

**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, 2012**

**Comprehensive Annual  
Financial Report**

**of the**

**Pequannock Township School District  
Board of Education**

**Pequannock, New Jersey**

**For the Fiscal Year Ended June 30, 2012**

**Prepared by**

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2012

INTRODUCTORY SECTION

Letter of Transmittal .....	1
Organizational Chart.....	6
Roster of Officials.....	7
Consultants and Advisors .....	8

FINANCIAL SECTION ..... 9

Independent Auditors' Report.....	10
Required Supplementary Information.....	12
Management's Discussion and Analysis (Unaudited).....	13
Basic Financial Statements (Sections A. and B.).....	23
A. District-Wide Financial Statements.....	24
A-1 Statement of Net Assets.....	25
A-2 Statement of Activities .....	26
B. Fund Financial Statements .....	28
B-1 Balance Sheet – Governmental Funds.....	29
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds .....	31
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	33
B-4 Statement of Net Assets – Proprietary Funds .....	34
B-5 Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	35
B-6 Statement of Cash Flows – Proprietary Funds .....	36
B-7 Statement of Fiduciary Net Assets – Fiduciary Funds .....	37
B-8 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	38
Notes to the Basic Financial Statements .....	39
C. Budgetary Comparison Schedules.....	60
C-1 Budgetary Comparison Schedule – General Fund.....	61
C-2 Budgetary Comparison Schedule – Special Revenue Fund.....	80
C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information.....	81
D. School Level Schedules (Not Applicable) .....	83
E. Special Revenue Fund.....	84
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis .....	85
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

FINANCIAL SECTION (Cont'd)

F.	Capital Projects Fund .....	89
F-1	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance .....	90
F-1a	Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Renovations and Alterations at Pequannock High School and Pequannock Valley Middle School .....	91
F-1b	Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Pequannock Valley Middle School Gymnasium Bleachers .....	92
F-1c	Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Stephen J. Gerace Elementary School Boiler Replacement .....	93
F-1d	Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Athletic Fields Renovations .....	94
F-2	Schedule of Notes Payable .....	95
G.	Proprietary Funds .....	96
	Enterprise Fund:	
G-1	Statement of Net Assets .....	97
G-2	Statement of Revenue, Expenses and Changes in Fund Net Assets .....	98
G-3	Statement of Cash Flows .....	99
H.	Fiduciary Funds .....	100
H-1	Combining Statement of Fiduciary Net Assets .....	101
H-2	Combining Statement of Changes in Fiduciary Net Assets .....	102
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements .....	103
H-4	Student Activity Agency Fund Statement of Activity .....	104
H-5	Payroll Agency Fund Schedule of Receipts and Disbursements .....	105
I.	Long-Term Debt .....	106
I-1	Schedule of Serial Bonds .....	107
I-2	Schedule of Obligations Under Capital Leases (Not Applicable) .....	108
I-3	Budgetary Comparison Schedule - Debt Service Fund .....	109
Statistical Schedules		
J.	Statistical Section (Unaudited) .....	110
J-1	Net Assets by Component .....	111
J-2	Changes in Net Assets .....	112
J-3	Fund Balances- Governmental Funds .....	115
J-4	Changes in Fund Balances- Governmental Funds .....	116
J-5	General Fund Other Local Revenue by Source .....	118
J-6	Assessed Value and Actual Value of Taxable Property .....	119
J-7	Direct and Overlapping Property Tax Rates .....	120
J-8	Principal Property Tax Payers .....	121
J-9	Property Tax Levies and Collections .....	122
J-10	Ratios of Outstanding Debt by Type .....	123
J-11	Ratios of Net General Bonded Debt Outstanding .....	124
J-12	Ratios of Overlapping Governmental Activities Debt .....	125
J-13	Legal Debt Margin Information .....	126

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

FINANCIAL SECTION (Cont'd)

Statistical Schedules

J. Statistical Section (Unaudited)

J-14	Demographic and Economic Statistics .....	127
J-15	Principal Employers .....	128
J-16	Full-Time Equivalent District Employees by Function/Program .....	129
J-17	Operating Statistics.....	130
J-18	School Building Information .....	131
J-19	Schedule of Required Maintenance for School Facilities.....	132
J-20	Insurance Schedule.....	133

K. Single Audit Section..... 134

K-1	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 <i>Government Auditing Standards</i> .....	135
K-2	Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04.....	137
	Schedule of Expenditures of Federal Awards .....	139
	Schedule of Expenditures of State Awards .....	140
	Notes to Schedules of Expenditures of Federal and State Awards.....	141
	Schedule of Findings and Questioned Costs .....	143
	Summary Schedule of Prior Audit Findings.....	145

**INTRODUCTORY SECTION**



**Pequannock Township Board of Education  
OFFICE OF THE BUSINESS ADMINISTRATOR**

538 Newark-Pompton Turnpike  
Pompton Plains, New Jersey 07444

---

Michael J. Donow (Tel) (973) 616-6030 (Fax) (973) 616-6041  
Interim Business Administrator/Board Secretary  
Michael.Donow@pequannock.org

August 10, 2012

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, 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 youngsters with learning disabilities. The official district enrollment as of October 15, 2011 was 2,257 students, which is 73 students below the previous year's enrollment and represents a decrease of 3.1%. The changes in the District's average daily enrollment over the past five years are presented as follows:

The Honorable President and Members of  
the Board of Education  
Pequannock Township School District  
Page 2  
August 10, 2012

Fiscal Year	Average Daily Enrollment	
	Student Enrollment	Percent Change
2011-2012	2,257	-3.13%
2010-2011	2,330	-2.18%
2009-2010	2,382	-1.53%
2008-2009	2,419	-0.49%
2007-2008	2,431	-2.25%

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.

Flooding continues to have an economic impact on the community. Many community homes often receive substantial water damage, with some of them total losses.

3) MAJOR INITIATIVES: During the 2011-2012 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 K-2 elementary curriculum in mathematics was revised to meet the new common core standards. Textbooks and resources were purchased and implemented across our three elementary schools. Professional development was also provided to enhance instruction through best practice methodologies including the use of manipulative devices to increase students’ active learning. The middle school social studies and science curricula were also reviewed and revised to meet the new State of New Jersey Core Curriculum Content Standards. New textbooks and resources were purchased and implemented designed to increase student achievement. Planning began for a STEM (Science, Technology, Engineering and Mathematics) program at the high school. These electives will include web design, game design, information technology and CAD (Computer-aided Design).

The Honorable President and Members of  
the Board of Education  
Pequannock Township School District  
Page 3  
August 10, 2012

The Pequannock Township School District also continues with the implementation of various best practice initiatives to prepare students for “high stakes” tests such as the HSPA, NJASK, SAT and the End-Of-Course (EOC) assessments. The District continues to improve articulation between all grades and equalization efforts among the elementary and middle schools.

**2. Technology and 21<sup>st</sup> Century Learning:** The Pequannock Township School District continues 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 21<sup>st</sup> century world. Laptops and carts were purchased for the middle school classroom to infuse constructivist learning opportunities in the science classrooms. The High School technology elective offerings will be increased through the implementation of the STEM laboratory and corresponding electives. This lab will be equipped with 27 high powered computers and four work stations to facilitate dynamic, computer-based, applied learning activities incorporating problem solving, team work, communication and discovery skills in a constructivist setting. A 3D printer is included in the plan to showcase the products that will be generated by our students using the CAD software.

Additionally, 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.

**3. Community Relations:** The Pequannock Township Board of Education established a goal to enhance community relations. They established an ad hoc committee to focus on this goal. The school district website has been upgraded to become more user-friendly and interactive. The use of other social media is being implemented to make use of web-based and mobile based technologies to increase communication and dialogue among our students, parents and community members. Similarly, we have expanded our student video broadcasting through MSG Varsity and local cable stations. A high school guidance effort has been implemented to increase responsiveness to the students and parents in college and career readiness and planning.

**4. Finance and Facilities:** The Pequannock Township School District continues to upgrade our facilities. In 2012, the District completed energy efficiency upgrades in all three elementary schools, replaced the bleachers at Pequannock Valley Middle School, and a complete replacement of the boilers at the Stephen J. Gerace Elementary School. These projects were completed with partial support of State grants. The District also installed 2 multi-sport turf fields and resurfaced the track at the Pequannock Township High School. Planning for the future continues in 2012 with plans being formulated for a roof replacement at the North Boulevard School, field rehabilitation at the North Boulevard School and Pequannock Township High School, as well as additional site work including expanding site parking, and the possible addition of a new concession stand and public bathrooms.

The Honorable President and Members of  
the Board of Education  
Pequannock Township School District  
Page 4  
August 10, 2012

**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, 2012.

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

**7) DEBT ADMINISTRATION:** At June 30, 2012, the District's outstanding debt issues consisted of \$13,235,000 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  
Page 5  
August 10, 2012

**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,



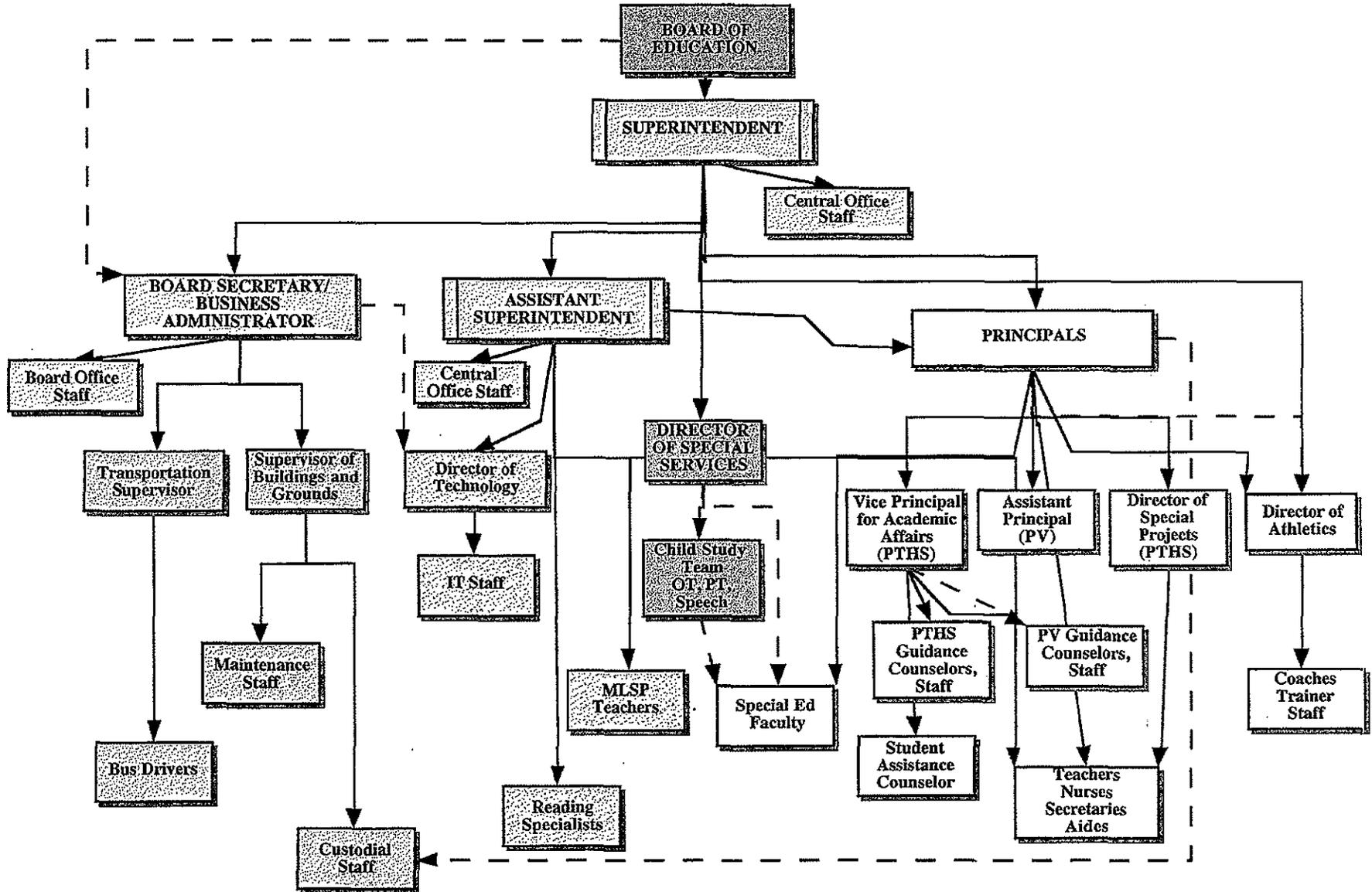
Victor P. Hayek  
Superintendent of Schools



Michael J. Donow, RSBA  
Interim Business Administrator/Board Secretary

# PEQUANNOCK TOWNSHIP PUBLIC SCHOOLS

## ORGANIZATIONAL CHART



**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
William Sayre, President	2015
Angelo A. Stefanides, Vice President	2014
John Buonomo	2013
Joseph Cropanese	2015
Kenneth Hardaker	2013
Robert Lee	2013
Kimberly Quigley	2015
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
Raymond G. Karaty	Treasurer of School Monies
Anthony P. Sciarrillo, Esq.	Board Attorney

*Effective July 1, 2012*

Victor P. Hayek	Superintendent of Schools
Michael J. Donow	Interim Business Administrator/Board Secretary

**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  
200 Valley Road, Suite 300  
Mount Arlington, New Jersey 07856-1320  
and  
Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860

**Official Depository**

Lakeland Bank  
901 Route 23 South  
Pompton Plains, NJ 07444

**FINANCIAL SECTION**



Mount Arlington Corporate Center  
 200 Valley Road, 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, 2012 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 Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Pequannock Township School District in the County of Morris as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2012 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

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

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

*Nisivoccia, LLP*

NISIVOCCIA, LLP

Mount Arlington, New Jersey  
August 10, 2012

*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, 2012  
(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, 2012. 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 \$1,068,125 during the year.
- Overall revenue was \$39,760,362 – \$39,081,836 from governmental activities and \$678,526 from business-type activities.
- Overall expenses were \$38,692,237 - \$37,981,383 from governmental activities and \$710,854 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, 2012  
(UNAUDITED)**

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

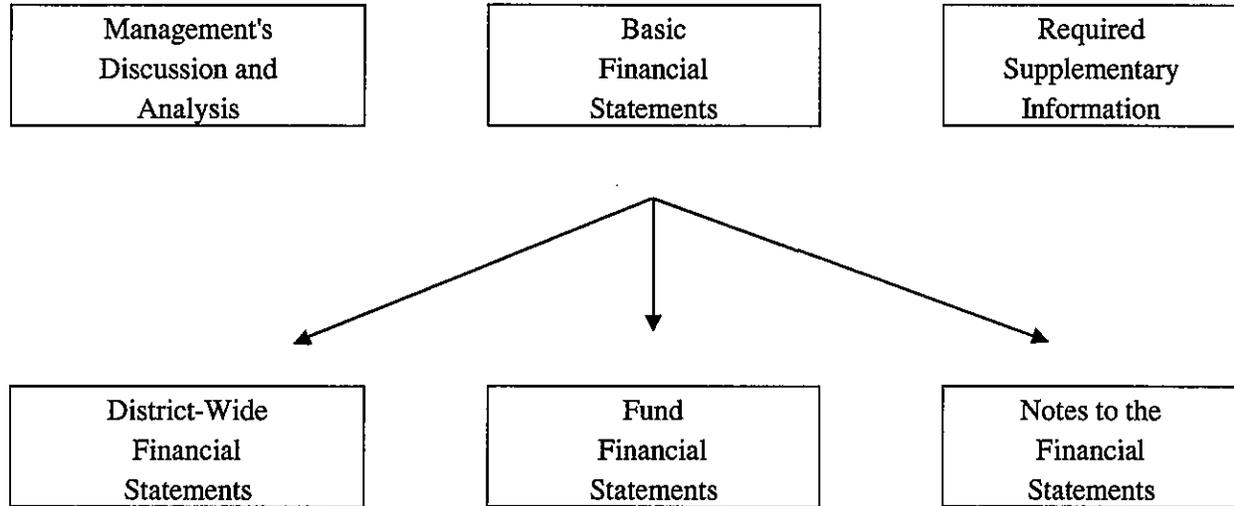


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

Figure A-2

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

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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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, 2012  
(UNAUDITED)**

**Fund Financial Statements**

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

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

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

*Net Assets.* The District's combined net assets increased by 6.58%. Net assets from governmental activities increased \$1,100,453 and net assets from business-type activities decreased by \$32,328.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012
Current and							
Other Assets	\$ 8,809,867	\$ 9,895,694	\$ 64,400	\$ 80,405	\$ 8,874,267	\$ 9,976,099	-11.04%
Capital Assets, Net	24,621,194	21,050,551	3,947	10,804	24,625,141	21,061,355	16.92%
Total Assets	<u>33,431,061</u>	<u>30,946,245</u>	<u>68,347</u>	<u>91,209</u>	<u>33,499,408</u>	<u>31,037,454</u>	7.93%
Long-Term Debt							
Outstanding	13,508,491	14,157,263			13,508,491	14,157,263	-4.58%
Other Liabilities	2,672,091	638,956	22,884	13,418	2,694,975	652,374	313.10%
Total Liabilities	<u>16,180,582</u>	<u>14,796,219</u>	<u>22,884</u>	<u>13,418</u>	<u>16,203,466</u>	<u>14,809,637</u>	9.41%
Net Assets:							
Invested in Capital							
Assets, Net of							
Related Debt	11,386,194	7,260,551	3,947	10,804	11,390,141	7,271,355	56.64%
Restricted	6,444,812	7,127,061			6,444,812	7,127,061	-9.57%
Unrestricted/(Deficit)	<u>(580,527)</u>	<u>1,762,414</u>	<u>41,516</u>	<u>66,987</u>	<u>(539,011)</u>	<u>1,829,401</u>	-129.46%
Total Net Assets	<u>\$ 17,250,479</u>	<u>\$ 16,150,026</u>	<u>\$ 45,463</u>	<u>\$ 77,791</u>	<u>\$ 17,295,942</u>	<u>\$ 16,227,817</u>	6.58%

*Changes in Net Assets.* The District's combined net assets were \$17,295,942 at June 30, 2012, \$1,068,125 or 6.58% more than they were the year before (See Figure A-3). Net assets invested in capital assets increased by \$4,118,786 as a result of \$555,000 of long-term debt maturities, \$4,478,927 of capital acquisitions offset by depreciation of \$908,284 and \$6,857 in its governmental and business-type activities, respectively. Restricted net assets decreased by \$682,249 due to a \$39,289 decrease in the reserve for the mortgage sale of a building and a \$1,554,188 decrease in capital projects fund balance offset by a \$463,084 increase in excess surplus balances, a \$439,970 increase in the capital reserve, and a \$8,174 increase in debt service. Unrestricted net assets decreased by \$2,368,412 primarily due to the \$2,310,786 expenditure in the capital projects fund. (See Figure A-3).

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	Change 2011/2012
Revenue:							
Program Revenue:							
Charges for Services	\$ 307,966	\$ 325,904	\$ 587,050	\$ 605,068	\$ 895,016	\$ 930,972	-3.86%
Grants and Contributions:							
Operating	5,713,196	4,882,140	91,244	90,186	5,804,440	4,972,326	16.73%
General Revenue:							
Property Taxes	31,716,219	31,840,072			31,716,219	31,840,072	-0.39%
Federal and State Aid Not Restricted	975,672	632,616			975,672	632,616	54.23%
Other	368,783	206,362	232	281	369,015	206,643	78.58%
Total Revenue	<u>39,081,836</u>	<u>37,887,094</u>	<u>678,526</u>	<u>695,535</u>	<u>39,760,362</u>	<u>38,582,629</u>	3.05%
Expenses:							
Instruction	23,310,981	22,325,187			23,310,981	22,325,187	4.42%
Pupil and Instruction Services	6,267,148	6,134,742			6,267,148	6,134,742	2.16%
Administration and Business	3,860,055	4,235,750			3,860,055	4,235,750	-8.87%
Maintenance and Operations	2,977,172	2,924,324			2,977,172	2,924,324	1.81%
Transportation	1,008,460	1,085,095			1,008,460	1,085,095	-7.06%
Other	557,567	622,310	710,854	742,482	1,268,421	1,364,792	-7.06%
Total Expenses	<u>37,981,383</u>	<u>37,327,408</u>	<u>710,854</u>	<u>742,482</u>	<u>38,692,237</u>	<u>38,069,890</u>	1.63%
Change in Net Assets	<u>\$ 1,100,453</u>	<u>\$ 559,686</u>	<u>\$ (32,328)</u>	<u>\$ (46,947)</u>	<u>\$ 1,068,125</u>	<u>\$ 512,739</u>	108.32%

*Revenue Sources.* The District's total revenue for the 2011/2012 school year was \$39,760,362 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$31,716,219 of the total, or 79.77 percent (See Figure A-5). Another 17.05 percent came from state and federal aid for specific programs and contributions, 2.25 percent came from charges for services and the remaining .93% from other miscellaneous sources. It is important to note that \$1,595,318 represents TPAF Pension and Post-Retirement Medical Benefits that the State of New Jersey pays on behalf of the District which is included in the categorical grants totaling \$4,986,434. 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, 2012  
(UNAUDITED)**

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

Sources of Income:	2012	Percentage	2011	Percentage
State Formula Aid	\$ 1,793,678	4.51%	\$ 1,968,016	5.10%
Property Taxes	31,716,219	79.77%	31,840,072	82.52%
Federal & State Categorical Grants	4,986,434	12.54%	3,636,926	9.43%
Charges for Services	895,016	2.25%	930,972	2.41%
Other	369,015	0.93%	206,643	0.54%
	<u>\$ 39,760,362</u>	<u>100.00%</u>	<u>\$ 38,582,629</u>	<u>100.00%</u>

The total cost of all programs and services was \$38,692,237. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (79.05 percent) (See Figure A-6). The District's administrative and business activities accounted for 9.98 percent of total costs and maintenance and operations accounted for 7.69 percent of total costs. The remaining 3.28 percent of total costs is comprised of other costs (which includes \$710,854 of costs associated with the District's food service operations).

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

Expense Category:	2012	Percentage	2011	Percentage
Instruction	\$ 23,310,981	60.24%	\$ 22,325,187	58.64%
Pupil and Instruction Services	6,267,148	16.20%	6,134,742	16.12%
Administration and Business	3,860,055	9.98%	4,235,750	11.13%
Maintenance and Operations	2,977,172	7.69%	2,924,324	7.68%
Transportation	1,008,460	2.61%	1,085,095	2.85%
Other	1,268,421	3.28%	1,364,792	3.58%
	<u>\$ 38,692,237</u>	<u>100.00%</u>	<u>\$ 38,069,890</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, 2012  
(UNAUDITED)**

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

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

	Total Cost of Services		Net Cost of Services	
	2011/2012	2010/2011	2011/2012	2010/2011
Instruction	\$ 23,310,981	\$ 22,325,187	\$17,715,503	\$17,768,405
Pupil & Instruction Services	6,267,148	6,134,742	6,061,857	5,789,689
Administration & Business	3,860,055	4,235,750	3,701,577	3,994,166
Maintenance & Operations	2,977,172	2,924,324	2,977,172	2,924,324
Transportation	1,008,460	1,085,095	946,545	991,763
Other	557,567	622,310	557,567	622,310
	<u>\$ 37,981,383</u>	<u>\$ 37,327,408</u>	<u>\$ 31,960,221</u>	<u>\$ 32,090,657</u>

- The cost of all governmental activities this fiscal year was \$37,981,383.
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$1,793,678).
- Most of the District's costs, however, were financed by \$31,716,219 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 \$32,328 (Refer to Figure A-4). The decrease consisted entirely of an increase in expenses associated with the District's Food Service program which exceeded the related revenues.

### **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 unassigned 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, 2012  
(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
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012
Land	\$ 4,659,600	\$ 4,659,600			\$ 4,659,600	\$ 4,659,600	0.00%
Construction in Progress	9,987,843	9,482,120			9,987,843	9,482,120	5.33%
Site Improvements	2,117,755	135,380			2,117,755	135,380	1464.30%
Buildings/Building Improvements	6,790,480	5,679,234			6,790,480	5,679,234	19.57%
Machinery and Equipment	1,065,516	1,094,217	\$ 3,947	\$ 10,804	1,069,463	1,105,021	-3.22%
<b>Total</b>	<b>\$24,621,194</b>	<b>\$21,050,551</b>	<b>\$ 3,947</b>	<b>\$ 10,804</b>	<b>\$24,625,141</b>	<b>\$21,061,355</b>	<b>16.92%</b>

The District's capital assets increased \$3,563,786 or 16.92% during the year. Capital assets acquisitions totaled \$4,478,927 and consisted of equipment, site improvements, and construction in progress. These acquisitions were offset by \$908,284 and \$6,857 in depreciation from 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 \$13,235,000 in general obligation bonds outstanding. The decrease from the prior year represents the bond principal payments of \$555,000 – 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
	2011/2012	2010/2011	2011/2012
General Obligation Bonds (Financed with Property Taxes)	\$ 13,235,000	\$ 13,790,000	-4.02%
Other Long-Term Liabilities	273,491	367,263	-25.53%
	<b>\$ 13,508,491</b>	<b>\$ 14,157,263</b>	<b>-4.58%</b>

- The District continued to pay down its debt and retired \$555,000 of outstanding bonds.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

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

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

- The imposed legislative "caps" on tax levy increases for New Jersey School Districts at no more than 2%.
- The continuing significant increases in the employee benefits plans exceed the general CPI and budgetary growth "caps" forcing reductions in program.
- The District's collective bargaining agreements will expire in June 2013. Contractual obligations that result from new agreements will directly affect future budgets and their funding.
- The District is operating within a five year curriculum review cycle. 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, helping to alleviate some of the financial pressures of trying to improve facilities in a time of shrinking revenues.
- The District continues to face dramatic fluctuations of State Aid from year to year making it difficult to establish realistic long term budget projections. The District continues to use fund balance to support annual operating expenses.
- 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.
- Pension and benefits reform legislation has had an impact on the district with respect to 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**

Exhibit A-1

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,859,267	\$ 40,512	\$ 5,899,779
Interfund Receivables	3,954		3,954
Internal Balances	(4,305)	4,305	
Receivables from Federal Government	89,623	4,208	93,831
Receivables from State Government	628,485	308	628,793
Receivables from Other Governments	12,727		12,727
Receivables - Mortgage Note	108,249		108,249
Receivables - Other		4,674	4,674
Unamortized Bond Issuance Costs	55,054		55,054
Inventory		10,393	10,393
Restricted Assets:			
Capital Reserve Account - Cash	2,056,813		2,056,813
Capital Assets, Net:			
Sites (Land)	4,659,600		4,659,600
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	19,961,594	3,947	19,965,541
Total Assets	<u>33,431,061</u>	<u>68,347</u>	<u>33,499,408</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accrued Interest Payable	244,878		244,878
Payable to State Government	1,450		1,450
Accounts Payable - Vendors	410,964	22,884	433,848
Deferred Revenue	14,799		14,799
Notes Payable	2,000,000		2,000,000
Noncurrent Liabilities:			
Due Within One Year	575,000		575,000
Due Beyond One Year	12,933,491		12,933,491
Total Liabilities	<u>16,180,582</u>	<u>22,884</u>	<u>16,203,466</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	11,386,194	3,947	11,390,141
Restricted for:			
Capital Projects	4,056,970		4,056,970
Debt Service	20,873		20,873
Other Purposes	2,366,969		2,366,969
Unrestricted/(Deficit)	(580,527)	41,516	(539,011)
Total Net Assets	<u>\$ 17,250,479</u>	<u>\$ 45,463</u>	<u>\$ 17,295,942</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 16,424,691	\$ 282,211	\$ 1,954,777		\$ (14,187,703)		\$ (14,187,703)
Special Education	5,585,178		3,219,306		(2,365,872)		(2,365,872)
Other Special Instruction	545,078		98,581		(446,497)		(446,497)
School Sponsored Instruction	756,034		40,603		(715,431)		(715,431)
<b>Support Services:</b>							
Tuition	1,822,467				(1,822,467)		(1,822,467)
Student & Instruction Related Services	4,444,681		205,291		(4,239,390)		(4,239,390)
General Administrative Services	944,958				(944,958)		(944,958)
School Administrative Services	2,128,209		158,478		(1,969,731)		(1,969,731)
Central Services	583,280				(583,280)		(583,280)
Administration Information Technology	203,608				(203,608)		(203,608)
Plant Operations and Maintenance	2,977,172				(2,977,172)		(2,977,172)
Pupil Transportation	1,008,460	25,755	36,160		(946,545)		(946,545)
Interest on Long-Term Debt	534,977				(534,977)		(534,977)
Charter School	22,590				(22,590)		(22,590)
<b>Total Governmental Activities</b>	<b>37,981,383</b>	<b>307,966</b>	<b>5,713,196</b>	<b>\$ -0-</b>	<b>(31,960,221)</b>	<b>\$ -0-</b>	<b>(31,960,221)</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses)/Revenues and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 710,854	\$ 587,050	\$ 91,244		\$ (32,560)	\$ (32,560)	
Total Business-Type Activities	<u>710,854</u>	<u>587,050</u>	<u>91,244</u>		<u>(32,560)</u>	<u>(32,560)</u>	
Total Primary Government	<u>\$ 38,692,237</u>	<u>\$ 895,016</u>	<u>\$ 5,804,440</u>	<u>\$ -0-</u>	\$ (31,960,221)	(32,560)	(31,992,781)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				30,946,682		30,946,682	
Taxes Levied for Debt Service				769,537		769,537	
Federal and State Aid Not Restricted				975,672		975,672	
Investment Earnings				11,117	232	11,349	
Miscellaneous Income				357,666		357,666	
Total General Revenues				<u>33,060,674</u>	<u>232</u>	<u>33,060,906</u>	
Change in Net Assets				1,100,453	(32,328)	1,068,125	
Net Assets - Beginning				<u>16,150,026</u>	<u>77,791</u>	<u>16,227,817</u>	
Net Assets - Ending				<u>\$ 17,250,479</u>	<u>\$ 45,463</u>	<u>\$ 17,295,942</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, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 3,959,311		\$ 1,887,400	\$ 12,556	\$ 5,859,267
Interfund Receivable	73,675			8,317	81,992
Receivables from Federal Government		\$ 89,623			89,623
Receivables from State Government	507,132	279	121,074		628,485
Receivables from Other Governments	12,727				12,727
Receivables - Mortgage Note	108,249				108,249
Restricted Cash and Cash Equivalents	2,056,813				2,056,813
<b>TOTAL ASSETS</b>	<b>\$ 6,717,907</b>	<b>\$ 89,902</b>	<b>\$ 2,008,474</b>	<b>\$ 20,873</b>	<b>\$ 8,837,156</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund Payable	\$ 4,305	\$ 69,721	\$ 8,317		\$ 82,343
Payable to State Government		1,450			1,450
Bond Anticipation Notes Payable			2,000,000		2,000,000
Accounts Payable - Vendors	407,032	3,932			410,964
Deferred Revenue		14,799			14,799
<b>Total Liabilities</b>	<b>411,337</b>	<b>89,902</b>	<b>2,008,317</b>		<b>2,509,556</b>
<b>Fund Balances:</b>					
<b>Restricted for:</b>					
Excess Surplus - Current Year	1,200,000				1,200,000
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	1,058,720				1,058,720
Capital Reserve Account	2,056,813				2,056,813
Mortgage Sale of Building	108,249				108,249
Debt Service Fund				\$ 20,873	20,873

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Restricted for:					
Capital Projects			\$ 2,000,157		\$ 2,000,157
Assigned to:					
Year-End Encumbrances	\$ 588,054				588,054
Designated for Subsequent Year's Expenditures	357,218				357,218
Unassigned/(Deficit)	937,516		(2,000,000)		(1,062,484)
Total Fund Balances	6,306,570		157	\$ 20,873	6,327,600
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 6,717,907</b>	<b>\$ 89,902</b>	<b>\$ 2,008,474</b>	<b>\$ 20,873</b>	<b>\$ 8,837,156</b>

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

Total Fund Balances - Governmental Funds (Above)	\$ 6,327,600
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$40,699,862 and the accumulated depreciation is \$16,078,668. (See Note 6)	24,621,194
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)	(13,508,491)
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 \$11,013 has been amortized.	55,054
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.	(244,878)
Net Assets of Governmental Activities	<b>\$ 17,250,479</b>

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, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 30,946,682			\$ 769,537	\$ 31,716,219
Tuition	282,211				282,211
Transportation Fees	25,755				25,755
Capital Reserve Interest	2,800				2,800
Investment Income			\$ 8,317		8,317
Miscellaneous	357,666	\$ 33,696			391,362
<b>Total - Local Sources</b>	<b>31,615,114</b>	<b>33,696</b>	<b>8,317</b>	<b>769,537</b>	<b>32,426,664</b>
State Sources	5,056,694	201,373	121,074	347,020	5,726,161
Federal Sources	100,387	828,624			929,011
<b>Total Revenues</b>	<b>36,772,195</b>	<b>1,063,693</b>	<b>129,391</b>	<b>1,116,557</b>	<b>39,081,836</b>
<b>EXPENDITURES</b>					
Current:					
Instruction:					
Regular Instruction	11,677,500	192,778			11,870,278
Special Education Instruction	3,238,359	857,532			4,095,891
Other Special Instruction	257,122				257,122
School Sponsored Instruction	658,558				658,558
Support Services and Undistributed Costs:					
Tuition	1,822,467				1,822,467
Student & Instruction Related Services	3,343,587				3,343,587
General Administration Services	738,003				738,003
School Administration Services	1,626,880				1,626,880
Central Services	430,495				430,495

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

EXPENDITURES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 182,371				\$ 182,371
Plant Operations and Maintenance	2,480,416				2,480,416
Pupil Transportation	861,911				861,911
Allocated and Unallocated Benefits	8,123,584				8,123,584
Capital Outlay	772,877	\$ 13,383	\$ 3,810,408		4,596,668
Transfer of Funds to Charter School	22,590				22,590
Debt Service:					
Principal				\$ 555,000	555,000
Interest and Other Charges				561,700	561,700
<b>Total Expenditures</b>	<b>36,236,720</b>	<b>1,063,693</b>	<b>3,810,408</b>	<b>1,116,700</b>	<b>42,227,521</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>535,475</b>		<b>(3,681,017)</b>	<b>(143)</b>	<b>(3,145,685)</b>
<b>OTHER FINANCING SOURCES/(USES):</b>					
Transfers In	175,639			8,317	183,956
Transfers Out			(183,956)		(183,956)
<b>Total Other Financing Sources/(Uses)</b>	<b>175,639</b>		<b>(183,956)</b>	<b>8,317</b>	
<b>Net Change in Fund Balances</b>	<b>711,114</b>		<b>(3,864,973)</b>	<b>8,174</b>	<b>(3,145,685)</b>
<b>Fund Balance—July 1</b>	<b>5,595,456</b>		<b>3,865,130</b>	<b>12,699</b>	<b>9,473,285</b>
<b>Fund Balance—June 30</b>	<b>\$ 6,306,570</b>	<b>\$ -0-</b>	<b>\$ 157</b>	<b>\$ 20,873</b>	<b>\$ 6,327,600</b>

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, 2012

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ (3,145,685)
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 capital outlays exceeded depreciation during the period.		
	Depreciation Expense	\$ (908,284)
	Capital Outlays	<u>4,478,927</u>
		3,570,643
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 (+).		
		93,772
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.		
		555,000
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 (+).		
		30,394
The Governmental Funds report the effect of Issuance Costs when debt is first issued, where as these amounts are deferred and amortized in the Statement of Activities (-).		
		<u>(3,671)</u>
Change in Net Assets of Governmental Activities (Exhibit A-2)		<u>\$ 1,100,453</u>

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

Exhibit B-4

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012

	<u>Business-Type Activities: Enterprise Funds</u>
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 40,512
Interfund Receivable	4,305
Receivable from Federal Government	4,208
Receivables from State Government	308
Receivables - Other	4,674
Inventory	<u>10,393</u>
 Total Current Assets	 <u>64,400</u>
<b>Non-Current Assets:</b>	
Capital Assets	76,985
Less: Accumulated Depreciation	<u>(73,038)</u>
 Total Non-Current Assets	 <u>3,947</u>
 Total Assets	 <u>68,347</u>
<b>LIABILITIES:</b>	
<b>Current Liabilities:</b>	
Accounts Payable - Vendors	<u>22,884</u>
 Total Liabilities	 <u>22,884</u>
<b>NET ASSETS:</b>	
Investment in Capital Assets, Net of Related Debt	3,947
Unrestricted	<u>41,516</u>
 Total Net Assets	 <u>\$ 45,463</u>

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

Exhibit B-5

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

	<u>Business-Type Activities: Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 322,394
Daily Sales - Non-Reimbursable Programs	256,080
Special Events	8,017
Miscellaneous	559
	587,050
Total Operating Revenue	587,050
Operating Expenses:	
Cost of Sales	297,845
Salaries	214,889
Payroll Taxes	32,526
Employee Benefits	46,338
Purchased Property Services	26,120
Supplies and Materials	41,908
Depreciation Expense	6,857
Miscellaneous Expenditures	44,371
	710,854
Total Operating Expenses	710,854
Operating Income/(Loss)	(123,804)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	56,379
Special Milk Program	15,492
Food Distribution Program	13,874
State Sources:	
School Lunch Program	5,499
Local Sources:	
Interest Revenue	232
	91,476
Total Non-Operating Revenue	91,476
Change in Net Assets	(32,328)
Net Assets - Beginning of Year	77,791
Net Assets - End of Year	\$ 45,463

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, 2012

	<u>Business-Type Activities: Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 582,059
Payments to Food Service Vendor	(636,877)
Payments to Suppliers	(44,371)
Net Cash (Used for) Operating Activities	<u>(99,189)</u>
Cash Flows from Investing Activities:	
Interest Revenue	232
Net Cash Provided by Investing Activities	<u>232</u>
Cash Flows from Noncapital Financing Activities:	
Receipt of Federal Aid	72,871
Receipt of State Aid	5,668
Net Cash Provided by Noncapital Financing Activities	<u>78,539</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(20,418)
Cash and Cash Equivalents, July 1	<u>60,930</u>
Cash and Cash Equivalents, June 30	<u>\$ 40,512</u>
Reconciliation of Operating (Loss) to Net Cash	
(Used for) Operating Activities:	
Operating (Loss)	\$ (123,804)
Adjustment to Reconcile Operating (Loss) to Cash	
(Used for) Operating Activities:	
Depreciation	6,857
Federal Food Distribution Program	13,874
Changes in Assets and Liabilities:	
(Increase) in Interfund Receivable	(317)
(Increase) in Accounts Receivable	(4,674)
(Increase) in Inventory	(591)
Increase in Accounts Payable	9,466
Net Cash Used for Operating Activities	<u>\$ (99,189)</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 \$13,874 for the fiscal year ended June 30, 2012.

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

Exhibit B-7

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 151,510	\$ 84,074	\$ 181,663
Interfund Receivable - Payroll Agency Fund		29,175	
<b>Total Assets</b>	<u>151,510</u>	<u>113,249</u>	<u>181,663</u>
<b>LIABILITIES:</b>			
Accrued Salaries and Wages	100		
Accounts Payable - Vendors	328		
Interfund Payable - General Fund	3,954		
Interfund Payable - Unemployment Compensation Trust Fund	29,175		
Payroll Deductions and Withholdings	10,613		
Due to Student Groups	107,340		
<b>Total Liabilities</b>	<u>151,510</u>		
<b>NET ASSETS:</b>			
Held in Trust for:			
Unemployment Claims		113,249	
Scholarships			181,663
<b>Total Net Assets</b>	<u>\$ -0-</u>	<u>\$ 113,249</u>	<u>\$ 181,663</u>

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

## Exhibit B-8

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
<b>ADDITIONS:</b>		
Contributions - Employee Donations	\$ 45,915	\$ 1,403
Total Contributions	<u>45,915</u>	<u>1,403</u>
<b>Investment Earnings:</b>		
Interest	<u>315</u>	<u>137</u>
Net Investment Earnings	<u>315</u>	<u>137</u>
Total Additions	<u>46,230</u>	<u>1,540</u>
<b>DEDUCTIONS:</b>		
Unemployment Compensation Claims Scholarships Awarded	<u>113,862</u>	<u>6,767</u>
Total Deductions	<u>113,862</u>	<u>6,767</u>
Change in Net Assets	(67,632)	(5,227)
Net Assets - Beginning of Year	<u>180,881</u>	<u>186,890</u>
Net Assets - End of the Year	<u>\$ 113,249</u>	<u>\$ 181,663</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012  
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for 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, 2012  
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary funds:

Enterprise Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria (Food Service) operations. The Food is 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

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

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

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

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 for the fiscal year ended June 30, 2012 were submitted to the County office and voted upon at the school election on the fourth Wednesday in April, 2011. 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 36,846,101	\$ 825,516
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		238,177
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	102,218	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(176,124)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 36,772,195</u>	<u>\$ 1,063,693</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	\$ 36,236,720	\$ 825,516
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>238,177</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 36,236,720</u>	<u>\$ 1,063,693</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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

E. Cash and Cash Equivalents and Investments:

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

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and 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 sources/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, 2012  
(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, 2012.

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, 2012  
(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 disbursed the summer salary amounts prior to June 30; therefore the district had accrued salaries and wages of \$100 as of June 30, 2012.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's 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, 2012  
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$6,306,570 General Fund balance at June 30, 2012, \$588,054 is assigned for encumbrances; \$2,056,813 is restricted in the capital reserve account; \$1,200,000 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2014; \$1,058,720 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2013; \$108,249 is restricted for mortgage sale of building; \$357,218 is assigned fund balance and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2013; and \$937,516 is unassigned which is \$176,124 less than the calculated unassigned 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 \$157 Capital Projects Fund balance at June 30, 2012, \$2,000,157 is restricted and the \$2,000,000 is a deficit in unassigned fund balance.

Debt Service Fund: The \$20,873 Debt Service Fund balance at June 30, 2012, is restricted and \$12,556 has been included as anticipated revenue for the fiscal year ending June 30, 2013.

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

Q. Deficit Fund Balances/Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school district or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The 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, 2012  
(Continued)

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

Q. Deficit Fund Balances/Net Assets: (Cont'd)

The District has a \$580,527 deficit in unrestricted fund balance on the Statement of Net Assets and a deficit of \$2,000,000 in the Capital Projects Fund fund balance due to the issuance of temporary bond anticipation notes. These deficits do not mean the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

R. Fund Balance Restrictions, Commitments and Assignments:

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

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

Fund balance restrictions have been established for excess surplus, capital reserve, capital projects, mortgage note, and the debt service.

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 no committed resources at June 30, 2012.

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 \$588,054 for year-end encumbrances and \$357,218 for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2012.

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. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Fund.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

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, 2012  
(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, 2012  
(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, 2012, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve Account	Total
Checking and Savings Accounts	\$ 6,317,026	\$ 2,056,813	\$ 8,373,839

During the period ended June 30, 2012, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2012, was \$8,373,839 and the bank balance was \$9,213,520.

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, 2011 to June 30, 2012 fiscal year is as follows:

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Beginning Balance, July 1, 2011	\$1,616,843
Interest Earnings	2,800
Increase by Board Resolution in June 2012	595,160
Transfer from Capital Projects Fund	175,639
Commissioner Approved Withdrawal	<u>(333,629)</u>
Ending Balance, June 30, 2012	<u><u>\$2,056,813</u></u>

The \$2,056,813 balance in the Capital Reserve Account at June 30, 2012 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, 2012, the District transferred \$382,218 to capital outlay accounts for the acquisition of equipment which did not require approval of the County Superintendent. The District acquired County Superintendent approval for the transfer of \$724,945 for a roof repair project.

NOTE 6. CAPITAL ASSETS

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

	<u>Balance</u> <u>6/30/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2012</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Sites (Land)	\$ 4,659,600			\$ 4,659,600
Construction in Progress	9,482,120	\$ 3,810,408	\$(13,292,528)	
Total Capital Assets Not Being Depreciated	<u>14,141,720</u>	<u>3,810,408</u>	<u>(13,292,528)</u>	<u>4,659,600</u>
Capital Assets Being Depreciated:				
Site Improvements	138,851	16,680	2,000,000	2,155,531
Buildings and Building Improvements	18,822,805	262,159	11,292,528	30,377,492
Machinery and Equipment	3,187,559	389,680	(70,000)	3,507,239
Total Capital Assets Being Depreciated	<u>22,149,215</u>	<u>668,519</u>	<u>13,222,528</u>	<u>36,040,262</u>
Governmental Activities Capital Assets	<u>36,290,935</u>	<u>4,478,927</u>	<u>(70,000)</u>	<u>40,699,862</u>
Less Accumulated Depreciation for:				
Site Improvements	(3,471)	(104,305)	70,000	(37,776)
Buildings and Building Improvements	(13,143,571)	(455,598)		(13,599,169)
Machinery and Equipment	(2,093,342)	(348,381)		(2,441,723)
	<u>(15,240,384)</u>	<u>(908,284)</u>	<u>70,000</u>	<u>(16,078,668)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u><u>\$21,050,551</u></u>	<u><u>\$ 3,570,643</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$24,621,194</u></u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

	Balance 6/30/2011	Increases	Decreases	Balance 6/30/2012
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 79,410		\$ (2,425)	\$ 76,985
Less Accumulated Depreciation	(68,606)	\$ (6,857)	2,425	(73,038)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,804</u>	<u>\$ (6,857)</u>	<u>\$ - 0 -</u>	<u>\$ 3,947</u>

The District expended \$3,810,408 from the Capital Projects Fund for continued construction in progress and \$655,136 and \$13,383 from the General and Special Revenue Funds, respectively, for the purchase of equipment and Improvements to Buildings.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 359,502
Special Education	9,907
Other Instruction	15,590
Student & Instructional Related Services	172,709
General Administrative Services	12,837
School Administrative Services	117,609
Operations and Maintenance of Plant	91,461
Pupil Transportation	128,669
	<u>\$ 908,284</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2011	Accrued	Retired	Balance 6/30/2012
Serial Bonds Payable	\$ 13,790,000		\$ 555,000	\$ 13,235,000
Compensated Absences Payable	367,263	\$ 22,078	115,850	273,491
	<u>\$ 14,157,263</u>	<u>\$ 22,078</u>	<u>\$ 670,850</u>	<u>\$ 13,508,491</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, 2012  
(Continued)

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

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

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
02/15/2013	4.25%	\$ 535,000
01/15/2029	3.50% - 4.375%	<u>12,700,000</u>
		<u>\$ 13,235,000</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>
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	660,000	449,175	1,109,175
2018-2022	3,645,000	1,840,525	5,485,525
2023-2027	4,425,000	1,033,363	5,458,363
2028-2029	<u>2,070,000</u>	<u>136,938</u>	<u>2,206,938</u>
	<u>\$ 13,235,000</u>	<u>\$ 5,444,288</u>	<u>\$ 18,679,288</u>

B. Bonds Authorized But Not Issued:

The District had no Bonds Authorized But Not Issued as of 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 payout is capped at \$65,000 per fiscal year with regard to teaching and support staff retirees. If the District's annual payout 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 and would continue to be paid until each retiree receives his/her total payment.

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, 2012 is currently payable; therefore, the long-term liability balance of compensated absences is \$273,491.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, no liability existed for compensated absences in the Food Service Enterprise Fund.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 8. TEMPORARY NOTES

The District had temporary bond anticipation notes outstanding as of June 30, 2012 as follows:

<u>Final Maturity</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
7/15/2012	Improvements to Athletic Fields	1.75%	\$ 2,000,000

The District intends to pay down the notes with budget appropriations over the next five years.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. 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. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS went from 5.5% to 6.5% of employees' annual compensation as defined. Employers are required to contribute at an actuarially determined rate in the PERS and TPAF.

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 \$355,213, \$352,015 and \$248,769 for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

During the fiscal year ended June 30, 2012 the State of New Jersey made a contribution of \$529,960 to the TPAF for pension benefits on-behalf of the District. During the fiscal years ended June 30, 2011 and 2010 the State of New Jersey made no contributions to the TPAF for pension benefits on-behalf of the District.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public 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, 2011, there were 93,323 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.

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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,065,358, \$1,063,620, and \$1,030,060 for 2012, 2011, and 2010, 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, 2012  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

The audit of the PIP for the year ended June 30, 2012 was not available as of the date of this report. Selected, summarized financial information as of June 30, 2011 is as follows:

	<u>Pooled Insurance Program of New Jersey</u>
Total Assets	\$ 20,051,565
Net Assets	\$ 4,980,116
Total Revenue	\$ 7,886,927
Total Expenses and Adjustments	\$ 6,116,398
Change in Net Assets	\$ 1,770,529
Net Assets Distribution to Participating Members	\$ 1,184,665

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, 2012. 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>
2012	\$ 45,915		\$ 315	\$ 113,862	\$ 113,249
2011	31,098		612	109,466	180,881
2010	169,947	\$ 40,000	1,321	101,749	258,637

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, 2012  
(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, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

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, 2012, there were encumbrances as detailed below in the governmental funds:

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 588,054	\$ 9,664	\$ 597,718

On the District's Governmental Funds Balance Sheet as of June 30, 2012, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$9,664 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, 2012  
(Continued)

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 73,675	\$ 4,305
Special Revenue Fund		69,721
Capital Projects Fund		8,317
Debt Service Fund	8,317	
Proprietary Fund:		
Food Service Enterprise Fund	4,305	
Fiduciary Fund:		
Unemployment Compensation Trust	29,175	
Payroll Agency		33,129
	<u>\$ 115,472</u>	<u>\$ 115,472</u>

The interfund receivable in the General Fund is comprised of \$69,721 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 \$3,954 due from Net Payroll and Payroll Agency Fund for interest earnings. The interfund receivable in the Debt Service Fund due from the Capital Projects Fund of \$8,317 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 \$29,175 is current and prior year employee deductions for unemployment due to the Unemployment Compensation Trust. The interfund receivable in the Proprietary Fund is comprised of \$4,305 of federal and state subsidy receipts due from the General Fund.

NOTE 15. TAX CALENDAR

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

Taxes are collected by the constituent municipality and are remitted to the District on a predetermined mutually agreed-upon schedule.

**BUDGETARY COMPARISON SCHEDULES**

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 30,946,682		\$ 30,946,682	\$ 30,946,682	
<b>Tuition:</b>					
From Other Individuals	70,000		70,000		
From Other LEA's	210,000		210,000	282,211	\$ 72,211
From Other LEA's Outside State	70,000		70,000		(70,000)
Transportation Fees from Other LEAs	26,000		26,000	25,755	(245)
Interest Earned on Capital Reserve Funds	2,000		2,000	2,800	800
Miscellaneous	205,600		205,600	357,666	152,066
<b>Total - Local Sources</b>	<b>31,530,282</b>		<b>31,530,282</b>	<b>31,615,114</b>	<b>154,832</b>
<b>State Sources:</b>					
Categorical Special Education Aid	1,341,187		1,341,187	1,341,187	
Equalization Aid	169,179	\$ 357,218	526,397	526,397	
Extraordinary Special Education Costs Aid				434,097	434,097
Nonpublic School Transportation Costs				11,161	11,161
Anti-Bullying Aid				158	158
TPAF - Pension Contributions (On-Behalf - Non-Budgeted)				529,960	529,960
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				1,065,358	1,065,358
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				1,222,282	1,222,282
<b>Total State Sources</b>	<b>1,510,366</b>	<b>357,218</b>	<b>1,867,584</b>	<b>5,130,600</b>	<b>3,263,016</b>
<b>Federal Sources:</b>					
Education Job Funds	97,000	3,387	100,387	100,387	
<b>Total Federal Sources</b>	<b>97,000</b>	<b>3,387</b>	<b>100,387</b>	<b>100,387</b>	
<b>TOTAL REVENUES</b>	<b>33,137,648</b>	<b>360,605</b>	<b>33,498,253</b>	<b>36,846,101</b>	<b>3,417,848</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Regular Programs - Instruction:</b>					
Kindergarten - Salaries of Teachers	\$ 213,810	\$ 29,837	\$ 243,647	\$ 242,686	\$ 961
Grades 1-5 - Salaries of Teachers	3,646,600	46,303	3,692,903	3,651,372	41,531
Grades 6-8 - Salaries of Teachers	2,789,920	(161,105)	2,628,815	2,623,730	5,085
Grades 9-12 - Salaries of Teachers	3,622,500	(45,337)	3,577,163	3,572,498	4,665
<b>Regular Programs - Home Instruction:</b>					
Salaries of Teachers	33,690	(229)	33,461	33,461	
Purchased Professional - Educational Services	15,000	(1,672)	13,328	13,091	237
<b>Regular Programs - Undistributed Instruction:</b>					
Other Salaries for Instruction	365,000	(74,501)	290,499	290,340	159
Purchased Professional - Educational Services	86,460	(22,782)	63,678	48,383	15,295
Purchased Technical Services	41,850	(3,091)	38,759	38,759	
Other Purchased Services (400-500 series)	173,539	613	174,152	114,564	59,588
General Supplies	516,000	302,346	818,346	707,518	110,828
Textbooks	527,019	(169,743)	357,276	340,257	17,019
Other Objects	122,770	(119,885)	2,885	841	2,044
<b>Total Regular Programs - Instruction</b>	<b>12,154,158</b>	<b>(219,246)</b>	<b>11,934,912</b>	<b>11,677,500</b>	<b>257,412</b>
<b>Special Education - Instruction:</b>					
<b>Learning and/or Language Disabilities:</b>					
Salaries of Teachers	418,417	(6,351)	412,066	411,351	715
Other Salaries for Instruction	102,110	52,104	154,214	154,212	2
General Supplies	21,199	(6,749)	14,450	11,919	2,531
Other Objects		200	200		200
<b>Total Learning and/or Language Disabilities</b>	<b>541,726</b>	<b>39,204</b>	<b>580,930</b>	<b>577,482</b>	<b>3,448</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	\$ 64,300	\$ (1,180)	\$ 63,120	\$ 62,775	\$ 345
Other Salaries for Instruction	20,186	(540)	19,646	19,285	361
Other Purchased Services (400-500 series)	100		100	9	91
General Supplies	1,500		1,500		1,500
Textbooks	1,000		1,000		1,000
<b>Total Behavioral Disabilities</b>	<b>87,086</b>	<b>(1,720)</b>	<b>85,366</b>	<b>82,069</b>	<b>3,297</b>
Resource Room/Resource Center:					
Salaries of Teachers	1,676,000	92,601	1,768,601	1,766,276	2,325
Other Salaries for Instruction	173,000	1,751	174,751	174,583	168
General Supplies	13,700	(852)	12,848	8,045	4,803
Textbooks	500	(300)	200	143	57
<b>Total Resource Room/Resource Center</b>	<b>1,863,200</b>	<b>93,200</b>	<b>1,956,400</b>	<b>1,949,047</b>	<b>7,353</b>
Autism:					
Salaries of Teachers	170,914	97,707	268,621	268,619	2
Other Salaries for Instruction	174,289	(23,964)	150,325	150,281	44
Purchased Professional - Educational Services	280,420	(14,000)	266,420	79,177	187,243
General Supplies	20,500	(3,400)	17,100	11,180	5,920
Other Objects	1,000	1,000	2,000	1,917	83
<b>Total Autism</b>	<b>647,123</b>	<b>57,343</b>	<b>704,466</b>	<b>511,174</b>	<b>193,292</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Special Education - Instruction:					
Preschool Disabilities - Part-time:					
Salaries of Teachers	\$ 95,992	\$ (5,378)	\$ 90,614	\$ 90,614	
Other Salaries for Instruction	60,972	(33,976)	26,996	26,944	\$ 52
General Supplies	2,000		2,000	1,029	971
Total Preschool Disabilities - Part-time	<u>158,964</u>	<u>(39,354)</u>	<u>119,610</u>	<u>118,587</u>	<u>1,023</u>
Total Special Education Instruction	<u>3,298,099</u>	<u>148,673</u>	<u>3,446,772</u>	<u>3,238,359</u>	<u>208,413</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	224,800	6,662	231,462	229,594	1,868
Total Basic Skills/Remedial - Instruction	<u>224,800</u>	<u>6,662</u>	<u>231,462</u>	<u>229,594</u>	<u>1,868</u>
Bilingual Education - Instruction:					
Salaries of Teachers	32,979	(4,870)	28,109	27,038	1,071
General Supplies	1,850		1,850	490	1,360
Total Bilingual Education - Instruction	<u>34,829</u>	<u>(4,870)</u>	<u>29,959</u>	<u>27,528</u>	<u>2,431</u>
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	170,638	1,879	172,517	161,406	11,111
Purchased Services (300-500 series)	3,000	(162)	2,838	2,606	232
Supplies and Materials	10,150	1,385	11,535	8,881	2,654
Other Objects	4,250	800	5,050	1,243	3,807
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	<u>188,038</u>	<u>3,902</u>	<u>191,940</u>	<u>174,136</u>	<u>17,804</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 338,845	\$ 18,110	\$ 356,955	\$ 329,073	\$ 27,882
Purchased Services (300-500 series)	39,200	12,721	51,921	46,431	5,490
Supplies and Materials	41,865	5,023	46,888	46,855	33
Other Objects	3,475	3,999	7,474	7,273	201
Transfers to Cover Deficit (Agency Funds)	50,000	5,950	55,950	54,790	1,160
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>473,385</b>	<b>45,803</b>	<b>519,188</b>	<b>484,422</b>	<b>34,766</b>
Other Instructional Programs - Instruction:					
Salaries	80,000	(64,442)	15,558		15,558
<b>Total Other Instructional Programs - Instruction</b>	<b>80,000</b>	<b>(64,442)</b>	<b>15,558</b>		<b>15,558</b>
<b>Total Instruction</b>	<b>16,453,309</b>	<b>(83,518)</b>	<b>16,369,791</b>	<b>15,831,539</b>	<b>538,252</b>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	246,523	(36,221)	210,302	158,415	51,887
Tuition to County Vocational Schools - Regular	314,958	36,013	350,971	340,978	9,993
Tuition to County Vocational Schools - Special	85,743	(12,500)	73,243	33,764	39,479
Tuition to County Special Services Schools/Regional Day Schools	178,796	83,011	261,807	233,528	28,279
Tuition to Private Schools for the Disabled - Within the State	1,255,935	(85,531)	1,170,404	1,017,282	153,122
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	38,559		38,559	38,500	59
<b>Total Undistributed Expenditures - Instruction</b>	<b>2,120,514</b>	<b>(15,228)</b>	<b>2,105,286</b>	<b>1,822,467</b>	<b>282,819</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Health Services:					
Salaries	\$ 354,110	\$ (17,552)	\$ 336,558	\$ 326,954	\$ 9,604
Purchased Professional and Technical Services	36,235	(518)	35,717	18,593	17,124
Supplies and Materials	10,538	1,006	11,544	7,922	3,622
Total Health Services	<u>400,883</u>	<u>(17,064)</u>	<u>383,819</u>	<u>353,469</u>	<u>30,350</u>
Speech, OT, PT & Related Services:					
Salaries	397,500	(75,957)	321,543	321,543	
Purchased Professional - Educational Services	235,000	(133)	234,867	221,863	13,004
Supplies and Materials	7,700	(3,000)	4,700	4,102	598
Total Speech, OT, PT & Related Services	<u>640,200</u>	<u>(79,090)</u>	<u>561,110</u>	<u>547,508</u>	<u>13,602</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	153,448	20,546	173,994	173,715	279
Total Other Support Services - Students - Extraordinary Services	<u>153,448</u>	<u>20,546</u>	<u>173,994</u>	<u>173,715</u>	<u>279</u>
Guidance:					
Salaries of Other Professional Staff	550,500	(4,784)	545,716	541,934	3,782
Salaries of Secretarial and Clerical Assistants	125,510	(42,401)	83,109	82,957	152
Purchased Professional - Educational Services	22,974	23,390	46,364	46,364	
Other Purchased Professional and Technical Services	3,000	395	3,395	3,395	
Other Purchased Services (400-500 series)	2,000		2,000		2,000
Supplies and Materials	10,600	(1,882)	8,718	8,098	620
Other Objects	500	(88)	412	170	242
Total Guidance	<u>715,084</u>	<u>(25,370)</u>	<u>689,714</u>	<u>682,918</u>	<u>6,796</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 544,000	\$ 123,946	\$ 667,946	\$ 667,946	
Salaries of Secretarial and Clerical Assistants	45,166	2,173	47,339	43,831	\$ 3,508
Other Salaries	8,618	1,570	10,188	10,129	59
Purchased Professional - Educational Services	22,800	(2,182)	20,618	20,618	
Other Purchased Professional and Technical Services	6,000		6,000	5,955	45
Miscellaneous Purchased Services	8,244	2,582	10,826	6,232	4,594
Supplies and Materials	8,500	7,000	15,500	14,717	783
Other Objects	1,150	(500)	650	329	321
<b>Total Child Study Teams</b>	<b>644,478</b>	<b>134,589</b>	<b>779,067</b>	<b>769,757</b>	<b>9,310</b>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	185,000	2,114	187,114	187,114	
Salaries of Other Professional Staff	30,000	88,048	118,048	112,739	5,309
Salaries of Secretarial and Clerical Assistants	54,320		54,320	53,793	527
Purchased Professional - Educational Services	6,000	(6,000)			
Other Purchased Professional and Technical Services	4,800	(4,800)			
Other Purchased Services (400-500 series)	2,400		2,400	77	2,323
Supplies and Materials	5,800		5,800	1,330	4,470
Other Objects	3,800		3,800	2,008	1,792
<b>Total Improvement of Instructional Services</b>	<b>292,120</b>	<b>79,362</b>	<b>371,482</b>	<b>357,061</b>	<b>14,421</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Educational Media Services/School Library:					
Salaries	\$ 471,500	\$ (51,890)	\$ 419,610	\$ 407,921	\$ 11,689
Purchased Professional and Technical Services	22,436	(547)	21,889	21,176	713
Other Purchased Services (400-500 series)	2,000		2,000	1,794	206
Supplies and Materials	25,578	(3,463)	22,115	18,652	3,463
<b>Total Educational Media Services/School Library</b>	<b>521,514</b>	<b>(55,900)</b>	<b>465,614</b>	<b>449,543</b>	<b>16,071</b>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	20,000	4,400	24,400	5,055	19,345
Other Purchased Services (400-500 series)	2,500	(1,256)	1,244	1,166	78
Supplies and Materials	5,000		5,000	3,395	1,605
Other Objects	3,300		3,300		3,300
<b>Total Instructional Staff Training Services</b>	<b>30,800</b>	<b>3,144</b>	<b>33,944</b>	<b>9,616</b>	<b>24,328</b>
Support Services - General Administration:					
Salaries	238,998	28,937	267,935	267,775	160
Legal Services	100,000	(31,915)	68,085	67,188	897
Audit Fees	38,000	1,000	39,000	39,000	
Other Purchased Professional Services	33,400	94,954	128,354	83,244	45,110
Purchased Technical Services	7,500	44,540	52,040	52,040	
BOE Other Purchased Services		510	510	497	13
Communications/Telephone	153,505	(22,916)	130,589	128,144	2,445
Miscellaneous Purchased Services (400-500 series)	74,260	(3,858)	70,402	62,498	7,904
General Supplies	7,000	159	7,159	4,767	2,392
BOE Memberships / Dues		150	150	25	125
Miscellaneous Expenditures	22,652	10,194	32,846	32,825	21
<b>Total Support Services - General Administration</b>	<b>675,315</b>	<b>121,755</b>	<b>797,070</b>	<b>738,003</b>	<b>59,067</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 956,000	\$ 27,746	\$ 983,746	\$ 932,167	\$ 51,579
Salaries of Other Professional Staff	245,000	37,900	282,900	228,117	54,783
Salaries of Secretarial and Clerical Assistants	382,000	51,303	433,303	362,436	70,867
Purchased Professional and Technical Services	12,300	3,278	15,578	10,673	4,905
Other Purchased Services (400-500 series)	47,519	6,156	53,675	47,936	5,739
Supplies and Materials	32,208	9,526	41,734	30,000	11,734
Other Objects	14,675	1,999	16,674	15,551	1,123
<b>Total Support Services - School Administration</b>	<b>1,689,702</b>	<b>137,908</b>	<b>1,827,610</b>	<b>1,626,880</b>	<b>200,730</b>
Central Services:					
Salaries	382,200	(2,371)	379,829	368,993	10,836
Purchased Technical Services	37,000	17,522	54,522	29,072	25,450
Miscellaneous Purchased Services (400-500 series)	15,000	3,708	18,708	16,994	1,714
Supplies and Materials	15,000	38,750	53,750	12,635	41,115
Interest on Lease Purchase Agreements		570	570	570	
Miscellaneous Expenditures	2,800	(418)	2,382	2,231	151
<b>Total Central Services</b>	<b>452,000</b>	<b>57,761</b>	<b>509,761</b>	<b>430,495</b>	<b>79,266</b>
Administrative Information Technology:					
Salaries	180,000	2,371	182,371	182,371	
<b>Total Administrative Information Technology</b>	<b>180,000</b>	<b>2,371</b>	<b>182,371</b>	<b>182,371</b>	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Required Maintenance of School Facilities:					
Salaries	\$ 267,000	\$ (50,873)	\$ 216,127	\$ 201,124	\$ 15,003
Cleaning, Repair and Maintenance Services	268,640	160,525	429,165	330,607	98,558
General Supplies	25,000	18,325	43,325	36,163	7,162
Other Objects	1,500	(1,500)			
Total Required Maintenance of School Facilities	<u>562,140</u>	<u>126,477</u>	<u>688,617</u>	<u>567,894</u>	<u>120,723</u>
Custodial Services:					
Salaries	958,560	(31,000)	927,560	904,550	23,010
Purchased Professional and Technical Services	20,000	72,406	92,406	92,389	17
Cleaning, Repair and Maintenance Services	132,733	(75,342)	57,391	53,986	3,405
Rental of Land/Buildings (Other Than Lease Purchase Agreements)	5,500		5,500	2,500	3,000
Other Purchased Property Services	41,500	(4,254)	37,246	37,246	
Insurance	137,000	17,153	154,153	154,153	
Miscellaneous Purchased Services	8,250	(5,250)	3,000	2,966	34
General Supplies	36,832	29,237	66,069	64,092	1,977
Energy (Electricity)	400,527	(43,881)	356,646	355,802	844
Energy (Natural Gas)	348,000	(163,598)	184,402	183,209	1,193
Energy (Gasoline)	6,000	(974)	5,026	3,725	1,301
Other Objects	2,125		2,125	1,904	221
Total Custodial Services	<u>2,097,027</u>	<u>(205,503)</u>	<u>1,891,524</u>	<u>1,856,522</u>	<u>35,002</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services		\$ 56,000	\$ 56,000	\$ 56,000	
<b>Total Care and Upkeep of Grounds</b>		<b>56,000</b>	<b>56,000</b>	<b>56,000</b>	
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 152,000	(19,295)	132,705	132,705	
Between Home and School - Special	85,500	(48,205)	37,295	37,121	\$ 174
Other Than Between Home and School - Regular	36,000	37,000	73,000	61,042	11,958
Management Fee - ESC and CTSA Transportation Program	15,000		15,000	14,184	816
Other Purchased Professional and Technical Services		26,795	26,795	26,795	
Cleaning, Repair and Maintenance Services	16,000	(16,000)			
Contracted Services:		76,315	76,315	60,896	15,419
Other Than Between Home and School - Vendors	72,158	(19,302)	52,856	37,155	15,701
Special Education Students - Vendors	72,320	(36,265)	36,055	31,754	4,301
Special Education Students - Joint Agreements	30,960	65,543	96,503	66,747	29,756
Regular Students - ESC's and CTSA's	101,503	184,541	286,044	286,044	
Special Education Students - ESC's and CTSA's	282,486	(201,486)	81,000	77,301	3,699
Aid in Lieu of Payments - Nonpublic Students	81,000	(79,858)	1,142	1,142	
Miscellaneous Purchased Services - Transportation	1,800	2,800	4,600	4,600	
Supplies and Materials	34,950		34,950	21,185	13,765
Other Objects	4,500	(347)	4,153	3,240	913
<b>Total Student Transportation Services</b>	<b>986,177</b>	<b>(27,764)</b>	<b>958,413</b>	<b>861,911</b>	<b>96,502</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
<b>Regular Programs - Instruction - Employee Benefits:</b>					
Social Security Contributions	\$ 205,250	\$ (205,250)			
Other Retirement Contributions - PERS	181,250	(181,250)			
Workmen's Compensation	100,500	(100,500)			
Health Benefits	2,623,184	(2,623,184)			
Tuition Reimbursement	43,135	(43,135)			
Other Employee Benefits	32,000	(32,000)			
<b>Total Regular Programs - Instruction - Employee Benefits</b>	<b>3,185,319</b>	<b>(3,185,319)</b>			
<b>Special Education - Instruction - Employee Benefits:</b>					
Social Security Contributions	61,575	(61,575)			
Other Retirement Contributions - PERS	54,375	(54,375)			
Workmen's Compensation	35,800	(35,800)			
Health Benefits	876,220	(876,220)			
<b>Total Special Education - Instruction - Employee Benefits</b>	<b>1,027,970</b>	<b>(1,027,970)</b>			
<b>Health Services - Employee Benefits:</b>					
Social Security Contributions	4,150	(4,150)			
Other Retirement Contributions - PERS	3,625	(3,625)			
Workmen's Compensation	2,390	(2,390)			
Health Benefits	57,161	(57,161)			
Tuition Reimbursement	1,640	(1,640)			
<b>Total Health Services - Employee Benefits</b>	<b>68,966</b>	<b>(68,966)</b>			

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Other Support Serv. - Speech, OT, PT & Related Services - Employee Benefits:					
Social Security Contributions	\$ 4,150	\$ (4,150)			
Other Retirement Contributions - PERS	3,625	(3,625)			
Workmen's Compensation	2,390	(2,390)			
Health Benefits	57,161	(57,161)			
<b>Total Other Support Serv. - Speech, OT, PT &amp; Related Services -     Employee Benefits</b>	<b>67,326</b>	<b>(67,326)</b>			
Other Supp. Serv. - Students - Extraordinary Serv. - Employee Benefits:					
Social Security Contributions	4,105	(4,105)			
Other Retirement Contributions - PERS	3,625	(3,625)			
Workmen's Compensation	2,390	(2,390)			
Health Benefits	57,161	(57,161)			
<b>Total Other Supp. Serv. - Students - Extraordinary Services -     Employee Benefits</b>	<b>67,281</b>	<b>(67,281)</b>			
Other Support Services - Guidance - Employee Benefits:					
Social Security Contributions	12,315	(12,315)			
Other Retirement Contributions - PERS	10,875	(10,875)			
Workmen's Compensation	7,170	(7,170)			
Health Benefits	170,916	(170,916)			
Tuition Reimbursement	5,175	(5,175)			
<b>Total Other Support Services - Guidance - Employee Benefits</b>	<b>206,451</b>	<b>(206,451)</b>			

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Other Support Services - Child Study Teams - Employee Benefits:					
Social Security Contributions	\$ 12,315	\$ (12,315)			
Other Retirement Contributions - PERS	10,875	(10,875)			
Workmen's Compensation	7,170	(7,170)			
Health Benefits	170,916	(170,916)			
Tuition Reimbursement	3,450	(3,450)			
<b>Total Other Support Services - Child Study Teams - Employee Benefits</b>	<b>204,726</b>	<b>(204,726)</b>			
Improvement of Instruction Services - Employee Benefits:					
Social Security Contributions	4,105	(4,105)			
Other Retirement Contributions - PERS	3,625	(3,625)			
Workmen's Compensation	2,390	(2,390)			
Health Benefits	57,161	(57,161)			
<b>Total Improvement of Instruction Services - Employee Benefits</b>	<b>67,281</b>	<b>(67,281)</b>			
Educational Media Services - School Library - Employee Benefits:					
Social Security Contributions	8,210	(8,210)			
Other Retirement Contributions - PERS	7,725	(7,725)			
Workmen's Compensation	4,780	(4,780)			
Health Benefits	113,909	(113,909)			
Tuition Reimbursement	3,450	(3,450)			
<b>Total Educational Media Services - School Library - Employee Benefits</b>	<b>138,074</b>	<b>(138,074)</b>			

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Support Services - General Administration - Employee Benefits:					
Social Security Contributions	\$ 8,210	\$ (8,210)			
Other Retirement Contributions - PERS	7,250	(7,250)			
Workmen's Compensation	4,780	(4,780)			
Health Benefits	93,271	(93,271)			
Other Employee Benefits	8,000	(8,000)			
<b>Total Support Services - General Administration - Employee Benefits</b>	<b>121,511</b>	<b>(121,511)</b>			
Support Services - School Administration - Employee Benefits:					
Social Security Contributions	32,840	(32,840)			
Other Retirement Contributions - PERS	29,000	(29,000)			
Workmen's Compensation	19,120	(19,120)			
Health Benefits	404,050	(404,050)			
Tuition Reimbursement	24,150	(24,150)			
Other Employee Benefits	37,000	(37,000)			
<b>Total Support Services - School Administration - Employee Benefits</b>	<b>546,160</b>	<b>(546,160)</b>			
Support Services - Central Services - Employee Benefits:					
Social Security Contributions	8,210	(8,210)			
Other Retirement Contributions - PERS	7,350	(7,350)			
Workmen's Compensation	4,780	(4,780)			
Health Benefits	113,909	(113,909)			
<b>Total Support Services - Central Services - Employee Benefits</b>	<b>134,249</b>	<b>(134,249)</b>			

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Support Services - Admin. Info. Technology - Employee Benefits:					
Social Security Contributions	\$ 4,105	\$ (4,105)			
Other Retirement Contributions - PERS	3,625	(3,625)			
Workmen's Compensation	2,390	(2,390)			
Health Benefits	57,161	(57,161)			
<b>Total Support Services - Admin. Info. Tech. - Employee Benefits</b>	<b>67,281</b>	<b>(67,281)</b>			
Operation and Maintenance of Plant Services - Employee Benefits:					
Social Security Contributions	20,525	(20,525)			
Other Retirement Contributions - PERS	18,125	(18,125)			
Workmen's Compensation	11,950	(11,950)			
Health Benefits	283,072	(283,072)			
<b>Total Operation/Maintenance of Plant Services - Employee Benefits</b>	<b>333,672</b>	<b>(333,672)</b>			
Student Transportation Services - Employee Benefits:					
Social Security Contributions	4,105	(4,105)			
Other Retirement Contributions - PERS	3,625	(3,625)			
Unemployment Compensation					
Workmen's Compensation	2,390	(2,390)			
Health Benefits	2,300	(2,300)			
Tuition Reimbursement					
Other Employee Benefits	57,161	(57,161)			
<b>Total Student Transportation Services - Employee Benefits</b>	<b>69,581</b>	<b>(69,581)</b>			
<b>Total Allocated Benefits</b>	<b>6,305,848</b>	<b>(6,305,848)</b>			

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Unallocated Benefits:					
Social Security Contributions		\$ 394,170	\$ 394,170	\$ 360,648	\$ 33,522
Other Retirement Contributions - PERS		355,213	355,213	355,213	
Unemployment Compensation		2,390	2,390		2,390
Workmen's Compensation		210,300	210,300	207,904	2,396
Health Benefits		4,421,996	4,421,996	4,083,513	338,483
Tuition Reimbursement		81,000	81,000	71,519	9,481
Other Employee Benefits		227,877	227,877	227,187	690
<b>Total Unallocated Benefits</b>		<b>5,692,946</b>	<b>5,692,946</b>	<b>5,305,984</b>	<b>386,962</b>
On-Behalf Contributions:					
TPAF - Pension Contributions (On-Behalf - Non-Budgeted)				529,960	(529,960)
TPAF Post Retirement Medical Contributions (On-Behalf - Non-Budgeted)				1,065,358	(1,065,358)
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				1,222,282	(1,222,282)
<b>Total On-Behalf Contributions</b>				<b>2,817,600</b>	<b>(2,817,600)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>6,305,848</b>	<b>(612,902)</b>	<b>5,692,946</b>	<b>8,123,584</b>	<b>(2,430,638)</b>
<b>Total Undistributed Expenses</b>	<b>18,467,250</b>	<b>(298,908)</b>	<b>18,168,342</b>	<b>19,609,714</b>	<b>(1,441,372)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>34,920,559</b>	<b>(382,426)</b>	<b>34,538,133</b>	<b>35,441,253</b>	<b>(903,120)</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Grades 9-12		\$ 162,275	\$ 162,275	\$ 97,727	\$ 64,548
School-Sponsored Athletics		7,309	7,309	7,309	
Undistributed Expenditures:					
Support Services - Child Study Teams		2,549	2,549	2,549	
School Administration	\$ 2,464		2,464	2,464	
Custodial Services		116,216	116,216	116,216	
Student Transportation:					
School Buses - Regular		93,869	93,869	93,869	
Total Equipment	2,464	382,218	384,682	320,134	64,548
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services		95,212	95,212	89,770	5,442
Construction Services		629,733	629,733	360,938	268,795
Other Objects	2,035		2,035	2,035	
Total Facilities Acquisition and Construction Services	2,035	724,945	726,980	452,743	274,237
<b>TOTAL CAPITAL OUTLAY</b>	<b>4,499</b>	<b>1,107,163</b>	<b>1,111,662</b>	<b>772,877</b>	<b>338,785</b>
Transfer of Funds to Charter Schools	22,382	208	22,590	22,590	
<b>TOTAL EXPENDITURES</b>	<b>34,947,440</b>	<b>724,945</b>	<b>35,672,385</b>	<b>36,236,720</b>	<b>(564,335)</b>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,809,792)	(364,340)	(2,174,132)	609,381	2,783,513

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Sources:					
Operating Transfer In/(Out):					
Transfer from Capital Projects Fund to Capital Reserve				\$ 175,639	\$ 175,639
Total Other Financing Sources				175,639	175,639
Excess/(Deficiency) of Revenues and Other Financing Sources					
Over/(Under) Expenditures	\$ (1,809,792)	\$ (364,340)	\$ (2,174,132)	785,020	2,959,152
Fund Balance, July 1	5,697,674		5,697,674	5,697,674	
Fund Balance, June 30	<u>\$ 3,887,882</u>	<u>\$ (364,340)</u>	<u>\$ 3,523,542</u>	<u>\$ 6,482,694</u>	<u>\$ 2,959,152</u>

Recapitulation of Fund Balance at June 30, 2012:

Restricted:

Excess Surplus	\$ 1,200,000
Excess Surplus - Designated for Subsequent Year's Expenditures	1,058,720
Capital Reserve	2,056,813
Mortgage Sale of Building	108,249

Assigned:

Year-End Encumbrances	588,054
Designated for Subsequent Year's Expenditures	357,218

Unassigned

1,113,640  
6,482,694

Reconciliation to Governmental Funds Statement (GAAP):

Last State Aid Payment not Recognized on GAAP Basis	(176,124)
Fund Balance per Governmental Funds (GAAP)	<u>\$ 6,306,570</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources		\$ 37,800	\$ 37,800	\$ 24,101	\$ (13,699)
State Sources		202,458	202,458	201,008	(1,450)
Federal Sources	\$ 983,700	(338,420)	645,280	600,407	(44,873)
<b>Total Revenues</b>	<u>983,700</u>	<u>(98,162)</u>	<u>885,538</u>	<u>825,516</u>	<u>(60,022)</u>
<b>EXPENDITURES:</b>					
Instruction:					
Purchased Professional - Educational Services	69,100	132,930	202,030	202,030	
Tuition	914,600	(451,937)	462,663	462,663	
Other Purchased Services		21,759	21,759	21,759	
General Supplies		49,360	49,360	32,417	16,943
Textbooks		18,525	18,525	18,525	
<b>Total Instruction</b>	<u>983,700</u>	<u>(229,363)</u>	<u>754,337</u>	<u>737,394</u>	<u>16,943</u>
Support Services:					
Salaries of Other Professional Staff		22,219	22,219	7,400	14,819
Personal Services - Employee Benefits		2,755	2,755		2,755
Purchased Professional and Technical Services		97,332	97,332	71,863	25,469
Supplies and Materials		36	36		36
<b>Total Support Services</b>		<u>122,342</u>	<u>122,342</u>	<u>79,263</u>	<u>43,079</u>
Equipment:					
Instructional Equipment		8,859	8,859	8,859	
<b>Total Equipment</b>		<u>8,859</u>	<u>8,859</u>	<u>8,859</u>	
<b>Total Expenditures</b>	<u>983,700</u>	<u>(98,162)</u>	<u>885,538</u>	<u>825,516</u>	<u>60,022</u>
<b>Excess of Revenues Over Expenditures</b>	<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, 2012

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	General	Special
Sources/Inflows of Resources:	Fund	Revenue
Actual Amounts (Budgetary Basis) "Revenue"	<u>Fund</u>	<u>Fund</u>
from the Budgetary Comparison Schedule	\$ 36,846,101	\$ 825,516
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.		238,177
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	102,218	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(176,124)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 36,772,195</u>	<u>\$ 1,063,693</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 36,236,720	\$ 825,516
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>238,177</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 36,236,720</u>	<u>\$ 1,063,693</u>

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets for the fiscal year ended June 30, 2012 were submitted to the County office and voted on at the school election on the fourth Wednesday in April, 2011. 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, 2012

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, 2012

	<u>No Child Left Behind</u>				<u>ARRA - IDEA Part B</u>	
	<u>Title I</u>		<u>Title II, Part A,</u>		<u>Basic</u>	<u>Preschool</u>
	<u>Current Year</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Prior Year</u>		
<b>REVENUE:</b>						
Local Sources						
State Sources						
Federal Sources	\$ 13,837	\$ 17,583	\$ 21,297	\$ 1,016	\$ 227	\$ 575
<b>Total Revenue</b>	<u>13,837</u>	<u>17,583</u>	<u>21,297</u>	<u>1,016</u>	<u>227</u>	<u>575</u>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Purchased Professional - Educational Services	3,455	17,583				
Tuition						
Other Purchased Services						
General Supplies					227	575
Textbooks						
<b>Total Instruction</b>	<u>3,455</u>	<u>17,583</u>			<u>227</u>	<u>575</u>
<b>Support Services:</b>						
Salaries of Other Professional Staff	7,400					
Other Salaries						
Purchased Professional and Technical Services	2,982		21,297	1,016		
<b>Total Support Services</b>	<u>10,382</u>		<u>21,297</u>	<u>1,016</u>		
<b>Facilities Acquisition:</b>						
Instructional Equipment						
<b>Total Facilities Acquisition</b>						
<b>Total Expenditures</b>	<u>\$ 13,837</u>	<u>\$ 17,583</u>	<u>\$ 21,297</u>	<u>\$ 1,016</u>	<u>\$ 227</u>	<u>\$ 575</u>

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

	IDEA Part B				Nonpublic Textbook	Nonpublic Nursing
	Basic		Preschool			
	Current Year	Prior Year	Current Year	Prior Year		
REVENUE:						
Local Sources						
State Sources					\$ 18,525	\$ 26,461
Federal Sources	\$ 498,008	\$ 25,009	\$ 11,538	\$ 11,317		
Total Revenue	498,008	25,009	11,538	11,317	18,525	26,461
EXPENDITURES:						
Instruction:						
Purchased Professional - Educational Services						26,461
Tuition	449,865		1,481	11,317		
Other Purchased Services						
General Supplies	24,925		2,857			
Textbooks					18,525	
Total Instruction	474,790		4,338	11,317	18,525	26,461
Support Services:						
Salaries of Other Professional Staff						
Purchased Professional and Technical Services	14,359	25,009	7,200			
Total Support Services	14,359	25,009	7,200			
Facilities Acquisition:						
Instructional Equipment	8,859					
Total Facilities Acquisition	8,859					
Total Expenditures	\$ 498,008	\$ 25,009	\$ 11,538	\$ 11,317	\$ 18,525	\$ 26,461

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

	<u>Nonpublic Auxiliary Services</u>			<u>Nonpublic Handicapped Services</u>		
	<u>Compensatory Education</u>	<u>English as a Second Language</u>	<u>Home Instruction</u>	<u>Exam and Classification</u>	<u>Supplementary Instruction</u>	<u>Corrective Speech</u>
REVENUE:						
Local Sources						
State Sources	\$ 56,637	\$ 1,552	\$ 279	\$ 40,902	\$ 30,517	\$ 24,644
Federal Sources						
Total Revenue	<u>56,637</u>	<u>1,552</u>	<u>279</u>	<u>40,902</u>	<u>30,517</u>	<u>24,644</u>
EXPENDITURES:						
Instruction:						
Purchased Professional - Educational Services	56,637	1,552	279	40,902	30,517	24,644
Tuition						
Other Purchased Services						
General Supplies						
Textbooks						
Total Instruction	<u>56,637</u>	<u>1,552</u>	<u>279</u>	<u>40,902</u>	<u>30,517</u>	<u>24,644</u>
Support Services:						
Salaries of Other Professional Staff						
Purchased Professional and Technical Services						
Total Support Services						
Facilities Acquisition:						
Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	<u>\$ 56,637</u>	<u>\$ 1,552</u>	<u>\$ 279</u>	<u>\$ 40,902</u>	<u>\$ 30,517</u>	<u>\$ 24,644</u>

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

	<u>Rutgers Character Education</u>	<u>Morris County SADD Chapter</u>	<u>Home and School Donation</u>	<u>Totals</u>
<b>REVENUE:</b>				
Local Sources		\$ 285	\$ 23,816	\$ 24,101
State Sources	\$ 1,491			201,008
Federal Sources				600,407
<b>Total Revenue</b>	<u>1,491</u>	<u>285</u>	<u>23,816</u>	<u>825,516</u>
<b>EXPENDITURES:</b>				
Instruction:				
Purchased Professional - Educational Services				202,030
Tuition				462,663
Other Purchased Services	1,396		20,363	21,759
General Supplies	95	285	3,453	32,417
Textbooks				18,525
<b>Total Instruction</b>	<u>1,491</u>	<u>285</u>	<u>23,816</u>	<u>737,394</u>
Support Services:				
Salaries of Other Professional Staff				7,400
Purchased Professional and Technical Services				71,863
<b>Total Support Services</b>				<u>79,263</u>
Facilities Acquisition:				
Instructional Equipment				8,859
<b>Total Facilities Acquisition</b>				<u>8,859</u>
<b>Total Expenditures</b>	<u>\$ 1,491</u>	<u>\$ 285</u>	<u>\$ 23,816</u>	<u>\$ 825,516</u>

**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, 2012

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ (117,093)
Investment Income	8,317
	<hr/>
Total Revenue and Other Financing Sources	(108,776)
	<hr/>
Expenditures and Other Financing Uses:	
Legal Services	
Purchased Professional and Technical Services	53,223
Construction Services	3,757,185
Operating Transfers Out:	
Transfer to Capital Reserve	175,639
Transfer to Debt Service Fund	8,317
	<hr/>
Total Expenditures and Other Financing Uses	3,994,364
	<hr/>
Excess/Deficiency of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	(4,103,140)
	<hr/>
Fund Balance - Beginning	4,103,297
	<hr/>
Fund Balance - Ending	\$ 157
	<hr/> <hr/>
<u>Recapitulation of Fund Balance at June 30, 2012:</u>	
Restricted	\$ 2,000,157
Unassigned/(Deficit)	(2,000,000)
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 157
	<hr/> <hr/>

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, 2012

	<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	2,611,401	\$ 50,953	2,662,354	2,608,387
Construction Services	6,820,774	1,503,235	8,324,009	10,381,613
Total Expenditures	9,435,655	1,554,188	10,989,843	12,990,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ 3,554,345	\$ (1,554,188)	\$ 2,000,157	\$ -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	84.60%
Original Target Completion Date	9/1/2010
Revised Target Completion Date	6/30/2012

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, 2012

	<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	\$ (17,775)	\$ 24,392	\$ 42,167
Transfer from Capital Reserve	63,250	(26,662)	36,588	63,250
<b>Total Revenue and Other Financing Sources</b>	<b>105,417</b>	<b>(44,437)</b>	<b>60,980</b>	<b>105,417</b>
Expenditures:				
Purchased Professional & Technical Services	15,539	1,250	16,789	21,083
Construction Services		44,191	44,191	84,334
<b>Total Expenditures</b>	<b>15,539</b>	<b>45,441</b>	<b>60,980</b>	<b>105,417</b>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<b>\$ 89,878</b>	<b>\$ (89,878)</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

## 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	100.00%
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, 2012.

	<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	\$ (99,318)	\$ 96,682	\$ 196,000
Transfer from Capital Reserve	294,000	(148,977)	145,023	294,000
<b>Total Revenue and Other Financing Sources</b>	<u>490,000</u>	<u>(248,295)</u>	<u>241,705</u>	<u>490,000</u>
Expenditures:				
Purchased Professional & Technical Services	30,926	\$ 1,020	31,946	97,224
Construction Services		209,759	209,759	392,776
<b>Total Expenditures</b>	<u>30,926</u>	<u>210,779</u>	<u>241,705</u>	<u>490,000</u>
<b>Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures</b>	<u>\$ 459,074</u>	<u>\$ (459,074)</u>	<u>\$ -0-</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	100.00%
Original Target Completion Date	10/14/2010
Revised Target Completion Date	10/31/2011

Exhibit F-1d

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
IMPROVEMENTS TO ATHLETIC FIELDS - PEQUANNOCK HIGH SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Bond Proceeds and Transfers				\$ 2,000,000
Total Revenue and Other Financing Sources				2,000,000
Expenditures:				
Construction Services		\$ 2,000,000	\$ 2,000,000	2,000,000
Total Expenditures		2,000,000	2,000,000	2,000,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ (2,000,000)	\$ (2,000,000)	\$ -0-

## Additional Project Information:

Project Number(s)	N/A
Grant Date	N/A
Bonds/Notes Authorization Date	4/27/2011
Bonds/ Notes Authorized	\$ 2,000,000
Bonds/Notes Issued	\$ 2,000,000
Original Authorized Cost	\$ 2,000,000
Percentage Completion	100.00%
Original Target Completion Date	6/30/2012

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF NOTES PAYABLE

<u>Purpose</u>	<u>Original Issue</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Issued</u>	<u>Balance June 30, 2012</u>
Improvement of Track and Fields at Pequannock High School	\$ 2,000,000	7/13/2011	7/13/2012	1.75%	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
					<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

**PROPRIETARY FUNDS**

Exhibit G-1

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012

	<u>Food Service</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 40,512
Interfund Receivable	4,305
Receivable from Federal Government	4,208
Receivable from State Government	308
Receivables - Other	4,674
Inventory	10,393
	10,393
Total Current Assets	64,400
Non-Current Assets:	
Capital Assets	76,985
Less: Accumulated Depreciation	(73,038)
	(73,038)
Total Non-Current Assets	3,947
Total Assets	68,347
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable - Vendors	22,884
	22,884
Total Liabilities	22,884
<b>NET ASSETS:</b>	
Investment in Capital Assets, Net of Related Debt	3,947
Unrestricted	41,516
	41,516
Total Net Assets	\$ 45,463

Exhibit G-2

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

Operating Revenue:	<u>Food Service</u>
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 322,394
Daily Sales - Non-Reimbursable Programs	256,080
Special Events	8,017
Miscellaneous	<u>559</u>
Total Operating Revenue	<u>587,050</u>
Operating Expenses:	
Cost of Sales	297,845
Salaries	214,889
Payroll Taxes	32,526
Employee Benefits	46,338
Purchased Property Services	26,120
Supplies and Materials	41,908
Depreciation Expense	6,857
Miscellaneous Expenditures	<u>44,371</u>
Total Operating Expenses	<u>710,854</u>
Operating Income/(Loss)	<u>(123,804)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	56,379
Special Milk Program	15,492
Food Distribution Program	13,874
State Sources:	
State School Lunch Program	5,499
Local Sources:	
Interest Revenue	<u>232</u>
Total Non-Operating Revenue	<u>91,476</u>
Change in Net Assets	(32,328)
Net Assets - Beginning of Year	<u>77,791</u>
Net Assets - End of Year	<u>\$ 45,463</u>

Exhibit G-3

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 582,059
Payments to Food Service Vendor	(636,877)
Payments to Suppliers	(44,371)
	<u>(99,189)</u>
Net Cash (Used for) Operating Activities	
Cash Flows from Investing Activities:	
Interest Revenue	232
	<u>232</u>
Net Cash Provided by Investing Activities	
Cash Flows from Noncapital Financing Activities:	
Receipt of Federal Aid	72,871
Receipt of State Aid	5,668
	<u>78,539</u>
Net Cash Provided by Noncapital Financing Activities	
Net (Decrease) in Cash and Cash Equivalents	(20,418)
Cash and Cash Equivalents, July 1	<u>60,930</u>
Cash and Cash Equivalents, June 30	<u>\$ 40,512</u>
Reconciliation of Operating (Loss) to Net Cash	
(Used for) Operating Activities:	
Operating (Loss)	\$ (123,804)
Adjustment to Reconcile Operating (Loss) to Cash	
(Used for) Operating Activities:	
Depreciation	6,857
Federal Food Distribution Program	13,874
Changes in Assets and Liabilities:	
(Increase) in Interfund Receivable	(317)
(Increase) in Accounts Receivable	(4,674)
(Increase) in Inventory	(591)
Increase in Accounts Payable	9,466
	<u>9,466</u>
Net Cash (Used for) Operating Activities	<u>\$ (99,189)</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 \$13,874 for the fiscal year ended June 30, 2012.

**FIDUCIARY FUNDS**

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Agency		Unemployment Compensation Trust	Private Purpose Scholarship Trust	
	Student Activity	Payroll			Total
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 107,340	\$ 44,170	\$ 151,510	\$ 84,074	\$ 181,663
Interfund Receivable:					
Payroll Agency				29,175	
<b>Total Assets</b>	<u>107,340</u>	<u>44,170</u>	<u>151,510</u>	<u>113,249</u>	<u>181,663</u>
<b>LIABILITIES:</b>					
Accrued Salaries and Wages		100	100		
Accounts Payable - Vendors		328	328		
Interfund Payable:					
General Fund		3,954	3,954		
Unemployment Compensation Trust		29,175	29,175		
Payroll Deductions and Withholdings		10,613	10,613		
Due to Student Groups	107,340		107,340		
<b>Total Liabilities</b>	<u>107,340</u>	<u>44,170</u>	<u>151,510</u>		
<b>NET ASSETS:</b>					
Held in Trust for:					
Unemployment Claims				113,249	
Scholarships					181,663
<b>Total Net Assets</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 113,249</u>	<u>\$ 181,663</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
<b>ADDITIONS:</b>			
Contributions - Employee	\$ 45,915		\$ 45,915
Donations		\$ 1,403	1,403
Total Contributions	<u>45,915</u>	<u>1,403</u>	<u>47,318</u>
Investment Earnings:			
Interest	<u>315</u>	<u>137</u>	<u>452</u>
Net Investment Earnings	<u>315</u>	<u>137</u>	<u>452</u>
Total Additions	<u>46,230</u>	<u>1,540</u>	<u>47,770</u>
<b>DEDUCTIONS:</b>			
Unemployment Compensation Claims	113,862		113,862
Scholarships Awarded		6,767	6,767
Total Deductions	<u>113,862</u>	<u>6,767</u>	<u>120,629</u>
Change in Net Assets	(67,632)	(5,227)	(72,859)
Net Assets - Beginning of the Year	<u>180,881</u>	<u>186,890</u>	<u>367,771</u>
Net Assets - End of the Year	<u>\$ 113,249</u>	<u>\$ 181,663</u>	<u>\$ 294,912</u>

Exhibit H-3

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 94,616	\$ 337,047	\$ 324,323	\$ 107,340
Investments	18,000		18,000	
<b>Total Assets</b>	<u>\$ 112,616</u>	<u>\$ 337,047</u>	<u>\$ 342,323</u>	<u>\$ 107,340</u>
<b>LIABILITIES:</b>				
Due to Student Groups	\$ 112,616	\$ 337,047	\$ 342,323	\$ 107,340
<b>Total Liabilities</b>	<u>\$ 112,616</u>	<u>\$ 337,047</u>	<u>\$ 342,323</u>	<u>\$ 107,340</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Middle School:				
Pequannock Valley	\$ 24,829	\$ 72,170	\$ 74,984	\$ 22,015
Senior High School:				
Pequannock	86,989	253,901	255,718	85,172
Interscholastic Athletics	<u>798</u>	<u>10,976</u>	<u>11,621</u>	<u>153</u>
Total All Schools	<u>\$ 112,616</u>	<u>\$ 337,047</u>	<u>\$ 342,323</u>	<u>\$ 107,340</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 735,867	\$24,182,083	\$24,873,780	\$ 44,170
Total Assets	<u>\$ 735,867</u>	<u>\$24,182,083</u>	<u>\$24,873,780</u>	<u>\$ 44,170</u>
<b>LIABILITIES:</b>				
Accrued Salaries and Wages	\$ 679,146	\$ 197,025	\$ 876,071	\$ 100
Interfund Payable - General Fund	1,776	3,954	1,776	3,954
Interfund Payable - Unemployment Compensation Trust Fund	46,634	45,915	63,374	29,175
Accounts Payable - Vendors	1,218	328	1,218	328
Payroll Deductions and Withholdings	7,093	23,934,861	23,931,341	10,613
Total Liabilities	<u>\$ 735,867</u>	<u>\$24,182,083</u>	<u>\$24,873,780</u>	<u>\$ 44,170</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, 2011	Retired/ Matured	Balance June 30, 2012
			Date	Amount				
School Improvements	2/15/99	\$ 5,500,000	2/15/13	\$ 535,000	4.25%	\$ 1,050,000	\$ 515,000	\$ 535,000
Schools Renovations & Alterations	5/5/2009	12,990,000	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>12,740,000</u>	<u>40,000</u>	<u>12,700,000</u>
						<u>\$ 13,790,000</u>	<u>\$ 555,000</u>	<u>\$ 13,235,000</u>

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

NOT APPLICABLE

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 769,537		\$ 769,537	\$ 769,537	
State Sources:					
Debt Service Aid Type II	347,020		347,020	347,020	
<b>Total Revenues</b>	<b>1,116,557</b>		<b>1,116,557</b>	<b>1,116,557</b>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest and Other Charges	561,700		561,700	561,700	
Redemption of Principal	555,000		555,000	555,000	
<b>Total Regular Debt Service</b>	<b>1,116,700</b>		<b>1,116,700</b>	<b>1,116,700</b>	
<b>Total Expenditures</b>	<b>1,116,700</b>		<b>1,116,700</b>	<b>1,116,700</b>	
<b>Excess/(Deficit) of Revenues Over/(Under) Expenditures</b>	<b>(143)</b>		<b>(143)</b>	<b>(143)</b>	
Other Financing Sources:					
Investment Income - Transferred from Capital Projects Fund				8,317	\$ 8,317
<b>Total Other Financing Sources</b>				<b>8,317</b>	<b>8,317</b>
<b>Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures</b>	<b>(143)</b>		<b>(143)</b>	<b>8,174</b>	<b>8,317</b>
<b>Fund Balance, July 1</b>	<b>12,699</b>		<b>12,699</b>	<b>12,699</b>	
<b>Fund Balance, June 30</b>	<b>\$ 12,556</b>	<b>\$ -0-</b>	<b>\$ 12,556</b>	<b>\$ 20,873</b>	<b>\$ 8,317</b>

Recapitulation of Fund Balance at June 30, 2012:

Restricted:

Designated for Subsequent Year's Expenditures	\$ 12,556
Other Purposes	8,317
	<u>\$ 20,873</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 EIGHT FISCAL YEARS**  
**UNAUDITED**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities:</b>								
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	\$ 7,260,551	\$11,386,194
Restricted	2,702,586	2,345,488	2,731,058	3,549,283	4,851,595	4,918,814	7,127,061	6,444,812
Unrestricted/(Deficit)	251,694	37,784	254,813	242,918	(33,250)	94,613	1,762,414	(580,527)
<b>Total Governmental Activities Net Assets</b>	<b>\$11,032,122</b>	<b>\$11,550,279</b>	<b>\$12,999,927</b>	<b>\$13,330,170</b>	<b>\$14,611,119</b>	<b>\$15,590,340</b>	<b>\$16,150,026</b>	<b>\$17,250,479</b>
<b>Business-type Activities:</b>								
Invested in Capital Assets, Net of Related Debt	\$ 3,768	\$ 2,717	\$ 2,557	\$ 17,299	\$ 16,131	\$ 57,596	\$ 10,804	\$ 3,947
Unrestricted	57,764	74,542	123,952	120,485	111,160	67,142	66,987	41,516
<b>Total Business-type Activities Net Assets</b>	<b>\$ 61,532</b>	<b>\$ 77,259</b>	<b>\$ 126,509</b>	<b>\$ 137,784</b>	<b>\$ 127,291</b>	<b>\$ 124,738</b>	<b>\$ 77,791</b>	<b>\$ 45,463</b>
<b>District-wide:</b>								
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	\$ 7,271,355	\$11,390,141
Restricted	2,702,586	2,345,488	2,731,058	3,549,283	4,851,595	4,918,814	7,127,061	6,444,812
Unrestricted	309,458	112,326	378,765	363,403	77,910	161,755	1,829,401	(539,011)
<b>Total District-wide Net Assets</b>	<b>\$11,093,654</b>	<b>\$11,627,538</b>	<b>\$13,126,436</b>	<b>\$13,467,954</b>	<b>\$14,738,410</b>	<b>\$15,715,078</b>	<b>\$16,227,817</b>	<b>\$17,295,942</b>

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 EIGHT FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

Expenses:	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:								
Instruction:								
Regular	\$ 14,283,463	\$ 15,488,782	\$ 16,830,619	\$ 16,152,474	\$ 16,168,742	\$ 16,630,347	\$ 16,092,565	\$ 16,424,691
Special Education	2,857,648	3,129,124	3,857,096	4,844,401	4,929,171	4,632,100	5,364,439	5,585,178
Other Special Instruction	252,758	371,834	375,639	332,834	278,841	269,116	214,625	545,078
School Sponsored Instruction	608,516	676,099	694,825	610,206	587,190	609,241	653,558	756,034
Support Services:								
Tuition	1,014,819	1,282,879	1,673,444	1,357,758	1,194,968	1,906,607	1,653,770	1,822,467
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	4,444,681
General Administration Services	830,689	924,604	960,744	802,171	764,705	581,531	861,243	944,958
School Administration Services	1,929,416	1,976,568	2,050,554	1,981,556	2,035,764	2,269,299	2,591,799	2,128,209
Central Services	465,931	443,272	473,513	522,433	557,846	555,533	518,487	583,280
Administrative Information Technology	187,001	194,677	227,287	214,917	240,077	258,045	264,221	203,608
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	2,977,172
Pupil Transportation	783,266	873,065	960,427	1,062,808	953,110	1,037,114	1,085,095	1,008,460
Charter Schools							21,119	22,590
Interest on Long-term Debt	283,796	189,316	154,777	119,075	335,966	417,284	601,191	534,977
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	37,981,383
Business-type Activities:								
Food Service	529,117	592,744	599,184	637,106	694,376	729,498	699,178	710,854
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	710,854
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	38,692,237

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues:								
Governmental Activities:								
Charges for Services:								
Tuition	\$ 91,630	\$ 267,488	\$ 268,650	\$ 182,523	\$ 285,191	\$ 280,000	\$ 290,475	\$ 282,211
Pupil Transportation		29,896	40,736	36,646	47,076	32,987	35,429	25,755
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	5,713,196
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>	<u>6,021,162</u>
Business-type Activities:								
Charges for Services:								
Food Service	464,926	545,794	545,607	553,105	625,291	628,289	605,068	587,050
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	91,244
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>	<u>678,294</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>	<u>6,699,456</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)	(31,960,221)
Business-type Activities	(97)	13,431	45,477	(7,789)	(12,610)	(3,097)	(7,293)	(32,560)
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>	<u>(31,992,781)</u>

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

General Revenues and Other Changes in Net Assets:	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities:</b>								
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	\$ 30,946,682
Taxes Levied for Debt Service	1,230,445	695,424	979,346	977,709	345,474	603,675	893,390	769,537
Unrestricted Grants and Contributions	923,481	926,761	923,283	1,186,084	1,335,400	1,185,186	632,616	975,672
Investment Earnings	124,944	153,273	218,547	20,452	60,735	123,748	15,201	11,117
Miscellaneous Income	139,496	76,441	131,195	301,961	411,239	101,484	191,161	357,666
Transfers	(47,115)	(47,605)	(51,752)	(51,700)	(56,758)	(55,554)		
<b>Total Governmental Activities General Revenues &amp; Other Changes in Net Assets</b>	<b>26,302,579</b>	<b>26,990,870</b>	<b>29,472,477</b>	<b>30,811,952</b>	<b>31,549,718</b>	<b>32,406,879</b>	<b>32,679,050</b>	<b>33,060,674</b>
<b>Business-type Activities:</b>								
Investment Earnings	1,424	2,296	3,773	3,153	2,117	544	281	232
Capital Adjustments							(39,935)	
<b>Total Business-type Activities General Revenues &amp; Other Changes in Net Assets</b>	<b>1,424</b>	<b>2,296</b>	<b>3,773</b>	<b>3,153</b>	<b>2,117</b>	<b>544</b>	<b>(39,654)</b>	<b>232</b>
<b>Total District-wide General Revenues &amp; Other Changes in Net Assets</b>	<b>26,304,003</b>	<b>26,993,166</b>	<b>29,476,250</b>	<b>30,815,105</b>	<b>31,551,835</b>	<b>32,407,423</b>	<b>32,639,396</b>	<b>33,060,906</b>
<b>Change in Net Assets:</b>								
Governmental Activities	1,440,702	518,157	1,449,648	1,520,681	1,280,949	979,221	559,686	1,100,453
Business-type Activities	1,327	15,727	49,250	(4,636)	(10,493)	(2,553)	(46,947)	(32,328)
<b>Total Districtwide Change in Net Assets</b>	<b>\$ 1,442,029</b>	<b>\$ 533,884</b>	<b>\$ 1,498,898</b>	<b>\$ 1,516,045</b>	<b>\$ 1,270,456</b>	<b>\$ 976,668</b>	<b>\$ 512,739</b>	<b>\$ 1,068,125</b>

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 EIGHT FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:								
Reserved	\$ 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	\$ 4,423,782
Assigned							1,074,876	945,272
Unassigned							960,563	937,516
<b>Total General Fund</b>	<b>\$ 2,994,061</b>	<b>\$ 2,898,304</b>	<b>\$ 3,412,784</b>	<b>\$ 4,131,297</b>	<b>\$ 5,426,323</b>	<b>\$ 5,200,326</b>	<b>\$ 5,595,456</b>	<b>\$ 6,306,570</b>
Other Governmental Funds:								
Unreserved	\$ 480,163	\$ 30,218	\$ 25,125	\$ 38,544	\$ 11,101,669	\$ 4,356,688		
Restricted							\$ 3,567,044	\$ 2,021,030
Committed							310,785	
Unassigned								(2,000,000)
<b>Total Other Governmental Funds</b>	<b>\$ 480,163</b>	<b>\$ 30,218</b>	<b>\$ 25,125</b>	<b>\$ 38,544</b>	<b>\$ 11,101,669</b>	<b>\$ 4,356,688</b>	<b>\$ 3,877,829</b>	<b>\$ 21,030</b>
Total Governmental Funds:								
Reserved	\$ 2,222,423	\$ 2,315,270	\$ 2,805,933	\$ 3,510,739	\$ 4,735,207	\$ 3,962,959		
Unreserved	1,251,801	613,252	631,976	659,102	11,792,785	5,594,055		
Restricted							\$ 7,127,061	\$ 6,444,812
Committed							310,785	
Assigned							1,074,876	945,272
Unassigned							960,563	(1,062,484)
<b>Total Governmental Funds</b>	<b>\$ 3,474,224</b>	<b>\$ 2,928,522</b>	<b>\$ 3,437,909</b>	<b>\$ 4,169,841</b>	<b>\$ 16,527,992</b>	<b>\$ 9,557,014</b>	<b>\$ 9,473,285</b>	<b>\$ 6,327,600</b>

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 EIGHT FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>								
Tax Levy	\$ 25,161,773	\$ 25,882,000	\$ 28,251,204	\$ 29,355,155	\$ 29,799,102	\$ 31,052,015	\$ 31,840,072	\$ 31,716,219
Tuition Charges	91,630	267,488	268,650	182,523	285,191	280,000	290,475	282,211
Transportation Fees		29,896	40,736	36,646	47,076	32,987	35,429	25,755
Interest Earnings	124,944	153,273	218,547	4,974	60,735	128,873	15,201	11,117
Miscellaneous	139,496	76,441	131,195	317,439	411,239	102,431	198,925	391,362
State Sources	5,601,597	5,794,891	6,784,346	6,939,892	5,808,449	5,043,031	4,645,824	5,726,161
Federal Sources	512,009	545,701	609,786	616,032	556,895	779,890	861,168	929,011
<b>Total Revenues</b>	<b>31,631,449</b>	<b>32,749,690</b>	<b>36,304,464</b>	<b>37,452,661</b>	<b>36,968,687</b>	<b>37,419,227</b>	<b>37,887,094</b>	<b>39,081,836</b>
<b>Expenditures:</b>								
<b>Instruction:</b>								
Regular Instruction	11,108,817	11,518,695	11,747,591	11,449,389	12,022,672	12,226,259	11,586,205	11,870,278
Special Education	218,910	2,326,700	2,722,729	3,596,363	3,733,052	3,346,976	4,042,076	4,095,891
Other Special Instruction	189,847	266,918	254,660	231,072	273,841	262,115	203,088	257,122
School Sponsored Instruction	477,659	505,943	502,435	608,428	606,745	609,241	653,558	658,558
<b>Support Services:</b>								
Tuition	1,014,819	1,282,879	1,673,444	1,357,758	1,194,968	1,906,607	1,653,770	1,822,467
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	3,343,587
General Administration	742,176	834,527	890,125	749,471	643,909	660,728	740,097	738,003
School Administration	1,463,849	1,512,804	1,521,726	1,678,295	1,720,616	1,797,649	1,665,569	1,626,880
Central Services	346,235	360,507	368,803	396,948	415,313	445,747	420,510	430,495
Administrative Information Technology	140,355	158,647	185,528	184,078	187,711	199,071	198,838	182,371
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	2,480,416
Pupil Transportation	713,748	814,863	897,050	977,462	880,920	956,396	896,063	861,911

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Expenditures:								
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	\$ 8,123,584
Charter Schools							21,119	22,590
Capital Outlay	639,659	389,041	223,689	90,245	2,015,375	7,191,022	951,297	4,596,668
Debt Service:								
Principal	965,000	970,000	1,000,000	1,035,000	450,000	470,000	740,000	555,000
Interest & Other Charges	212,043	201,334	167,183	131,948	104,550	481,275	591,275	561,700
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>	<u>42,227,521</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	183,956
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>	<u>(183,956)</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>	<u>\$ (3,145,685)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.07%	3.56%	3.29%	3.19%	1.56%	2.56%	3.60%	2.97%

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
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
2012	22,179	25,755	282,211	65,711	272,576	668,432

Source: Pequannock Township School District records.

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

Year Ended Dec. 31,	Vacant Land	Residential	Farm Regular	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$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
2011	19,202,900	2,231,853,950	12,816,700	113,600	232,929,800	58,335,100	331,749,200	2,887,001,250	-0-	2,887,001,250	234,484,600	1.10	2,749,192,705

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.

<sup>a</sup> - Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

<sup>b</sup> - 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.

## Exhibit J-7

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 <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Pequannock Township	Morris County	
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	0.03	1.08	0.40	0.23	1.71
2011	1.07	0.03	1.10	0.40	0.23	1.73

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.

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

<sup>b</sup> - 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	2011			2002		
	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable
Point View Campus LLC	\$358,026,000	1	12.40%	\$36,760,000	1	3.29%
Plaza 23 Associates	24,446,100	2	0.85%	17,411,800	2	1.56%
West End Road Associates	7,280,000	3	0.25%	4,800,000	3	0.43%
New EKC Corporation	6,633,400	4	0.23%	3,488,300	6	0.31%
Adjess Associates	6,224,900	5	0.22%			
Pequannock Joint Venture	5,856,500	6	0.20%			
Perrin Associates LLC	5,751,000	7	0.20%			
Romont Corporate	5,027,000	8	0.17%			
Panraq Associates	4,650,500	9	0.16%	2,392,500	10	0.21%
Adventure Holdings	4,596,000	10	0.16%			
Virginia Ind. LLC				2,700,000	8	0.24%
Marx Realty				4,000,000	4	0.36%
Edwards Engineering				3,500,000	5	0.31%
Pequannock Motel Associates				3,387,300	7	0.30%
Individual Taxpayer #1				2,603,200	9	0.23%
Total	<u>\$428,491,400</u>		<u>15.54%</u>	<u>\$81,043,100</u>		<u>7.24%</u>

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

## Exhibit J-9

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 <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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 -
2012	31,716,219	31,716,219	100.00%	- 0 -

<sup>a</sup> - 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).

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST EIGHT FISCAL YEARS  
UNAUDITED

Year Ended June 30,	Governmental Activities				Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Bond Anticipation Notes	Capital Leases			
2005	\$ 3,710,000	\$ 1,755,000	\$ - 0 -	\$ 11,628	\$ 5,476,628	0.60%	\$ 365.72
2006	3,310,000	1,185,000	- 0 -	- 0 -	4,495,000	0.47%	293.56
2007	2,895,000	600,000	- 0 -	- 0 -	3,495,000	0.33%	221.57
2008	2,460,000	- 0 -	- 0 -	- 0 -	2,460,000	0.21%	150.22
2009	15,000,000	- 0 -	- 0 -	- 0 -	15,000,000	1.21%	897.34
2010	14,530,000	- 0 -	- 0 -	- 0 -	14,530,000	1.28%	868.50
2011	13,790,000	- 0 -	- 0 -	- 0 -	13,790,000	1.27%	886.65
2012	13,235,000	- 0 -	2,000,000	- 0 -	15,235,000	1.40%	974.98

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

<sup>a</sup> - 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 EIGHT FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Net General Bonded Debt Outstanding	Percentage of Net Valuation Taxable <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Bond Anticipation Notes	Deductions			
2005	\$ 3,710,000	\$ -0-	\$ -0-	\$ 3,710,000	0.319%	\$ 242.29
2006	3,310,000	-0-	-0-	3,310,000	0.279%	209.84
2007	2,895,000	-0-	-0-	2,895,000	0.105%	176.78
2008	2,460,000	-0-	-0-	2,460,000	0.088%	147.16
2009	15,000,000	-0-	-0-	15,000,000	0.519%	896.59
2010	14,530,000	-0-	-0-	14,530,000	0.503%	934.22
2011	13,790,000	-0-	-0-	13,790,000	0.477%	882.50
2012	13,235,000	2,000,000	-0-	15,235,000	0.528%	974.98

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

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

<sup>b</sup> - 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.

Exhibit J-12

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2011  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Pequannock Township	\$ 10,534,511	100.00%	\$ 10,534,511
Morris County General Obligation Debt	269,247,125	3.63%	<u>9,784,021</u>
Subtotal Overlapping Debt			20,318,532
Pequannock Township School District Direct Debt			<u>15,790,000</u>
Total Direct and Overlapping Debt			<u>\$ 36,108,532</u>

<sup>a</sup> 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.

Exhibit J-13

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

Legal Debt Margin Calculation for Fiscal Year 2012

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2009	\$ 2,849,443,203
2010	2,746,144,458
2011	<u>2,742,733,470</u>
	<u>\$ 8,338,321,131</u>
Average Equalized Valuation of Taxable Property	<u>\$ 2,779,440,377</u>
Debt Limit (4% of Average Equalization Value) <sup>a</sup>	\$ 111,177,615
Net Bonded School Debt	<u>15,235,000</u>
Legal Debt Margin	<u>\$ 95,942,615</u>

	<u>Fiscal Year</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$ 57,459,201	\$ 63,928,104	\$ 72,087,334	\$ 81,746,500	\$ 94,109,547
Total Net Debt Applicable to Limit	<u>4,465,000</u>	<u>4,095,000</u>	<u>3,710,000</u>	<u>3,310,000</u>	<u>2,895,000</u>
Legal Debt Margin	<u>\$ 52,994,201</u>	<u>\$ 59,833,104</u>	<u>\$ 68,377,334</u>	<u>\$ 78,436,500</u>	<u>\$ 91,214,547</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	7.77%	6.41%	5.15%	4.05%	3.08%
	<u>Fiscal Year</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 104,309,795	\$ 111,423,919	\$ 113,462,340	\$ 112,594,702	\$ 111,177,615
Total Net Debt Applicable to Limit	<u>2,460,000</u>	<u>15,000,000</u>	<u>13,790,000</u>	<u>13,790,000</u>	<u>15,235,000</u>
Legal Debt Margin	<u>\$ 101,849,795</u>	<u>\$ 96,423,919</u>	<u>\$ 99,672,340</u>	<u>\$ 98,804,702</u>	<u>\$ 95,942,615</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.36%	13.46%	12.15%	12.25%	13.70%

<sup>a</sup> - 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.

## Exhibit J-14

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

Year	Township Population <sup>a</sup>	Morris County Per Capita Personal Income <sup>b</sup>	Township Personal Income <sup>c</sup>	Township Unemployment Rate <sup>d</sup>
2003	14,365	\$ 56,804	\$ 815,989,460	4.60%
2004	14,975	60,780	910,180,500	3.70%
2005	15,312	62,930	963,584,160	3.70%
2006	15,774	67,918	1,071,338,532	4.00%
2007	16,376	71,191	1,165,823,816	3.60%
2008	16,716	74,025	1,237,401,900	4.80%
2009	16,730	67,614	1,131,182,220	8.20%
2010	15,553	69,811	1,085,770,483	8.20%
2011	15,626	69,811 *	1,090,866,686	8.00%
2012	15,626 **	69,811 *	1,090,866,686	N/A

\* - Latest Morris County per capita personal income available (2010) was used for calculation purposes.

\*\* - Latest Pequannock Township population available (2011) was used for calculation purposes.

N/A - Not Available

Source:

<sup>a</sup> - Population information provided by the US Department of Census - Population Division.

<sup>b</sup> - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

<sup>c</sup> - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

<sup>d</sup> - 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	2012		Employer	2003	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Novartis	6,200	2.29%	Information is Not Available		
Picatinny Arsenal	5,274	1.95%			
Altantic Health System	5,013	1.85%			
United Parcel Service	2,332	0.86%			
County of Morris	1,928	0.71%			
ADP	1,924	0.71%			
Saint Claire's	1,841	0.68%			
AT&T	1,550	0.57%			
Chilton Memorial	1,440	0.53%			
BASF Corporation	1,400	0.52%			
<b>Total</b>	<u>28,902</u>	<u>10.69%</u>			
<b>Total County Labor Force</b>	<u>270,282</u>				

Source: Morris County Treasurer's Office.

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction:								
Regular	173.02	176.90	175.43	176.74	166.64	165.63	160.00	158.80
Special Education	53.28	57.40	58.66	60.40	63.90	63.90	66.40	66.20
Support Services:								
Student/Instruction-Related	37.25	37.25	40.45	38.20	41.84	41.84	40.30	43.90
General Administration	6.00	4.00	5.00	4.50	4.00	4.00	2.00	2.00
School Administration	18.85	18.85	15.85	18.85	19.35	19.35	18.40	18.00
Plant Operations/Maintenance	22.50	22.50	21.00	25.00	24.50	24.50	23.50	23.00
Pupil Transportation	4.50	4.50	5.50	6.00	5.50	5.50	4.50	5.00
Business & Other Support	8.00	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>	<u>324.90</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 EIGHT FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Costs Per Pupil <sup>b</sup>	% Change	Teaching Staff <sup>c</sup>	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% 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	2,382	2,262	-1.53%	94.96%
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	2,330	2,244	-2.18%	96.31%
2012	2,257	36,514,153	16,178	5.62%	217	14.9:1	13.0:1	13.3:1	8.1:1	9.1:1	2,257	2,171	-3.13%	96.19%

Note: Enrollment based on annual October District count.

<sup>a</sup> - Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> - 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.

<sup>c</sup> - Teaching staff includes only full-time equivalents of certificated staff.

<sup>d</sup> - Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

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 EIGHT FISCAL YEARS  
UNAUDITED

<u>District Building</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Hillview School (1962):								
Square Feet	45,005	45,005	45,005	45,005	45,005	45,005	45,005	45,005
Capacity (Students)	360	360	360	360	360	360	360	360
Enrollment	377	366	373	375	372	367	385	373
North Boulevard School (1954):								
Square Feet	45,902	45,902	45,902	45,902	45,902	45,902	45,902	45,902
Capacity (Students)	367	367	367	367	367	367	367	367
Enrollment	386	399	394	391	374	337	301	301
Stephen J. Gerace School (1969):								
Square Feet	34,834	34,834	34,834	34,834	34,834	34,834	34,834	34,834
Capacity (Students)	278	278	278	278	278	278	278	278
Enrollment	337	364	340	325	329	324	304	305
Pequannock Valley Middle School (1950):								
Square Feet	84,754	84,754	84,754	84,754	84,754	84,754	84,754	84,754
Capacity (Students)	632	632	632	632	632	632	632	632
Enrollment	615	612	597	557	578	619	606	570
Pequannock High School (1957):								
Square Feet	130,547	130,547	130,547	130,547	130,547	130,547	130,547	130,547
Capacity (Students)	864	864	864	864	864	864	864	864
Enrollment	798	782	774	784	772	735	734	708
Board Office:								
Square Feet	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700

Number of Schools at June 30, 2012:

- Elementary = 3
- Middle School = 1
- High School = 1

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

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

Source: Pequannock Township School District Facilities Office.

Exhibit J-19

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*
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
2012	85,490	87,229	65,906	160,888	168,381	567,894

\* - 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.

Exhibit J-20

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2012  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy:		
Property - Blanket Building and Contents	\$ 57,028,056	\$ 5,000
Commercial General Liability	1,000,000	
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 Automotive Liability	1,000,000	1,000
Boiler and Machinery	100,000,000	1,000
School Board Legal Liability		
Limit of Liability	100,000,000	15,000
Employment Practices Liability	100,000,000	15,000
Public Employees' Faithful Performance Blanket Position Bond		
Board Secretary/Business Administrator	250,000	
Treasurer	250,000	
Environmental Impairment Liability		
Each Occurance	1,000,000	15,000
Aggregate	3,000,000	
Program Aggregate	20,000,000	
Excess Liability Policy		
Each Occurance	50,000,000	
Aggregate	50,000,000	
Travel Accident Policy		
(accident death dismemberment and paralysis benefit)		
Principle Sum	100,000	
Aggregate Limit	500,000	
Student Accident		
Voluntary Students - maximum benefit	500,000	
All Athletes	5,000,000	
Athletic Disability	1,000,000	
Workers' Compensation	1,000,000	

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, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 10, 2012. 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 Administration and Finance, 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.

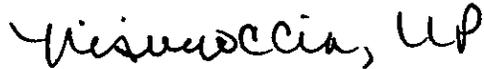
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material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

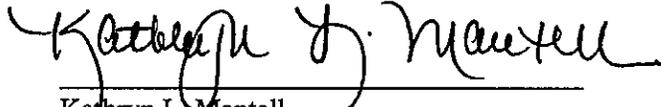
As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

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  
August 10, 2012



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



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 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, 2012. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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, 2012.

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

### Internal Control Over Compliance

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

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

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

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

Mount Arlington, New Jersey  
August 10, 2012

*Nisivoccia, LLP*

NISIVOCCIA, LLP

*Kathryn L. Mantell*

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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2011			Repayment of Prior Years' Balances	Balance at June 30, 2012 Budgetary Accounts Receivable
					Budgetary Accounts Receivable	Due to Grantor	Cash Received		
U.S. Department of Education Passed-through State Department of Education:									
General Fund:									
Ed Jobs Funds	84.394	N/A	7/1/11-9/30/12	\$ 100,387			\$ 100,387	\$ (100,387)	
							100,387	(100,387)	
Special Revenue Fund:									
IDEA Special Education Cluster:									
I.D.E.A. Part B, Basic	84.027	IDEA408012	9/1/11-8/31/12	510,918			470,070	(498,008)	\$ (27,938)
I.D.E.A. Part B, Basic	84.027	IDEA408011	9/1/10-8/31/11	497,773	\$ (112,825)		137,834	(25,009)	
I.D.E.A. Part B, Preschool	84.173	IDEA408012	9/1/11-8/31/12	15,603				(11,538)	(11,538)
I.D.E.A. Part B, Preschool	84.173	IDEA408011	9/1/10-8/31/11	15,587	(4,270)		10,669	(11,317)	(4,918)
I.D.E.A. Part B, Basic - ARRA	84.391	IDEA408010	7/1/09-8/31/11	575,213	(299,789)		300,016	(227)	
I.D.E.A. Part B, Preschool - ARRA	84.392	IDEA408010	7/1/09-8/31/11	20,818	(20,243)		20,818	(575)	
Total IDEA Special Education Cluster					(437,127)		939,407	(546,674)	(44,394)
No Child Left Behind Consolidated Grant:									
Title I	84.010A	NCLB408012	9/1/11-8/31/12	29,345				(13,837)	(13,837)
Title I	84.010A	NCLB408011	9/1/10-8/31/11	31,383	(13,800)		13,800	(17,583)	(17,583)
Title II, Part A	84.367A	NCLB408012	9/1/11-8/31/12	33,677				(21,297)	(21,297)
Title II, Part A	84.367A	NCLB408011	9/1/10-8/31/11	38,434	(37,418)		37,418	(1,016)	(1,016)
Title II, Part A	84.367A	NCLB408010	9/1/09-8/31/10	38,288	(2,952)		2,952		
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		
Hurricane Education Recovery Act	84.938C	EMER408007	9/1/06-8/31/07	23,497		\$ 857		\$ (857)	
Total Special Revenue Fund					(491,364)	857	993,584	(600,407)	(857)
Total U.S. Department of Education					(491,364)	857	1,093,971	(700,794)	(857)
U.S. Department of Agriculture:									
Child Nutrition Cluster:									
Special Milk Program	10.556	N/A	7/1/11-6/30/12	15,492			14,501	(15,492)	(991)
Special Milk Program	10.556	N/A	7/1/10-6/30/11	14,192	(995)		995		
Food Distribution Program	10.555	N/A	7/1/11-6/30/12	13,874			13,874	(13,874)	
National School Lunch Program	10.555	N/A	7/1/11-6/30/12	56,379			53,162	(56,379)	(3,217)
National School Lunch Program	10.555	N/A	7/1/10-6/30/11	55,051	(4,213)		4,213		
Total U. S. Department of Agriculture/Child Nutrition Cluster					(5,208)		86,745	(85,745)	(4,208)
Total Federal Awards					\$ (496,572)	\$ 857	\$ 1,180,716	\$ (786,539)	\$ (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, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011			Cancel Prior Year Receivable	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2012		MEMO	
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor					GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
<b>New Jersey Department of Education</b>														
General Fund:														
Categorical Special Education Aid	11-495-034-5120-089	7/1/10 - 6/30/11	\$ 1,153,148	\$ (102,218)			\$ 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	11-495-034-5095-002	7/1/10 - 6/30/11	1,179,816	(59,600)			59,600							1,179,816
Contributions	12-495-034-5095-002	7/1/11 - 6/30/12	1,222,282				1,160,408	\$ (1,222,282)		\$ (61,874)		\$ (61,874)		1,222,282
Categorical Special Education Aid	12-495-034-5120-089	7/1/11 - 6/30/12	1,341,187				1,214,705	(1,341,187)				(126,482)		1,341,187
Equalization Aid	12-495-034-5120-078	7/1/11 - 6/30/12	526,397				476,755	(526,397)				(49,642)		526,397
Extraordinary Aid	12-100-034-5120-473	7/1/11 - 6/30/12	434,097					(434,097)		(434,097)		(434,097)		434,097
Additional Nonpublic Transportation Aid	12-495-034-5120-014	7/1/11 - 6/30/12	11,161					(11,161)		(11,161)		(11,161)		11,161
Anti-Bullying Aid	N/A	7/1/11 - 6/30/12	158				158	(158)						158
Total General Fund				(568,446)			3,420,472	(3,535,282)		(507,132)		(683,256)		6,274,874
Special Revenue Fund:														
Rutgers Character Education Aid	10-100-034-5120-418	7/1/09 - 6/30/12	3,000		\$ 367			(367)						3,000
Rutgers Character Education Aid	09-100-034-5120-418	7/1/08 - 6/30/12	3,000		1,083			(1,083)						3,000
Rutgers Character Education Aid	08-100-034-5120-418	7/1/07 - 6/30/12	1,500		41			(41)						1,500
New Jersey Nonpublic Aid:														
Auxiliary Services:														
English as a Second Language	11-100-034-5120-067	7/1/10 - 6/30/11	3,415			\$ 1,707				\$ (1,707)				1,708
Handicapped Services:														
Supplementary Instruction	11-100-034-5120-066	7/1/10 - 6/30/11	30,711				209			(209)				30,502
Corrective Speech	11-100-034-5120-066	7/1/10 - 6/30/11	21,827				940			(940)				20,887
Textbook Aid	12-100-034-5120-064	7/1/11 - 6/30/12	18,525					(18,525)						18,525
Nursing Services	12-100-034-5120-070	7/1/11 - 6/30/12	26,461				26,461	(26,461)						26,461
Auxiliary Services:														
Compensatory Education	12-100-034-5120-067	7/1/11 - 6/30/12	56,637				56,637	(56,637)						56,637
English as a Second Language	12-100-034-5120-067	7/1/11 - 6/30/12	1,552				1,552	(1,552)						1,552
Home Instruction	12-100-034-5120-067	7/1/11 - 6/30/12	279					(279)		(279)		(279)		279
Handicapped Services:														
Examination and Classification	12-100-034-5120-066	7/1/11 - 6/30/12	42,352				42,352	(40,902)			\$ 1,450			40,902
Supplementary Instruction	12-100-034-5120-066	7/1/11 - 6/30/12	30,517				30,517	(30,517)						30,517
Corrective Speech	12-100-034-5120-066	7/1/11 - 6/30/12	24,644				24,644	(24,644)						24,644
Total Special Revenue Fund					1,491	2,856	200,688	(201,008)		(2,856)	(279)	1,450	(279)	260,114
Capital Projects Fund:														
N.J. School Development Authority Grants:														
Poquannock Middle School	SDA- 4080-080-09-1001	6/15/10 - 6/30/12	24,392	(42,167)		\$ 17,775				(24,392)		(24,392)		24,392
Stephen J. Gerace Elementary School	SDA- 4080-100-09-1002	6/15/10 - 6/30/12	96,682	(196,000)		99,318				(96,682)		(96,682)		96,682
Total Capital Projects Fund				(238,167)		117,093				(121,074)		(121,074)		121,074
Debt Service Fund:														
Type II Aid	12-100-034-5120-125	7/1/11 - 6/30/12	347,020				347,020	(347,020)						347,020
Total Debt Service Fund							347,020	(347,020)						347,020
Total New Jersey Department of Education				(806,613)	1,491	2,856	117,093	3,968,180	(4,083,310)	(2,856)	(628,485)	1,450	(804,609)	7,003,082
New Jersey Department of Agriculture:														
Enterprise Fund:														
State School Lunch Program	12-100-010-3350-023	7/1/11 - 6/30/12	5,499				5,191	(5,499)		(308)		(308)		5,499
State School Lunch Program	11-100-010-3350-023	7/1/10 - 6/30/11	5,620	(477)			477							5,620
Total Enterprise Fund				(477)			5,668	(5,499)		(308)		(308)		11,119
Total New Jersey Department of Agriculture				(477)			5,668	(5,499)		(308)		(308)		11,119
Total State Awards				\$ (807,090)	\$ 1,491	\$ 2,856	\$ 117,093	\$ 3,973,848	\$ (4,088,809)	\$ (2,856)	\$ (628,793)	\$ 1,450	\$ (804,917)	\$ 7,014,201

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, 2012

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, Pequannock Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2012. 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 (\$73,906) for the general fund and \$238,177 for the special revenue fund (of which \$9,595 is for local assistance which is not included in the table below) and \$121,074 for the Capital Projects Fund. See Note 1D 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 Pension and Post-Retirement Medical Contributions revenue of \$529,960 and \$1,065,358, 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, 2012  
(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 100,387	\$ 5,056,694	\$ 5,157,081
Special Revenue Fund	828,624	201,373	1,029,997
Capital Projects Fund		121,074	121,074
Debt Service Fund		347,020	347,020
Proprietary Fund - Food Service Enterprise Fund	85,745	5,499	91,244
Total Financial Assistance	<u>\$ 1,014,756</u>	<u>\$5,731,660</u>	<u>\$ 6,746,416</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 \$121,074 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 and GAAP basis and has submitted for total reimbursement of the grants; therefore, \$121,074 is receivable on both the budgetary and GAAP basis as of June 30, 2012.

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, 2012. 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, 2012

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major 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>State 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	9/1/11-8/31/12	\$ 510,918	\$ 498,008
Basic Regular	84.027	9/1/10-8/31/11	497,773	25,009
Preschool	84.173	9/1/11-8/31/12	15,603	11,538
Preschool - Carryover	84.173	9/1/10-8/31/11	15,587	11,317
I.D.E.A. Part B - ARRA:				
Basic Regular	84.391	7/1/09-8/31/11	575,213	227
Preschool	84.392	7/1/09-8/31/11	20,818	575
<u>State:</u>				
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	1,341,187	1,341,187
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	526,397	526,397
Extraordinary Aid	12-100-034-5120-473	7/1/11-6/30/12	434,097	434,097

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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, 2012

Status of Prior Year Findings:

The District had no prior year audit findings.