096)		418,096							418,096
Nonpublic Transportation	N/A	7/1/08	6/30/09	26,796	(26,796)		26,796							26,796
Total General Fund State Aid					(709,996)		3,428,291	(3,473,401)		(476,281)			(755,106)	6,759,324
Special Revenue Fund:														
NJ Nonpublic Aid:														
Auxiliary Services (Chapter 192):														
Compensatory Education	10-100-034-5120-067	7/1/09	6/30/10	31,670			31,670	(22,553)			\$ 9,117			22,553
Compensatory Education	09-100-034-5120-067	7/1/08	6/30/09	37,823		\$ 3,979			\$ (3,979)					33,844
English as a Second Language	10-100-034-5120-067	7/1/09	6/30/10	3,915			3,915	(979)			2,936			979
Handicapped Services (Chapter 193):														
Supplementary Instruction	10-100-034-5120-066	7/1/09	6/30/10	28,912			28,912	(28,591)			321			28,591
Supplementary Instruction	09-100-034-5120-066	7/1/08	6/30/09	27,175		1,156			(1,156)					26,019
NJ Nonpublic Aid:														
Handicapped Services (Chapter 193):														
Examination & Classification	10-100-034-5120-066	7/1/09	6/30/10	\$ 43,686			43,686	(42,952)			734			42,952
Classification	09-100-034-5120-066	7/1/08	6/30/09	38,676		6,065			(6,065)					32,611
Corrective Speech	10-100-034-5120-066	7/1/09	6/30/10	21,342			21,342	(21,341)			1			21,341

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2009			Repay-ment of Balances	June 30, 2010			MEMO		
		From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP (Accounts Receivable)	Budgetary Deferred Revenue	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:														
Special Revenue Fund:														
Textbook Aid (Chapter 194)	10-100-034-5120-064	7/1/09	6/30/10	21,288			\$ 21,288	\$ (21,288)					\$ 21,288	
Nursing Services (Chapter 226)	10-100-034-5120-070	7/1/09	6/30/10	25,244			25,244	(25,244)					25,244	
Character Education Aid	10-100-034-5120-418	7/1/09	6/30/10	1,500			1,500	(1,459)		\$ 41			1,459	
Character Education Aid - Carryover	09-100-034-5120-418	7/1/08	6/30/10	3,000	\$ 3,000			(1,917)		1,083			1,917	
Character Education Aid - Carryover	08-100-034-5120-418	7/1/07	6/30/08	3,000	797					797			2,203	
Total Special Revenue Fund					3,797	\$ 11,200	177,557	(166,324)	\$ (11,200)	1,921	\$ 13,109		261,001	
Debt Service Fund:														
Debt Service Aid Type II	10-034-5120-034-017	7/1/09	6/30/10	332,122			332,122	(332,122)					332,122	
Total Debt Service Fund							332,122	(332,122)					332,122	
Enterprise Fund:														
State School Lunch Program	10-100-010-3350-023	7/1/09	6/30/10	6,088			5,497	(6,088)		\$ (591)		\$ (591)	6,088	
State School Lunch Program	09-100-010-3350-023	7/1/08	6/30/09	5,613	(331)		331						5,613	
Total Enterprise Fund					(331)		5,828	(6,088)		(591)		(591)	11,701	
NJ Economic Development Authority:														
Schools Development Authority:														
Capital Projects Fund:														
Pequanock Middle School - Gymnasium Bleachers	4080-080-09-1001	7/1/09	6/30/11	42,167									(42,167)	
Stephen J. Gerace Elementary School - Boiler Replacement	4080-100-09-1002	7/1/09	6/30/11	196,000									(196,000)	
Total Capital Projects Fund													(238,167)	
TOTAL STATE AWARDS					\$ (706,530)	\$ 11,200	\$ 3,943,798	\$ (3,977,935)	\$ (11,200)	\$ (476,872)	\$ 1,921	\$ 13,109	\$ (993,864)	\$ 7,364,148

N/A - Not Applicable

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal and state awards include federal and state award activities of the Board of Education, Pequannock Township School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies is included on the schedules of expenditures of federal and state awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting with the exception of programs recorded in the Enterprise Service Funds, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in the schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent fiscal 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 net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$13,721) and \$1,872 for the General and Special Revenue Funds, respectively. See Exhibits C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Noncontributory Insurance and Post Retirement Contributions revenue of \$54,845 and \$1,030,060 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 182,307	\$ 4,544,585	\$ 4,726,892
Special Revenue Fund	597,583	166,324	763,907
Debt Service Fund		332,122	332,122
Proprietary Fund - Food Service Enterprise Fund	92,024	6,088	98,112
Total Financial Assistance	<u>\$ 871,914</u>	<u>\$ 5,049,119</u>	<u>\$ 5,921,033</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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. NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

The District has active grants awarded in the amount of \$238,167 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. The District has realized the grants in full on the budgetary basis and has not collected any portion of the grants; therefore, \$238,167 is receivable on the budgetary basis as of June 30, 2010. The District realizes grants receivable on the GAAP basis as they are expended and has not expended or nor drawn down any portion of the grants; therefore, there is no receivable on the GAAP basis as of June 30, 2010.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2010. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 state and federal programs.
- An unqualified report was issued on the District's compliance for major state and federal programs.
- The audit did not disclose any audit findings which are required to be reported under Federal OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*.
- The District's major state and federal programs for the current fiscal year consisted of the following state and federal awards:

	<u>Grant/CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
ARRA - SFSF-				
ESF (Educ. State Grants)	N/A	7/1/09-6/30/10	\$ 175,513	\$ 175,513
GSF (Government Services)	N/A	7/1/09-6/30/10	6,794	6,794
Special Education Cluster:				
I.D.E.A. Part B:				
Basic Regular	84.027	9/1/09-8/31/10	502,006	479,727
Basic Regular - Carryover	84.027	9/1/08-8/31/09	505,584	10,331
Preschool	84.173	9/1/09-8/31/10	14,882	14,882
ARRA I.D.E.A. Part B:				
Basic Regular	84.391	7/1/09-8/31/11	575,213	49,783
<u>State:</u>				
Special Education Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	902,041	902,041
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	541,676	541,676
Categorical Security Aid	10-495-034-5120-084	7/1/09-6/30/10	118,200	118,200
Debt Service Aid Type II	10-100-034-5120-124	7/1/09-6/30/10	332,122	332,122

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

Summary of Auditors' Results (Cont'd):

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

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings:

The District had no prior year audit findings.