

**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, 2011**

**Comprehensive Annual
Financial Report**

of the

**Pequannock Township School District
Board of Education**

Pequannock, New Jersey

For the Fiscal Year Ended June 30, 2011

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
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Pompton Plains, New Jersey 07444

Victor P. Hayek
Business Administrator/Board Secretary

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

October 5, 2011

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, 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 2010-2011 fiscal year with an average daily enrollment of 2,327 students, which is 39 students below the previous year's enrollment and represents a decrease of 1.65%. The changes in the District's average daily enrollment over the past five years are presented as follows:

The Honorable President and Members of
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<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-2011	2,327	-1.65%
2009-2010	2,366	-2.19%
2008-2009	2,419	-0.49%
2007-2008	2,431	-2.25%
2006-2007	2,487	-1.43%

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, despite the decrease in school enrollment noted earlier.

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

Recent flooding in 2011 has had an economic impact on the community. Many community homes received substantial water damage, and some of them are now total losses.

3) MAJOR INITIATIVES: During the 2010-2011 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.

1. Student Achievement: The district continued to implement various benchmarking assessments to monitor and address learning deficiencies using data to inform instruction and curriculum. The elementary curriculum in social studies which had been reviewed in 2009-10 was implemented across our three elementary schools. New electives for the high school were implemented to address state requirements in Personal Finance. Curriculum review commenced in elementary mathematics and science; middle school language arts, science, and social studies; and high school social studies, Grade 9 Language Arts, and 21st Century Skills. Implementation began on various initiatives to prepare students for “high stakes” tests such as the 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 articulation between all grades and equalization efforts among the elementary and middle schools.

The Honorable President and Members of
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Pequannock Township School District
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October 5, 2011

- 2. Technology and 21st Century Learning:** The Pequannock Township School District continued to expand and improve its technology infrastructure and resources to provide students with digital learning opportunities in a global perspective in order to prepare them for the 21st century world. SMART Boards have been installed in the majority of classrooms across the entire district. The focus in the past school year has been on the middle school and elementary schools, since the high school received their SMART Boards in 2009-10. Various instructional and assessment software is used to monitor students' progress and enhance classroom pedagogy. ARRA funds were used to modernize dedicated special education classrooms in all schools and additional supplemental software was added to help individual special education students succeed. Building infrastructure for technology has also been a focus of the board and the administration. During the 2010-11 school year, a VOIP phone system was implemented in all schools and the central office and telecommunications capacity was augmented in order to handle the increased usage in our schools.
- 3. Educational Infrastructure:** This goal included objectives related to how we provide services throughout our schools with an eye toward cost-effectiveness. The reduction of an administrative staff position (Director of Guidance) because of budget cuts and the elimination of Team Leader positions at all of our schools caused us to explore new ways of working together to continue to provide the necessary services in guidance and to maintain the value of professional learning communities in our schools. An additional cutback in related services (reading specialist and Math and Language Arts Specialist positions) caused a reorganization of how these services were provided in our schools. In terms of Guidance, the reorganization was successful. Student transition programs from Grade 5 to Grade 6 and from Grade 8 to Grade 9 were upgraded and considered to be much more timely and responsive. The implementation of guidance software (Naviance) was also a focus to improve services and communication with both students and their parents.

Extended learning time was also a point of focus with a serious look at master schedule options at the high school and the middle school. Planned adjustments to the existing schedule were dependent on contractual issues and with the settlement of the contract in June 2011, we anticipate being able to implement these changes starting in the 2012-13 School Year.

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. The Board's Ad Hoc Athletic and Activities Committee played a strong role in this endeavor.

- 4. "QSAC" Monitoring:** The Pequannock Township School District participated in QSAC Monitoring which was run by the Morris County office of the State Department of Education. This single comprehensive accountability system includes the State's monitoring requirements for operations, instruction and program, governance, fiscal management and personnel. All administrative staff completed the review of district practices in these areas for improving overall performance and effectiveness. As a result of the monitoring team's visit and review, the school district was deemed a "High Performing School District."

The Honorable President and Members of
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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 restrictions, commitments and assignments of fund balance at June 30, 2011.

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

7) DEBT ADMINISTRATION: At June 30, 2011, the District's outstanding debt issues consisted of \$13,790,000 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.

The Honorable President and Members of
the Board of Education
Pequannock Township School District
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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, LLP, CPA's, 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,

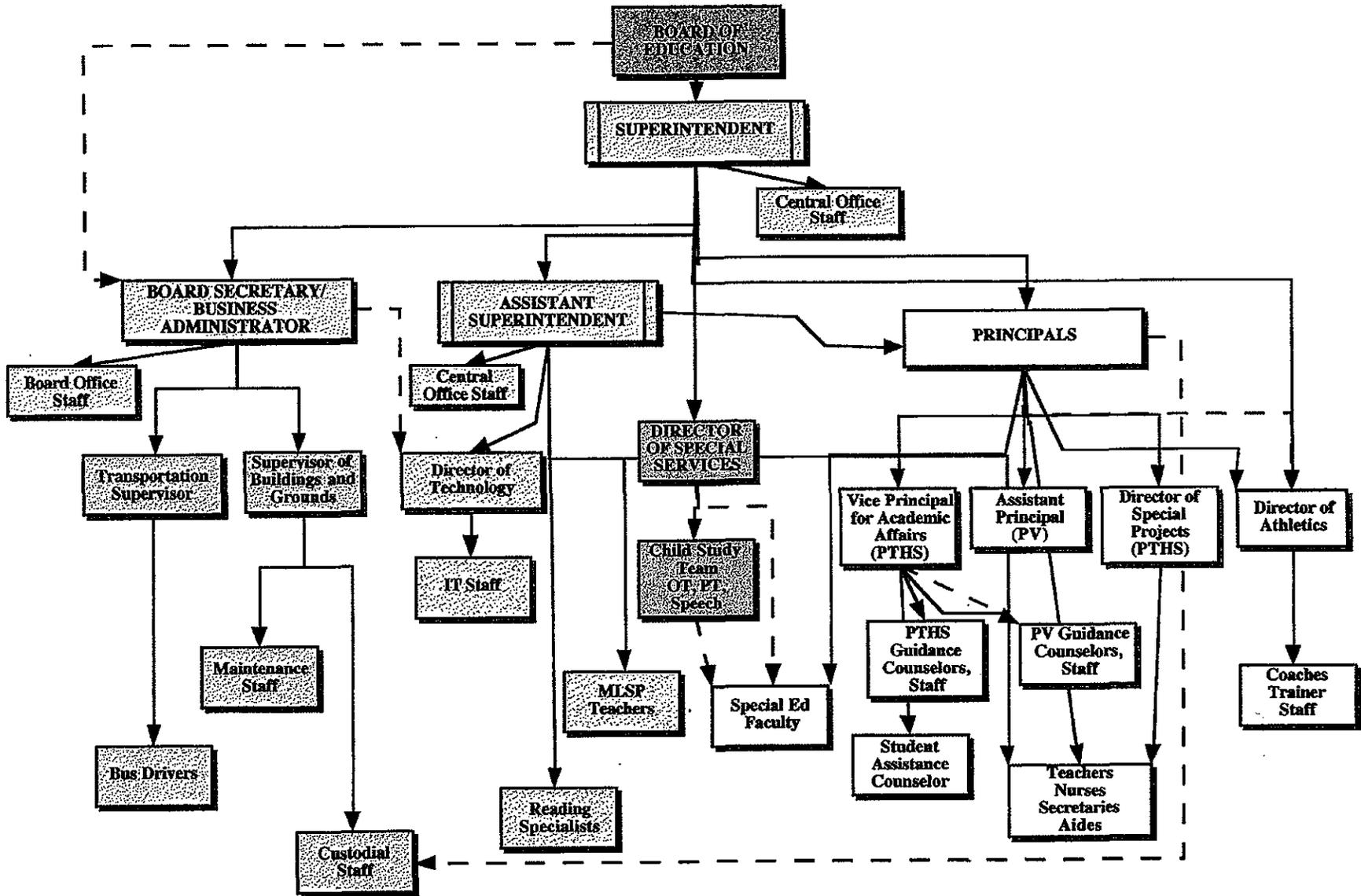


William Trusheim, Ed.D.
Superintendent of Schools



Victor P. Hayek
Business Administrator/Board Secretary

PEQUANNOCK TOWNSHIP PUBLIC SCHOOLS ORGANIZATIONAL CHART



**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
William Sayre, President	2012
John Buonomo, Vice President	2013
Glen Forrest	2012
Megan Hollberg	2012
Kenneth Hardaker	2013
Robert Lee	2013
Angelo Stefanides	2014
David Swezey	2014
Mathew Teng	2014

Other OfficialsTitle

Dr. William Trusheim	Superintendent of Schools
Rosalie Winning	Assistant Superintendent
Victor P. Hayek	Business Administrator/Board Secretary (from 6/06/11)
Dominic Butler	Interim Business Administrator / Board Secretary (10/18/10 - 5/31/11)
J. Steven DiGeronimo	Business Administrator/Board Secretary (to 10/15/10)
Raymond G. Karaty	Treasurer of School Monies

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

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
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, 2011 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 and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Pequannock Township School District in the County of Morris as of June 30, 2011, 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 October 5, 2011 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, combining and individual fund financial statements, supplementary schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, supplementary schedules and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Nisivoccia, LLP

NISIVOCCIA, LLP

Mount Arlington, New Jersey
October 5, 2011

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, 2011
(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, 2011. 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 \$512,739 during the year.
- Overall revenue was \$38,582,629 – \$37,887,094 from governmental activities and \$695,535 from business-type activities.
- Overall expenses were \$38,069,890 - \$37,327,408 from governmental activities and \$742,482 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, 2011
(UNAUDITED)**

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

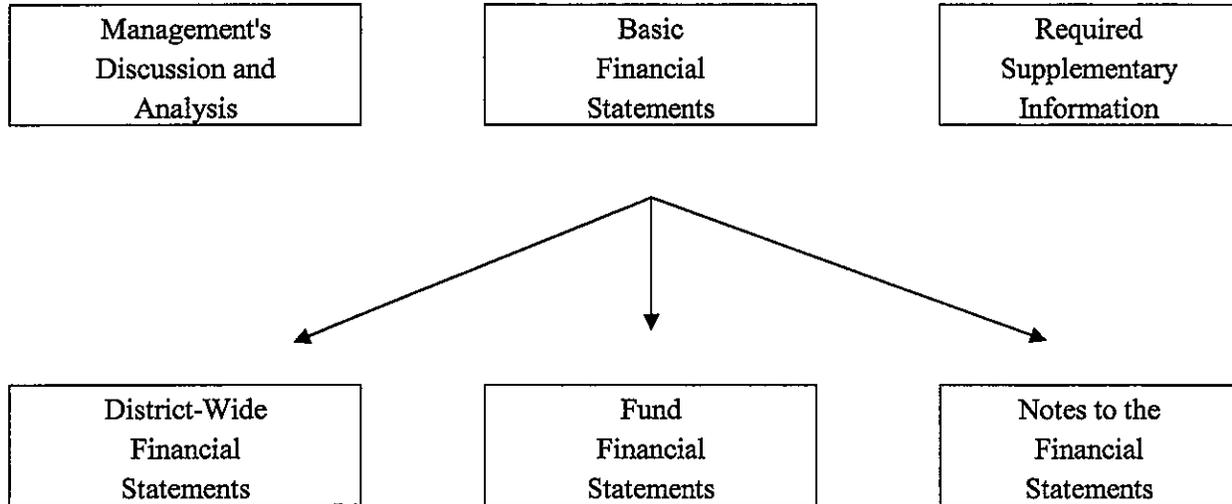


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services 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, 2011
(UNAUDITED)**

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current 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 are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at 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, 2011
(UNAUDITED)**

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets increased by 3.26%. Net assets from governmental activities increased \$559,686 and net assets from business-type activities decreased by \$46,947.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011
Current and							
Other Assets	\$ 9,895,694	\$ 10,185,591	\$ 80,405	\$ 86,044	\$ 9,976,099	\$ 10,271,635	-2.88%
Capital Assets, Net	21,050,551	21,106,080	10,804	57,596	21,061,355	21,163,676	-0.48%
Total Assets	<u>30,946,245</u>	<u>31,291,671</u>	<u>91,209</u>	<u>143,640</u>	<u>31,037,454</u>	<u>31,435,311</u>	-1.27%
Long-Term Debt							
Outstanding	14,157,263	14,866,123			14,157,263	14,866,123	-4.77%
Other Liabilities	638,956	835,208	13,418	18,902	652,374	854,110	-23.62%
Total Liabilities	<u>14,796,219</u>	<u>15,701,331</u>	<u>13,418</u>	<u>18,902</u>	<u>14,809,637</u>	<u>15,720,233</u>	-5.79%
Net Assets:							
Invested in Capital							
Assets, Net of							
Related Debt	10,814,896	10,576,913	10,804	57,596	10,825,700	10,634,509	1.80%
Restricted	4,958,377	4,918,814			4,958,377	4,918,814	0.80%
Unrestricted	<u>376,753</u>	<u>94,613</u>	<u>66,987</u>	<u>67,142</u>	<u>443,740</u>	<u>161,755</u>	174.33%
Total Net Assets	<u>\$ 16,150,026</u>	<u>\$ 15,590,340</u>	<u>\$ 77,791</u>	<u>\$ 124,738</u>	<u>\$ 16,227,817</u>	<u>\$ 15,715,078</u>	3.26%

Changes in Net Assets. The District's combined net assets were \$16,227,817 at June 30, 2011, \$512,739 or 3.26% more than they were the year before (See Figure A-3). Net assets invested in capital assets increased by \$191,191 as a result of \$740,000 of long-term debt maturities, \$499,780 in capital acquisitions offset by depreciation of \$669,699 and \$6,857 in its governmental and business-type activities, respectively, and a \$372,033 net disposal and adjustments of capital assets. Restricted net assets increased by \$39,563 due to decreases of encumbrances of \$389,708, a decrease of \$533,642 in prior and current year excess surplus, and a decrease of \$17,613 for mortgage sale of building offset by increases of \$958,628 in capital projects, \$11,646 in debt service, and \$10,252 in fund balance designated for subsequent year's expenditures. Unrestricted net assets increased by \$281,985 primarily due to unspent budget appropriations. (See Figure A-3).

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	Change
Revenue:							
Program Revenue:							
Charges for Services	\$ 325,904	\$ 312,987	\$ 605,068	\$ 628,289	\$ 930,972	\$ 941,276	-1.09%
Grants and Contributions:							
Operating	4,882,140	4,643,807	90,186	98,112	4,972,326	4,741,919	4.86%
General Revenue:							
Property Taxes	31,840,072	31,052,015			31,840,072	31,052,015	2.54%
Federal and State Aid Not Restricted	632,616	1,185,186			632,616	1,185,186	-46.62%
Other	206,362	225,232	281	544	206,643	225,776	-8.47%
Total Revenue	37,887,094	37,419,227	695,535	726,945	38,582,629	38,146,172	1.14%
Expenses:							
Instruction	22,325,187	22,140,804			22,325,187	22,140,804	0.83%
Pupil and Instruction Services	6,134,742	6,398,988			6,134,742	6,398,988	-4.13%
Administration and Business	4,235,750	3,664,408			4,235,750	3,664,408	15.59%
Maintenance and Operations	2,924,324	2,438,628			2,924,324	2,438,628	19.92%
Transportation	1,085,095	1,037,114			1,085,095	1,037,114	4.63%
Other	622,310	704,510	742,482	729,498	1,364,792	1,434,008	-4.83%
Total Expenses	37,327,408	36,384,452	742,482	729,498	38,069,890	37,113,950	2.58%
Transfers		(55,554)				(55,554)	100.00%
Change in Net Assets	\$ 559,686	\$ 979,221	\$ (46,947)	\$ (2,553)	\$ 512,739	\$ 976,668	-47.50%

Revenue Sources. The District's total revenue for the 2010/2011 school year was \$38,582,629 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$31,840,072 of the total, or 82.52 percent (See Figure A-5). Another 14.53 percent came from state and federal aid for specific programs and contributions, 2.41 percent came from charges for services and the remaining .54% from other miscellaneous sources. It is important to note that \$1,113,696 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 \$4,275,187. 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, 2011
(UNAUDITED)**

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

Sources of Income:	2011	Percentage	2010	Percentage
State Formula Aid	\$ 1,329,755	3.45%	\$ 1,968,016	5.16%
Property Taxes	31,840,072	82.52%	31,052,015	81.40%
Federal & State Categorical Grants	4,275,187	11.08%	3,959,089	10.38%
Charges for Services	930,972	2.41%	941,276	2.47%
Other	206,643	0.54%	225,776	0.59%
	<u>\$ 38,582,629</u>	<u>100.00%</u>	<u>\$ 38,146,172</u>	<u>100.00%</u>

The total cost of all programs and services was \$38,069,890. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (77.61 percent) (See Figure A-6). The District's administrative and business activities accounted for 11.13 percent of total costs and maintenance and operations accounted for 7.68 percent of total costs. The remaining 3.58 percent of total costs is comprised of other costs (which includes \$742,482 of costs associated with the District's food service operations).

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

Expense Category:	2011	Percentage	2010	Percentage
Instruction	\$ 22,325,187	58.64%	\$ 22,140,804	59.66%
Pupil and Instruction Services	6,134,742	16.12%	6,398,988	17.25%
Administration and Business	4,235,750	11.13%	3,664,408	9.87%
Maintenance and Operations	2,924,324	7.68%	2,438,628	6.57%
Transportation	1,085,095	2.85%	1,037,114	2.79%
Other	1,364,792	3.58%	1,434,008	3.86%
	<u>\$ 38,069,890</u>	<u>100.00%</u>	<u>\$ 37,113,950</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, 2011
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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	
	2010/2011	2009/2010	2010/2011	2009/2010
Instruction	\$ 22,325,187	\$ 22,140,804	\$17,768,405	\$18,092,489
Pupil & Instruction Services	6,134,742	6,398,988	5,789,689	5,771,509
Administration & Business	4,235,750	3,664,408	3,994,166	3,664,408
Maintenance & Operations	2,924,324	2,438,628	2,924,324	2,438,628
Transportation	1,085,095	1,037,114	991,763	756,114
Other	622,310	704,510	622,310	704,510
	<u>\$ 37,327,408</u>	<u>\$ 36,384,452</u>	<u>\$ 32,090,657</u>	<u>\$ 31,427,658</u>

- The cost of all governmental activities this fiscal year was \$37,327,408.
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$1,329,755).
- Most of the District's costs, however, were financed by \$31,840,072 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 \$46,947 (Refer to Figure A-4). The decrease consisted of \$7,012 increase in expenses associated with the District's Food Service program which exceeded the related revenues and a \$39,935 re-appraisal of capital assets.

Financial Analysis of the District's Funds

The District's financial position has remained strong despite 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 has had a multi-year practice of utilizing funds from unrestricted 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, 2011
(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
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011
Land	\$ 4,659,600	\$ 4,659,600			\$ 4,659,600	\$ 4,659,600	0.00%
Construction in Progress	9,482,120	8,991,615			9,482,120	8,991,615	5.46%
Land Improvements	135,380				135,380		100.00%
Buildings/Building Improvements	5,679,234	6,056,490			5,679,234	6,056,490	-6.23%
Machinery and Equipment	1,094,217	1,398,375	\$ 10,804	\$ 57,596	1,105,021	1,455,971	-24.10%
Total	\$21,050,551	\$21,106,080	\$ 10,804	\$ 57,596	\$21,061,355	\$21,163,676	-0.48%

The District's capital assets decreased \$102,321 or 0.48% during the year. Capital assets acquisitions totaled \$946,268 and consisted of equipment and construction in progress. These acquisitions were offset by \$669,699 and \$6,857 in depreciation from its governmental and business-type activities, respectively. Additionally, an appraisal was performed during the fiscal year, resulting in the adjustment of the capital assets by (\$332,098) and (\$39,935) in its governmental and business-type activities, respectively. (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 \$13,790,000 in general obligation bonds outstanding. The decrease from the prior year represents the bond principal payments of \$740,000 – 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
	2010/2011	2009/2010	2010/2011
General Obligation Bonds (Financed with Property Taxes)	\$ 13,790,000	\$ 14,530,000	-5.09%
Other Long-Term Debt	367,263	336,123	9.26%
	\$ 14,157,263	\$ 14,866,123	-4.77%

- The District continued to pay down its debt and retired \$740,000 of outstanding bonds.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Factors Bearing on the District's Future

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

- Recently imposed legislation "caps" tax levy increases for New Jersey School Districts at no more than 2%.
- For 2011-2012, the District will move into the State Employees Health Benefit Plan. Recent legislation is being considered to restructure the medical plans and will have an effect on the District.
- The District's contract with the Pequannock Township Education Association ("PTEA") expired on June 30, 2010. The Board of Education Negotiating Committee has recently completed the negotiation process with the PTEA and reached an agreement through 2013. The contractual obligations that result from the agreement 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 been seeking 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 \$933,000. The District has had to use an additional \$600,000 of surplus for Revenue for the 2011-2012 fiscal year.
- 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.
- Recently passed pension reform legislation will have an impact on the District in staffing, budgeting and long term planning.

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, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 7,017,686	\$ 60,930	\$ 7,078,616
Interfund Receivables	1,776		1,776
Internal Balances	(3,988)	3,988	
Receivables from Federal Government	254,583	5,208	259,791
Receivables from State Government	466,228	477	466,705
Receivables from Other Governments	34,605		34,605
Receivables - Mortgage Note	147,538		147,538
Receivables - Other	11,065		11,065
Refunds Receivable	290,633		290,633
Deferred Charge - Unamortized Bond Issuance Costs	58,725		58,725
Inventory		9,802	9,802
Restricted Assets:			
Capital Reserve Account - Cash	1,616,843		1,616,843
Capital Assets, Net:			
Sites (Land)	4,659,600		4,659,600
Construction in Progress	9,482,120		9,482,120
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	6,908,831	10,804	6,919,635
Total Assets	<u>30,946,245</u>	<u>91,209</u>	<u>31,037,454</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	275,272		275,272
Payable to State Government	2,856		2,856
Payable to Federal Government	857		857
Accounts Payable - Vendors	341,268	13,418	354,686
Deferred Revenue	18,703		18,703
Noncurrent Liabilities:			
Due Within One Year	555,000		555,000
Due Beyond One Year	13,602,263		13,602,263
Total Liabilities	<u>14,796,219</u>	<u>13,418</u>	<u>14,809,637</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	10,814,896	10,804	10,825,700
Restricted for:			
Capital Projects	1,927,628		1,927,628
Debt Service	12,699		12,699
Other Purposes	3,018,050		3,018,050
Unrestricted	376,753	66,987	443,740
Total Net Assets	<u>\$ 16,150,026</u>	<u>\$ 77,791</u>	<u>\$ 16,227,817</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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 16,092,565	\$ 290,475	\$ 1,395,125		\$ (14,406,965)		\$ (14,406,965)
Special Education	5,364,439		2,838,838		(2,525,601)		(2,525,601)
Other Special Instruction	214,625		3,637		(210,988)		(210,988)
School Sponsored Instruction	653,558				(653,558)		(653,558)
Support Services:							
Tuition	1,653,770				(1,653,770)		(1,653,770)
Student & Instruction Related Services	4,480,972		345,053		(4,135,919)		(4,135,919)
General Administrative Services	861,243				(861,243)		(861,243)
School Administrative Services	2,591,799		241,584		(2,350,215)		(2,350,215)
Central Services	518,487				(518,487)		(518,487)
Administration Information Technology	264,221				(264,221)		(264,221)
Plant Operations and Maintenance	2,924,324				(2,924,324)		(2,924,324)
Pupil Transportation	1,085,095	35,429	57,903		(991,763)		(991,763)
Interest on Long-Term Debt	601,191				(601,191)		(601,191)
Charter School	21,119				(21,119)		(21,119)
Total Governmental Activities	37,327,408	325,904	4,882,140	\$ -0-	(32,119,364)	\$ -0-	(32,119,364)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 699,178	\$ 605,068	\$ 90,186		\$ (3,924)	\$ (3,924)	
Imagine Program	3,369				(3,369)	(3,369)	
Total Business-Type Activities	<u>702,547</u>	<u>605,068</u>	<u>90,186</u>		<u>(7,293)</u>	<u>(7,293)</u>	
Total Primary Government	<u>\$ 38,029,955</u>	<u>\$ 930,972</u>	<u>\$ 4,972,326</u>	<u>\$ -0-</u>	<u>\$ (32,119,364)</u>	<u>(7,293)</u>	<u>(32,126,657)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					30,946,682		30,946,682
Taxes Levied for Debt Service					893,390		893,390
Federal and State Aid Not Restricted					632,616		632,616
Investment Earnings					15,201	281	15,482
Miscellaneous Income					191,161		191,161
Capital Asset Deletions, Net of Accumulated Depreciation						(39,935)	(39,935)
Total General Revenues and Special Items					<u>32,679,050</u>	<u>(39,654)</u>	<u>32,639,396</u>
Change in Net Assets					<u>559,686</u>	<u>(46,947)</u>	<u>512,739</u>
Net Assets - Beginning					<u>15,590,340</u>	<u>124,738</u>	<u>15,715,078</u>
Net Assets - Ending					<u>\$ 16,150,026</u>	<u>\$ 77,791</u>	<u>\$ 16,227,817</u>

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, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 3,489,720		\$ 3,527,766	\$ 200	\$ 7,017,686
Interfund Receivable	189,144		353,343	12,499	554,986
Receivables from Federal Government		\$ 254,583			254,583
Receivables from State Government	466,228				466,228
Receivables from Other Governments	34,605				34,605
Receivables - Mortgage Note	147,538				147,538
Receivables - Other	11,065				11,065
Refunds Receivable	290,633				290,633
Restricted Cash and Cash Equivalents	1,616,843				1,616,843
TOTAL ASSETS	\$ 6,245,776	\$ 254,583	\$ 3,881,109	\$ 12,699	\$ 10,394,167
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable	\$ 357,331	\$ 187,368	\$ 12,499		\$ 557,198
Payable to State Government		2,856			2,856
Payable to Federal Government		857			857
Accounts Payable - Vendors	292,989	44,799	3,480		341,268
Deferred Revenue		18,703			18,703
Total Liabilities	650,320	254,583	15,979		920,882
Fund Balances:					
Restricted for:					
Excess Surplus - Current Year	1,058,720				1,058,720
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	736,916				736,916
Capital Reserve Account	1,616,843				1,616,843
Mortgage Sale of Building	147,538				147,538
Debt Service Fund				\$ 12,699	12,699

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Restricted for:					
Capital Projects			\$ 3,554,345		\$ 3,554,345
Committed			310,785		310,785
Assigned to:					
Year-End Encumbrances	\$ 464,624				464,624
Designated for Subsequent Year's Expenditures	610,252				610,252
Unassigned:					
General Fund	960,563				960,563
Total Fund Balances	5,595,456		3,865,130	\$ 12,699	9,473,285
TOTAL LIABILITIES & FUND BALANCES	\$ 6,245,776	\$ 254,583	\$ 3,881,109	\$ 12,699	\$ 10,394,167

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

Total Fund Balances - Governmental Funds (Above)	\$ 9,473,285
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$36,290,935 and the accumulated depreciation is \$15,240,384. (See Note 6)	21,050,551
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)	(14,157,263)
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 \$7,342 has been amortized.	58,725
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.	(275,272)
Net Assets of Governmental Activities	\$ 16,150,026

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, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 30,946,682			\$ 893,390	\$ 31,840,072
Tuition	290,475				290,475
Transportation Fees	35,429				35,429
Capital Reserve Interest	2,645				2,645
Investment Income			\$ 12,499	57	12,556
Miscellaneous	191,161	\$ 7,764			198,925
Total - Local Sources	31,466,392	7,764	12,499	893,447	32,380,102
State Sources	4,029,895	178,954		436,975	4,645,824
Federal Sources		861,168			861,168
Total Revenues	35,496,287	1,047,886	12,499	1,330,422	37,887,094
EXPENDITURES					
Current:					
Instruction:					
Regular Instruction	11,478,995	107,210			11,586,205
Special Education Instruction	3,194,792	847,284			4,042,076
Other Special Instruction	203,088				203,088
School Sponsored Instruction	653,558				653,558
Support Services and Undistributed Costs:					
Tuition	1,653,770				1,653,770
Student & Instruction Related Services	3,145,187				3,145,187
General Administration Services	740,097				740,097
School Administration Services	1,665,569				1,665,569
Central Services	420,510				420,510

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 198,838				\$ 198,838
Plant Operations and Maintenance	2,569,576				2,569,576
Pupil Transportation	896,063				896,063
Allocated and Unallocated Benefits	7,892,595				7,892,595
Capital Outlay	367,400	\$ 93,392	\$ 490,505		951,297
Transfer of Funds to Charter School	21,119				21,119
Debt Service:					
Principal				\$ 740,000	740,000
Interest and Other Charges				591,275	591,275
Total Expenditures	<u>35,101,157</u>	<u>1,047,886</u>	<u>490,505</u>	<u>1,331,275</u>	<u>37,970,823</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>395,130</u>		<u>(478,006)</u>	<u>(853)</u>	<u>(83,729)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In				12,499	12,499
Transfers Out			(12,499)		(12,499)
Total Other Financing Sources/(Uses)			<u>(12,499)</u>	<u>12,499</u>	
Net Change in Fund Balances	395,130		(490,505)	11,646	(83,729)
Fund Balance—July 1	5,200,326		4,355,635	1,053	9,557,014
Fund Balance—June 30	<u>\$ 5,595,456</u>	<u>\$ -0-</u>	<u>\$ 3,865,130</u>	<u>\$ 12,699</u>	<u>\$ 9,473,285</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, 2011

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (83,729)

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 appraisal adjustments exceeded Capital Outlays during the period.

	\$	(669,699)	
Depreciation Expense		(332,098)	
Appraisal Adjustments		946,268	(55,529)
Capital Outlays			

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 (+). (31,140)

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. 740,000

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 (+). (6,245)

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 (-). (3,671)

Change in Net Assets of Governmental Activities (Exhibit A-2) \$ 559,686

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	<u>Business-Type Activities: Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 60,930
Interfund Receivable	3,988
Receivable from Federal Government	5,208
Receivables from State Government	477
Inventory	<u>9,802</u>
Total Current Assets	<u>80,405</u>
Non-Current Assets:	
Capital Assets	79,410
Less: Accumulated Depreciation	<u>(68,606)</u>
Total Non-Current Assets	<u>10,804</u>
Total Assets	<u>91,209</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	<u>13,418</u>
Total Liabilities	<u>13,418</u>
NET ASSETS:	
Investment in Capital Assets, Net of Related Debt	10,804
Unrestricted	<u>66,987</u>
Total Net Assets	<u>\$ 77,791</u>

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, 2011

	<u>Business-Type Activities: Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 298,945
Daily Sales - Non-Reimbursable Programs	305,032
Special Events	1,091
Total Operating Revenue	605,068
Operating Expenses:	
Cost of Sales	296,816
Salaries	222,675
Payroll Taxes	31,975
Employee Benefits	16,469
Purchased Property Services	73,335
Supplies and Materials	51,051
Depreciation Expense	6,857
Miscellaneous Expenditures	3,369
Total Operating Expenses	702,547
Operating Income/(Loss)	(97,479)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	55,051
Special Milk Program	14,192
Food Distribution Program	15,323
State Sources:	
School Lunch Program	5,620
Local Sources:	
Interest Revenue	281
Total Non-Operating Revenue	90,467
Change in Net Assets Before Capital Assets Adjustment	(7,012)
Capital Asset Adjustment, Net of Accumulated Depreciation	(39,935)
Change in Net Assets After Capital Assets Adjustment	(46,947)
Net Assets - Beginning of Year	124,738
Net Assets - End of Year	\$ 77,791

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

Exhibit B-6

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Business-Type Activities: Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 605,068
Payments to Food Service Vendor	(649,663)
Payments to Suppliers	<u>(38,279)</u>
Net Cash (Used for) Operating Activities	<u>(82,874)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>281</u>
Net Cash Provided by Investing Activities	<u>281</u>
Cash Flows from Noncapital Financing Activities:	
Receipt of Federal Aid	70,286
Receipt of State Aid	5,734
Prior Year Receivable Collected	<u>9,252</u>
Net Cash Provided by Noncapital Financing Activities	<u>85,272</u>
Net Increase in Cash and Cash Equivalents	2,679
Cash and Cash Equivalents, July 1	<u>58,251</u>
Cash and Cash Equivalents, June 30	<u>\$ 60,930</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (97,479)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	6,857
Federal Food Distribution Program	15,323
Changes in Assets and Liabilities:	
(Increase) in Inventory	(2,091)
(Decrease) in Accounts Payable	<u>(5,484)</u>
Net Cash Used for Operating Activities	<u>\$ (82,874)</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$15,323 for the fiscal year ended June 30, 2011.

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, 2011

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 830,483	\$ 134,247	\$ 1,655
Investments	18,000		185,235
Interfund Receivable - Payroll Agency Fund		46,634	
Total Assets	848,483	180,881	186,890
LIABILITIES:			
Accrued Salaries and Wages	679,146		
Accounts Payable - Vendors	1,218		
Interfund Payable - General Fund	1,776		
Interfund Payable - Unemployment Compensation Trust Fund	46,634		
Payroll Deductions and Withholdings	7,093		
Due to Student Groups	112,616		
Total Liabilities	848,483		
NET ASSETS:			
Held in Trust for:			
Unemployment Claims		180,881	
Scholarships			186,890
Total Net Assets	\$ -0-	\$ 180,881	\$ 186,890

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, 2011

	Unemployment Compensation Trust	Private Purpose Scholarship Trust
ADDITIONS:		
Contributions - Employee Donations	\$ 31,098	\$ 1,770
Total Contributions	31,098	1,770
Investment Earnings:		
Interest	612	1,580
Net Investment Earnings	612	1,580
Total Additions	31,710	3,350
DEDUCTIONS:		
Unemployment Compensation Claims	109,466	
Scholarships Awarded		9,400
Scholarship Accounts Closed		1,220
Total Deductions	109,466	10,620
Change in Net Assets	(77,756)	(7,270)
Net Assets - Beginning of Year	258,637	194,160
Net Assets - End of the Year	\$ 180,881	\$ 186,890

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, 2011

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, 2011
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary funds:

Enterprise 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.

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

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

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

D. Budgets/Budgetary Control:

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

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

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in 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 on the GAAP financial statements.

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 35,319,680	\$ 1,287,663
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		(239,777)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	278,825	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(102,218)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	 <u>\$ 35,496,287</u>	 <u>\$ 1,047,886</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 35,101,157	\$ 1,287,663
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>(239,777)</u>
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 35,101,157</u>	 <u>\$ 1,047,886</u>
		<u>Capital Projects Fund</u>
Total Fund Balance - Budgetary Basis		\$ 4,103,297
Reconciliation to Governmental Funds Statements (GAAP):		
SDA Grants not Recognized on the GAAP Basis		<u>(238,167)</u>
 Fund Balance per Governmental Funds (GAAP Basis)		 <u>\$ 3,865,130</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

E. Cash and Cash Equivalents and Investments:

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

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and 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 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 restricted, committed and/or assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as deferred revenue at fiscal year-end.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

H. Encumbrances: (Cont'd)

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.

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, 2011.

K. Capital Assets:

Capital assets acquired or constructed 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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.

M. Accrued Salaries and Wages:

The District allows employees who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year. The District had accrued salaries and wages of \$679,146 as of June 30, 2011.

N. Compensated Absences:

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

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

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$5,595,456 General Fund balance at June 30, 2011, \$464,624 is assigned for encumbrances; \$1,616,843 is restricted in the capital reserve account; \$1,058,720 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2013; \$736,916 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2012; \$147,538 is restricted for mortgage sale of building; \$610,252 is assigned fund balance and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2012; and \$960,563 is unassigned which is \$102,218 less than the calculated assigned fund balance, on a GAAP basis, due to the last two June state aid payments, which are not recognized until the fiscal year ended June 30, 2012.

Capital Projects Fund: Of the \$3,865,130 Capital Projects Fund balance at June 30, 2011, \$3,554,345 is restricted and \$548,952 is committed which is \$238,167 less than the committed fund balance, on a GAAP basis, due to the difference in the recognition of the SDA grant revenue.

Debt Service Fund: The \$12,699 Debt Service Fund balance at June 30, 2011, is restricted and \$140 has been included as anticipated revenue for the fiscal year ending June 30, 2012.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus as noted above.

P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. 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 ant 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 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

R. Fund Balance Restrictions, Commitments and Assignments:

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

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

Fund balance restrictions have been established for excess surplus, a capital reserve, a mortgage note payable, unexpended bond proceeds in the Capital Projects Fund, and the Debt Service Fund.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has \$310,785 of committed resources related to SDA projects in the Capital Projects Fund at June 30, 2011.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources of \$464,624 for year-end encumbrances and \$610,252 for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2011.

S. 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end. Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

U. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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.

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;

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

- (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, 2011, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Investments	Capital Reserve Account	Total
Checking and Savings Accounts	\$ 8,045,001		\$ 1,616,843	\$ 9,661,844
Certificates of Deposit		\$ 203,235		203,235
	\$ 8,045,001	\$ 203,235	\$ 1,616,843	\$ 9,865,079

During the period ended June 30, 2011, 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, 2011, was \$9,865,079 and the bank balance was \$10,801,577.

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 can 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, 2010 to June 30, 2011 fiscal year is as follows:

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Beginning Balance, July 1, 2010	\$ 614,198
Interest Earnings	2,645
Increase by Board Resolution in June 2011	<u>1,000,000</u>
Ending Balance, June 30, 2011	<u><u>\$1,616,843</u></u>

The \$1,616,843 balance in the Capital Reserve Account at June 30, 2011 does not exceed the local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan ("LRFP").

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2011, the District transferred \$172,416 to capital outlay accounts for the acquisition of equipment and \$140,380 for an emergent project which did not require approval of the County Superintendent.

NOTE 6. CAPITAL ASSETS

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

	<u>Balance</u> <u>6/30/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2011</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Sites (Land)	\$ 4,659,600			\$ 4,659,600
Construction in Progress	8,991,615	\$ 490,505		9,482,120
Total Capital Assets Not Being Depreciated	<u>13,651,215</u>	<u>490,505</u>		<u>14,141,720</u>
Capital Assets Being Depreciated:				
Land Improvements		138,851		138,851
Site Improvements	316,000		\$ (316,000)	
Buildings and Building Improvements	18,506,805		316,000	18,822,805
Machinery and Equipment	2,595,874	316,912	274,773	3,187,559
Total Capital Assets Being Depreciated	<u>21,418,679</u>	<u>455,763</u>	<u>274,773</u>	<u>22,149,215</u>
Governmental Activities Capital Assets	<u>35,069,894</u>	<u>946,268</u>	<u>274,773</u>	<u>36,290,935</u>
Less Accumulated Depreciation for:				
Land Improvements		(3,471)		(3,471)
Site Improvements	(316,000)		316,000	
Buildings and Building Improvements	(12,450,315)	(377,256)	(316,000)	(13,143,571)
Machinery and Equipment	(1,197,499)	(288,972)	(606,871)	(2,093,342)
	<u>(13,963,814)</u>	<u>(669,699)</u>	<u>(606,871)</u>	<u>(15,240,384)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u><u>\$21,106,080</u></u>	<u><u>\$ 276,569</u></u>	<u><u>\$ (332,098)</u></u>	<u><u>\$21,050,551</u></u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

	<u>Balance</u> <u>6/30/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2011</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 130,250		\$ (50,840)	\$ 79,410
Less Accumulated Depreciation	(72,654)	\$ (6,857)	10,905	(68,606)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 57,596</u>	<u>\$ (6,857)</u>	<u>\$ (39,935)</u>	<u>\$ 10,804</u>

The District expended \$490,505 from the Capital Projects Fund for continued construction in progress and \$367,400 and \$93,392 from the General and Special Revenue Funds, respectively, for the purchase of equipment.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 289,762
Special Education	8,821
Student & Instructional Related Services	123,661
General Administrative Services	11,411
School Administrative Services	96,891
Operations and Maintenance of Plant	56,494
Pupil Transportation	<u>82,659</u>
	<u>\$ 669,699</u>

NOTE 7. LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>6/30/2010</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2011</u>
Serial Bonds Payable	\$ 14,530,000		\$ 740,000	\$ 13,790,000
Compensated Absences Payable	336,123	\$ 61,708	30,568	367,263
	<u>\$ 14,866,123</u>	<u>\$ 61,708</u>	<u>\$ 770,568</u>	<u>\$ 14,157,263</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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
02/15/2013	4.25%	\$ 1,050,000
01/15/2029	3.50% - 4.375%	<u>12,740,000</u>
		<u>\$ 13,790,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	640,000	460,375	1,100,375
2017-2021	3,525,000	1,910,200	5,435,200
2022-2026	4,240,000	952,681	5,192,681
2027-2029	<u>3,035,000</u>	<u>80,063</u>	<u>3,115,063</u>
	<u>\$ 13,790,000</u>	<u>\$ 5,488,232</u>	<u>\$ 19,278,232</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2011, the Board had \$2,000,000 of bonds authorized but not issued pertaining to a referendum project that is scheduled to begin in the fiscal year ending June 30, 2012.

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, 2011 is currently payable; therefore, the long-term liability balance of compensated absences is \$367,263.

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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.

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 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.

District Contributions to PERS amounted to \$352,015, \$248,769 and \$226,660 for the fiscal years ended June 30, 2011, 2010 and 2009, respectively.

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

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 Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 9. POST-RETIREMENT BENEFITS (Cont'd)

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

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,063,620, \$1,030,060, and \$1,000,748 for 2011, 2010, and 2009, 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, 2011
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

The audit of the PIP for the year ended June 30, 2011 was not available as of the date of this report. Selected, summarized financial information as of June 30, 2010 is as follows:

	<u>Pooled Insurance Program of New Jersey</u>
Total Assets	<u>\$ 18,213,888</u>
Net Assets	<u>\$ 4,394,252</u>
Total Revenue	<u>\$ 7,706,329</u>
Total Expenses and Adjustments	<u>\$ 7,261,105</u>
Change in Net Assets	<u>\$ 445,224</u>
Net Assets Distribution to Participating Members	<u>\$ 1,075,284</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, 2011. 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.

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>
2011	\$ 31,098		\$ 612	\$ 109,466	\$ 180,881
2010	169,947	\$ 40,000	1,321	101,749	258,637
2009		50,000	3,544	31,652	149,118

NOTE 11. 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, 2011
(Continued)

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. 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.

Encumbrances

At June 30, 2011, there were encumbrances as detailed below in the governmental funds:

<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>\$ 464,624</u>	<u>\$ 247,841</u>	<u>\$ 203,370</u>	<u>\$ 915,835</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2011, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$247,841 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in deferred revenue in the Special Revenue Fund.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 189,144	\$ 357,331
Special Revenue Fund		187,368
Capital Projects Fund	353,343	12,499
Debt Service Fund	12,499	
Proprietary Fund:		
Food Service Enterprise Fund	3,988	
Fiduciary Fund:		
Unemployment Compensation Trust	46,634	
Payroll Agency		48,410
	<u>\$ 605,608</u>	<u>\$ 605,608</u>

The interfund receivable in the General Fund is comprised of \$187,368 due from Special Revenue Fund for the deficit in the cash balance in the Special Revenue Fund due to the timing of reimbursement of grant expenditures and \$1,776 due from Agency Fund for interest earnings. The interfund receivable in the Capital Projects Fund due from the General Fund of \$357,331 is the local share of prior year budgeted capital projects due to the Capital Projects Fund. The interfund receivable in the Debt Service Fund due from the Capital Projects Fund of \$12,499 is interest earnings in the Capital Projects Fund due to the Debt Service Fund. The interfund receivable in the Unemployment Compensation Trust due from Payroll Agency of \$46,634 is current and prior year employee deductions for unemployment due to the Unemployment Compensation Trust.

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, 2011

	<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	\$ 30,946,682		\$ 30,946,682	\$ 30,946,682	
Tuition:					
From Other Individuals	70,000		70,000	70,000	
From Other LEA's	210,000		210,000	179,182	\$ (30,818)
From Other LEA's Outside State	70,000		70,000	41,293	
Transportation Fees from Other LEAs	26,000		26,000	35,429	9,429
Interest Earned on Capital Reserve Funds	2,000		2,000	2,645	645
Miscellaneous	213,600		213,600	191,161	(22,439)
Total - Local Sources	<u>31,538,282</u>		<u>31,538,282</u>	<u>31,466,392</u>	<u>(43,183)</u>
State Sources:					
Categorical Special Education Aid	81,663	\$ 1,071,485	1,153,148	1,153,148	
Equalization Aid	1,071,485	(1,071,485)			
Extraordinary Special Education Costs Aid				385,528	385,528
Nonpublic School Transportation Costs				21,100	21,100
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				50,076	50,076
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				1,063,620	1,063,620
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				1,179,816	1,179,816
Total State Sources	<u>1,153,148</u>		<u>1,153,148</u>	<u>3,853,288</u>	<u>2,700,140</u>
TOTAL REVENUES	<u>32,691,430</u>		<u>32,691,430</u>	<u>35,319,680</u>	<u>2,656,957</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 213,810	\$ (8,937)	\$ 204,873	\$ 202,378	\$ 2,495
Grades 1-5 - Salaries of Teachers	3,655,099	(130,993)	3,524,106	3,493,356	30,750
Grades 6-8 - Salaries of Teachers	2,713,920	(78,014)	2,635,906	2,611,770	24,136
Grades 9-12 - Salaries of Teachers	3,800,305	(188,559)	3,611,746	3,577,750	33,996
Regular Programs - Home Instruction:					
Salaries of Teachers		38,385	38,385	38,385	
Purchased Professional - Educational Services	15,000	(7,500)	7,500	3,315	4,185
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	299,097	(24,412)	274,685	273,381	1,304
Purchased Professional - Educational Services	76,490	(3,930)	72,560	34,260	38,300
Purchased Technical Services	22,850	16,073	38,923	38,223	700
Other Purchased Services (400-500 series)	222,159	(9,606)	212,553	106,088	106,465
General Supplies	1,051,680	302,081	1,353,761	897,399	456,362
Textbooks	432,864	(48,033)	384,831	202,424	182,407
Other Objects	3,235		3,235	266	2,969
Total Regular Programs - Instruction	12,506,509	(143,445)	12,363,064	11,478,995	884,069
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	414,765	(11,574)	403,191	403,149	42
Other Salaries for Instruction	93,315	46,814	140,129	140,070	59
General Supplies	29,335	67,397	96,732	16,078	80,654
Total Learning and/or Language Disabilities	537,415	102,637	640,052	559,297	80,755

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	\$ 64,921	\$ (2,518)	\$ 62,403	\$ 61,433	\$ 970
Other Salaries for Instruction	20,186	(842)	19,344	18,960	384
Other Purchased Services (400-500 series)	100		100		100
General Supplies	1,489		1,489	86	1,403
Textbooks	1,000		1,000		1,000
Total Behavioral Disabilities	87,696	(3,360)	84,336	80,479	3,857
Resource Room/Resource Center:					
Salaries of Teachers	1,648,319	20,001	1,668,320	1,655,608	12,712
Other Salaries for Instruction	170,487	9,674	180,161	179,659	502
General Supplies	14,640	(3,848)	10,792	8,424	2,368
Textbooks	750		750	235	515
Total Resource Room/Resource Center	1,834,196	25,827	1,860,023	1,843,926	16,097
Autism:					
Salaries of Teachers	198,951	10,056	209,007	204,459	4,548
Other Salaries for Instruction	168,172	5,314	173,486	173,486	
Purchased Professional - Educational Services	341,942	(25,179)	316,763	149,813	166,950
General Supplies	34,208	(900)	33,308	31,250	2,058
Other Objects	1,000	900	1,900	1,540	360
Total Autism	744,273	(9,809)	734,464	560,548	173,916

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Preschool Disabilities - Part-time:					
Salaries of Teachers	\$ 93,193	\$ (889)	\$ 92,304	\$ 91,883	\$ 421
Other Salaries for Instruction	64,707	(6,852)	57,855	56,799	1,056
General Supplies	2,013		2,013	1,860	153
Total Preschool Disabilities - Part-time	<u>159,913</u>	<u>(7,741)</u>	<u>152,172</u>	<u>150,542</u>	<u>1,630</u>
Total Special Education Instruction	<u>3,363,493</u>	<u>107,554</u>	<u>3,471,047</u>	<u>3,194,792</u>	<u>276,255</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	177,736	(3,199)	174,537	172,208	2,329
Total Basic Skills/Remedial - Instruction	<u>177,736</u>	<u>(3,199)</u>	<u>174,537</u>	<u>172,208</u>	<u>2,329</u>
Bilingual Education - Instruction:					
Salaries of Teachers	32,979	(1,025)	31,954	30,880	1,074
General Supplies	1,850		1,850		1,850
Total Bilingual Education - Instruction	<u>34,829</u>	<u>(1,025)</u>	<u>33,804</u>	<u>30,880</u>	<u>2,924</u>
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	169,900	464	170,364	154,506	15,858
Purchased Services (300-500 series)	4,000		4,000	3,728	272
Supplies and Materials	15,750		15,750	8,954	6,796
Other Objects	4,300		4,300	834	3,466
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	<u>193,950</u>	<u>464</u>	<u>194,414</u>	<u>168,022</u>	<u>26,392</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 338,856	\$ 8,710	\$ 347,566	\$ 323,444	\$ 24,122
Purchased Services (300-500 series)	65,150	(9,700)	55,450	49,496	5,954
Supplies and Materials	51,324	1,150	52,474	47,292	5,182
Other Objects	5,075	100	5,175	4,898	277
Transfers to Cover Deficit (Agency Funds)	62,000	2,500	64,500	58,607	5,893
Total School-Sponsored Cocurricular Athletics - Instruction	522,405	2,760	525,165	483,737	41,428
Other Instructional Programs - Instruction:					
Salaries		1,799	1,799	1,799	
Total Other Instructional Programs - Instruction		1,799	1,799	1,799	
Total Instruction	16,798,922	(35,092)	16,763,830	15,530,433	1,233,397
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	175,515	11,753	187,268	155,925	31,343
Tuition to County Vocational Schools - Regular	314,379		314,379	308,334	6,045
Tuition to County Vocational Schools - Special	102,895	(7,486)	95,409	75,066	20,343
Tuition to County Special Services Schools and Regional Day Schools	71,501	107,296	178,797	178,797	
Tuition to Private Schools for the Disabled - Within the State	1,181,403	(171,402)	1,010,001	905,331	104,670
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State		38,560	38,560	30,317	8,243
Total Undistributed Expenditures - Instruction	1,845,693	(21,279)	1,824,414	1,653,770	170,644

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Health Services:					
Salaries	\$ 406,848	\$ (12,695)	\$ 394,153	\$ 376,971	\$ 17,182
Purchased Professional and Technical Services	38,285		38,285	20,217	18,068
Other Purchased Services (400-500 series)	4,000	(2,000)	2,000	85	1,915
Supplies and Materials	10,918	2,445	13,363	10,411	2,952
Total Health Services	460,051	(12,250)	447,801	407,684	40,117
Speech, OT, PT & Related Services:					
Salaries	286,772	104,270	391,042	384,791	6,251
Purchased Professional - Educational Services	308,350	(50,358)	257,992	143,460	114,532
Supplies and Materials	5,206		5,206	3,409	1,797
Total Speech, OT, PT & Related Services	600,328	53,912	654,240	531,660	122,580
Other Support Services - Students - Extraordinary Services:					
Salaries	153,448	(40,754)	112,694	101,456	11,238
Total Other Support Services - Students - Extraordinary Services	153,448	(40,754)	112,694	101,456	11,238
Guidance:					
Salaries of Other Professional Staff	550,983	(8,812)	542,171	534,159	8,012
Salaries of Secretarial and Clerical Assistants	125,510	(36,156)	89,354	88,150	1,204
Purchased Professional - Educational Services	38,361	(1,835)	36,526	24,280	12,246
Other Purchased Professional and Technical Services	3,000		3,000	2,882	118
Other Purchased Services (400-500 series)	5,000	2,460	7,460	6,461	999
Supplies and Materials	15,930	1,500	17,430	15,363	2,067
Other Objects	5,529		5,529	353	5,176
Total Guidance	744,313	(42,843)	701,470	671,648	29,822

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 600,314	\$ (81,825)	\$ 518,489	\$ 509,913	\$ 8,576
Salaries of Secretarial and Clerical Assistants	45,166	(1,118)	44,048	43,396	652
Other Salaries	8,618	934	9,552	9,419	133
Purchased Professional - Educational Services	28,000		28,000	15,897	12,103
Other Purchased Professional and Technical Services	5,100	455	5,555	5,555	
Miscellaneous Purchased Services	13,244		13,244	9,281	3,963
Supplies and Materials	17,450	117,094	134,544	13,481	121,063
Other Objects	1,425	2	1,427	712	715
Total Child Study Teams	<u>719,317</u>	<u>35,542</u>	<u>754,859</u>	<u>607,654</u>	<u>147,205</u>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	188,716	(4,808)	183,908	183,908	
Salaries of Other Professional Staff	30,000	(2,261)	27,739	26,671	1,068
Salaries of Secretarial and Clerical Assistants	54,320	(1,582)	52,738	52,738	
Purchased Professional - Educational Services	6,000		6,000		6,000
Other Purchased Services (400-500 series)	500	2,200	2,700	2,000	700
Supplies and Materials	10,794		10,794	4,854	5,940
Other Objects	4,600		4,600	2,176	2,424
Total Improvement of Instructional Services	<u>294,930</u>	<u>(6,451)</u>	<u>288,479</u>	<u>272,347</u>	<u>16,132</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Educational Media Services/School Library:					
Salaries	\$ 502,993	\$ (33,553)	\$ 469,440	\$ 466,393	\$ 3,047
Purchased Professional and Technical Services	238,524	185	238,709	54,085	184,624
Supplies and Materials	40,124	(5,541)	34,583	28,968	5,615
Total Educational Media Services/School Library	781,641	(38,909)	742,732	549,446	193,286
Instructional Staff Training Services:					
Purchased Professional - Educational Services	4,500		4,500	1,557	2,943
Other Purchased Services (400-500 series)	11,500		11,500	948	10,552
Supplies and Materials	10,200		10,200	787	9,413
Other Objects	3,300		3,300		3,300
Total Instructional Staff Training Services	29,500		29,500	3,292	26,208
Support Services - General Administration:					
Salaries	241,183	713	241,896	240,923	973
Legal Services	110,000	15,442	125,442	125,442	
Audit Fees	40,000	(5,000)	35,000	35,000	
Other Purchased Professional Services	44,050	48,705	92,755	87,056	5,699
Purchased Technical Services	19,350	(9,125)	10,225	10,225	
BOE Other Purchased Services		8,500	8,500	7,435	1,065
Communications/Telephone	148,620	(4,018)	144,602	143,515	1,087
Miscellaneous Purchased Services (400-500 series)	89,010	(19,012)	69,998	54,501	15,497
General Supplies	12,964	32,270	45,234	4,733	40,501
Miscellaneous Expenditures	55,700	(12,410)	43,290	31,267	12,023
Total Support Services - General Administration	760,877	56,065	816,942	740,097	76,845

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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	\$ 979,208	\$ (24,046)	\$ 955,162	\$ 945,341	\$ 9,821
Salaries of Other Professional Staff	271,200	(5,245)	265,955	262,097	3,858
Salaries of Secretarial and Clerical Assistants	367,893	(6,595)	361,298	353,209	8,089
Purchased Professional and Technical Services	20,095	(3,199)	16,896	7,682	9,214
Other Purchased Services (400-500 series)	60,111	690	60,801	47,168	13,633
Supplies and Materials	38,504	(1,133)	37,371	25,353	12,018
Other Objects	18,407	12,835	31,242	24,719	6,523
Total Support Services - School Administration	1,755,418	(26,693)	1,728,725	1,665,569	63,156
Central Services:					
Salaries	382,200	(12,166)	370,034	368,563	1,471
Purchased Professional Services		599	599	599	
Purchased Technical Services	36,700		36,700	27,385	9,315
Miscellaneous Purchased Services (400-500 series)	19,070	(599)	18,471	10,841	7,630
Supplies and Materials	21,000		21,000	9,838	11,162
Interest on Lease Purchase Agreements	2,250		2,250	1,692	558
Miscellaneous Expenditures	2,800		2,800	1,592	1,208
Total Central Services	464,020	(12,166)	451,854	420,510	31,344
Administrative Information Technology:					
Salaries	205,068	(3,244)	201,824	198,838	2,986
Total Administrative Information Technology	205,068	(3,244)	201,824	198,838	2,986

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Required Maintenance of School Facilities:					
Salaries	\$ 259,960	\$ (42,736)	\$ 217,224	\$ 215,641	\$ 1,583
Cleaning, Repair and Maintenance Services	316,040	110,775	426,815	331,082	95,733
General Supplies	46,043	(5,025)	41,018	37,979	3,039
Other Objects	3,750	(3,250)	500		500
Total Required Maintenance of School Facilities	625,793	59,764	685,557	584,702	100,855
Custodial Services:					
Salaries	965,959	(50,607)	915,352	907,998	7,354
Purchased Professional and Technical Services	20,000		20,000	20,000	
Cleaning, Repair and Maintenance Services	130,500	(26,773)	103,727	102,244	1,483
Rental of Land and Buildings (Other Than Lease Purchase Agreements)	5,670		5,670	5,360	310
Other Purchased Property Services	66,000	(27,224)	38,776	38,776	
Insurance	143,955		143,955	130,901	13,054
Miscellaneous Purchased Services	10,250	(1,147)	9,103	8,822	281
General Supplies	54,309	(2,307)	52,002	51,315	687
Energy (Electricity)	400,000	(6,000)	394,000	372,294	21,706
Energy (Natural Gas)	348,020		348,020	340,428	7,592
Energy (Gasoline)	9,500		9,500	5,486	4,014
Other Objects	1,250		1,250	1,250	
Total Custodial Services	2,155,413	(114,058)	2,041,355	1,984,874	56,481

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 140,945	\$ (5,934)	\$ 135,011	\$ 133,014	\$ 1,997
Between Home and School - Special	80,406	1,047	81,453	80,387	1,066
Other Than Between Home and School - Regular	43,800	(720)	43,080	42,019	1,061
Management Fee - ESC and CTSA Transportation Program	12,000	2,269	14,269	14,121	148
Other Purchased Professional and Technical Services	500		500	470	30
Cleaning, Repair and Maintenance Services	16,000	24,200	40,200	27,851	12,349
Contracted Services:					
Other Than Between Home and School - Vendors	74,358		74,358	55,345	19,013
Special Education Students - Vendors	72,459	(15,000)	57,459	45,495	11,964
Special Education Students - Joint Agreements	10,374		10,374	2,958	7,416
Regular Students - ESC's and CTSA's	34,436	62,567	97,003	81,974	15,029
Special Education Students - ESC's and CTSA's	325,000	1,000	326,000	304,830	21,170
Aid in Lieu of Payments - Nonpublic Students	152,000	(74,336)	77,664	71,516	6,148
Miscellaneous Purchased Services - Transportation	1,800	(200)	1,600	1,107	493
Supplies and Materials	37,068		37,068	30,545	6,523
Other Objects	1,000	3,500	4,500	4,431	69
Total Student Transportation Services	1,002,146	(1,607)	1,000,539	896,063	104,476

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction - Employee Benefits:					
Social Security Contributions	\$ 213,300		\$ 213,300	\$ 183,617	\$ 29,683
Other Retirement Contributions - PERS	170,100	\$ 20,500	190,600	190,600	
Unemployment Compensation	5,000		5,000		5,000
Workmen's Compensation	124,200		124,200	103,038	21,162
Health Benefits	2,626,366	(204,351)	2,422,015	2,265,728	156,287
Tuition Reimbursement	49,000		49,000	24,219	24,781
Other Employee Benefits	52,000	(9,160)	42,840	30,545	12,295
Total Regular Programs - Instruction - Employee Benefits	3,239,966	(193,011)	3,046,955	2,797,747	249,208
Special Education - Instruction - Employee Benefits:					
Social Security Contributions	59,250		59,250	59,250	
Other Retirement Contributions - PERS	47,250	6,750	54,000	54,000	
Workmen's Compensation	34,500		34,500	34,500	
Health Benefits	839,723	(6,750)	832,973	745,490	87,483
Tuition Reimbursement	10,050		10,050	8,970	1,080
Other Employee Benefits	6,000		6,000		6,000
Total Special Education - Instruction - Employee Benefits	996,773		996,773	902,210	94,563
Other Instructional Programs - Instruction - Employee Benefits:					
Social Security Contributions	7,900		7,900	7,900	
Total Other Instructional Programs - Instruction - Employee Benefits	7,900		7,900	7,900	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Health Services - Employee Benefits:					
Social Security Contributions	\$ 3,950		\$ 3,950	\$ 3,950	
Other Retirement Contributions - PERS	3,150		3,150	3,150	
Workmen's Compensation	2,300		2,300	2,300	
Health Benefits	55,982		55,982	55,982	
Tuition Reimbursement	950		950	254	\$ 696
Total Health Services - Employee Benefits	66,332		66,332	65,636	696
Other Support Serv. - Speech, OT, PT & Related Services - Employee Benefits:					
Social Security Contributions	3,950		3,950	3,950	
Other Retirement Contributions - PERS	3,150		3,150	3,150	
Workmen's Compensation	2,300		2,300	2,300	
Health Benefits	55,982		55,982	55,982	
Total Other Support Serv. - Speech, OT, PT & Related Services - Employee Benefits	65,382		65,382	65,382	
Other Supp. Serv. - Students - Extraordinary Serv. - Employee Benefits:					
Social Security Contributions	3,950		3,950	3,950	
Other Retirement Contributions - PERS	3,150		3,150	3,150	
Workmen's Compensation	2,300		2,300	2,300	
Health Benefits	55,982		55,982	55,982	
Total Other Supp. Serv. - Students - Extraordinary Services - Employee Benefits	65,382		65,382	65,382	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Other Support Services - Guidance - Employee Benefits:					
Social Security Contributions	\$ 11,850		\$ 11,850	\$ 11,850	
Other Retirement Contributions - PERS	9,450		9,450	9,450	
Workmen's Compensation	6,900		6,900	6,900	
Health Benefits	166,445		166,445	166,445	
Tuition Reimbursement	3,000		3,000	3,000	
Other Employee Benefits	5,000		5,000		\$ 5,000
Total Other Support Services - Guidance - Employee Benefits	202,645		202,645	197,645	5,000
Other Support Services - Child Study Teams - Employee Benefits:					
Social Security Contributions	11,850		11,850	11,850	
Other Retirement Contributions - PERS	9,450	\$ 2,250	11,700	11,700	
Workmen's Compensation	6,900		6,900	6,900	
Health Benefits	167,945	(2,250)	165,695	165,695	
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	200,145		200,145	198,145	2,000
Improvement of Instruction Services - Employee Benefits:					
Social Security Contributions	3,950		3,950	3,950	
Other Retirement Contributions - PERS	3,150		3,150	3,150	
Workmen's Compensation	2,300		2,300	2,300	
Health Benefits	55,742		55,742	55,742	
Other Employee Benefits	1,000		1,000		1,000
Total Improvement of Instruction Services - Employee Benefits	66,142		66,142	65,142	1,000

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Educational Media Services - School Library - Employee Benefits:					
Social Security Contributions	\$ 7,900		\$ 7,900	\$ 7,900	
Other Retirement Contributions - PERS	6,300		6,300	6,300	
Workmen's Compensation	4,600		4,600	4,600	
Health Benefits	111,463		111,463	72,005	\$ 39,458
Tuition Reimbursement	2,000		2,000	1,423	577
Total Educational Media Services - School Library - Employee Benefits	132,263		132,263	92,228	40,035
Support Services - General Administration - Employee Benefits:					
Social Security Contributions	7,900		7,900	7,900	
Other Retirement Contributions - PERS	6,300		6,300	6,300	
Workmen's Compensation	4,600		4,600	4,600	
Health Benefits	91,963		91,963	91,963	
Other Employee Benefits	8,000		8,000	923	7,077
Total Support Services - General Administration - Employee Benefits	118,763		118,763	111,686	7,077
Support Services - School Administration - Employee Benefits:					
Social Security Contributions	31,600		31,600	31,600	
Other Retirement Contributions - PERS	25,200	\$ 6,000	31,200	31,200	
Workmen's Compensation	18,400		18,400	18,400	
Health Benefits	397,848	(6,000)	391,848	390,927	921
Tuition Reimbursement	21,000		21,000	6,508	14,492
Other Employee Benefits	37,000	9,159	46,159	46,159	
Total Support Services - School Administration - Employee Benefits	531,048	9,159	540,207	524,794	15,413

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Support Services - Central Services - Employee Benefits:					
Social Security Contributions	\$ 7,900		\$ 7,900	\$ 7,900	
Other Retirement Contributions - PERS	6,300		6,300	6,300	
Workmen's Compensation	4,600		4,600	4,600	
Health Benefits	111,963		111,963	79,177	\$ 32,786
Total Support Services - Central Services - Employee Benefits	130,763		130,763	97,977	32,786
Support Services - Admin. Info. Technology - Employee Benefits:					
Social Security Contributions	3,950		3,950	3,950	
Other Retirement Contributions - PERS	3,150		3,150	3,150	
Workmen's Compensation	2,300		2,300	2,300	
Health Benefits	55,983		55,983	55,983	
Total Support Services - Admin. Info. Technology - Employee Benefits	65,383		65,383	65,383	
Operation and Maintenance of Plant Services - Employee Benefits:					
Social Security Contributions	19,750		19,750	19,750	
TPAF Contributions - ERIP	15,750	\$ (15,750)			
Other Retirement Contributions - PERS		17,265	17,265	17,265	
Workmen's Compensation	11,500		11,500	11,500	
Health Benefits	278,908	(1,515)	277,393	227,928	49,465
Other Employee Benefits	1,000		1,000		1,000
Total Operation and Maintenance of Plant Services - Employee Benefits	326,908		326,908	276,443	50,465

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Student Transportation Services - Employee Benefits:					
Social Security Contributions	\$ 3,950		\$ 3,950	\$ 3,950	
Other Retirement Contributions - PERS	3,150		3,150	3,150	
Workmen's Compensation	2,300		2,300	2,300	
Health Benefits	55,983		55,983	55,983	
Other Employee Benefits	1,000		1,000		\$ 1,000
Total Student Transportation Services - Employee Benefits	66,383		66,383	65,383	1,000
Total Allocated Benefits	6,282,178	\$ (183,852)	6,098,326	5,599,083	499,243
On-Behalf Contributions:					
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				50,076	(50,076)
TPAF Post Retirement Medical Contributions (On-Behalf - Non-Budgeted)				1,063,620	(1,063,620)
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				1,179,816	(1,179,816)
Total On-Behalf Contributions				2,293,512	(2,293,512)
Total Personal Services - Employee Benefits	6,282,178	(183,852)	6,098,326	7,892,595	(1,794,269)
Total Undistributed Expenses	18,880,134	(298,823)	18,581,311	19,182,205	(600,894)
TOTAL GENERAL CURRENT EXPENSE	35,679,056	(333,915)	35,345,141	34,712,638	632,503

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5		\$ 160,905	\$ 160,905	\$ 160,905	
Grades 9-12		3,910	3,910	3,910	
Undistributed Expenditures:					
Support Services - Child Study Teams	\$ 3,000	4,187	7,187	7,187	
School Administration		10,364	10,364	7,900	\$ 2,464
Custodial Services	17,968		17,968	17,968	
Student Transportation:					
School Buses - Regular	32,600	(6,950)	25,650	25,650	
Total Equipment	<u>53,568</u>	<u>172,416</u>	<u>225,984</u>	<u>223,520</u>	<u>2,464</u>
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services		140,380	140,380	140,380	
Other Objects	3,500		3,500	3,500	
Total Facilities Acquisition and Construction Services	<u>3,500</u>	<u>140,380</u>	<u>143,880</u>	<u>143,880</u>	
TOTAL CAPITAL OUTLAY	<u>57,068</u>	<u>312,796</u>	<u>369,864</u>	<u>367,400</u>	<u>2,464</u>
Transfer of Funds to Charter Schools		21,119	21,119	21,119	
TOTAL EXPENDITURES	<u>35,736,124</u>		<u>35,736,124</u>	<u>35,101,157</u>	<u>634,967</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(3,044,694)</u>		<u>(3,044,694)</u>	<u>218,523</u>	<u>3,263,217</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Fund Balance, July 1	\$ 5,479,151		\$ 5,479,151	\$ 5,479,151	
Fund Balance, June 30	\$ 2,434,457	\$ -0-	\$ 2,434,457	\$ 5,697,674	\$ 3,263,217
 <u>Recapitulation of Fund Balance at June 30, 2011:</u>					
Restricted:					
Excess Surplus				\$ 1,058,720	
Excess Surplus - Designated for Subsequent Year's Expenditures				736,916	
Capital Reserve				1,616,843	
Mortgage Sale of Building				147,538	
Assigned:					
Year-End Encumbrances				464,624	
Designated for Subsequent Year's Expenditures				610,252	
Unassigned					
				<u>1,062,781</u>	
				5,697,674	
 Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(102,218)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 5,595,456</u>	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 24,610	\$ 24,610	\$ 18,459	\$ (6,151)
State Sources	\$ 122,600	61,067	183,667	179,319	(4,348)
Federal Sources	475,000	671,094	1,146,094	1,089,885	(56,209)
Total Revenues	<u>597,600</u>	<u>756,771</u>	<u>1,354,371</u>	<u>1,287,663</u>	<u>(66,708)</u>
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services		3,891	3,891	1,035	2,856
Tuition	420,000	45,848	465,848	454,531	11,317
Other Purchased Services	50,000	110,431	160,431	160,051	380
General Supplies	5,000	415,376	420,376	412,425	7,951
Textbooks	23,600	(4,332)	19,268	19,268	
Total Instruction	<u>498,600</u>	<u>571,214</u>	<u>1,069,814</u>	<u>1,047,310</u>	<u>22,504</u>
Support Services:					
Salaries of Other Professional Staff		1,179	1,179	1,179	
Other Salaries		28,200	28,200	13,800	14,400
Personal Services - Employee Benefits		2,157	2,157		2,157
Purchased Professional and Technical Services	99,000	55,259	154,259	127,458	26,801
Supplies and Materials		321	321		321
Other Objects		525	525		525
Total Support Services	<u>99,000</u>	<u>87,641</u>	<u>186,641</u>	<u>142,437</u>	<u>44,204</u>
Equipment:					
Instructional Equipment		97,916	97,916	97,916	
Total Equipment		<u>97,916</u>	<u>97,916</u>	<u>97,916</u>	
Total Expenditures	<u>597,600</u>	<u>756,771</u>	<u>1,354,371</u>	<u>1,287,663</u>	<u>66,708</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, 2011

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 35,319,680	\$ 1,287,663
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.		(239,777)
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	278,825	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(102,218)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 35,496,287</u>	<u>\$ 1,047,886</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 35,101,157	\$ 1,287,663
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.		(239,777)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 35,101,157</u>	<u>\$ 1,047,886</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)l. 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011

	No Child Left Behind					
	Title I	Title II, Part A	Title II, Part A, Carryover	Title II, Part D	Title IV	Title IV, Carryover
REVENUE:						
Local Sources						
State Sources						
Federal Sources	\$ 13,800	\$ 37,418	\$ 2,952	\$ 60	\$ 7	\$ 235
Total Revenue	<u>13,800</u>	<u>37,418</u>	<u>2,952</u>	<u>60</u>	<u>7</u>	<u>235</u>
EXPENDITURES:						
Instruction:						
Purchased Professional - Educational Services			935			
Tuition						
Other Purchased Services						
General Supplies			2,017		7	235
Textbooks						
Total Instruction			<u>2,952</u>		<u>7</u>	<u>235</u>
Support Services:						
Salaries of Other Professional Staff						
Other Salaries	13,800					
Purchased Professional and Technical Services		37,418		60		
Total Support Services	<u>13,800</u>	<u>37,418</u>		<u>60</u>		
Facilities Acquisition:						
Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	<u>\$ 13,800</u>	<u>\$ 37,418</u>	<u>\$ 2,952</u>	<u>\$ 60</u>	<u>\$ 7</u>	<u>\$ 235</u>

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

IDEA Part B

	Basic	Basic, Carryover	Basic ARRA	Preschool	Preschool, Carryover	Preschool ARRA
REVENUE:						
Local Sources						
State Sources						
Federal Sources	\$ 472,764	\$ 12,584	\$ 525,202	\$ 4,270	\$ 350	\$ 20,243
Total Revenue	<u>472,764</u>	<u>12,584</u>	<u>525,202</u>	<u>4,270</u>	<u>350</u>	<u>20,243</u>
EXPENDITURES:						
Instruction:						
Purchased Professional - Educational Services						
Tuition	447,662	2,249		4,270	350	
Other Purchased Services						
General Supplies	4,324	1,133	367,286			20,243
Textbooks						
Total Instruction	<u>451,986</u>	<u>3,382</u>	<u>367,286</u>	<u>4,270</u>	<u>350</u>	<u>20,243</u>
Support Services:						
Salaries of Other Professional Staff						
Other Salaries						
Purchased Professional and Technical Services	20,778	9,202	60,000			
Total Support Services	<u>20,778</u>	<u>9,202</u>	<u>60,000</u>			
Facilities Acquisition:						
Instructional Equipment			97,916			
Total Facilities Acquisition			<u>97,916</u>			
Total Expenditures	<u>\$ 472,764</u>	<u>\$ 12,584</u>	<u>\$ 525,202</u>	<u>\$ 4,270</u>	<u>\$ 350</u>	<u>\$ 20,243</u>

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

	Rutgers Character Education	Nonpublic Textbooks	Nonpublic Nursing	Nonpublic Handicapped Services		
				Exam and Classification	Supplementary Instruction	Corrective Speech
REVENUE:						
Local Sources						
State Sources	\$ 430	\$ 19,268	\$ 22,832	\$ 37,642	\$ 30,502	\$ 20,887
Federal Sources						
Total Revenue	<u>430</u>	<u>19,268</u>	<u>22,832</u>	<u>37,642</u>	<u>30,502</u>	<u>20,887</u>
EXPENDITURES:						
Instruction:						
Purchased Professional - Educational Services						
Tuition						
Other Purchased Services	430		22,832	37,642	30,502	20,887
General Supplies						
Textbooks		19,268				
Total Instruction	<u>430</u>	<u>19,268</u>	<u>22,832</u>	<u>37,642</u>	<u>30,502</u>	<u>20,887</u>
Support Services:						
Salaries of Other Professional Staff						
Other Salaries						
Purchased Professional and Technical Services						
Total Support Services						
Facilities Acquisition:						
Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	<u>\$ 430</u>	<u>\$ 19,268</u>	<u>\$ 22,832</u>	<u>\$ 37,642</u>	<u>\$ 30,502</u>	<u>\$ 20,887</u>

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

	<u>Nonpublic Auxiliary Services</u>		<u>Morris County SADD Chapter</u>	<u>Aeropostale Donation</u>	<u>Suburban Women's Club Donation</u>	<u>Ipad Donation</u>
	<u>Compensatory Education</u>	<u>English as a Second Language</u>				
REVENUE:						
Local Sources			\$ 1,179	\$ 5,000	\$ 100	\$ 6,485
State Sources	\$ 46,050	\$ 1,708				
Federal Sources						
Total Revenue	<u>46,050</u>	<u>1,708</u>	<u>1,179</u>	<u>5,000</u>	<u>100</u>	<u>6,485</u>
EXPENDITURES:						
Instruction:						
Purchased Professional - Educational Services					100	
Tuition						
Other Purchased Services	46,050	1,708				
General Supplies				5,000		6,485
Textbooks						
Total Instruction	<u>46,050</u>	<u>1,708</u>		<u>5,000</u>	<u>100</u>	<u>6,485</u>
Support Services:						
Salaries of Other Professional Staff			1,179			
Other Salaries						
Purchased Professional and Technical Services						
Total Support Services			<u>1,179</u>			
Facilities Acquisition:						
Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	<u>\$ 46,050</u>	<u>\$ 1,708</u>	<u>\$ 1,179</u>	<u>\$ 5,000</u>	<u>\$ 100</u>	<u>\$ 6,485</u>

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

	<u>Home and School Donation</u>	<u>Totals</u>
REVENUE:		
Local Sources	\$ 5,695	\$ 18,459
State Sources		179,319
Federal Sources		1,089,885
Total Revenue	5,695	1,287,663
EXPENDITURES:		
Instruction:		
Purchased Professional - Educational Services		1,035
Tuition		454,531
Other Purchased Services		160,051
General Supplies	5,695	412,425
Textbooks		19,268
Total Instruction	5,695	1,047,310
Support Services:		
Salaries of Other Professional Staff		1,179
Other Salaries		13,800
Purchased Professional and Technical Services		127,458
Total Support Services		142,437
Facilities Acquisition:		
Instructional Equipment		97,916
Total Facilities Acquisition		97,916
Total Expenditures	\$ 5,695	\$ 1,287,663

CAPITAL PROJECTS FUND

Exhibit F-1

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, 2011

Revenue and Other Financing Sources:	
Investment Income	\$ 12,499
Total Revenue and Other Financing Sources	<u>12,499</u>
Expenditures and Other Financing Uses:	
Legal Services	3,480
Purchased Professional and Technical Services	161,263
Construction Services	325,762
Operating Transfers Out:	
Transfer to Debt Service Fund	<u>12,499</u>
Total Expenditures and Other Financing Uses	<u>503,004</u>
Excess/Deficiency of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	(490,505)
Fund Balance - Beginning	<u>4,593,802</u>
Fund Balance - Ending	<u>\$ 4,103,297</u>
 <u>Recapitulation of Fund Balance at June 30, 2011:</u>	
Restricted	\$ 3,554,345
Committed	<u>548,952</u>
	4,103,297
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>\$ 3,865,130</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, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Bond Proceeds	\$ 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:				
Legal Services		\$ 3,480	3,480	
Purchased Professional & Technical Services	2,494,155	117,246	2,611,401	2,608,387
Construction Services	6,495,012	325,762	6,820,774	10,381,613
Total Expenditures	8,989,167	446,488	9,435,655	12,990,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ 4,000,833	\$ (446,488)	\$ 3,554,345	\$ -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
Percentage Completion	72.64%
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, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 42,167		\$ 42,167	\$ 42,167
Transfer from Capital Reserve	63,250		63,250	63,250
Total Revenue and Other Financing Sources	105,417		105,417	105,417
Expenditures:				
Purchased Professional & Technical Services	1,224	\$ 14,315	15,539	21,083
Construction Services				84,334
Total Expenditures	1,224	14,315	15,539	105,417
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 104,193</u>	<u>\$ (14,315)</u>	<u>\$ 89,878</u>	<u>\$ -0-</u>

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
Percentage Completion	14.74%
Original Target Completion Date	10/14/2010
Revised Target Completion Date	10/31/2011

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, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 196,000		\$ 196,000	\$ 196,000
Transfer from Capital Reserve	294,000		294,000	294,000
Total Revenue and Other Financing Sources	490,000		490,000	490,000
Expenditures:				
Purchased Professional & Technical Services	1,224	\$ 29,702	30,926	97,224
Construction Services				392,776
Total Expenditures	1,224	29,702	30,926	490,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 488,776</u>	<u>\$ (29,702)</u>	<u>\$ 459,074</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
Percentage Completion	6.31%
Original Target Completion Date	10/14/2010
Revised Target Completion Date	10/31/2011

PROPRIETARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	Business-Type Activities:		
	Enterprise Funds		
	Food Service	Imagine Program	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 60,930		\$ 60,930
Interfund Receivable	3,988		3,988
Receivable from Federal Government	5,208		5,208
Receivable from State Government	477		477
Inventory	9,802		9,802
Total Current Assets	<u>80,405</u>		<u>80,405</u>
Non-Current Assets:			
Capital Assets	79,410		79,410
Less: Accumulated Depreciation	<u>(68,606)</u>		<u>(68,606)</u>
Total Non-Current Assets	<u>10,804</u>		<u>10,804</u>
Total Assets	<u>91,209</u>		<u>91,209</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	<u>13,418</u>		<u>13,418</u>
Total Liabilities	<u>13,418</u>		<u>13,418</u>
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt	10,804		10,804
Unrestricted	<u>66,987</u>		<u>66,987</u>
Total Net Assets	<u>\$ 77,791</u>	<u>\$ -0-</u>	<u>\$ 77,791</u>

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

	Business-Type Activities:		
	Enterprise Funds		
	Food Service	Imagine Program	Total
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 298,945		\$ 298,945
Daily Sales - Non-Reimbursable Programs	305,032		305,032
Special Events	1,091		1,091
Total Operating Revenue	605,068		605,068
Operating Expenses:			
Cost of Sales	296,816		296,816
Salaries	222,675		222,675
Payroll Taxes	31,975		31,975
Employee Benefits	16,469		16,469
Purchased Property Services	73,335		73,335
Supplies and Materials	51,051		51,051
Depreciation Expense	6,857		6,857
Miscellaneous Expenditures		\$ 3,369	3,369
Total Operating Expenses	699,178	3,369	702,547
Operating Income/(Loss)	(94,110)	(3,369)	(97,479)
Non-Operating Revenue:			
Federal Sources:			
National School Lunch Program	55,051		55,051
Special Milk Program	14,192		14,192
Food Distribution Program	15,323		15,323
State Sources:			
State School Lunch Program	5,620		5,620
Local Sources:			
Interest Revenue	268	13	281
Total Non-Operating Revenue	90,454	13	90,467
Change in Net Assets Before Capital Assets Adjustment	(3,656)	(3,356)	(7,012)
Capital Asset Adjustment, Net of Accumulated Depreciation	(39,935)		(39,935)
Change in Net Assets After Capital Assets Adjustment	(43,591)	(3,356)	(46,947)
Net Assets - Beginning of Year	121,382	3,356	124,738
Net Assets - End of Year	\$ 77,791	\$ -0-	\$ 77,791

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities:		
	Enterprise Funds		
	Food Service	Imagine Program	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 605,068		\$ 605,068
Payments to Food Service Vendor	(649,663)		(649,663)
Payments to Suppliers	(34,910)	\$ (3,369)	(38,279)
Net Cash (Used for) Operating Activities	(79,505)	(3,369)	(82,874)
Cash Flows from Investing Activities:			
Interest Revenue	268	13	281
Net Cash Provided by Investing Activities	268	13	281
Cash Flows from Noncapital Financing Activities:			
Receipt of Federal Aid	70,286		70,286
Receipt of State Aid	5,734		5,734
Collection of Prior Year Receivable	9,252		9,252
Net Cash Provided by Noncapital Financing Activities	85,272		85,272
Net Increase/(Decrease) in Cash and Cash Equivalents	6,035	(3,356)	2,679
Cash and Cash Equivalents, July 1	54,895	3,356	58,251
Cash and Cash Equivalents, June 30	\$ 60,930	\$ -0-	\$ 60,930
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:			
Operating (Loss)	\$ (94,110)	\$ (3,369)	\$ (97,479)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:			
Depreciation	6,857		6,857
Federal Food Distribution Program	15,323		15,323
Changes in Assets and Liabilities:			
(Increase) in Inventory	(2,091)		(2,091)
(Decrease) in Accounts Payable	(5,484)		(5,484)
Net Cash Provided by/(Used for) Operating Activities	\$ (79,505)	\$ (3,369)	\$ (82,874)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$15,323 for the fiscal year ended June 30, 2011.

FIDUCIARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Agency</u>			<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>		
ASSETS:					
Cash and Cash Equivalents	\$ 94,616	\$ 735,867	\$ 830,483	\$ 134,247	\$ 1,655
Investments	18,000		18,000		185,235
Interfund Receivable: Payroll Agency				46,634	
Total Assets	<u>112,616</u>	<u>735,867</u>	<u>848,483</u>	<u>180,881</u>	<u>186,890</u>
LIABILITIES:					
Accrued Salaries and Wages		679,146	679,146		
Accounts Payable - Vendors		1,218	1,218		
Interfund Payable: General Fund		1,776	1,776		
Unemployment Compensation Trust		46,634	46,634		
Payroll Deductions and Withholdings		7,093	7,093		
Due to Student Groups	112,616		112,616		
Total Liabilities	<u>112,616</u>	<u>735,867</u>	<u>848,483</u>		
NET ASSETS:					
Held in Trust for: Unemployment Claims Scholarships				180,881	186,890
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 180,881</u>	<u>\$ 186,890</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
ADDITIONS:			
Contributions - Employee Donations	\$ 31,098		\$ 31,098
		\$ 1,770	1,770
Total Contributions	<u>31,098</u>	<u>1,770</u>	<u>32,868</u>
Investment Earnings:			
Interest	<u>612</u>	<u>1,580</u>	<u>2,192</u>
Net Investment Earnings	<u>612</u>	<u>1,580</u>	<u>2,192</u>
Total Additions	<u>31,710</u>	<u>3,350</u>	<u>35,060</u>
DEDUCTIONS:			
Unemployment Compensation Claims	109,466		109,466
Scholarships Awarded		9,400	9,400
Scholarships Accounts Closed		<u>1,220</u>	<u>1,220</u>
Total Deductions	<u>109,466</u>	<u>10,620</u>	<u>120,086</u>
Change in Net Assets	(77,756)	(7,270)	(85,026)
Net Assets - Beginning of the Year	<u>258,637</u>	<u>194,160</u>	<u>452,797</u>
Net Assets - End of the Year	<u>\$ 180,881</u>	<u>\$ 186,890</u>	<u>\$ 367,771</u>

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$ 97,279	\$ 424,369	\$ 427,032	\$ 94,616
Investments	18,000			18,000
Interfund Receivable - General Fund	<u>3</u>		<u>3</u>	
Total Assets	<u>\$ 115,282</u>	<u>\$ 424,369</u>	<u>\$ 427,035</u>	<u>\$ 112,616</u>
LIABILITIES:				
Due to Student Groups	<u>\$ 115,282</u>	<u>\$ 424,369</u>	<u>\$ 427,035</u>	<u>\$ 112,616</u>
Total Liabilities	<u>\$ 115,282</u>	<u>\$ 424,369</u>	<u>\$ 427,035</u>	<u>\$ 112,616</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Middle School:				
Pequannock Valley	\$ 22,385	\$ 88,489	\$ 86,045	\$ 24,829
Senior High School:				
Pequannock	92,897	271,778	277,686	86,989
Interscholastic Athletics		64,102	63,304	798
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total All Schools	<u>\$ 115,282</u>	<u>\$ 424,369</u>	<u>\$ 427,035</u>	<u>\$ 112,616</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 769,779	\$24,022,542	\$24,056,454	\$ 735,867
Total Assets	<u>\$ 769,779</u>	<u>\$24,022,542</u>	<u>\$24,056,454</u>	<u>\$ 735,867</u>
LIABILITIES:				
Accrued Salaries and Wages	\$ 726,894	\$ 683,991	\$ 731,739	\$ 679,146
Interfund Payable - General Fund	17	1,759		1,776
Interfund Payable - Unemployment				
Compensation Trust Fund	35,744	46,634	35,744	46,634
Accounts Payable - Vendors	2,577	1,218	2,577	1,218
Payroll Deductions and Withholdings	4,547	23,288,940	23,286,394	7,093
Total Liabilities	<u>\$ 769,779</u>	<u>\$24,022,542</u>	<u>\$24,056,454</u>	<u>\$ 735,867</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, 2010	Retired/ Matured	Balance June 30, 2011
			Date	Amount				
School Improvements	2/15/99	\$ 5,500,000	2/15/12	\$ 515,000	4.25%	\$ 1,540,000	\$ 490,000	\$ 1,050,000
			2/15/13	535,000	4.25%			
Schools Renovations and Alterations	5/5/2009	12,990,000	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%						
						<u>12,990,000</u>	<u>250,000</u>	<u>12,740,000</u>
						<u>\$ 14,530,000</u>	<u>\$ 740,000</u>	<u>\$ 13,790,000</u>

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

NOT APPLICABLE

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 893,390		\$ 893,390	\$ 893,390	
Investment Income				57	\$ 57
State Sources:					
Debt Service Aid Type II	436,975		436,975	436,975	
Total Revenues	1,330,365		1,330,365	1,330,422	57
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	591,275		591,275	591,275	
Redemption of Principal	740,000		740,000	740,000	
Total Regular Debt Service	1,331,275		1,331,275	1,331,275	
Total Expenditures	1,331,275		1,331,275	1,331,275	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(910)		(910)	(853)	57
Other Financing Sources:					
Investment Income - Transferred from Capital Projects Fund				12,499	12,499
Total Other Financing Sources				12,499	12,499
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	(910)		(910)	11,646	12,556
Fund Balance, July 1	1,053		1,053	1,053	
Fund Balance, June 30	\$ 143	\$ -0-	\$ 143	\$ 12,699	\$ 12,556

Recapitulation of Fund Balance at June 30, 2011:

Restricted:

Designated for Subsequent Year's Expenditures	\$ 143
Other Purposes	12,556
	<u>\$ 12,699</u>

STATISTICAL SECTION

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
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	\$10,814,896
Restricted	2,702,586	2,345,488	2,731,058	3,549,283	4,851,595	4,918,814	4,958,377
Unrestricted/(Deficit)	251,694	37,784	254,813	242,918	(33,250)	94,613	376,753
Total Governmental Activities Net Assets	<u>\$11,032,122</u>	<u>\$11,550,279</u>	<u>\$12,999,927</u>	<u>\$13,330,170</u>	<u>\$14,611,119</u>	<u>\$15,590,340</u>	<u>\$16,150,026</u>
Business-type Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 3,768	\$ 2,717	\$ 2,557	\$ 17,299	\$ 16,131	\$ 57,596	\$ 10,804
Unrestricted	57,764	74,542	123,952	120,485	111,160	67,142	66,987
Total Business-type Activities Net Assets	<u>\$ 61,532</u>	<u>\$ 77,259</u>	<u>\$ 126,509</u>	<u>\$ 137,784</u>	<u>\$ 127,291</u>	<u>\$ 124,738</u>	<u>\$ 77,791</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	\$10,825,700
Restricted	2,702,586	2,345,488	2,731,058	3,549,283	4,851,595	4,918,814	4,958,377
Unrestricted	309,458	112,326	378,765	363,403	77,910	161,755	443,740
Total District-wide Net Assets	<u>\$11,093,654</u>	<u>\$11,627,538</u>	<u>\$13,126,436</u>	<u>\$13,467,954</u>	<u>\$14,738,410</u>	<u>\$15,715,078</u>	<u>\$16,227,817</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 SEVEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

Expenses:	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:							
Instruction:							
Regular	\$ 14,283,463	\$ 15,488,782	\$ 16,830,619	\$ 16,152,474	\$ 16,168,742	\$ 16,630,347	\$ 16,092,565
Special Education	2,857,648	3,129,124	3,857,096	4,844,401	4,929,171	4,632,100	5,364,439
Other Special Instruction	252,758	371,834	375,639	332,834	278,841	269,116	214,625
School Sponsored Instruction	608,516	676,099	694,825	610,206	587,190	609,241	653,558
Support Services:							
Tuition	1,014,819	1,282,879	1,673,444	1,357,758	1,194,968	1,906,607	1,653,770
Student & Instruction Related Services	3,818,276	3,930,783	3,731,949	4,685,640	4,441,124	4,492,381	4,480,972
General Administration Services	830,689	924,604	960,744	802,171	764,705	581,531	861,243
School Administration Services	1,929,416	1,976,568	2,050,554	1,981,556	2,035,764	2,269,299	2,591,799
Central Services	465,931	443,272	473,513	522,433	557,846	555,533	518,487
Administrative Information Technology	187,001	194,677	227,287	214,917	240,077	258,045	264,221
Plant Operations and Maintenance	2,613,203	2,491,532	2,753,346	2,843,071	2,946,804	2,438,628	2,924,324
Pupil Transportation	783,266	873,065	960,427	1,062,808	953,110	1,037,114	1,085,095
Charter Schools							21,119
Interest on Long-term Debt	283,796	189,316	154,777	119,075	335,966	417,284	601,191
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	37,327,408
Business-type Activities:							
Food Service	529,117	592,744	599,184	637,106	694,376	729,498	699,178
Imagine Program			34,478	54,039	29,508		3,369
Total Business-type Activities Expenses	529,117	592,744	633,662	691,145	723,884	729,498	702,547
Total District-wide Expenses	30,672,749	32,776,672	35,436,726	36,571,425	36,354,864	37,113,950	38,029,955

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

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Program Revenues:							
Governmental Activities:							
Charges for Services:							
Tuition	\$ 91,630	\$ 267,488	\$ 268,650	\$ 182,523	\$ 285,191	\$ 280,000	\$ 290,475
Pupil Transportation		29,896	40,736	36,646	47,076	32,987	35,429
Operating Grants and Contributions	4,792,022	5,118,945	6,281,038	6,369,840	5,025,800	4,643,807	4,882,140
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>	<u>5,208,044</u>
Business-type Activities:							
Charges for Services:							
Food Service	464,926	545,794	545,607	553,105	625,291	628,289	605,068
Imagine Program			75,750	43,964	923		
Operating Grants and Contributions	64,094	60,381	57,782	86,287	85,060	98,112	90,186
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>	<u>695,254</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>	<u>5,903,298</u>
Net (Expense)/Revenue:							
Governmental Activities	\$(24,861,877)	\$(26,472,713)	\$(28,022,829)	\$(29,291,271)	\$(30,268,769)	\$(31,427,658)	\$(32,119,364)
Business-type Activities	(97)	13,431	45,477	(7,789)	(12,610)	(3,097)	(7,293)
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>	<u>(32,126,657)</u>

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

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets:							
Governmental Activities:							
Property Taxes Levied for General Purposes, Net	\$ 23,931,328	\$ 25,186,576	\$ 27,271,858	\$ 28,377,446	\$ 29,453,628	\$ 30,448,340	\$ 30,946,682
Taxes Levied for Debt Service	1,230,445	695,424	979,346	977,709	345,474	603,675	893,390
Unrestricted Grants and Contributions	923,481	926,761	923,283	1,186,084	1,335,400	1,185,186	632,616
Investment Earnings	124,944	153,273	218,547	20,452	60,735	123,748	15,201
Miscellaneous Income	139,496	76,441	131,195	301,961	411,239	101,484	191,161
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>	<u>32,679,050</u>
Business-type Activities:							
Investment Earnings	1,424	2,296	3,773	3,153	2,117	544	281
Capital Adjustments							(39,935)
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>	<u>(39,654)</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>	<u>32,639,396</u>
Change in Net Assets:							
Governmental Activities	1,440,702	518,157	1,449,648	1,520,681	1,280,949	979,221	559,686
Business-type Activities	1,327	15,727	49,250	(4,636)	(10,493)	(2,553)	(46,947)
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>	<u>\$ 512,739</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 SEVEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
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	
Restricted							\$3,560,017
Assigned							1,074,876
Unassigned							960,563
Total General Fund	<u>\$2,994,061</u>	<u>\$2,898,304</u>	<u>\$3,412,784</u>	<u>\$4,131,297</u>	<u>\$ 5,426,323</u>	<u>\$5,200,326</u>	<u>\$5,595,456</u>
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	
Restricted							\$3,567,044
Committed							310,785
Total Other Governmental Funds	<u>\$ 480,163</u>	<u>\$ 30,218</u>	<u>\$ 25,125</u>	<u>\$ 38,544</u>	<u>\$11,101,669</u>	<u>\$4,356,688</u>	<u>\$3,877,829</u>
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	
Restricted							\$7,127,061
Committed							310,785
Assigned							1,074,876
Unassigned							960,563
Total Governmental Funds	<u>\$3,474,224</u>	<u>\$2,928,522</u>	<u>\$3,437,909</u>	<u>\$4,169,841</u>	<u>\$16,527,992</u>	<u>\$9,557,014</u>	<u>\$9,473,285</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 FUND BALANCES - GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Revenues:							
Tax Levy	\$ 25,161,773	\$ 25,882,000	\$ 28,251,204	\$ 29,355,155	\$ 29,799,102	\$ 31,052,015	\$31,840,072
Tuition Charges	91,630	267,488	268,650	182,523	285,191	280,000	290,475
Transportation Fees		29,896	40,736	36,646	47,076	32,987	35,429
Interest Earnings	124,944	153,273	218,547	4,974	60,735	128,873	15,201
Miscellaneous	139,496	76,441	131,195	317,439	411,239	102,431	198,925
State Sources	5,601,597	5,794,891	6,784,346	6,939,892	5,808,449	5,043,031	4,645,824
Federal Sources	512,009	545,701	609,786	616,032	556,895	779,890	861,168
Total Revenues	31,631,449	32,749,690	36,304,464	37,452,661	36,968,687	37,419,227	37,887,094
Expenditures:							
Instruction:							
Regular Instruction	11,108,817	11,518,695	11,747,591	11,449,389	12,022,672	12,226,259	11,586,205
Special Education	218,910	2,326,700	2,722,729	3,596,363	3,733,052	3,346,976	4,042,076
Other Special Instruction	189,847	266,918	254,660	231,072	273,841	262,115	203,088
School Sponsored Instruction	477,659	505,943	502,435	608,428	606,745	609,241	653,558
Support Services:							
Tuition	1,014,819	1,282,879	1,673,444	1,357,758	1,194,968	1,906,607	1,653,770
Student & Instruction Related Services	3,048,266	3,069,438	3,003,943	3,291,953	3,349,465	3,485,508	3,145,187
General Administration	742,176	834,527	890,125	749,471	643,909	660,728	740,097
School Administration	1,463,849	1,512,804	1,521,726	1,678,295	1,720,616	1,797,649	1,665,569
Central Services	346,235	360,507	368,803	396,948	415,313	445,747	420,510
Administrative Information Technology	140,355	158,647	185,528	184,078	187,711	199,071	198,838
Plant Operations and Maintenance	2,271,160	2,232,425	2,494,093	2,583,266	2,658,151	2,429,010	2,569,576
Pupil Transportation	713,748	814,863	897,050	977,462	880,920	956,396	896,063

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

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Expenditures:							
Support Services:							
Allocated Benefits				\$ 4,605,491	\$ 4,997,184	\$ 5,522,472	\$ 5,599,083
Unallocated Benefits	\$ 6,026,728	\$ 6,803,066	\$ 8,090,326	3,701,862	2,289,306	2,344,575	2,293,512
Charter Schools							21,119
Capital Outlay	639,659	389,041	223,689	90,245	2,015,375	7,191,022	951,297
Debt Service:							
Principal	965,000	970,000	1,000,000	1,035,000	450,000	470,000	740,000
Interest & Other Charges	212,043	201,334	167,183	131,948	104,550	481,275	591,275
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>	<u>37,970,823</u>
Other Financing Sources (Uses):							
Bond Proceeds					12,990,000		
Transfers In	2,959,519	2,059	30,133		51,860	416,798	12,499
Transfers Out	<u>(3,871,200)</u>	<u>(49,664)</u>	<u>(81,885)</u>	<u>(51,700)</u>	<u>(108,618)</u>	<u>(472,352)</u>	<u>(12,499)</u>
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>	<u>\$ (83,729)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.07%	3.56%	3.29%	3.19%	1.56%	2.56%	3.60%

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
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
2011	22,777	35,429	290,475	60,780	110,249	519,710

Source: Pequannock Township School District records.

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

Year Ended Dec. 31,	Vacant Land	Residential	Farm Regular	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$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
2010	21,609,300	2,238,991,100	12,816,700	113,600	228,937,900	57,197,700	331,749,200	2,891,415,500	2,251,791	2,893,667,291	233,114,600	1.08	2,861,499,098

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	
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
2010	1.05	0.30	1.08	0.40	0.23	1.71

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	2010			2001		
	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable
Point View Campus LLC	\$ 327,873,800	1	11.33%	\$ 22,250,000	1	2.03%
Plaza 23 Associates	27,743,100	2	0.96%	17,149,300	2	1.57%
West End Road Associates	7,436,500	3	0.26%	4,800,000	3	0.44%
Adjess Associates	6,412,100	4	0.22%			
New EKC Corporation	6,291,200	5	0.22%	2,899,700	7	0.26%
Pequannock Joint Venture	6,200,400	6	0.21%			
Perrin Associates LLC	5,948,700	7	0.21%			
Romont Corporate	5,475,700	8	0.19%			
Panraq Associates	4,766,500	9	0.16%	2,392,500	10	0.22%
Balaji, LLC	4,747,000	10	0.16%			
Virginia Ind. LLC				2,700,000	8	0.25%
Marx Realty				4,000,000	4	0.37%
Edwards Engineering				3,500,000	5	0.32%
Pequannock Motel Associates				3,387,300	6	0.31%
Individual Taxpayer #1				2,603,200	9	0.24%
Total	\$ 402,895,000		14.61%	\$ 65,682,000		3.98%

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	
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 -
2011	31,840,072	31,840,072	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 SEVEN 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	1.27%	868.50
2011	13,790,000	- 0 -	- 0 -	13,790,000	1.21%	824.27

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 SEVEN 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
2011	13,790,000	-0-	13,790,000	0.477%	824.27

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, 2010
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	\$ 9,623,385	100.00%	\$ 9,623,385
Morris County General Obligation Debt	249,234,104	3.76%	<u>9,365,617</u>
Subtotal Overlapping Debt			18,989,002
Pequannock Township School District Direct Debt			<u>14,530,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 33,519,002</u></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 2011

Year Ended December 31,	Equalized Valuation Basis
2008	\$ 2,849,443,203
2009	2,849,014,992
2010	2,746,144,458
	<u>\$ 8,444,602,653</u>
Average Equalized Valuation of Taxable Property	<u>\$ 2,814,867,551</u>
Debt Limit (4% of Average Equalization Value) ^a	\$ 112,594,702
Net Bonded School Debt	<u>13,790,000</u>
Legal Debt Margin	<u>\$ 98,804,702</u>

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt Limit	\$ 51,774,385	\$ 57,459,201	\$ 63,928,104	\$ 72,087,334	\$ 81,746,500
Total Net Debt Applicable to Limit	<u>4,820,000</u>	<u>4,465,000</u>	<u>4,095,000</u>	<u>3,710,000</u>	<u>3,310,000</u>
Legal Debt Margin	<u>\$ 46,954,385</u>	<u>\$ 52,994,201</u>	<u>\$ 59,833,104</u>	<u>\$ 68,377,334</u>	<u>\$ 78,436,500</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	9.31%	7.77%	6.41%	5.15%	4.05%

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	\$ 94,109,547	\$ 104,309,795	\$ 111,423,919	\$ 113,462,340	\$ 112,594,702
Total Net Debt Applicable to Limit	<u>2,895,000</u>	<u>2,460,000</u>	<u>15,000,000</u>	<u>13,790,000</u>	<u>13,790,000</u>
Legal Debt Margin	<u>\$ 91,214,547</u>	<u>\$ 101,849,795</u>	<u>\$ 96,423,919</u>	<u>\$ 99,672,340</u>	<u>\$ 98,804,702</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.08%	2.36%	13.46%	12.15%	12.25%

^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

<u>Year</u>	<u>Township Population ^a</u>	<u>Morris County Per Capita Personal Income ^b</u>	<u>Township Personal Income ^c</u>	<u>Township Unemployment Rate ^d</u>
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	71,527	1,191,496,766	4.80%
2009	16,730	68,251	1,141,839,230	8.20%
2010	16,730 **	68,251 *	1,141,839,230	8.20%
2011	16,730 **	68,251 *	1,141,839,230	8.20%

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

** - Latest Pequannock Township population available (2009) was used for calculation purposes.

Source:

^a - Population information provided by the US Department of Census - Population Division.

^b - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

^c - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

^d - Unemployment data provided by the NJ Department of Labor and Workforce Development.

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

Employer	2010		Employer	2001	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Novartis	4,990	1.85%			
Altantic Health System	4,933	1.83%			
US Army Armament Research and Development	4,442	1.64%		Information is Not Available	
United Parcel Service	2,332	0.86%			
County of Morris	1,959	0.72%			
ADP	1,924	0.71%			
AT&T	1,550	0.57%			
Saint Claire's	1,531	0.57%			
BASF Corporation	1,400	0.52%			
Avis Budget Group, Inc.	1,378	0.51%			
Total	<u>26,439</u>	<u>9.78%</u>			
Total County Labor Force	<u>270,282</u>				

Source: Morris County Treasurer's Office.

Exhibit J-16

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction:							
Regular	173.02	176.90	175.43	176.74	166.64	165.63	160.00
Special Education	53.28	57.40	58.66	60.40	63.90	63.90	66.40
Support Services:							
Student/Instruction-Related	37.25	37.25	40.45	38.20	41.84	41.84	40.30
General Administration	6.00	4.00	5.00	4.50	4.00	4.00	2.00
School Administration	18.85	18.85	15.85	18.85	19.35	19.35	18.40
Plant Operations/Maintenance	22.50	22.50	21.00	25.00	24.50	24.50	23.50
Pupil Transportation	4.50	4.50	5.50	6.00	5.50	5.50	4.50
Business & Other Support	8.00	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>	 <u>323.10</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 SEVEN 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%
2011	2,330	35,688,251	15,317	0.81%	218	12.8:1	9.6:1	12.7:1	10.1:1	10.0:1	2,327	2,244	-1.65%	96.43%

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 SEVEN FISCAL YEARS
UNAUDITED

<u>District Building</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Hillview School (1962):							
Square Feet	45,005	45,005	45,005	45,005	45,005	45,005	45,005
Capacity (Students)	360	360	360	360	360	360	360
Enrollment	377	366	373	375	372	367	385
North Boulevard School (1954):							
Square Feet	45,902	45,902	45,902	45,902	45,902	45,902	45,902
Capacity (Students)	367	367	367	367	367	367	367
Enrollment	386	399	394	391	374	337	301
Stephen J. Gerace School (1969):							
Square Feet	34,834	34,834	34,834	34,834	34,834	34,834	34,834
Capacity (Students)	278	278	278	278	278	278	278
Enrollment	337	364	340	325	329	324	304
Pequanock Valley Middle School (1950):							
Square Feet	84,754	84,754	84,754	84,754	84,754	84,754	84,754
Capacity (Students)	632	632	632	632	632	632	632
Enrollment	615	612	597	557	578	619	606
Pequanock High School (1957):							
Square Feet	130,547	130,547	130,547	130,547	130,547	130,547	130,547
Capacity (Students)	864	864	864	864	864	864	864
Enrollment	798	782	774	784	772	735	734
Board Office:							
Square Feet	2,700	2,700	2,700	2,700	2,700	2,700	2,700

Number of Schools at June 30, 2011:

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: Pequanock 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*
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
2011	76,011	76,011	64,317	146,176	222,187	584,702

* - 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, 2011
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Zurich Insurance Company:		
Property - Blanket Building and Contents	\$ 57,028,056	\$ 5,000
Crime-Employee Theft - per loss	500,000	5,000
Forgery or Alteration	50,000	1,000
Robbery or Safe Burglary	50,000	
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	500,000
Commercial General Liability	1,000,000	
Commercial Automotive Liability		
Commercial Umbrella - American Alternative Insurance Company	9,000,000	10,000
School Board Legal Liability - Darwin National Assurance	1,000,000	15,000
Boiler and Machinery - Zurich Insurance Company	100,000,000	1,000
Excess Liability - Fireman's Fund Insurance Company	50,000,000	
Student Accident Insurance - Monumental Insurance Co		
maximum benefit	5,000,000	
disability	1,000,000	
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 Occurance	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, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

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

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

The Honorable President and Members
 of the Board of Education
 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, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

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* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to the Board in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 5, 2011.

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

Nisivoccia, LLP

Mount Arlington, New Jersey
October 5, 2011

NISIVOCCIA, LLP

Kathryn L. Mantell

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey'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 its major federal and state programs for the fiscal year ended June 30, 2011. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance and Regulatory Compliance,, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal 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 of the Board's compliance with those requirements.

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

Honorable President and Members
of the Board of Education
Pequanock 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 or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/ Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

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

Nisivoccia, LLP

Mount Arlington, New Jersey
October 5, 2011

NISIVOCCIA, LLP

Kathryn L. Mantell

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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, 2011**

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010				Balance at June 30, 2011			
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	Cancelled to General Fund	Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:												
Special Revenue Fund:												
No Child Left Behind Consolidated Grant:												
Title I	84.010A	NCLB408011	9/1/10-8/31/11	\$ 31,383						\$ (13,800)	\$ (13,800)	
Title II, Part A	84.367A	NCLB408011	9/1/09-8/31/11	38,434						(37,418)	(37,418)	
Title II, Part A	84.367A	NCLB408010	9/1/09-8/31/11	38,288	\$ (36,421)				\$ 36,421	(2,952)	(2,952)	
Title II, Part A	84.367A	NCLB408009	9/1/08-8/31/10	37,251	(15,409)				15,409			
Title II, Part A - Carryover	84.367A	NCLB408008	9/1/07-8/31/09	40,110		\$ 74		\$ (74)				
Title II, Part A	84.367A	NCLB408007	9/1/06-8/31/07	38,862		120		(120)				
Title II, Part A	84.367A	NCLB408006	9/1/05-8/31/06	39,324		54		(54)				
Title II, Part D	84.318X	NCLB408011	9/1/10-8/31/11	69						(60)	(60)	
Title IV	84.186A	NCLB408011	9/1/10-8/31/11	7						(7)	(7)	
Title IV	84.186A	NCLB408010	9/1/09-8/31/11	3,893	(3,651)				3,886	(235)		
Title IV	84.186A	NCLB408009	9/1/08-8/31/10	4,056	(527)				527			
Title IV - Carryover	84.186A	NCLB408006	9/1/05-8/31/07	5,470		31		(31)				
Title V - Carryover	84.298A	NCLB408007	9/1/06-8/31/08	3,755		192		(192)				
Hurricane Education Recovery Act	84.938C	EMER408007	9/1/06-8/31/07	23,497			\$ 858	(1)				\$ 857
IDEA Special Education Cluster:												
I.D.E.A. Part B, Basic	84.027	IDEA408011	9/1/10-8/31/11	497,773					359,939	(472,764)	(112,825)	
I.D.E.A. Part B, Basic	84.027	IDEA408010	9/1/09-8/31/11	502,006	(479,727)				491,675	(11,948)		
I.D.E.A. Part B, Basic, Carryover	84.027	IDEA408009	9/1/08-8/31/10	505,584	(9,416)				9,416			
I.D.E.A. Part B, Basic, Carryover	84.027	IDEA408008	9/1/07-8/31/11	498,186		636				(636)		
I.D.E.A. Part B, Preschool	84.173	IDEA408011	9/1/10-8/31/11	15,587						(4,270)	(4,270)	
I.D.E.A. Part B, Preschool	84.173	IDEA408010	9/1/09-8/31/10	14,882	(14,882)				14,882			
I.D.E.A. Part B, Preschool, Carryover	84.173	IDEA408009	9/1/08-8/31/10	14,919	(13,475)				13,475			
I.D.E.A. Part B, Preschool, Carryover	84.173	IDEA408006	9/1/05-8/31/11	15,655		350				(350)		
I.D.E.A. Part B, Basic - ARRA	84.391	IDEA408010	7/1/09-8/31/11	575,213	(49,783)				275,196	(525,202)	(299,789)	
I.D.E.A. Part B, Preschool - ARRA	84.392	IDEA408010	7/1/09-8/31/11	20,818						(20,243)	(20,243)	
Total IDEA Special Education Cluster					(567,283)	986			1,164,583	(1,035,413)	(437,127)	
Total Special Revenue Fund					(623,291)	1,457	858	(472)	1,220,826	(1,089,885)	(491,364)	857
Child Nutrition Cluster:												
Special Milk Program	10.556	N/A	7/1/10-6/30/11	14,192					13,197	(14,192)	(995)	
Special Milk Program	10.556	N/A	7/1/09-6/30/10	14,116	(1,082)				1,082			
Food Distribution Program	10.555	N/A	7/1/10-6/30/11	15,323					15,323	(15,323)		
National School Lunch Program	10.555	N/A	7/1/10-6/30/11	55,051					50,838	(55,051)	(4,213)	
National School Lunch Program	10.555	N/A	7/1/09-6/30/10	51,700	(5,169)				5,169			
Total Child Nutrition Cluster					(6,251)				85,609	(84,566)	(5,208)	
Total U.S. Department of Education					(629,542)	1,457	858	(472)	1,306,435	(1,174,451)	(496,572)	857
Total Federal Awards					\$(629,542)	\$ 1,457	\$ 858	\$ (472)	\$ 1,306,435	\$ (1,174,451)	\$(496,572)	\$ 857

N/A - Not Applicable

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011			MEMO	
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor				GAAP Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education														
General Fund:														
Categorical Special Education Aid	10-495-034-5120-089	7/1/09 - 6/30/10	\$ 902,041	\$ (139,773)			\$ 139,773							\$ 902,041
Equalization Aid	10-495-034-5120-078	7/1/09 - 6/30/10	541,676	(83,934)			83,934							541,676
Categorical Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	118,200	(18,315)			118,200							118,200
Categorical Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	237,513	(36,803)			36,803							237,513
Extraordinary Aid	10-100-034-5120-473	7/1/09 - 6/30/10	392,272	(392,272)			392,272							392,272
Additional Nonpublic Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	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	(61,980)			61,980							1,259,670
Categorical Special Education Aid	11-495-034-5120-089	7/1/10 - 6/30/11	1,153,148				1,050,930	\$ (1,153,148)					\$ (102,218)	1,153,148
Extraordinary Aid	11-100-034-5120-473	7/1/10 - 6/30/11	385,528					(385,528)			\$ (385,528)			385,528
Additional Nonpublic Transportation Aid	11-495-034-5120-014	7/1/10 - 6/30/11	21,100					(21,100)			(21,100)			21,100
Reimbursed TPAF Social Security														
Contributions	11-495-034-5095-002	7/1/10 - 6/30/11	1,179,816				1,120,216	(1,179,816)			(59,600)			1,179,816
Total General Fund				(755,106)			2,926,252	(2,739,592)			(466,228)			6,212,993
Special Revenue Fund:														
Rutgers Character Education Aid	10-100-034-5120-418	7/1/09 - 6/30/10	3,000		\$ 797			(430)			\$ 367			2,633
Rutgers Character Education Aid	09-100-034-5120-418	7/1/08 - 6/30/09	3,000		1,083						1,083			1,917
Rutgers Character Education Aid	08-100-034-5120-418	7/1/07 - 6/30/08	1,500		41						41			1,459
New Jersey Nonpublic Aid:														
Auxiliary Services:														
Compensatory Education	10-100-034-5120-067	7/1/09 - 6/30/10	31,670			\$ 9,117			\$ (9,117)					22,553
English as a Second Language	10-100-034-5120-067	7/1/09 - 6/30/10	3,915			2,936			(2,936)					979
Handicapped Services:														
Examination and Classification	10-100-034-5120-066	7/1/09 - 6/30/10	43,686					734			(734)			42,952
Corrective Speech	10-100-034-5120-066	7/1/09 - 6/30/10	21,342					1			(1)			21,341
Supplementary Instruction	10-100-034-5120-066	7/1/09 - 6/30/10	28,912					321			(321)			28,591
Textbook Aid	11-100-034-5120-064	7/1/10 - 6/30/11	19,268				19,268	(19,268)						19,268
Nursing Services	11-100-034-5120-070	7/1/10 - 6/30/11	22,832				22,832	(22,832)						22,832
Auxiliary Services:														
Compensatory Education	11-100-034-5120-067	7/1/10 - 6/30/11	46,050				46,050	(46,050)						46,050
English as a Second Language	11-100-034-5120-067	7/1/10 - 6/30/11	3,415				3,415	(1,708)				\$ 1,707		3,415
Handicapped Services:														
Examination and Classification	11-100-034-5120-066	7/1/10 - 6/30/11	37,642				37,642	(37,642)						37,642
Supplementary Instruction	11-100-034-5120-066	7/1/10 - 6/30/11	30,711				30,711	(30,502)				209		30,502
Corrective Speech	11-100-034-5120-066	7/1/10 - 6/30/11	21,827				21,827	(20,887)				940		20,887
Total Special Revenue Fund					1,921	13,109	181,745	(179,319)	(13,109)		1,491	2,856		303,021
Capital Projects Fund:														
N.J. School Development Authority Grants:														
Pequannock Middle School	SDA- 4080-080-09-1001	6/15/10 - 6/30/11	42,167	(42,167)										(42,167)
Stephen J. Gerace Elementary School	SDA- 4080-100-09-1002	6/15/10 - 6/30/11	196,000	(196,000)										(196,000)
Total Capital Projects Fund				(238,167)										(238,167)
Debt Service Fund:														
Type II Aid	11-100-034-5120-125	7/1/10 - 6/30/11	436,975				436,975	(436,975)						436,975
Total Debt Service Fund							436,975	(436,975)						436,975
Total New Jersey Department of Education				(993,273)	1,921	13,109	3,544,972	(3,355,886)	(13,109)	(466,228)	1,491	2,856	(806,613)	6,952,989
New Jersey Department of Agriculture:														
Enterprise Fund:														
State School Lunch Program	11-100-010-3350-023	7/1/10 - 6/30/11	5,620				5,143	(5,620)			(477)			(477)
State School Lunch Program	10-100-010-3350-023	7/1/09 - 6/30/10	6,088	(591)			591							6,088
Total Enterprise Fund				(591)			5,734	(5,620)			(477)			(477)
Total New Jersey Department of Agriculture				(591)			5,734	(5,620)			(477)			(477)
Total State Awards				\$ (993,864)	\$ 1,921	\$ 13,109	\$ 3,550,706	\$ (3,361,506)	\$ (13,109)	\$ (466,705)	\$ 1,491	\$ 2,856	\$ (807,090)	\$ 6,964,697

N/A - Not Available

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, 2011

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes those payments 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 year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The Capital Projects Fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition. For GAAP purposes, that revenue is not recognized until the grant funds are expended and submitted for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$176,607 for the general fund and (\$239,777) for the special revenue fund (of which \$10,695 is for local assistance not included in the table below). See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general, special revenue, and capital projects funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Non-Contributory Insurance and Post-Retirement Medical Contributions revenue of \$50,076 and \$1,063,620, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page.

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,029,895	\$ 4,029,895
Special Revenue Fund	\$ 861,168	178,954	1,040,122
Debt Service Fund		436,975	436,975
Proprietary Fund - Food Service Enterprise Fund	84,566	5,620	90,186
Total Financial Assistance	<u>\$ 945,734</u>	<u>\$4,651,444</u>	<u>\$ 5,597,178</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. 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, 2011. The District realizes grants receivable on the GAAP basis as they are expended and submitted for reimbursement. Since the District has not expended or nor drawn down any portion of the grants, there is no receivable on the GAAP basis as of June 30, 2011.

NOTE 6. OTHER

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major federal and state programs.
- An unqualified report was issued on the District's compliance for major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported under Federal 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*.
- The District's major federal and state programs for the current fiscal year consisted of the following:

	<u>Grant/CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. Part B:				
Basic Regular	84.027	9/1/10-8/31/11	\$ 497,773	\$ 472,764
Basic Regular	84.027	9/1/09-8/31/11	502,006	11,948
Basic Regular - Carryover	84.027	9/1/07-8/31/11	498,186	636
Preschool	84.173	9/1/10-8/31/11	15,587	4,270
Preschool - Carryover	84.173	9/1/05-8/31/11	15,655	350
I.D.E.A. Part B - ARRA:				
Basic Regular	84.391	7/1/09-8/31/11	575,213	525,202
Preschool	84.392	7/1/09-8/31/11	20,818	20,243
<u>State:</u>				
Reimbursed TPAF Social Security Aid	11-100-034-5095-002	7/1/10-6/30/11	1,179,816	1,179,816

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

Summary of Auditors' Results (Cont'd):

- The threshold for distinguishing Type A and Type B federal programs was \$300,000.
- The threshold for distinguishing Type A and Type B state programs was \$300,000.
- The single audit thresholds identified in Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04 were \$500,000
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the federal 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 as defined in section 510(a) of the federal Circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular or NJ OMB 04-04.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

The District had no prior year audit findings.