

**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, 2014**

**Comprehensive Annual
Financial Report**

of the

**Pequannock Township School District
Board of Education**

Pequannock, New Jersey

For the Fiscal Year Ended June 30, 2014

Prepared by

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION



Pequannock Township Board of Education
OFFICE OF THE BUSINESS ADMINISTRATOR

538 Newark-Pompton Turnpike
 Pompton Plains, New Jersey 07444

Barbara A. Decker (Tel) (973) 616-6030 (Fax) (973) 616-6041
 Business Administrator/Board Secretary
 Barbara.Decker@pequannock.org

August 22, 2014

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, 2014, 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 Non-Profit Organizations*, and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, 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 Governmental 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, 2013 was 2,249 students, which is 12 students below the previous year's enrollment and represents a decrease of 0.53%.

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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 completed a full revision to its Master Plan several years ago. 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.

Growth and expansion in both the residential and commercial markets in the Township have been stagnant.

3) MAJOR INITIATIVES: During the 2013-2014 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.

Student Achievement: The District continued to implement various benchmarking assessments to monitor and address learning deficiencies using data to inform instruction and curriculum. The grade K-5 math curriculum was revised to infuse interdisciplinary math instruction in the related arts (music, physical education, technology and art). Also, the K-5 technology curricula were revised to infuse 21st century skills and proficiencies. Additionally, writing supplements were modified based on Common Core and we introduced PARCC-like writing prompts and rubrics for evaluation. Professional development provided our faculty opportunities to enhance instruction and increase students’ active learning through best practice methodologies including the use of manipulatives in math.

The middle school Social Studies and Mathematics curricula were reviewed and revised to meet the Common Core Standards and the NJ model curriculum. Future plans include Chrome books and other electronic resources to enhance professional development opportunities with a focus on improving student achievement. The high school program of study was extended to add STEM (Science, Technology, Engineering and Mathematics) electives including Robotics, Engineering and AP Computer Science. Three new STEM labs were designed and built to accommodate the implementation of these new courses. Additional high school courses were also revised and added to enhance student achievement including SAT prep, Anatomy and Physiology, CAD and other electives.

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, PARCC, SAT, PSAT 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.

The Honorable President and Members of
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Pequannock Township School District
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A new high school guidance program has been implemented to include the development of personalized learning plans (PLP) with a goal of increasing responsiveness to students and parents in college and career readiness and planning.

Technology and 21st 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 21st century world. Laptops, iPads and Chrome books were purchased for the classroom to infuse constructivist learning opportunities. The High School and Middle School technology elective offerings will continue to be improved through the implementation of the STEM laboratory and corresponding electives including Robotics, Engineering, CAD and AP computer science. The labs are equipped with high powered computers to facilitate dynamic, computer-based, applied learning activities incorporating problem solving, team work, communication, and discovery skills in a constructivist setting. Our elementary technology curriculum was also revised to enhance technology proficiencies K-5.

The District uses various instructional and assessment software to monitor students' progress and enhance classroom pedagogy including Scholastic Reading Inventory and Accelerated Reader.

Community Relations: The Pequannock Township Board of Education established a goal to enhance community relations. The school district website has been upgraded to become more user-friendly and interactive. The District has taken full advantage of Social Media and it has become a major form of communication with District stakeholders. The District Facebook and Twitter feeds have grown substantially over the past 2 years. They have become commonplace for regular communications.

Finance and Facilities: The Pequannock Township School District continues to upgrade our facilities. Throughout the 2013-14 school year the District completed a number of capital projects including an ADA toilet upgrade, adding an additional side parking lot, refinishing the small gym floor, and refurbishing the tennis courts at the High School. At Pequannock Valley School the gym floor was refinished and new drapes were installed in the cafetorium. Slated to be completed over the summer is the sewer hookup which is part of the Pequannock Township project. North Boulevard Elementary School also had new drapes installed in the cafetorium and the parking lot will be repaved over the summer break including sidewalk improvements. Construction of the new gymnasium at Stephen J. Gerace began in early 2014 and is expected to be complete this fall. Roof replacement projects will begin at the conclusion of the school year at Pequannock Valley School, North Boulevard and Hillview Elementary Schools which will be partially funded through the New Jersey Department of Education ROD Grant Program. Plans are underway to install a security card access system at the High School in the coming school year. A district wide telephone upgrade will also be completed over the summer in coordination with ongoing technology infrastructure updates. Projects included in the long range facility plan continue to be considered based on available funding.

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

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control 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, 2014.

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) 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.

8) 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 11 to the Basic Financial Statements.

The Honorable President and Members of
the Board of Education
Pequannock Township School District
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August 22, 2014

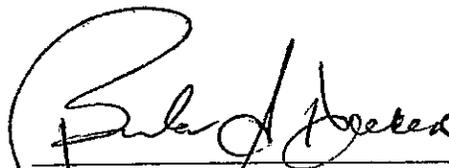
9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP, CPA's, was selected by the Board's audit committee. In addition to meeting the requirements set forth 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 Non-Profit Organizations*, and New Jersey's OMB Circular 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 and *Government Auditing Standards* are included in the single audit section of this report.

10) 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,



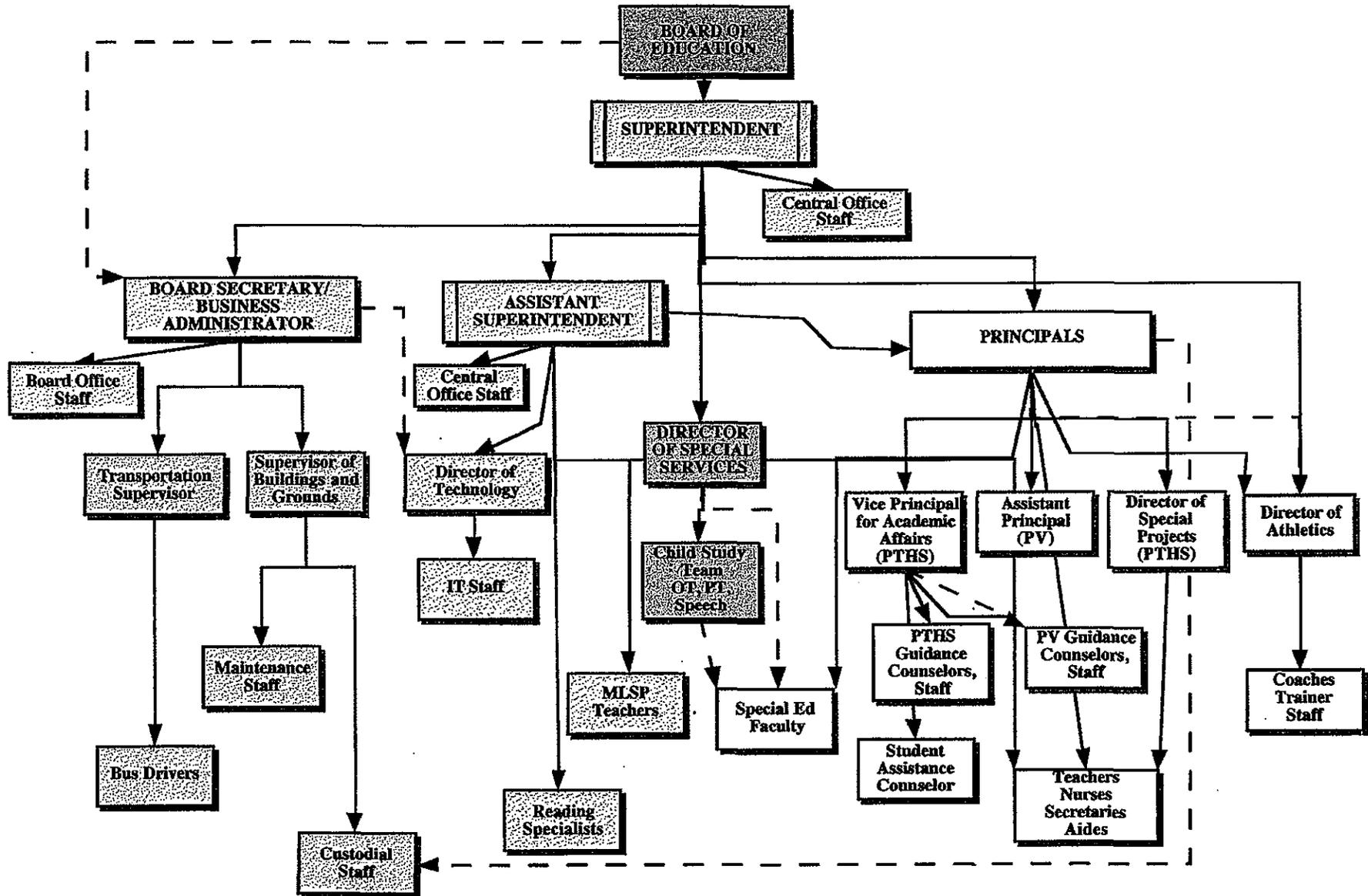
Victor P. Hayek
Superintendent of Schools



Barbara A. Decker
Business Administrator/Board Secretary

PEQUANNOCK TOWNSHIP PUBLIC SCHOOLS

ORGANIZATIONAL CHART



**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2014**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
William Sayre, President	2015
Mathew Teng, Vice President	2015
Sam Ciresi	2017
James Farrell	2016
Doug Muzzio	2017
Rosemary Phalon	2016
Kimberly Quigley	2015
Tom Salerno	2016
Richard Thumann	2017

Other OfficialsTitle

Victor P. Hayek	Superintendent of Schools
Rosalie Winning	Assistant Superintendent
Barbara A. Decker	Business Administrator/Board Secretary
Raymond G. Karaty	Treasurer of School Monies
Isabel Machado, Esq.	Board Attorney

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors

Attorney

Machado Law Group
Isabel Machado, Esq.
Clark Parkway Plaza
136 Central Avenue 2nd Floor
Clark, NJ 07066

Audit Firm

Nisivoccia, LLP
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 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

Report on the Financial Statements

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 (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, and the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

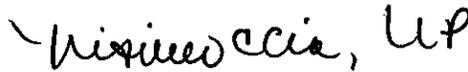
The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members
of the Board of Education
Pequannock Township School District
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The accompanying other information such as the introductory and statistical sections 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.

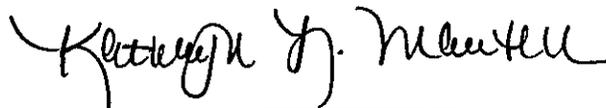
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2014 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



NISIVOCCIA, LLP

Mount Arlington, New Jersey
August 22, 2014



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, 2014
(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, 2014. 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 overall net position increased \$1,278,431 during the year.
- Overall revenue was \$40,306,363 – \$39,619,412 from governmental activities and \$686,951 from business-type activities.
- Overall expenses were \$39,027,932 – \$38,315,316 from governmental activities and \$712,616 from business-type activities.
- The District issued \$3,350,000 of school bonds during the fiscal year to finance the Stephen J. Gerace Elementary School gymnasium project.

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, 2014
(UNAUDITED)**

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

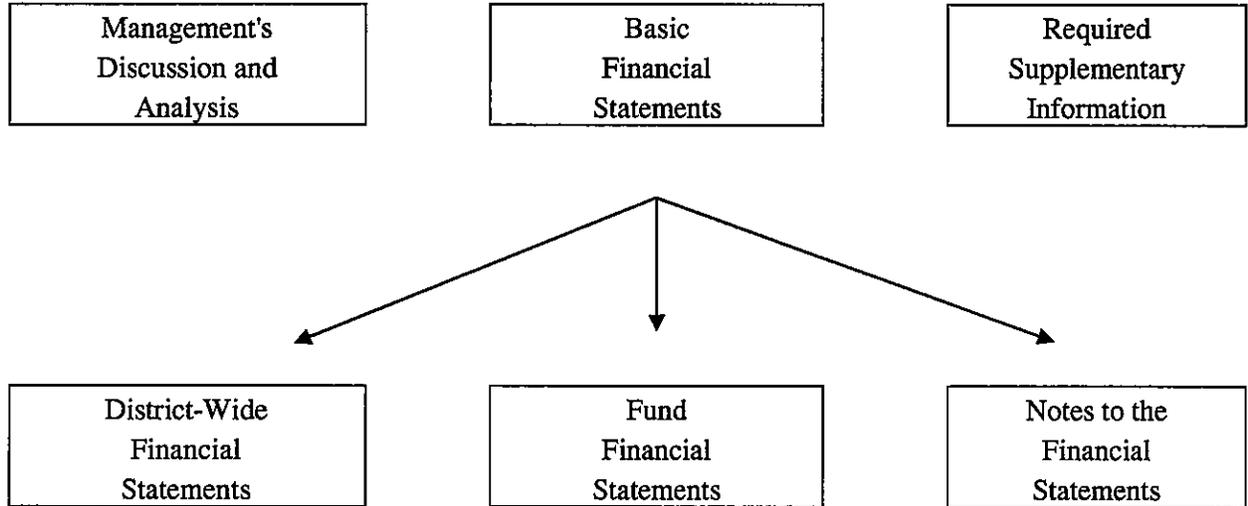


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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, 2014
(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 position includes all of the District's assets, deferred inflows and outflows 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 position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position 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 is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at fiscal year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 Position. The District's combined net position increased by 6.59%. Net position from governmental activities increased \$1,304,096 and net position from business-type activities decreased by \$25,665.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014
Current and							
Other Assets	\$ 11,516,668	\$ 9,616,381	\$ 33,830	\$ 73,297	\$ 11,550,498	\$ 9,689,678	19.20%
Capital Assets, Net	26,307,989	24,439,227	15,429	2,667	26,323,418	24,441,894	7.70%
Total Assets	<u>37,824,657</u>	<u>34,055,608</u>	<u>49,259</u>	<u>75,964</u>	<u>37,873,916</u>	<u>34,131,572</u>	10.96%
Long-Term Debt							
Outstanding	15,591,879	12,901,347			15,591,879	12,901,347	20.85%
Other Liabilities	2,422,148	2,647,727	9,522	10,562	2,431,670	2,658,289	-8.52%
Total Liabilities	<u>18,014,027</u>	<u>15,549,074</u>	<u>9,522</u>	<u>10,562</u>	<u>18,023,549</u>	<u>15,559,636</u>	15.84%
Net Position:							
Net Investment in							
Capital Assets	10,897,989	11,779,227	15,429	2,667	10,913,418	11,781,894	-7.37%
Restricted	9,175,464	6,678,692			9,175,464	6,678,692	37.38%
Unrestricted/(Deficit)	(262,823)	48,615	24,308	62,735	(238,515)	111,350	-314.20%
Total Net Position	<u>\$ 19,810,630</u>	<u>\$ 18,506,534</u>	<u>\$ 39,737</u>	<u>\$ 65,402</u>	<u>\$ 19,850,367</u>	<u>\$ 18,571,936</u>	6.88%

Changes in Net Position. The District's combined net position was \$19,850,367 at June 30, 2014, \$1,278,431 or 6.59% more than it was the year before (See Figure A-3). Net investment in capital assets decreased by \$868,476 as a result of \$600,000 of long-term debt maturities and \$2,780,675 of capital acquisitions offset by the issuance of \$3,350,000 in bonded debt, depreciation of \$895,400 and \$3,751 in its governmental and business-type activities, respectively. Restricted net position increased by \$2,496,772 due to a \$587,656 net increase in the capital reserve, a \$1,605,211 increase in the restricted capital projects fund balance, a \$3,875 increase in the debt service fund balance, and a \$300,000 increase in excess surplus. Unrestricted net position decreased by \$349,865 primarily due to a \$1,004,541 decrease in encumbrances offset by \$602,947 increase in restricted capital projects fund balance and a \$59,468 decrease in compensated absences payable. (See Figure A-3).

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013	Change 2013/2014
Revenue:							
Program Revenue:							
Charges for Services	\$ 320,291	\$ 425,585	\$ 579,114	\$ 586,355	\$ 899,405	\$ 1,011,940	-11.12%
Grants and Contributions:							
Operating	5,680,108	6,057,351	107,539	100,690	5,787,647	6,158,041	-6.01%
General Revenue:							
Property Taxes	31,881,435	31,636,527			31,881,435	31,636,527	0.77%
Federal and State Aid Not Restricted	1,107,834	1,055,622			1,107,834	1,055,622	4.95%
Other	629,744	300,824	298	232	630,042	301,056	109.28%
Total Revenue	39,619,412	39,475,909	686,951	687,277	40,306,363	40,163,186	0.36%
Expenses:							
Instruction	23,825,175	23,823,611			23,825,175	23,823,611	0.01%
Pupil and Instruction Services	6,475,656	6,209,806			6,475,656	6,209,806	4.28%
Administration and Business	3,507,626	4,020,117			3,507,626	4,020,117	-12.75%
Maintenance and Operations	2,913,742	2,619,567			2,913,742	2,619,567	11.23%
Transportation	1,085,674	962,456			1,085,674	962,456	12.80%
Other	507,443	532,914	712,616	667,338	1,220,059	1,200,252	1.65%
Total Expenses	38,315,316	38,168,471	712,616	667,338	39,027,932	38,835,809	0.49%
Change in Net Position	\$ 1,304,096	\$ 1,307,438	\$ (25,665)	\$ 19,939	\$ 1,278,431	\$ 1,327,377	-3.69%

Revenue Sources. The District's total revenue for the 2013/2014 school year was \$40,306,363 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$31,881,435 of the total, or 79.10 percent (See Figure A-5). Another 17.11 percent came from state and federal aid for specific programs and contributions, 2.23 percent came from charges for services and the remaining 1.56% from other miscellaneous sources. It is important to note that \$1,911,235 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 \$4,755,253. 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, 2014
(UNAUDITED)**

Figure A-5
Sources of Revenue for Fiscal Year 2014 and 2013

Sources of Income:	2014	Percentage	2013	Percentage
State Formula Aid	\$ 2,140,228	5.31%	\$ 2,117,480	5.27%
Property Taxes	31,881,435	79.10%	31,636,527	78.77%
Federal & State Categorical Grants	4,755,253	11.80%	5,096,183	12.69%
Charges for Services	899,405	2.23%	1,011,940	2.52%
Other	630,042	1.56%	301,056	0.75%
	<u>\$ 40,306,363</u>	<u>100.00%</u>	<u>\$ 40,163,186</u>	<u>100.00%</u>

The total cost of all programs and services was \$39,027,932. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (80.41 percent) (See Figure A-6). The District's administrative and business activities accounted for 8.99 percent of total costs and maintenance and operations accounted for 7.47 percent of total costs. The remaining 3.13 percent of total costs is comprised of other costs (which includes \$712,616 of costs associated with the District's food service operations).

Figure A-6
Expenses for Fiscal Year 2014 and 2013

Expense Category:	2014	Percentage	2013	Percentage
Instruction	\$ 23,825,175	61.04%	\$ 23,823,611	61.34%
Pupil and Instruction Services	6,475,656	16.59%	6,209,806	15.99%
Administration and Business	3,507,626	8.99%	4,020,117	10.35%
Maintenance and Operations	2,913,742	7.47%	2,619,567	6.75%
Transportation	1,085,674	2.78%	962,456	2.48%
Other	1,220,059	3.13%	1,200,252	3.09%
	<u>\$ 39,027,932</u>	<u>100.00%</u>	<u>\$ 38,835,809</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 demands 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, 2014
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Figure A-7 presents the cost of six major District activities: instruction, pupil and instruction services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

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

	Total Cost of Services		Net Cost of Services	
	2013/2014	2012/2013	2013/2014	2012/2013
Instruction	\$ 23,825,175	\$ 23,823,611	\$18,153,497	\$17,796,973
Pupil & Instruction Services	6,475,656	6,209,806	6,334,936	5,996,470
Administration & Business	3,507,626	4,020,117	3,350,104	3,815,526
Maintenance & Operations	2,913,742	2,619,567	2,913,742	2,619,567
Transportation	1,085,674	962,456	1,055,195	924,085
Other	507,443	532,914	507,443	532,914
	<u>\$ 38,315,316</u>	<u>\$ 38,168,471</u>	<u>\$ 32,314,917</u>	<u>\$ 31,685,535</u>

- The cost of all governmental activities this fiscal year was \$38,315,316.
- A portion of governmental activities was financed with state aid based on the SFRA formula (\$2,140,228).
- Most of the District's costs, however, were financed by \$31,881,435 of District taxes.
- The remainder of funding for governmental activities came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's business-type activities decreased by \$25,665 (Refer to Figure A-4). The decrease was attributable to an increase in expenses associated with the District's Food Service program.

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 General Fund 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, 2014
(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
	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014
Land	\$ 4,659,600	\$ 4,659,600			\$ 4,659,600	\$ 4,659,600	0.00%
Construction in Progress	2,062,726				2,062,726		100.00%
Site Improvements	2,135,676	2,256,455			2,135,676	2,256,455	-5.35%
Buildings/Building Improvements	16,634,438	16,607,086			16,634,438	16,607,086	0.16%
Machinery and Equipment	815,549	916,086	\$ 15,429	\$ 2,667	830,978	918,753	-9.55%
Total	\$26,307,989	\$24,439,227	\$ 15,429	\$ 2,667	\$26,323,418	\$24,441,894	7.70%

The District's capital assets increased \$1,881,524 or 7.70% during the year. Capital assets acquisitions totaled \$2,764,162 and \$16,513 from its governmental and business-type activities, respectively and consisted of equipment, site improvements, and building improvements. These acquisitions were offset by \$895,400 and \$3,751 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

The District's overall long-term debt increased \$2,690,532, or 20.85%. At fiscal year-end, the District had \$15,410,000 in general obligation bonds outstanding. The increase from the prior year primarily represents bonds issued in the amount of \$3,350,000 – 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
	2013/2014	2012/2013	2013/2014
General Obligation Bonds (Financed with Property Taxes)	\$ 15,410,000	\$ 12,660,000	21.72%
Other Long-Term Liabilities	181,879	241,347	-24.64%
	\$ 15,591,879	\$ 12,901,347	20.85%

- The District issued bonds in the amount of \$3,350,000.
- The District continued to pay down its debt and retired \$600,000 of outstanding bonds and \$59,468 of accrued compensated absences payable.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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:

- Legislative "caps" imposed upon tax levy increases (not to exceed 2%) for New Jersey School Districts have limited increases on the District's most significant source of revenue – thereby constricting increases in expenditures.
- Significant increases in employee benefits plans continue to exceed the general CPI and budgetary growth "caps" and are forcing reductions in the District's programs.
- The District's collective bargaining agreements will expire in June 2016. 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 has a direct effect on future budgets.
- The District has been seeking alternative funding sources for infrastructure and capital needs in order to alleviate some of the financial pressures of trying to improve facilities in a time of shrinking revenues.
- The District continues to face fluctuations in State Aid from year to year making it difficult to establish realistic long-term budget projections, forcing the District 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 POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 7,982,365	\$ 21,813	\$ 8,004,178
Tax Levy Receivable	100		100
Interfund Receivables	3,596		3,596
Receivables from Federal Government	47,770	2,749	50,519
Receivables from State Government	384,375	174	384,549
Receivables - Mortgage Note	86,367		86,367
Receivables - Other	6,477	335	6,812
Inventory		8,759	8,759
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	3,005,618		3,005,618
Capital Assets, Net:			
Sites (Land)	4,659,600		4,659,600
Construction in Progress	2,062,726		2,062,726
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	19,585,663	15,429	19,601,092
Total Assets	<u>37,824,657</u>	<u>49,259</u>	<u>37,873,916</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	226,084		226,084
Payable to State Government	6,637		6,637
Accounts Payable - Vendors	736,570	8,499	745,069
Unearned Revenue	12,857	1,023	13,880
Notes Payable	1,440,000		1,440,000
Noncurrent Liabilities:			
Due Within One Year	620,000		620,000
Due Beyond One Year	14,971,879		14,971,879
Total Liabilities	<u>18,014,027</u>	<u>9,522</u>	<u>18,023,549</u>
NET POSITION			
Net Investment in Capital Assets	10,897,989	15,429	10,913,418
Restricted for:			
Capital Projects	6,570,986		6,570,986
Debt Service	18,111		18,111
Other Purposes	2,586,367		2,586,367
Unrestricted/(Deficit)	(262,823)	24,308	(238,515)
Total Net Position	<u>\$ 19,810,630</u>	<u>\$ 39,737</u>	<u>\$ 19,850,367</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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 17,288,486	\$ 306,786	\$ 2,685,187		\$ (14,296,513)		\$ (14,296,513)
Special Education	5,226,471		2,536,596		(2,689,875)		(2,689,875)
Other Special Instruction	335,517		40,685		(294,832)		(294,832)
School Sponsored Instruction	974,701		102,424		(872,277)		(872,277)
Support Services:							
Tuition	1,759,129				(1,759,129)		(1,759,129)
Student & Instruction Related Services	4,716,527		140,720		(4,575,807)		(4,575,807)
General Administrative Services	794,428				(794,428)		(794,428)
School Administrative Services	1,962,188		157,522		(1,804,666)		(1,804,666)
Central Services	507,535				(507,535)		(507,535)
Administration Information Technology	243,475				(243,475)		(243,475)
Plant Operations and Maintenance	2,913,742				(2,913,742)		(2,913,742)
Pupil Transportation	1,085,674	13,505	16,974		(1,055,195)		(1,055,195)
Interest on Long-Term Debt	504,650				(504,650)		(504,650)
Capital Outlay	2,793				(2,793)		(2,793)
Total Governmental Activities	38,315,316	320,291	5,680,108	\$ -0-	(32,314,917)	\$ -0-	(32,314,917)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 712,616	\$ 579,114	\$ 107,539		\$ (25,963)	\$ (25,963)	
Total Business-Type Activities	<u>712,616</u>	<u>579,114</u>	<u>107,539</u>		<u>(25,963)</u>	<u>(25,963)</u>	
Total Primary Government	<u>\$ 39,027,932</u>	<u>\$ 899,405</u>	<u>\$ 5,787,647</u>	<u>\$ -0-</u>	\$ (32,314,917)	(25,963)	(32,340,880)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					31,150,449		31,150,449
Taxes Levied for Debt Service					730,986		730,986
Federal and State Aid Not Restricted					1,107,834		1,107,834
Investment Earnings					19,133	298	19,431
Miscellaneous Income					610,611		610,611
Total General Revenues					<u>33,619,013</u>	<u>298</u>	<u>33,619,311</u>
Change in Net Position					1,304,096	(25,665)	1,278,431
Net Position - Beginning, as Restated					<u>18,506,534</u>	<u>65,402</u>	<u>18,571,936</u>
Net Position - Ending					<u>\$ 19,810,630</u>	<u>\$ 39,737</u>	<u>\$ 19,850,367</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, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 4,165,071		\$ 3,811,375	\$ 5,919	\$ 7,982,365
Tax Levy Receivable	100				100
Interfund Receivable	25,405			12,192	37,597
Receivables from Federal Government		\$ 47,770			47,770
Receivables from State Government	384,375				384,375
Receivables - Mortgage Note	86,367				86,367
Receivables - Other	6,477				6,477
Restricted Cash and Cash Equivalents	3,005,618				3,005,618
TOTAL ASSETS	\$ 7,673,413	\$ 47,770	\$ 3,811,375	\$ 18,111	\$ 11,550,669
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payable		\$ 21,809	\$ 12,192		\$ 34,001
Payable to State Government		6,637			6,637
Notes Payable			1,440,000		1,440,000
Accounts Payable - Vendors	\$ 539,235	6,467	190,868		736,570
Unearned Revenue		12,857			12,857
Total Liabilities	539,235	47,770	1,643,060		2,230,065
Fund Balances:					
Restricted for:					
Excess Surplus - Current Year	1,500,000				1,500,000
Excess Surplus - Prior Year - For Subsequent Year's Expenditures	1,000,000				1,000,000
Capital Reserve Account	3,005,618				3,005,618
Mortgage Sale of Building	86,367				86,367

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Restricted for:					
Debt Service Fund				\$ 18,111	\$ 18,111
Capital Projects			\$ 3,565,368		3,565,368
Committed			42,947		42,947
Assigned:					
Year-End Encumbrances	\$ 538,189				538,189
For Subsequent Year's Expenditures	390,000				390,000
Unassigned/(Deficit)	614,004		(1,440,000)		(825,996)
Total Fund Balances	<u>7,134,178</u>		<u>2,168,315</u>	<u>18,111</u>	<u>9,320,604</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 7,673,413</u>	<u>\$ 47,770</u>	<u>\$ 3,811,375</u>	<u>\$ 18,111</u>	<u>\$ 11,550,669</u>

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

Total Fund Balances - Governmental Funds (Above)	\$ 9,320,604
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$44,043,010 and the accumulated depreciation is \$17,735,021. (See Note 6)	26,307,989
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)	(15,591,879)
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.	(226,084)
Net Position of Governmental Activities	<u>\$ 19,810,630</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$ 31,150,449			\$ 730,986	\$ 31,881,435
Tuition	306,786				306,786
Transportation Fees	13,505				13,505
Capital Reserve Interest	6,941				6,941
Investment Income			\$ 12,192		12,192
Budget Appropriation			560,000		560,000
Miscellaneous	610,611	\$ 1,560			612,171
Total - Local Sources	32,088,292	1,560	572,192	730,986	33,393,030
State Sources	5,596,541	230,130		374,972	6,201,643
Federal Sources		584,739			584,739
Total Revenues	37,684,833	816,429	572,192	1,105,958	40,179,412
EXPENDITURES					
Current:					
Instruction:					
Regular Instruction	11,385,893	696,095			12,081,988
Special Education Instruction	3,461,063	120,334			3,581,397
Other Special Instruction	207,555				207,555
School Sponsored Instruction	717,004				717,004
Support Services and Undistributed Costs:					
Tuition	1,759,129				1,759,129
Student & Instruction Related Services	3,488,489				3,488,489
General Administration Services	696,628				696,628
School Administration Services	1,298,532				1,298,532
Central Services	403,781				403,781

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

EXPENDITURES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 197,617				\$ 197,617
Plant Operations and Maintenance	2,482,717				2,482,717
Pupil Transportation	881,959				881,959
Allocated and Unallocated Benefits	9,175,145				9,175,145
Capital Outlay	1,416,377		\$ 1,350,578		2,766,955
Debt Service:					
Principal				\$ 1,160,000	1,160,000
Interest and Other Charges				514,275	514,275
Total Expenditures	<u>37,571,889</u>	<u>\$ 816,429</u>	<u>1,350,578</u>	<u>1,674,275</u>	<u>41,413,171</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>112,944</u>		<u>\$ (778,386)</u>	<u>(568,317)</u>	<u>(1,233,759)</u>
OTHER FINANCING SOURCES/(USES):					
Bond Proceeds			3,350,000		3,350,000
Transfers In			208,736	572,192	780,928
Transfers Out	(208,736)		(572,192)		(780,928)
Total Other Financing Sources/(Uses)	<u>(208,736)</u>		<u>2,986,544</u>	<u>572,192</u>	<u>3,350,000</u>
Net Change in Fund Balances	(95,792)		2,208,158	3,875	2,116,241
Fund Balance/(Deficit) - July 1	7,229,970		(39,843)	14,236	7,204,363
Fund Balance - June 30	<u>\$ 7,134,178</u>	<u>\$ -0-</u>	<u>\$ 2,168,315</u>	<u>\$ 18,111</u>	<u>\$ 9,320,604</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ 2,116,241
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 differs from depreciation during the period.		
	Depreciation Expense	\$ (895,400)
	Capital Outlays	<u>2,764,162</u>
		1,868,762
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 (+).		
		59,468
Proceeds from debt issues are a financing source in the Governmental Funds. They are not revenue in the Statement of Activities; issuing debt increases Long-term Liabilities in the Statement of Net Position.		
Proceeds of Long-term Debt		(3,350,000)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces Long-term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		
		600,000
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 (+).		
		<u>9,625</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		<u><u>\$ 1,304,096</u></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 POSITION
JUNE 30, 2014

	<u>Business-Type Activities: Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 21,813
Receivable from Federal Government	2,749
Receivables from State Government	174
Receivables - Other	335
Inventory	<u>8,759</u>
Total Current Assets	<u>33,830</u>
Non-Current Assets:	
Capital Assets	93,498
Less: Accumulated Depreciation	<u>(78,069)</u>
Total Non-Current Assets	<u>15,429</u>
Total Assets	<u>49,259</u>
LIABILITIES:	
Current Liabilities:	
Prepaid Sales	862
Unearned Revenue	161
Accounts Payable - Vendors	<u>8,499</u>
Total Liabilities	<u>9,522</u>
NET POSITION:	
Net Investment in Capital Assets	15,429
Unrestricted	<u>24,308</u>
Total Net Position	<u>\$ 39,737</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 POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities: Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 284,853
Daily Sales - Non-Reimbursable Programs	289,215
Special Events	5,039
Miscellaneous	<u>7</u>
Total Operating Revenue	<u>579,114</u>
Operating Expenses:	
Cost of Sales	312,767
Salaries	227,111
Payroll Taxes	26,188
Employee Benefits	20,817
Purchased Property Services	32,412
Supplies and Materials	36,894
Depreciation Expense	3,751
Miscellaneous Expenditures	<u>52,676</u>
Total Operating Expenses	<u>712,616</u>
Operating Loss	<u>(133,502)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	66,673
Special Milk Program	11,281
Food Distribution Program	24,709
State Sources:	
School Lunch Program	4,876
Local Sources:	
Interest Revenue	<u>298</u>
Total Non-Operating Revenue	<u>107,837</u>
Change in Net Position	(25,665)
Net Position - Beginning of Year	<u>65,402</u>
Net Position - End of Year	<u>\$ 39,737</u>

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, 2014

	<u>Business-Type Activities: Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 579,406
Payments to Food Service Vendor	(643,617)
Payments to Suppliers	<u>(23,134)</u>
Net Cash (Used for) Operating Activities	<u>(87,345)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>298</u>
Net Cash Provided by Investing Activities	<u>298</u>
Cash Flows from Noncapital Financing Activities:	
Receipt of Federal Aid	79,914
Receipt of State Aid	<u>4,987</u>
Net Cash Provided by Noncapital Financing Activities	<u>84,901</u>
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	<u>(16,513)</u>
Net Cash Used for Capital Financing Activities	<u>(16,513)</u>
Net Decrease in Cash and Cash Equivalents	(18,659)
Cash and Cash Equivalents, July 1	<u>40,472</u>
Cash and Cash Equivalents, June 30	<u>\$ 21,813</u>
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (133,502)
Adjustment to Reconcile Operating Loss to Cash	
Used for Operating Activities:	
Depreciation	3,751
Federal Food Distribution Program	24,709
Changes in Assets and Liabilities:	
Decrease in Interfund Receivable	17,901
Decrease in Accounts Receivable	292
Decrease in Inventory	544
(Decrease) in Accounts Payable	<u>(1,040)</u>
Net Cash Used for Operating Activities	<u>\$ (87,345)</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 \$24,870 and \$24,709, respectively, for the fiscal year ended June 30, 2014.

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:				
Cash and Cash Equivalents	\$ 141,011	\$ 200,131	\$ 3,395	\$ 170,755
Interfund Receivable - Payroll Agency Fund		29,254		
Total Assets	<u>141,011</u>	<u>229,385</u>	<u>3,395</u>	<u>170,755</u>
LIABILITIES:				
Accrued Salaries and Wages	100			
Accounts Payable - Vendors	418			
Interfund Payable - General Fund	3,596			
Interfund Payable - Unemployment Compensation Trust Fund	29,254			
Payroll Deductions and Withholdings	22,663			
Due to Student Groups	84,980			
Total Liabilities	<u>141,011</u>			

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
NET POSITION:				
Held in Trust for:				
Unemployment Claims		\$ 229,385		
Flexible Spending Claims			\$ 3,395	
Scholarships				\$ 170,755
Total Net Position	<u>\$ -0-</u>	<u>\$ 229,385</u>	<u>\$ 3,395</u>	<u>\$ 170,755</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 POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions - Employee	\$ 34,282	\$ 5,787	
Contributions - District	50,000		
Donations			\$ 3,575
Total Contributions	<u>84,282</u>	<u>5,787</u>	<u>3,575</u>
Investment Earnings:			
Interest	506	15	530
Net Investment Earnings	<u>506</u>	<u>15</u>	<u>530</u>
Total Additions	<u>84,788</u>	<u>5,802</u>	<u>4,105</u>
DEDUCTIONS:			
Unemployment Compensation Claims	94,393		
Flexible Spending Claims		4,474	
Scholarships Awarded			9,300
Total Deductions	<u>94,393</u>	<u>4,474</u>	<u>9,300</u>
Change in Net Position	(9,605)	1,328	(5,195)
Net Position - Beginning of Year	<u>238,990</u>	<u>2,067</u>	<u>175,950</u>
Net Position - End of the Year	<u>\$ 229,385</u>	<u>\$ 3,395</u>	<u>\$ 170,755</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, 2014

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 and a resulting financial benefit or burden relationship, 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 significance) 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 three elementary schools, a middle school, and a high school 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 position 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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements:

which each government function or business segment is self-financing or draws from the general revenues of the District.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

B. Basis of Presentation: (Cont'd)

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.

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, Flexible Spending Trust Fund, 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

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

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

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position 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.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2014 was submitted to the County office and was approved by a vote of the Board of Education. 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, 2014
(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	\$ 37,689,770	\$ 834,202
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		(17,773)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	198,872	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(203,809)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 37,684,833</u>	<u>\$ 816,429</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	\$ 37,571,889	\$ 834,202
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>(17,773)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 37,571,889</u>	<u>\$ 816,429</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(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 position, 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 unearned revenue at fiscal year-end.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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, 2014.

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, 2014
(Continued)

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

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. 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, 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.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed over the entire twelve month year. However, the District does give ten-month employees the option to put 10% of their salaries each pay period towards a summer payment. The District disbursed those salary amounts prior to June 30; therefore the District had accrued salaries and wages of \$100 as of June 30, 2014.

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 Position*, 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. Unearned Revenue:

Unearned 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, 2014
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$7,134,178 General Fund balance at June 30, 2014, \$538,189 is assigned for encumbrances; \$3,005,618 is restricted in the capital reserve account; \$1,500,000 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; \$1,000,000 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2015; \$86,367 is restricted for mortgage sale of building; \$390,000 is assigned fund balance and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2015; and \$614,004 is unassigned which is \$203,809 less than the calculated budgetary unassigned fund balance due to the last two June state aid payments, which are not recognized on the GAAP basis until the fiscal year ended June 30, 2015.

Capital Projects Fund: Of the \$2,168,315 Capital Projects Fund balance at June 30, 2014, \$3,565,368 is restricted and \$42,947 is committed (which is \$882,875 less on the GAAP basis due to the non-recognition of SDA grants) for unexpended capital projects authorizations and a \$1,440,000 deficit in unassigned fund balance which represents temporary financing on a completed capital project.

Debt Service Fund: The \$18,111 Debt Service Fund balance at June 30, 2014, is restricted of which \$5,919 has been included as anticipated revenue for the fiscal year ending June 30, 2015 and \$12,192 will be included as anticipated revenue in fiscal year ending June 30, 2016.

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.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$203,809 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the 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. Net Position:

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the prior fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

Q. Net Position: (Cont'd)

The District implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*, during the current fiscal year. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District did not have any deferred inflows or outflows of resources at June 30, 2014.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

R. Deficit Fund Balance/Net Position:

The District had a temporary deficit of \$1,440,000 in capital projects fund balance due to the issuance of short term bond anticipation notes and a \$262,793 deficit in unrestricted net position for governmental funds activities on the statement of net position due to the accrual of compensated absences and interest payable. These deficits do not indicate the District is having financial difficulties and are a permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments:

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

Fund balance restrictions have been established for excess surplus, capital reserve, mortgage note receivable, capital projects, and 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 had \$42,947 of committed resources, in the Capital Projects Fund at June 30, 2014.

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 \$538,189 for year-end encumbrances and \$390,000 for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2014.

T. 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.

U. 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

V. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Interest Rate Risk – In accordance with its cash management plan, the Board ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Board limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the Investment section of this note.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

Deposits: (Cont' d)

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;
- (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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

As of June 30, 2014, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents Capital Reserve Account</u>	<u>Total</u>
Checking and Savings Accounts	\$ 8,519,470	\$ 3,005,618	\$ 11,525,088

During the period ended June 30, 2014, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2014, was \$11,525,088 and the bank balance was \$12,831,890.

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, 2013 to June 30, 2014 fiscal year is as follows:

Beginning Balance, July 1, 2013	\$2,417,932
Interest Earnings	6,941
Increase by Board Resolution in June 2014	925,909
Increase by Township Reimbursement	217,028
Withdrawal	<u>(562,192)</u>
Ending Balance, June 30, 2014	<u>\$3,005,618</u>

The \$3,005,588 balance in the Capital Reserve Account at June 30, 2014 does not exceed the local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan ("LRFP"). Withdrawals from the Capital reserve Account were for use in DOE approved facilities projects, consistent with the District's LRFP.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2014, the District made transfers to capital outlay accounts - \$18,092 for the acquisition of equipment and \$762,754 for facilities acquisition and constructions services. Transfers to equipment accounts do not require approval of the County Superintendent. Transfers to facilities acquisition and construction services accounts represent withdrawals from the Capital Reserve Account and appropriation of prior-year State Extraordinary Aid which were authorized by Board resolution.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2014 were as follows:

	Balance 6/30/2013	Increases	Decreases	Balance 6/30/2014
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Sites (Land)	\$ 4,659,600			\$ 4,659,600
Construction in Progress		\$ 2,062,726		2,062,726
Total Capital Assets Not Being Depreciated	<u>4,659,600</u>	<u>2,062,726</u>		<u>6,722,326</u>
Capital Assets Being Depreciated:				
Site Improvements	2,485,010			2,485,010
Buildings and Building Improvements	30,669,418	516,313		31,185,731
Machinery and Equipment	3,491,224	185,123	\$ (26,404)	3,649,943
Total Capital Assets Being Depreciated	<u>36,645,652</u>	<u>701,436</u>	<u>(26,404)</u>	<u>37,320,684</u>
Governmental Activities Capital Assets	<u>41,305,252</u>	<u>2,764,162</u>	<u>(26,404)</u>	<u>44,043,010</u>
Less Accumulated Depreciation for:				
Site Improvements	(228,555)	(120,779)		(349,334)
Buildings and Building Improvements	(14,062,332)	(488,961)		(14,551,293)
Machinery and Equipment	(2,575,138)	(285,660)	26,404	(2,834,394)
	<u>(16,866,025)</u>	<u>(895,400)</u>	<u>26,404</u>	<u>(17,735,021)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$24,439,227</u>	<u>\$ 1,868,762</u>	<u>\$ - 0 -</u>	<u>\$26,307,989</u>
	Balance 6/30/2013	Increases	Decreases	Balance 6/30/2014
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 76,985	\$ 16,513		\$ 93,498
Less Accumulated Depreciation	(74,318)	(3,751)		(78,069)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,667</u>	<u>\$ 12,762</u>	<u>\$ - 0 -</u>	<u>\$ 15,429</u>

The District expended \$701,436 from the General Fund, for the purchase of equipment and Improvements to Buildings.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 246,672
Special Education	6,927
Other Instruction	25,599
Student & Instructional Related Services	218,387
General Administrative Services	16,685
School Administrative Services	155,286
Operations and Maintenance of Plant	90,336
Pupil Transportation	135,508
	<u>\$ 895,400</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2014, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2013</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2014</u>
Serial Bonds Payable	\$ 12,660,000	\$ 3,350,000	\$ 600,000	\$ 15,410,000
Compensated Absences Payable	241,347	40,510	99,978	181,879
	<u>\$ 12,901,347</u>	<u>\$ 3,390,510</u>	<u>\$ 699,978</u>	<u>\$ 15,591,879</u>

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2014 as follows:

<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
01/15/2029	3.50% - 4.375%	\$ 12,060,000
8/12/2029	2.00% - 3.875%	3,350,000
		<u>\$ 15,410,000</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

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>
2015	\$ 620,000	\$ 634,820	\$ 1,103,775
2016	790,000	566,950	1,102,425
2017	815,000	541,500	1,356,500
2018	845,000	513,550	1,358,550
2019	880,000	482,950	1,362,950
2020-2024	4,955,000	1,905,350	6,860,350
2025-2029	6,205,000	830,569	7,035,569
2030	300,000	5,812	305,812
	<u>\$15,410,000</u>	<u>\$ 5,481,501</u>	<u>\$ 20,485,931</u>

B. Bonds Authorized But Not Issued:

There were no bonds authorized but not issued as of June 30, 2014.

C. Compensated Absences:

The current contract with the teaching and support staff limits the District's fiscal year payout for their compensated absences to \$65,000 per fiscal year. 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 in any fiscal year. Employees receive their payout on June 30 of the year in which they retire. Should an employee not receive the full amount of their accrual, it does not carry forward past the first year of their retirement.

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, 2014 is currently payable; therefore, the long-term liability balance of compensated absences is \$181,879.

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, 2014, 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, 2014

(Continued)

NOTE 8. TEMPORARY NOTES

The District had temporary bond anticipation notes outstanding as of June 30, 2014 as follows:

<u>Final Maturity</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
7/11/2014	Improvements to Athletic Fields	0.95%	\$ 1,440,000

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; or the Defined Contribution Retirement Program (DCRP). 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. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join one of the two public employees' retirement systems. However, if an employee is ineligible to enroll in the PERS or the TPAF, the employee may be eligible to enroll in the DCRP.

Employees who are members of PERS and TPAF and retire at a specified age 55 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 credible service. Vesting occurs after 8 to 10 years of service. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. For PERS and TPAF, the contribution rate was 6.64% effective July 1, 2012 and increased to 6.78% effective July 1, 2013. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

The actuarially determined employer contribution on the TPAF and PERS includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions of 5.5% for DCRP are matched by a 3% employer contribution.

District Contributions to PERS amounted to \$337,837, \$355,213 and \$352,015 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

District contributions to DCRP amounted to \$4,195, \$10,440 and \$20,731 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

During the fiscal year ended June 30, 2014, 2013 and 2012 the State of New Jersey made contributions of \$724,056, \$1,057,327 and \$529,960, respectively, to the TPAF for pension benefits on-behalf of the District.

NOTE 10. 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, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical 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 P.L. 1992 c. 126, which provides employer paid 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 \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,187,179, \$1,195,570 and \$1,065,358 for 2014, 2013, and 2012, respectively.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

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 Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The audit of the PIP for the year ended June 30, 2014 was not available as of the date of this report. Selected, summarized financial information as of June 30, 2013 is as follows:

	<u>Pooled Insurance Program of New Jersey</u>
Total Assets	\$ 21,638,397
Net Position	\$ 5,529,070
Total Revenue	\$ 7,890,365
Total Expenses and Adjustments	\$ 6,106,034
Change in Net Position	\$ 1,784,331
Member Dividends	\$ 1,219,464

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

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>
2014	\$ 34,282	\$ 50,000	\$ 506	\$ 94,393	\$ 229,385
2013	45,779	150,000	287	70,325	238,990
2012	45,915		315	113,862	113,249

NOTE 12. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 13. 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 14. COMMITMENTS AND CONTINGENCIES

Litigation

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 14. COMMITMENTS AND CONTINGENCIES (Cont'd)

Grant Programs

The District participates in federal and state assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The 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, 2014, there were encumbrances as detailed below in the governmental funds:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Year-End Encumbrances	<u>\$ 538,189</u>	<u>\$ 21,148</u>	<u>\$ 559,337</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2014, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$21,148 are not recognized until paid and are reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2014:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 25,405	
Special Revenue Fund		\$ 21,809
Capital Projects Fund		12,192
Debt Service Fund	12,192	
Fiduciary Fund:		
Unemployment Compensation Trust	29,254	
Payroll Agency		32,850
	<u>\$ 66,851</u>	<u>\$ 66,851</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
 (Continued)

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

The \$25,405 interfund receivable in the General Fund is comprised of \$21,809 for cash advanced to the Special Revenue Fund while awaiting reimbursement of grant expenditures, and \$3,596 for interest earnings due from Net Payroll and Payroll Agency Fund as of June 30. The \$12,192 interfund receivable in the Debt Service Fund represents current year interest earned in the Capital Projects Fund which was not transferred as of June 30. The \$29,254 interfund receivable in the Unemployment Compensation Trust represents current and prior year employee deductions for unemployment which were not transferred from the Payroll Agency Account as of June 30.

NOTE 16. 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.

NOTE 17. PRIOR PERIOD ADJUSTMENT

The District made a prior year adjustment in the District Wide Financial Statements to remove Bond Issuance Costs, to be in compliance with GASB 68. The financial statements for June 30, 2013 have been restated as follows:

	<u>Balance</u> <u>6/30/2013</u>	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance</u> <u>6/30/2013</u> as <u>Restated</u>
Statement of Net Assets:			
Governmental Activities:			
Net Position - Beginning	\$ 18,557,917	\$ (51,383)	\$ 18,506,534

The corrections had no impact on the District's operations or statement of activities for the fiscal year ended June 30, 2014.

BUDGETARY COMPARISON SCHEDULES

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 31,150,449		\$ 31,150,449	\$ 31,150,449	
Tuition:					
From Other LEA's	234,000		234,000	306,786	\$ 72,786
Transportation Fees from Other LEAs	15,000		15,000	13,505	(1,495)
Interest Earned on Capital Reserve Funds	1,000		1,000	6,941	5,941
Miscellaneous	124,000		124,000	610,611	486,611
Total - Local Sources	31,524,449		31,524,449	32,088,292	563,843
State Sources:					
School Choice Aid	165,096		165,096	165,096	
Categorical Special Education Aid	1,404,955		1,404,955	1,404,955	
Equalization Aid	421,118		421,118	421,118	
Categorical Security Aid	33,937		33,937	33,937	
Categorical Transportation Aid	39,803		39,803	39,803	
Adjustment Aid	75,319		75,319	75,319	
Extraordinary Special Education Costs Aid	256,000		256,000	362,855	106,855
Nonpublic School Transportation Costs				16,974	16,974
On-Behalf Contributions (Non-Budgeted):					
TPAF - Pension Contributions				724,056	724,056
TPAF - Post Retirement Contributions				1,187,179	1,187,179
TPAF Social Security Contributions (Reimbursed)				1,170,186	1,170,186
Total State Sources	2,396,228		2,396,228	5,601,478	3,205,250
TOTAL REVENUES	33,920,677		33,920,677	37,689,770	3,769,093

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 67,697	\$ (67,617)	\$ 80		\$ 80
Kindergarten - Salaries of Teachers	444,902	18,002	462,904	\$ 462,103	801
Grades 1-5 - Salaries of Teachers	3,717,749	13,440	3,731,189	3,652,134	79,055
Grades 6-8 - Salaries of Teachers	2,356,177	80,540	2,436,717	2,400,784	35,933
Grades 9-12 - Salaries of Teachers	3,857,927	(331,000)	3,526,927	3,422,588	104,339
Regular Programs - Home Instruction:					
Salaries of Teachers	25,500		25,500	6,341	19,159
Purchased Professional - Educational Services	15,000	18,928	33,928	33,026	902
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	219,489	(35,151)	184,338	168,369	15,969
Purchased Professional - Educational Services	73,050	(42,419)	30,631	24,804	5,827
Purchased Technical Services	47,000	(40,000)	7,000	477	6,523
Other Purchased Services (400-500 series)	110,650	(49,920)	60,730	41,931	18,799
General Supplies	1,026,528	260,486	1,287,014	1,002,633	284,381
Textbooks	198,034	(14,192)	183,842	170,148	13,694
Other Objects	3,175		3,175	555	2,620
Total Regular Programs - Instruction	12,162,878	(188,903)	11,973,975	11,385,893	588,082
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	236,863	131,709	368,572	368,572	
Other Salaries for Instruction	127,837	13,592	141,429	141,247	182
General Supplies	24,878	(8,902)	15,976	15,800	176
Total Learning and/or Language Disabilities	389,578	136,399	525,977	525,619	358

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 2,116,201	\$ (99,740)	\$ 2,016,461	\$ 2,016,461	
Other Salaries for Instruction	175,627	108,519	284,146	283,646	\$ 500
General Supplies	10,100	(3,060)	7,040	4,780	2,260
Total Resource Room/Resource Center	2,301,928	5,719	2,307,647	2,304,887	2,760
Autism:					
Salaries of Teachers	355,993	(203,089)	152,904	152,403	501
Other Salaries for Instruction	160,366	71,483	231,849	231,151	698
Purchased Professional - Educational Services	94,416	(23,514)	70,902	47,833	23,069
General Supplies	25,793	(6,310)	19,483	8,242	11,241
Other Objects	4,500	(500)	4,000	3,795	205
Total Autism	641,068	(161,930)	479,138	443,424	35,714
Preschool Disabilities - Part-time:					
Salaries of Teachers		116,021	116,021	116,020	1
Other Salaries for Instruction		71,543	71,543	71,113	430
Total Preschool Disabilities - Part-time		187,564	187,564	187,133	431
Total Special Education Instruction	3,332,574	167,752	3,500,326	3,461,063	39,263

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 175,843	\$ (22,478)	\$ 153,365	\$ 152,415	\$ 950
Total Basic Skills/Remedial - Instruction	175,843	(22,478)	153,365	152,415	950
Bilingual Education - Instruction:					
Salaries of Teachers	51,055	3,569	54,624	54,424	200
General Supplies	1,850		1,850	716	1,134
Total Bilingual Education - Instruction	52,905	3,569	56,474	55,140	1,334
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	164,526	2,093	166,619	160,755	5,864
Purchased Services (300-500 series)	4,995	982	5,977	4,352	1,625
Supplies and Materials	9,300	810	10,110	4,841	5,269
Other Objects	5,800	(25)	5,775	2,288	3,487
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	184,621	3,860	188,481	172,236	16,245
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	511,733	(9,800)	501,933	359,956	141,977
Purchased Services (300-500 series)	124,100	13,424	137,524	134,055	3,469
Supplies and Materials	42,219	6,075	48,294	43,582	4,712
Other Objects	7,925	(275)	7,650	7,175	475
Transfers to Cover Deficit (Agency Funds)	5,000	(5,000)			
Total School-Sponsored Cocurricular Athletics - Instruction	690,977	4,424	695,401	544,768	150,633
Total Instruction	16,599,798	(31,776)	16,568,022	15,771,515	796,507

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular		\$ 3,808	\$ 3,808		\$ 3,808
Tuition to Other LEAs Within the State - Special	\$ 368,080	(81,050)	287,030	\$ 287,030	
Tuition to County Vocational Schools - Regular	397,500	(135,855)	261,645	257,980	3,665
Tuition to County Vocational Schools - Special	86,470	30,254	116,724	108,784	7,940
Tuition to County Special Services Schools/Regional Day Schools	155,947	(91,973)	63,974	63,974	
Tuition to Private Schools for the Disabled - Within the State	720,713	327,642	1,048,355	1,041,361	6,994
Total Undistributed Expenditures - Instruction	1,728,710	52,826	1,781,536	1,759,129	22,407
Health Services:					
Salaries	335,446	(15,474)	319,972	319,196	776
Purchased Professional and Technical Services	30,170	16,257	46,427	31,015	15,412
Other Purchased Services (400-500 series)		120	120		120
Supplies and Materials	22,303	(788)	21,515	14,989	6,526
Total Health Services	387,919	115	388,034	365,200	22,834
Speech, OT, PT & Related Services:					
Salaries	396,690	(116,583)	280,107	273,832	6,275
Purchased Professional - Educational Services	352,208	78,806	431,014	284,625	146,389
Supplies and Materials	7,270		7,270	2,588	4,682
Total Speech, OT, PT & Related Services	756,168	(37,777)	718,391	561,045	157,346

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Other Support Services - Students - Extraordinary Services:					
Salaries	\$ 211,717	\$ (33,606)	\$ 178,111	\$ 78,252	\$ 99,859
Total Other Support Services - Students - Extraordinary Services	211,717	(33,606)	178,111	78,252	99,859
Guidance:					
Salaries of Other Professional Staff	504,562	20,000	524,562	524,431	131
Salaries of Secretarial and Clerical Assistants	85,503	(30,000)	55,503	55,153	350
Purchased Professional - Educational Services	108,808	(195)	108,613	37,994	70,619
Other Purchased Professional and Technical Services	6,300		6,300	2,395	3,905
Other Purchased Services (400-500 series)	2,000		2,000	1,500	500
Supplies and Materials	7,276	195	7,471	4,565	2,906
Other Objects	100		100		100
Total Guidance	714,549	(10,000)	704,549	626,038	78,511
Child Study Teams:					
Salaries of Other Professional Staff	699,333	6,577	705,910	703,518	2,392
Salaries of Secretarial and Clerical Assistants	50,363	(17,082)	33,281	33,186	95
Other Salaries		20,506	20,506	20,505	1
Purchased Professional - Educational Services	25,000	(10,000)	15,000	7,558	7,442
Other Purchased Professional and Technical Services	19,357	(53)	19,304	11,940	7,364
Miscellaneous Purchased Services	2,600	102	2,702	1,652	1,050
Supplies and Materials	33,804	6,260	40,064	33,550	6,514
Other Objects	650		650	327	323
Total Child Study Teams	831,107	6,310	837,417	812,236	25,181

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	\$ 146,388		\$ 146,388	\$ 145,999	\$ 389
Salaries of Other Professional Staff	274,424	\$ 72,011	346,435	340,193	6,242
Salaries of Secretarial and Clerical Assistants	55,966	1,904	57,870	57,869	1
Purchased Professional - Educational Services	3,000	2,573	5,573	4,923	650
Other Purchased Professional and Technical Services	5,800	(4,614)	1,186		1,186
Other Purchased Services (400-500 series)	4,600	48	4,648	4,648	
Supplies and Materials	11,055	6,448	17,503	14,667	2,836
Other Objects	5,100	(807)	4,293	2,639	1,654
Total Improvement of Instructional Services	506,333	77,563	583,896	570,938	12,958
Educational Media Services/School Library:					
Salaries	366,727		366,727	363,325	3,402
Purchased Professional and Technical Services	60,575	150	60,725	37,528	23,197
Other Purchased Services (400-500 series)	2,000		2,000	1,195	805
Supplies and Materials	73,094	(2,427)	70,667	55,445	15,222
Total Educational Media Services/School Library	502,396	(2,277)	500,119	457,493	42,626
Instructional Staff Training Services:					
Purchased Professional - Educational Services	22,700		22,700	5,892	16,808
Other Purchased Services (400-500 series)	8,500		8,500	5,371	3,129
Supplies and Materials	5,200		5,200	5,149	51
Other Objects	1,000		1,000	875	125
Total Instructional Staff Training Services	37,400		37,400	17,287	20,113

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	\$ 295,235	\$ (8,000)	\$ 287,235	\$ 272,021	\$ 15,214
Legal Services	137,822	5,000	142,822	128,603	14,219
Audit Fees	41,000		41,000	39,000	2,000
Architectural/Engineering Services	28,700	(3,000)	25,700	18,529	7,171
Other Purchased Professional Services	5,100	5,080	10,180	2,445	7,735
Purchased Technical Services	13,000	2,920	15,920	14,438	1,482
Communications/Telephone	150,000	95	150,095	131,543	18,552
Miscellaneous Purchased Services (400-500 series)	84,500	(5,912)	78,588	59,834	18,754
General Supplies	6,500	68,395	74,895	9,835	65,060
Miscellaneous Expenditures	4,000	2,592	6,592	3,807	2,785
BOE Memberships / Dues	17,000	(170)	16,830	16,573	257
Total Support Services - General Administration	782,857	67,000	849,857	696,628	153,229
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	859,126		859,126	800,825	58,301
Salaries of Other Professional Staff	34,017	31,499	65,516	65,516	
Salaries of Secretarial and Clerical Assistants	351,160	30,207	381,367	372,958	8,409
Purchased Professional and Technical Services	3,500	950	4,450	4,306	144
Other Purchased Services (400-500 series)	14,400	53	14,453	9,415	5,038
Supplies and Materials	31,370	62,436	93,806	33,524	60,282
Other Objects	14,740	(1,862)	12,878	11,988	890
Total Support Services - School Administration	1,308,313	123,283	1,431,596	1,298,532	133,064

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 358,606		\$ 358,606	\$ 347,943	\$ 10,663
Purchased Professional Services		\$ 1,275	1,275	1,275	
Purchased Technical Services	30,000		30,000	28,646	1,354
Miscellaneous Purchased Services (400-500 series)	8,500	(1,275)	7,225	2,554	4,671
Supplies and Materials	16,737	(5,000)	11,737	6,313	5,424
Interest on Bond Anticipation Notes	35,000	(8,027)	26,973	15,001	11,972
Miscellaneous Expenditures	3,659		3,659	2,049	1,610
Total Central Services	452,502	(13,027)	439,475	403,781	35,694
Administrative Information Technology:					
Salaries	258,384	(75,741)	182,643	153,785	28,858
Purchased Technical Services		38,250	38,250	38,250	
Supplies and Materials		5,582	5,582	5,582	
Total Administrative Information Technology	258,384	(31,909)	226,475	197,617	28,858
Required Maintenance of School Facilities:					
Salaries	175,429	(1,185)	174,244	172,241	2,003
Purchased Professional and Technical Services		2,500	2,500		2,500
Cleaning, Repair and Maintenance Services	281,222	4,048	285,270	250,266	35,004
General Supplies	23,978	41,800	65,778	52,942	12,836
Other Objects	2,500	(1,000)	1,500	1,176	324
Total Required Maintenance of School Facilities	483,129	46,163	529,292	476,625	52,667

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Custodial Services:					
Salaries	\$ 946,006	\$ (4,665)	\$ 941,341	\$ 887,295	\$ 54,046
Salaries of Non-Instructional Aides	99,528		99,528	69,429	30,099
Purchased Professional and Technical Services	5,500	4,658	10,158	9,799	359
Cleaning, Repair and Maintenance Services	217,235	(106,427)	110,808	101,419	9,389
Rental of Land/Buildings (Other Than Lease Purchase Agreements)	2,500	94,169	96,669	92,652	4,017
Other Purchased Property Services	60,000	(20,933)	39,067	39,067	
Insurance	148,720	(11,322)	137,398	134,069	3,329
Miscellaneous Purchased Services	9,500	(4,500)	5,000	4,492	508
General Supplies	46,796	12,500	59,296	56,367	2,929
Energy (Electricity)	435,000		435,000	283,791	151,209
Energy (Natural Gas)	343,000	(20,967)	322,033	254,097	67,936
Energy (Gasoline)	5,000	1,120	6,120	6,025	95
Other Objects	4,000	(620)	3,380	2,836	544
Total Custodial Services	2,322,785	(56,987)	2,265,798	1,941,338	324,460
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	65,000		65,000	64,754	246
Total Care and Upkeep of Grounds	65,000		65,000	64,754	246

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 110,437	\$ 1,420	\$ 111,857	\$ 108,420	\$ 3,437
Between Home and School - Special	48,833	29,930	78,763	78,618	145
Other Than Between Home and School - Regular	55,100	(636)	54,464	41,692	12,772
Management Fee - ESC and CTSA Transportation Program	15,000	836	15,836	15,836	
Cleaning, Repair and Maintenance Services	27,500	9,133	36,633	36,633	
Contracted Services:					
Other Than Between Home and School - Vendors	92,250	(28,718)	63,532	63,532	
Special Education Students - Vendors	58,500	(9,850)	48,650	33,495	15,155
Special Education Students - Joint Agreements	20,200		20,200	12,223	7,977
Regular Students - ESC's and CTSA's	76,000	(59,500)	16,500	15,949	551
Special Education Students - ESC's and CTSA's	278,000	78,065	356,065	351,934	4,131
Aid in Lieu of Payments - Nonpublic Students	79,560	(4,950)	74,610	74,610	
Other Purchased Professional and Technical Services		820	820	820	
Miscellaneous Purchased Services - Transportation	6,750	1,550	8,300	7,894	406
General Supplies	1,350	40,500	41,850	40,093	1,757
Transportation Supplies	36,000	(36,000)			
Other Objects	2,500	(2,250)	250	210	40
Total Student Transportation Services	907,980	20,350	928,330	881,959	46,371

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Unallocated Benefits:					
Social Security Contributions	\$ 410,000	\$ (5,399)	\$ 404,601	\$ 383,332	\$ 21,269
Other Retirement Contributions - PERS	400,000		400,000	337,837	62,163
Other Retirement Contributions - Regular	5,500		5,500	4,195	1,305
Unemployment Compensation	50,000		50,000	50,000	
Workmen's Compensation	256,000		256,000	233,067	22,933
Health Benefits	5,545,114	(392,118)	5,152,996	4,849,275	303,721
Tuition Reimbursement	67,976	(14,951)	53,025	49,491	3,534
Other Employee Benefits	222,770		222,770	186,527	36,243
Total Unallocated Benefits	6,957,360	(412,468)	6,544,892	6,093,724	451,168
On-Behalf Contributions (Non-Budgeted):					
TPAF - Pension Contributions				724,056	(724,056)
TPAF Post Retirement Medical Contributions				1,187,179	(1,187,179)
TPAF Social Security Contributions (Reimbursed)				1,170,186	(1,170,186)
Total On-Behalf Contributions				3,081,421	(3,081,421)
Total Personal Services - Employee Benefits	6,957,360	(412,468)	6,544,892	9,175,145	(2,630,253)
Total Undistributed Expenses	19,214,609	(204,441)	19,010,168	20,383,997	(1,373,829)
TOTAL GENERAL CURRENT EXPENSE	35,814,407	(236,217)	35,578,190	36,155,512	(577,322)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5		\$ 845	\$ 845		\$ 845
Grades 6-8	\$ 16,532		16,532	\$ 16,532	
School-Sponsored Athletics	5,573		5,573	5,573	
Undistributed Expenditures:					
Support Services - Child Study Teams		11,000	11,000	10,936	64
School Administration		6,246	6,246	6,246	
Administrative Information Technology	34,759		34,759	34,759	
School Buses - Regular	20,961	1	20,962	20,962	
Total Equipment	77,825	18,092	95,917	95,008	909
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services	22,275	247,372	269,647	76,233	193,414
Construction Services	980,038	500,481	1,480,519	1,242,343	238,176
Assessment for Debt Service on SDA Funding	5,984	(3,191)	2,793	2,793	
Total Facilities Acquisition and Construction Services	1,008,297	744,662	1,752,959	1,321,369	431,590
TOTAL CAPITAL OUTLAY	1,086,122	762,754	1,848,876	1,416,377	432,499
TOTAL EXPENDITURES	36,900,529	526,537	37,427,066	37,571,889	(144,823)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,979,852)	(526,537)	(3,506,389)	117,881	3,624,270

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Uses:					
Operating Out:					
Transfer from Capital Reserve to Capital Projects Fund		\$ (208,736)	\$ (208,736)	\$ (208,736)	
Total Other Financing Uses		(208,736)	(208,736)	(208,736)	
Excess/(Deficiency) of Revenues and Other Financing Uses					
Over/(Under) Expenditures	\$ (2,979,852)	(735,273)	(3,715,125)	(90,855)	\$ 3,624,270
Fund Balance, July 1	7,428,842		7,428,842	7,428,842	
Fund Balance, June 30	\$ 4,448,990	\$ (735,273)	\$ 3,713,717	\$ 7,337,987	\$ 3,624,270
<u>Recapitulation of Fund Balance at June 30, 2014:</u>					
Restricted:					
Excess Surplus				\$ 1,500,000	
Excess Surplus - For Subsequent Year's Expenditures				1,000,000	
Capital Reserve				3,005,618	
Mortgage Sale of Building				86,367	
Assigned:					
Year-End Encumbrances				538,189	
For Subsequent Year's Expenditures				390,000	
Unassigned				817,813	
				<u>7,337,987</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(203,809)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 7,134,178</u>	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 6,867	\$ 6,867	\$ 6,867	
State Sources	\$ 215,000	19,401	234,401	230,130	\$ (4,271)
Federal Sources	484,760	155,753	640,513	597,205	(43,308)
Total Revenues	<u>699,760</u>	<u>182,021</u>	<u>881,781</u>	<u>834,202</u>	<u>(47,579)</u>
EXPENDITURES:					
Instruction:					
Other Salaries for Instruction		558	558		558
Purchased Professional - Educational Services	195,000	17,788	212,788	206,709	6,079
Tuition	414,000	6,935	420,935	420,935	
General Supplies		64,845	64,845	62,803	2,042
Textbooks	20,000	3,421	23,421	23,421	
Total Instruction	<u>629,000</u>	<u>93,547</u>	<u>722,547</u>	<u>713,868</u>	<u>8,679</u>
Support Services:					
Salaries of Other Professional Staff		20,000	20,000	9,150	10,850
Personal Services - Employee Benefits		4,600	4,600		4,600
Purchase Professional - Educational Services		2,337	2,337	2,337	
Purchased Professional and Technical Services	70,760	55,796	126,556	103,556	23,000
Other Purchased Professional Services		5,384	5,384	5,291	93
Supplies and Materials		357	357		357
Total Support Services	<u>70,760</u>	<u>88,474</u>	<u>159,234</u>	<u>120,334</u>	<u>38,900</u>
Total Expenditures	<u>699,760</u>	<u>182,021</u>	<u>881,781</u>	<u>834,202</u>	<u>47,579</u>
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

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	\$ 37,689,770	\$ 834,202
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.		(17,773)
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	198,872	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(203,809)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 37,684,833</u>	<u>\$ 816,429</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 37,571,889	\$ 834,202
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>(17,773)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 37,571,889</u>	<u>\$ 816,429</u>

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budget for the fiscal year ended June 30, 2014 was submitted to the County Office and was approved by a vote of the Board of Education. 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 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, 2014
UNAUDITED

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, 2014

	No Child Left Behind				ARRA Race to the Top
	Title I		Title II, Part A		
	Current Year	Prior Year	Current Year	Prior Year	
REVENUE:					
Local Sources					
State Sources					
Federal Sources	\$ 18,450	\$ 26,975	\$ 26,887	\$ 760	\$ 2,337
Total Revenue	<u>18,450</u>	<u>26,975</u>	<u>26,887</u>	<u>760</u>	<u>2,337</u>
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services					
Tuition					
General Supplies	9,300	26,975			
Textbooks					
Total Instruction	<u>9,300</u>	<u>26,975</u>			
Support Services:					
Salaries of Other Professional Staff	9,150				
Purchased Professional - Educational Services					2,337
Purchased Professional and Technical Services			26,887	760	
Other Purchased Professional Services					
Total Support Services	<u>9,150</u>		<u>26,887</u>	<u>760</u>	<u>2,337</u>
Total Expenditures	<u>\$ 18,450</u>	<u>\$ 26,975</u>	<u>\$ 26,887</u>	<u>\$ 760</u>	<u>\$ 2,337</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	IDEA Part B				Nonpublic Textbook
	Basic		Preschool		
	Current Year	Prior Year	Current Year	Prior Year	
REVENUE:					
Local Sources					
State Sources					\$ 23,421
Federal Sources	\$ 474,370	\$ 29,208	\$ 14,375	\$ 3,843	
Total Revenue	<u>474,370</u>	<u>29,208</u>	<u>14,375</u>	<u>3,843</u>	<u>23,421</u>
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services					
Tuition	420,935				
General Supplies	12,489	1,950	7,000	3,513	
Textbooks					23,421
Total Instruction	<u>433,424</u>	<u>1,950</u>	<u>7,000</u>	<u>3,513</u>	<u>23,421</u>
Support Services:					
Salaries of Other Professional Staff					
Purchased Professional - Educational Services					
Purchased Professional and Technical Services	40,946	27,258	7,375	330	
Other Purchased Professional Services					
Total Support Services	<u>40,946</u>	<u>27,258</u>	<u>7,375</u>	<u>330</u>	
Total Expenditures	<u>\$ 474,370</u>	<u>\$ 29,208</u>	<u>\$ 14,375</u>	<u>\$ 3,843</u>	<u>\$ 23,421</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Nonpublic		Nonpublic Handicapped Services			Anti-Bullying
	Nonpublic Nursing	Auxiliary Services Compensatory Education	Exam and Classification	Supplementary Instruction	Corrective Speech	
REVENUE:						
Local Sources						
State Sources	\$ 33,582	\$ 53,928	\$ 47,933	\$ 33,654	\$ 28,514	\$ 558
Federal Sources						
Total Revenue	<u>33,582</u>	<u>53,928</u>	<u>47,933</u>	<u>33,654</u>	<u>28,514</u>	<u>558</u>
EXPENDITURES:						
Instruction:						
Purchased Professional - Educational Services	33,582	53,928	47,933	33,654	28,514	558
Tuition						
General Supplies						
Textbooks						
Total Instruction	<u>33,582</u>	<u>53,928</u>	<u>47,933</u>	<u>33,654</u>	<u>28,514</u>	<u>558</u>
Support Services:						
Salaries of Other Professional Staff						
Purchased Professional - Educational Services						
Purchased Professional and Technical Services						
Other Purchased Professional Services						
Total Support Services						
Total Expenditures	<u>\$ 33,582</u>	<u>\$ 53,928</u>	<u>\$ 47,933</u>	<u>\$ 33,654</u>	<u>\$ 28,514</u>	<u>\$ 558</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Nonpublic Technology</u>	<u>SIG Home and School Donation</u>	<u>Rainbow Media MSG</u>	<u>Nunez Family Donation</u>	<u>Kerri Fillion Donation</u>	<u>Totals</u>
REVENUE:						
Local Sources		\$ 6,026	\$ 141	\$ 200	\$ 500	\$ 6,867
State Sources	\$ 8,540					230,130
Federal Sources						597,205
Total Revenue	<u>8,540</u>	<u>6,026</u>	<u>141</u>	<u>200</u>	<u>500</u>	<u>834,202</u>
EXPENDITURES:						
Instruction:						
Purchased Professional - Educational Services	8,540					206,709
Tuition						420,935
General Supplies		735	141	200	500	62,803
Textbooks						23,421
Total Instruction	<u>8,540</u>	<u>735</u>	<u>141</u>	<u>200</u>	<u>500</u>	<u>713,868</u>
Support Services:						
Salaries of Other Professional Staff						9,150
Purchased Professional - Educational Services						2,337
Purchased Professional and Technical Services						103,556
Other Purchased Professional Services		5,291				5,291
Total Support Services		<u>5,291</u>				<u>120,334</u>
Total Expenditures	<u>\$ 8,540</u>	<u>\$ 6,026</u>	<u>\$ 141</u>	<u>\$ 200</u>	<u>\$ 500</u>	<u>\$ 834,202</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 FISCAL YEAR ENDED JUNE 30, 2014

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 882,875
Budget Appropriation	560,000
Bond Proceeds	3,350,000
Investment Income	12,192
Transfer from General Fund - Capital Reserve	<u>208,736</u>
Total Revenue and Other Financing Sources	<u>5,013,803</u>
Expenditures and Other Financing Uses:	
Legal Services	12,141
Purchased Professional and Technical Services	383,537
Construction Services	954,900
Operating Transfers Out:	
Transfer to Debt Service Fund	<u>572,192</u>
Total Expenditures and Other Financing Uses	<u>1,922,770</u>
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	3,091,033
Fund Balance (Deficit)- Beginning	<u>(39,843)</u>
Fund Balance - Ending	<u>\$ 3,051,190</u>
Restricted	\$ 3,565,368
Committed	925,822
Unassigned/(Deficit)	<u>(1,440,000)</u>
	3,051,190
Reconciliation to Governmental Funds Statement (GAAP):	
State Sources - SDA Grant not Recognized on GAAP Basis	<u>(882,875)</u>
Fund Balance per Governmental Funds - GAAP	<u>\$ 2,168,315</u>

Exhibit F-1a

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 FISCAL YEAR ENDED JUNE 30, 2014

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised 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 and Other Financing Uses:				
Legal Services	3,480		3,480	3,480
Purchased Professional & Technical Services	2,662,354		2,662,354	2,608,387
Construction Services	8,324,009		8,324,009	8,377,976
Transfer to Debt Service Fund	40,000	\$ 560,000	600,000	2,000,157
Total Expenditures and Other Financing Uses	11,029,843	560,000	11,589,843	12,990,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 1,960,157	\$ (560,000)	\$ 1,400,157	\$ -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	100.00%
Original Target Completion Date	9/1/2010
Revised Target Completion Date	6/30/2012

Exhibit F-1b

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 FISCAL YEAR ENDED JUNE 30, 2014

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Budget Appropriations		\$ 560,000	\$ 560,000	\$ 2,000,000
Total Revenue and Other Financing Sources		560,000	560,000	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	<u>\$ (2,000,000)</u>	<u>\$ 560,000</u>	<u>\$ (1,440,000)</u>	<u>\$ -0-</u>

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

Exhibit F-1c

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOF REPLACEMENT PROJECTS AT HILLVIEW ELEMENTARY, NORTH BOULEVARD ELEMENTARY,
AND PEQUANNOCK VALLEY MIDDLE SCHOOLS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 882,875	\$ 882,875	\$ 882,875
Transfer from Capital Reserve		208,736	208,736	1,324,313
Total Revenue and Other Financing Sources		<u>1,091,611</u>	<u>1,091,611</u>	<u>2,207,188</u>
Expenditures:				
Purchased Professional & Technical Services		165,789	165,789	208,736
Construction Services				1,998,452
Total Expenditures		<u>165,789</u>	<u>165,789</u>	<u>2,207,188</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ -0-</u>	<u>\$ 925,822</u>	<u>\$ 925,822</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	4080-080-14-1004;4080-055-14-1002; 4080-060-14-1003
Grant Date	6/15/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 2,207,188
Percentage Completion	15.19%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	8/31/2014

Exhibit F-1d

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
STEPHEN J. GERACE ELEMENTARY SCHOOL GYMNASIUM PROJECT
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2014

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Bond Proceeds		\$ 3,350,000	\$ 3,350,000	\$ 3,350,000
Total Revenue and Other Financing Sources		3,350,000	3,350,000	3,350,000
Expenditures:				
Legal Services		12,141	12,141	12,383
Purchased Professional & Technical Services		217,748	217,748	238,500
Construction Services		954,900	954,900	2,986,567
Other Objects				112,550
Total Expenditures		1,184,789	1,184,789	3,350,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 2,165,211	\$ 2,165,211	\$ -0-

Additional Project Information:

Project Number(s)	N/A
Grant Date	N/A
Bond Authorization Date	08/29/2013
Bonds Authorized	\$ 3,350,000
Bonds Issued	\$ 3,350,000
Original Authorized Cost	\$ 3,350,000
Percentage Completion	35.37%
Original Target Completion Date	08/1/2014

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>Balance June 30, 2013</u>	<u>Issued</u>	<u>Balance Matured</u>	<u>Balance June 30, 2014</u>
Improvement of Track and Fields at Pequannock High School	\$ 2,000,000	7/12/2012	7/12/2013	0.75%	\$ 2,000,000		\$ 2,000,000	
		7/11/2013	7/11/2014	0.95%		\$ 1,440,000		\$ 1,440,000
					<u>\$ 2,000,000</u>	<u>\$ 1,440,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,440,000</u>
				Renewed Paid by Debt Service Fund		\$ 1,440,000	\$ 1,440,000	
						<u>\$ 1,440,000</u>	<u>\$ 2,000,000</u>	

PROPRIETARY FUNDS

Exhibit G-1

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 21,813
Receivable from Federal Government	2,749
Receivable from State Government	174
Receivables - Other	335
Inventory	8,759
Total Current Assets	33,830
Non-Current Assets:	
Capital Assets	93,498
Less: Accumulated Depreciation	(78,069)
Total Non-Current Assets	15,429
Total Assets	49,259
LIABILITIES:	
Current Liabilities:	
Prepaid Sales	862
Unearned Revenue	161
Accounts Payable - Vendors	8,499
Total Liabilities	9,522
NET POSITION:	
Net Investment in Capital Assets	15,429
Unrestricted	24,308
Total Net Position	\$ 39,737

Exhibit G-2

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating Revenue:	<u>Food Service</u>
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 284,853
Daily Sales - Non-Reimbursable Programs	289,215
Special Events	5,039
Miscellaneous	<u>7</u>
Total Operating Revenue	<u>579,114</u>
Operating Expenses:	
Cost of Sales	312,767
Salaries	227,111
Payroll Taxes	26,188
Employee Benefits	20,817
Purchased Property Services	32,412
Supplies and Materials	36,894
Depreciation Expense	3,751
Miscellaneous Expenditures	<u>52,676</u>
Total Operating Expenses	<u>712,616</u>
Operating Loss	<u>(133,502)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	66,673
Special Milk Program	11,281
Food Distribution Program	24,709
State Sources:	
State School Lunch Program	4,876
Local Sources:	
Interest Revenue	<u>298</u>
Total Non-Operating Revenue	<u>107,837</u>
Change in Net Position	(25,665)
Net Position - Beginning of Year	<u>65,402</u>
Net Position - End of Year	<u>\$ 39,737</u>

Exhibit G-3

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 579,406
Payments to Food Service Vendor	(643,617)
Payments to Suppliers	(23,134)
	(87,345)
Net Cash (Used for) Operating Activities	
Cash Flows from Investing Activities:	
Interest Revenue	298
	298
Net Cash Provided by Investing Activities	
Cash Flows from Noncapital Financing Activities:	
Receipt of Federal Aid	79,914
Receipt of State Aid	4,987
	84,901
Net Cash Provided by Noncapital Financing Activities	
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(16,513)
	(16,513)
Net Cash Used for Capital Financing Activities	
Net Decrease in Cash and Cash Equivalents	(18,659)
Cash and Cash Equivalents, July 1	40,472
Cash and Cash Equivalents, June 30	\$ 21,813
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (133,502)
Adjustment to Reconcile Operating Loss to Cash	
Used for Operating Activities:	
Depreciation	3,751
Federal Food Distribution Program	24,709
Changes in Assets and Liabilities:	
Decrease in Interfund Receivable	17,901
Decrease in Accounts Receivable	292
Decrease in Inventory	544
(Decrease) in Accounts Payable	(1,040)
	(87,345)
Net Cash Used for Operating Activities	\$ (87,345)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$24,870 and \$24,709, respectively, for the fiscal year ended June 30, 2014.

FIDUCIARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	Agency		Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
	Student Activity	Payroll			
ASSETS:					
Cash and Cash Equivalents	\$ 84,980	\$ 56,031	\$ 141,011	\$ 200,131	\$ 3,395
Interfund Receivable:					
Payroll Agency				29,254	
Total Assets	84,980	56,031	141,011	229,385	3,395
LIABILITIES:					
Accrued Salaries and Wages		100	100		
Accounts Payable - Vendors		418	418		
Interfund Payable:					
General Fund		3,596	3,596		
Unemployment Compensation Trust		29,254	29,254		
Payroll Deductions and Withholdings		22,663	22,663		
Due to Student Groups	84,980		84,980		
Total Liabilities	84,980	56,031	141,011		
NET POSITION:					
Held in Trust for:					
Unemployment Claims			229,385		
Flexible Spending Claims				3,395	
Scholarships					170,755
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 229,385	\$ 3,395
	\$ 170,755				\$ 170,755

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
ADDITIONS:				
Contributions - Employee	\$ 34,282	\$ 5,787		\$ 40,069
Contributions - District	50,000			50,000
Donations			\$ 3,575	3,575
Total Contributions	<u>84,282</u>	<u>5,787</u>	<u>3,575</u>	<u>93,644</u>
Investment Earnings:				
Interest	506	15	530	1,051
Net Investment Earnings	<u>506</u>	<u>15</u>	<u>530</u>	<u>1,051</u>
Total Additions	<u>84,788</u>	<u>5,802</u>	<u>4,105</u>	<u>94,695</u>
DEDUCTIONS:				
Unemployment Compensation Claims	94,393			94,393
Flexible Spending Claims		4,474		4,474
Scholarships Awarded			9,300	9,300
Total Deductions	<u>94,393</u>	<u>4,474</u>	<u>9,300</u>	<u>108,167</u>
Change in Net Position	(9,605)	1,328	(5,195)	(13,472)
Net Position - Beginning of the Year	<u>238,990</u>	<u>2,067</u>	<u>175,950</u>	<u>417,007</u>
Net Position - End of the Year	<u>\$ 229,385</u>	<u>\$ 3,395</u>	<u>\$ 170,755</u>	<u>\$ 403,535</u>

Exhibit H-3

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS:				
Cash and Cash Equivalents	\$ 77,222	\$ 312,919	\$ 305,161	\$ 84,980
Total Assets	\$ 77,222	\$ 312,919	\$ 305,161	\$ 84,980
 LIABILITIES:				
Due to Student Groups	\$ 77,222	\$ 312,919	\$ 305,161	\$ 84,980
Total Liabilities	\$ 77,222	\$ 312,919	\$ 305,161	\$ 84,980

Exhibit H-4

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2014</u>
Middle School:				
Pequannock Valley	\$ 19,407	\$ 66,085	\$ 67,907	\$ 17,585
Senior High School:				
Pequannock	56,248	242,582	231,732	67,098
Interscholastic Athletics	<u>1,567</u>	<u>4,252</u>	<u>5,522</u>	<u>297</u>
Total All Schools	<u>\$ 77,222</u>	<u>\$ 312,919</u>	<u>\$ 305,161</u>	<u>\$ 84,980</u>

Exhibit H-5

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
ASSETS:				
Cash and Cash Equivalents	\$ 53,629	\$ 23,505,426	\$ 23,503,024	\$ 56,031
Interfund Receivable - Flexible Spending Trust	<u>3,000</u>	<u> </u>	<u>3,000</u>	<u> </u>
Total Assets	<u>\$ 56,629</u>	<u>\$ 23,505,426</u>	<u>\$ 23,506,024</u>	<u>\$ 56,031</u>
 LIABILITIES:				
Accrued Salaries and Wages	\$ 100	\$ 365,908	\$ 365,908	\$ 100
Interfund Payable - General Fund	1,045	3,596	1,045	3,596
Interfund Payable - Unemployment Compensation Trust Fund	33,463	48,564	52,773	29,254
Accounts Payable - Vendors	362	418	362	418
Payroll Deductions and Withholdings	<u>21,659</u>	<u>23,086,940</u>	<u>23,085,936</u>	<u>22,663</u>
Total Liabilities	<u>\$ 56,629</u>	<u>\$ 23,505,426</u>	<u>\$ 23,506,024</u>	<u>\$ 56,031</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, 2013	Issued	Retired/ Matured	Balance June 30, 2014
			Date	Amount					
Schools Renovations & Alterations	5/5/2009	\$ 12,990,000	1/15/2015	\$ 620,000	3.500%				
			1/15/2016	640,000	3.500%				
			1/15/2017	660,000	3.750%				
			1/15/2018	680,000	4.000%				
			1/15/2019	705,000	4.000%				
			1/15/2020	725,000	4.000%				
			1/15/2021	755,000	4.000%				
			1/15/2022	780,000	4.000%				
			1/15/2023	810,000	4.250%				
			1/15/2024	845,000	4.250%				
			1/15/2025	885,000	4.250%				
			1/15/2026	920,000	4.250%				
			1/15/2027	965,000	4.250%				
			1/15/2028	1,010,000	4.375%				
			1/15/2029	1,060,000	4.375%				
						\$ 12,660,000		\$ 600,000	\$ 12,060,000
School Renovation Project	8/29/2013	3,350,000	8/12/2015	150,000	2.000%				
			8/12/2016	155,000	2.000%				
			8/12/2017	165,000	2.000%				
			8/12/2018	175,000	2.000%				
			8/12/2019	185,000	2.000%				
			8/12/2020	200,000	2.000%				
			8/12/2021	210,000	2.500%				
			8/12/2022	220,000	2.750%				
			8/12/2023	225,000	3.000%				
			8/12/2024	250,000	3.000%				
			8/12/2025	265,000	3.250%				
			8/12/2026	275,000	3.375%				
			8/12/2027	285,000	3.625%				
			8/12/2028	290,000	3.750%				
			8/12/2029	300,000	3.875%				
							\$ 3,350,000		3,350,000
						\$ 12,660,000	\$ 3,350,000	\$ 600,000	\$ 15,410,000

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOT APPLICABLE

Exhibit I-3

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 730,986		\$ 730,986	\$ 730,986	
State Sources:					
Debt Service Aid Type II	374,972		374,972	374,972	
Total Revenues	1,105,958		1,105,958	1,105,958	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	514,275		514,275	514,275	
Redemption of Principal	1,200,000		1,200,000	1,160,000	\$ 40,000
Total Regular Debt Service	1,714,275		1,714,275	1,674,275	40,000
Total Expenditures	1,714,275		1,714,275	1,674,275	40,000
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(608,317)		(608,317)	(568,317)	40,000
Other Financing Sources:					
Transfer from Capital Projects Fund:					
Unexpended Capital Projects	600,000		600,000	560,000	(40,000)
Investment Income				12,192	12,192
Total Other Financing Sources	600,000		600,000	572,192	(27,808)
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	(8,317)		(8,317)	3,875	12,192
Fund Balance, July 1	14,236		14,236	14,236	
Fund Balance, June 30	\$ 5,919	\$ -0-	\$ 5,919	\$ 18,111	\$ 12,192
<u>Recapitulation of Fund Balance at June 30, 2014:</u>					
Restricted:					
For Subsequent Year's Expenditures				\$ 5,919	
Other Purposes				12,192	
				\$ 18,111	

STATISTICAL SECTION

STATISTICAL SECTION
(UNAUDITED)

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

Contents

	<u>Exhibit</u>
<p>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.</p>	J-1 thru J-5
<p>Revenue Capacity These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p>Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p>Operating Information These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

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

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

	Fiscal Year Ending June 30,				
	2010	2011	2012	2013	2014
Governmental Activities:					
Net Investment in Capital Assets	\$ 10,576,913	\$ 7,260,551	\$ 11,386,194	\$ 11,779,227	\$ 10,897,989
Restricted	4,918,814	7,127,061	6,444,812	6,678,692	9,175,464
Unrestricted/(Deficit)	94,613	1,762,414	(580,527)	48,615	(262,823)
Total Governmental Activities Net Position	\$ 15,590,340	\$ 16,150,026	\$ 17,250,479	\$ 18,506,534	\$ 19,810,630
Business-type Activities:					
Net Investment in Capital Assets	\$ 57,596	\$ 10,804	\$ 3,947	\$ 2,667	\$ 15,429
Unrestricted	67,142	66,987	41,516	62,735	24,308
Total Business-type Activities Net Position	\$ 124,738	\$ 77,791	\$ 45,463	\$ 65,402	\$ 39,737
District-wide:					
Net Investment in Capital Assets	\$ 10,634,509	\$ 7,271,355	\$ 11,390,141	\$ 11,781,894	\$ 10,913,418
Restricted	4,918,814	7,127,061	6,444,812	6,678,692	9,175,464
Unrestricted/(Deficit)	161,755	1,829,401	(539,011)	111,350	(238,515)
Total District-wide Net Position	\$ 15,715,078	\$ 16,227,817	\$ 17,295,942	\$ 18,571,936	\$ 19,850,367

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

	Fiscal Year Ending June 30,									
Expenses:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	\$ 17,204,470	\$ 17,288,486
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	5,392,492	5,226,471
Other Special Instruction	252,758	371,834	375,639	332,834	278,841	269,116	214,625	545,078	337,613	335,517
School Sponsored Instruction	608,516	676,099	694,825	610,206	587,190	609,241	653,558	756,034	889,036	974,701
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	1,692,099	1,759,129
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	4,517,707	4,716,527
General Administration Services	830,689	924,604	960,744	802,171	764,705	581,531	861,243	944,958	809,157	794,428
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	2,435,971	1,962,188
Central Services	465,931	443,272	473,513	522,433	557,846	555,533	518,487	583,280	532,573	507,535
Administrative Information Technology	187,001	194,677	227,287	214,917	240,077	258,045	264,221	203,608	242,416	243,475
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	2,619,567	2,913,742
Pupil Transportation	783,266	873,065	960,427	1,062,808	953,110	1,037,114	1,085,095	1,008,460	962,456	1,085,674
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	532,914	504,650
Unallocated Depreciation	214,850	211,393	58,844	350,936	173,464	102,931				
Capital Outlay					23,208	184,295				2,793
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	38,168,471	38,315,316
Business-type Activities:										
Food Service	529,117	592,744	599,184	637,106	694,376	729,498	699,178	710,854	667,338	712,616
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	667,338	712,616
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	38,835,809	39,027,932
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	91,630	267,488	268,650	182,523	285,191	280,000	290,475	282,211	403,512	306,786
Pupil Transportation		29,896	40,736	36,646	47,076	32,987	35,429	25,755	22,073	13,505
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	6,057,351	5,680,108
Capital Grants and Contributions	398,103	294,886	189,811		4,144					
Total Governmental Activities Program Revenues	5,281,755	5,711,215	6,780,235	6,589,009	5,362,211	4,956,794	5,208,044	6,021,162	6,482,936	6,000,399

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenues:										
Business-type Activities:										
Charges for Services:										
Food Service	\$ 464,926	\$ 545,794	\$ 545,607	\$ 553,105	\$ 625,291	\$ 628,289	\$ 605,068	\$ 587,050	\$ 586,355	\$ 579,114
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	100,690	107,539
Total Business-type Activities Program Revenues	529,020	606,175	679,139	683,356	711,274	726,401	695,254	678,294	687,045	686,653
Total District-wide Program Revenues	5,810,775	6,317,390	7,459,374	7,272,365	6,073,485	5,683,195	5,903,298	6,699,456	7,169,981	6,687,052
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)	(31,685,535)	(32,314,917)
Business-Type Activities	(97)	13,431	45,477	(7,789)	(12,610)	(3,097)	(7,293)	(32,560)	19,707	(25,963)
Total District-wide Net (Expense)/Revenue	(24,861,974)	(26,459,282)	(27,977,352)	(29,299,060)	(30,281,379)	(31,430,755)	(32,126,657)	(31,992,781)	(31,665,828)	(32,340,880)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	23,931,328	25,186,576	27,271,858	28,377,446	29,453,628	30,448,340	30,946,682	30,946,682	30,921,682	31,150,449
Taxes Levied for Debt Service	1,230,445	695,424	979,346	977,709	345,474	603,675	893,390	769,537	714,845	730,986
Unrestricted Grants and Contributions	923,481	926,761	923,283	1,186,084	1,335,400	1,185,186	632,616	975,672	1,055,622	1,107,834
Investment Earnings	124,944	153,273	218,547	20,452	60,735	123,748	15,201	11,117	10,888	19,133
Miscellaneous Income	139,496	76,441	131,195	301,961	411,239	101,484	191,161	357,666	289,936	610,611
Transfers	(47,115)	(47,605)	(51,752)	(51,700)	(56,758)	(55,554)				
Total Governmental Activities General Revenues & Other Changes in Net Position	26,302,579	26,990,870	29,472,477	30,811,952	31,549,718	32,406,879	32,679,050	33,060,674	32,992,973	33,619,013
Business-type Activities:										
Investment Earnings	1,424	2,296	3,773	3,153	2,117	544	281	232	232	298
Capital Adjustments							(39,935)			
Total Business-type Activities General Revenues & Other Changes in Net Position	1,424	2,296	3,773	3,153	2,117	544	(39,654)	232	232	298
Total District-wide General Revenues & Other Changes in Net Position	26,304,003	26,993,166	29,476,250	30,815,105	31,551,835	32,407,423	32,639,396	33,060,906	32,993,205	33,619,311
Change in Net Position:										
Governmental Activities	1,440,702	518,157	1,449,648	1,520,681	1,280,949	979,221	559,686	1,100,453	1,307,438	1,304,096
Business-type Activities	1,327	15,727	49,250	(4,636)	(10,493)	(2,553)	(46,947)	(32,328)	19,939	(25,665)
Total Districtwide Change in Net Position	\$ 1,442,029	\$ 533,884	\$ 1,498,898	\$ 1,516,045	\$ 1,270,456	\$ 976,668	\$ 512,739	\$ 1,068,125	\$ 1,327,377	\$ 1,278,431

Source: Pequannock Township School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	\$ 4,704,299	\$ 5,591,955
Assigned							1,074,876	945,272	1,780,852	928,189
Unassigned							960,563	937,516	744,819	614,034
Total General Fund	\$2,994,061	\$2,898,304	\$3,412,784	\$4,131,297	\$ 5,426,323	\$5,200,326	\$5,595,456	\$6,306,570	\$ 7,229,970	\$ 7,134,178
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	\$ 1,974,393	\$ 3,583,479
Committed							310,785			42,947
Unassigned/(Deficit)								(2,000,000)	(2,000,000)	(1,440,000)
Total Other Governmental Funds	\$ 480,163	\$ 30,218	\$ 25,125	\$ 38,544	\$11,101,669	\$4,356,688	\$3,877,829	\$ 21,030	\$ (25,607)	\$ 2,186,426
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	\$ 6,678,692	\$ 9,175,434
Committed							310,785			42,947
Assigned							1,074,876	945,272	1,780,852	928,189
Unassigned/(Deficit)							960,563	(1,062,484)	(1,255,181)	(825,966)
Total Governmental Funds	\$3,474,224	\$2,928,522	\$3,437,909	\$4,169,841	\$16,527,992	\$9,557,014	\$9,473,285	\$6,327,600	\$ 7,204,363	\$ 9,320,604

Source: Pequannock Township School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
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	\$ 31,636,527	\$ 31,881,435
Tuition Charges	91,630	267,488	268,650	182,523	285,191	280,000	290,475	282,211	403,512	306,786
Transportation Fees		29,896	40,736	36,646	47,076	32,987	35,429	25,755	22,073	13,505
Interest Earnings	124,944	153,273	218,547	4,974	60,735	128,873	15,201	11,117	10,888	19,133
Budget Appropriation										560,000
Miscellaneous	139,496	76,441	131,195	317,439	411,239	102,431	198,925	391,362	292,215	612,171
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	6,532,314	6,201,643
Federal Sources	512,009	545,701	609,786	616,032	556,895	779,890	861,168	929,011	578,380	584,739
Total Revenues	31,631,449	32,749,690	36,304,464	37,452,661	36,968,687	37,419,227	37,887,094	39,081,836	39,475,909	40,179,412
Expenditures:										
Instruction:										
Regular Instruction	11,108,817	11,518,695	11,747,591	11,449,389	12,022,672	12,226,259	11,586,205	11,870,278	11,657,999	12,081,988
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	3,841,303	3,581,397
Other Special Instruction	189,847	266,918	254,660	231,072	273,841	262,115	203,088	257,122	213,635	207,555
School Sponsored Instruction	477,659	505,943	502,435	608,428	606,745	609,241	653,558	658,558	652,332	717,004
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	1,692,099	1,759,129
Student/Instruction-related Serv.	3,048,266	3,069,438	3,003,943	3,291,953	3,349,465	3,485,508	3,145,187	3,343,587	3,342,701	3,488,489
General Administration	742,176	834,527	890,125	749,471	643,909	660,728	740,097	738,003	725,016	696,628
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	1,621,245	1,298,532
Central Services	346,235	360,507	368,803	396,948	415,313	445,747	420,510	430,495	432,548	403,781
Administrative Info. Technology	140,355	158,647	185,528	184,078	187,711	199,071	198,838	182,371	191,793	197,617
Plant Operations/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	2,229,504	2,482,717
Pupil Transportation	713,748	814,863	897,050	977,462	880,920	956,396	896,063	861,911	758,934	881,959

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	\$ 9,356,959	\$ 9,175,145
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	769,666	2,766,955
Debt Service:										
Principal	965,000	970,000	1,000,000	1,035,000	450,000	470,000	740,000	555,000	575,000	1,160,000
Interest & Other Charges	212,043	201,334	167,183	131,948	104,550	481,275	591,275	561,700	538,412	514,275
Total Expenditures	<u>29,579,271</u>	<u>33,247,787</u>	<u>35,743,325</u>	<u>36,669,029</u>	<u>37,543,778</u>	<u>44,334,651</u>	<u>37,970,823</u>	<u>42,227,521</u>	<u>38,601,159</u>	<u>41,413,171</u>
Other Financing Sources (Uses):										
Bond Proceeds					12,990,000					3,350,000
Transfers In	2,959,519	2,059	30,133		51,860	416,798	12,499	183,956	45,918	780,928
Transfers Out	(3,871,200)	(49,664)	(81,885)	(51,700)	(108,618)	(472,352)	(12,499)	(183,956)	(45,918)	(780,928)
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>				<u>3,350,000</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>	<u>\$ 874,750</u>	<u>\$ 2,116,241</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%	2.94%	4.33%

Exhibit J-5

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
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
2013	23,944	22,073	403,512	93,377	177,585	720,491
2014	6,941	13,505	306,786	114,802	495,809 *	937,843

* - Includes Township contribution of \$217,028 for Capital Projects

Source: Pequannock Township School District records.

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

Year Ended Dec. 31,	Vacant Land	Residential	Farm Regular	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$10,933,100	\$ 915,095,300	\$5,392,300	\$ 307,853	\$140,427,100	\$13,642,000	\$76,238,600	\$ 1,162,036,253	\$1,475,100	\$ 1,163,511,353	\$119,964,500	\$ 2.10	\$1,839,053,629
2005	10,448,700	923,347,600	6,325,900	294,247	142,716,500	13,642,000	87,568,100	1,184,343,047	1,263,484	1,185,606,531	119,403,100	2.17	2,093,119,341
2006 *	21,728,100	2,221,857,000	12,415,300	107,700	256,253,900	23,322,300	219,494,400	2,755,178,700	2,051,300	2,757,230,000	229,964,700	0.98	2,379,505,973
2007	21,088,900	2,224,782,400	11,812,300	107,700	257,880,100	24,111,400	263,282,000	2,803,064,800	2,106,955	2,805,171,755	231,893,300	1.03	2,752,270,375
2008	22,344,500	2,238,253,800	12,825,200	113,700	235,470,600	46,101,500	333,506,000	2,888,615,300	2,289,198	2,890,904,498	232,288,200	1.03	2,900,519,174
2009	22,344,500	2,238,253,800	12,825,200	113,700	235,471,600	46,101,500	333,506,000	2,888,616,300	2,289,198	2,890,905,498	232,288,200	1.05	2,865,854,019
2010	21,609,300	2,238,991,100	12,816,700	113,600	228,937,900	57,197,700	331,749,200	2,891,415,500	2,251,791	2,893,667,291	233,114,600	1.08	2,861,499,098
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
2012 *	16,402,100	1,748,542,800	10,998,100	112,300	220,119,900	57,596,400	362,017,600	2,415,789,200	-0-	2,415,789,200	208,922,100	1.32	2,752,759,083
2013	16,303,400	1,749,125,700	10,840,900	102,500	223,697,800	57,757,900	361,867,600	2,419,695,800	-0-	2,419,695,800	210,213,800	1.31	2,484,542,355

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 and 2012.

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

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

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 ^a	General Obligation Debt Service ^b	Total Direct	Pequannock Township	Morris County	
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
2012	* 1.29	* 0.03	* 1.32	* 0.50	* 0.28	2.10
2013	1.28	0.03	1.31	0.50	0.26	2.07

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 and 2012.

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

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

Source: Pequannock Township Tax Collector and School Business Administrator.

Exhibit J-8

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

Taxpayer	2013			2004		
	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%	\$ 74,200,500	1	6.38%
Plaza 23 Associates	24,446,100	2	0.85%	17,011,800	2	1.46%
West End Road Associates	7,280,000	3	0.25%	4,800,000	3	0.41%
New EKC Corporation	6,633,400	4	0.23%	3,488,300	6	0.30%
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%	3,250,000	8	0.28%
Romont Corporate	5,027,000	8	0.17%			
Panraq Associates	4,650,500	9	0.16%			
Adventure Holdings	4,596,000	10	0.16%			
Virginia Industries, LLC				2,700,000	9	0.23%
Marx Realty				4,000,000	4	0.34%
Edwards Engineering				3,500,000	5	0.31%
Pequannock Motel Associates				3,387,300	7	0.29%
Individual Taxpayer #1				2,603,200	10	0.22%
Total	<u>\$428,491,400</u>		<u>15.54%</u>	<u>\$ 118,941,100</u>		<u>10.22%</u>

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

Source: Pequannock Township Tax Assessor.

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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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 -
2013	31,636,527	31,556,527	99.75%	80,000
2014	31,881,435	31,881,335	100.00%	100

^a - School taxes are collected by the Municipal Tax Collector. Under New Jersey State statute, a municipality is required to remit to the school district the entire property tax balance in the amount voted upon or certified prior to the end of the school year.

Source: Pequannock Township School District records, including the Certificate and Report of Report of School Taxes (A4F form).

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

Year Ended June 30,	Governmental Activities				Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	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	1.36%	974.98
2013	12,660,000	- 0 -	2,000,000	- 0 -	14,660,000	1.31%	941.86
2014	15,410,000		1,440,000		16,850,000	1.45%	1,077.23

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

^a - See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Source: Pequannock Township School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Net General Bonded Debt Outstanding	Percentage of Net Valuation Taxable ^a	Per Capita ^b
	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	0.526%	974.98
2013	12,660,000	2,000,000	-0-	14,660,000	0.508%	941.86
2014	15,410,000	1,440,000	-0-	16,850,000	0.697%	1,077.23

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

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

^b - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Exhibit J-12

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2013
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Pequannock Township	\$ 14,623,500	100.00%	\$ 14,623,500
Morris County General Obligation Debt	246,098,950	3.14%	<u>7,731,203</u>
Subtotal Overlapping Debt			22,354,703
Pequannock Township School District Direct Debt			<u>16,850,000</u>
Total Direct and Overlapping Debt			<u>\$ 39,204,703</u>

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

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

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

Exhibit J-13

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Debt Limit	\$ 72,087,334	\$ 81,746,500	\$ 94,109,547	\$ 104,309,795	\$ 111,423,919
Total Net Debt Applicable to Limit	3,710,000	3,310,000	2,895,000	2,460,000	15,000,000
Legal Debt Margin	<u>\$ 68,377,334</u>	<u>\$ 78,436,500</u>	<u>\$ 91,214,547</u>	<u>\$ 101,849,795</u>	<u>\$ 101,849,795</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.15%	4.05%	3.08%	2.36%	13.46%

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt Limit	\$ 113,462,340	\$ 112,594,702	\$ 111,177,615	\$ 106,140,352	\$ 102,652,324
Total Net Debt Applicable to Limit	13,790,000	13,790,000	15,235,000	14,660,000	16,850,000
Legal Debt Margin	<u>\$ 96,423,919</u>	<u>\$ 99,672,340</u>	<u>\$ 98,804,702</u>	<u>\$ 91,480,352</u>	<u>\$ 85,802,324</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.15%	12.25%	13.70%	13.81%	16.41%

Legal Debt Margin Calculation for Fiscal Year 2014

	Year Ended December 31,	Equalized Valuation Basis
	2011	2,742,733,470
	2012	2,471,648,455
	2013	2,484,542,355
		<u>\$ 7,698,924,280</u>
Average Equalized Valuation of Taxable Property		<u>\$ 2,566,308,093</u>
Debt Limit (4% of Average Equalization Value) ^a		\$ 102,652,324
Net Bonded School Debt		16,850,000
Legal Debt Margin		<u>\$ 85,802,324</u>

^a - Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts.

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey,
Department of Treasury, Division of Taxation.

Exhibit J-14

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

Year	Township Population ^a	Morris County Per Capita Personal Income ^b	Township Personal Income ^c	Township Unemployment Rate ^d
2005	15,312	\$ 62,260	\$ 953,325,120	3.70%
2006	15,774	66,827	1,054,129,098	4.00%
2007	16,376	69,900	1,144,682,400	3.60%
2008	16,716	71,990	1,203,384,840	4.80%
2009	16,730	67,544	1,130,011,120	8.20%
2010	15,553	68,725	1,068,879,925	8.20%
2011	15,626	71,933	1,124,025,058	8.00%
2012	15,565	74,057	1,152,697,205	8.30%
2013	15,642	74,057 *	1,158,399,594	5.60%
2014	15,642 **	74,057 *	1,158,399,594	N/A

* - Latest Morris County per capita personal income available (2012) was used for calculation purposes.

** - Latest Pequannock Township population available (2013) was used for calculation purposes.

N/A - Not Available

Source:

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

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

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

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

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

Employer	2014		Employer	2005	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Novartis	6,200	2.29%	Information is Not Available		
Picatinny Arsenal	5,841	2.16%			
Atlantic Health System	5,576	2.06%			
ADP	1,947	0.72%			
County of Morris	1,838	0.68%			
Saint Claire's	1,662	0.61%			
Wyndham Worldwide Corporation	1,546	0.57%			
BASF Corporation	1,500	0.55%			
Accenture	1,498	0.55%			
Chilton Memorial	1,440	0.53%			
Total	<u>29,048</u>	<u>10.75%</u>			
Total County Labor Force	<u>270,282</u>				

Source: Morris County Treasurer's Office.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN 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>	<u>2013</u>	<u>2014</u>
Instruction:										
Regular	173.02	176.90	175.43	176.74	166.64	165.63	160.00	158.80	161.69	158.50
Special Education	53.28	57.40	58.66	60.40	63.90	63.90	66.40	66.20	62.30	65.50
Support Services:										
Student/Instruction-Related	37.25	37.25	40.45	38.20	41.84	41.84	40.30	43.90	47.56	39.90
General Administration	6.00	4.00	5.00	4.50	4.00	4.00	2.00	2.00	3.00	3.00
School Administration	18.85	18.85	15.85	18.85	19.35	19.35	18.40	18.00	19.00	16.50
Plant Operations/Maintenance	22.50	22.50	21.00	25.00	24.50	24.50	23.50	23.00	22.00	21.00
Pupil Transportation	4.50	4.50	5.50	6.00	5.50	5.50	4.50	5.00	3.97	4.70
Business & Other Support	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.00	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>	<u>326.52</u>	<u>317.10</u>

Source: Pequannock Township School District Personnel Records.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Costs Per Pupil ^b	% Change	Teaching Staff ^c	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% 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%
2013	2,264	36,718,081	16,218	0.25%	226	12.2:1	9.5:1	10.7:1	9.1:1	9.9:1	2,261	2,167	0.18%	95.84%
2014	2,256	36,971,941	16,388	1.05%	193	13.5:1	10.5:1	12.3:1	11.2:1	12.1:1	2,249	2,207	-0.53%	98.13%

Note: Enrollment based on annual October District count.

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

^b - 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.

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

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

Source: Pequannock Township School District records.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN 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>	<u>2013</u>	<u>2014</u>
Hillview School (1962):										
Square Feet	45,005	45,005	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	360	360
Enrollment	377	366	373	375	372	367	385	373	351	349
North Boulevard School (1954):										
Square Feet	45,902	45,902	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	367	367
Enrollment	386	399	394	391	374	337	301	301	307	305
Stephen J. Gerace School (1969):										
Square Feet	34,834	34,834	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	278	278
Enrollment	337	364	340	325	329	324	304	305	285	291
Pequannock Valley Middle School (1950):										
Square Feet	84,754	84,754	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	632	632
Enrollment	615	612	597	557	578	619	606	570	557	557
Pequannock High School (1957):										
Square Feet	130,547	130,547	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	864	864
Enrollment	798	782	774	784	772	735	734	708	749	739
Board Office:										
Square Feet	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700

Number of Schools at June 30, 2014:

- 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.

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:

<u>Fiscal Year Ended</u>	<u>Hillview Elementary School</u>	<u>North Boulevard Elementary School</u>	<u>Stephen J. Gerace Elementary School</u>	<u>Pequannock Valley Middle School</u>	<u>Pequannock High School</u>	<u>Total School Facilities*</u>
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	246,625	646,138
2013	44,013	61,680	43,136	121,392	161,275	431,496
2014	49,973	84,302	53,328	118,506	170,516	476,625

* - 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
1 of 2

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2014
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
ZURICH Insurance Company Package Policy		
Property – Blanket Building & Contents	\$ 65,906,342	\$ 5,000
Commercial General Liability (each occurrence)	1,000,000	
Crime & Fidelity Coverage – Employee theft	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 Insurance		
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 Automobile Liability	1,000,000	1,000
Boiler and Machinery	100,000,000	1,000
Equipment Breakdown Protection	100,000,000	5,000
Commercial Umbrella Liability Policy		
Occurrence	9,000,000	
Aggregate	9,000,000	
Products/Completed Operations Aggregate	9,000,000	
Casualty Business Crisis Aggregate Limit	250,000	
Retained Limit per occurrence		10,000
DARWIN Insurance Company		
School Board Legal Liability		
Educators Errors and Omissions Liability	1,000,000	15,000
Employment Practices Liability	1,000,000	15,000
Public Officials Bonds		
Treasurer	275,000	
Board Secretary/Business Administrator	275,000	
ACE Insurance Company		
Environmental Impairment Liability - Public/Education Entity Pollution Liability		
Each occurrence	1,000,000	25,000
Aggregate	10,000,000	
Excess Liability Policy - Fireman's Fund		
Each occurrence	50,000,000	
Aggregate	50,000,000	
Student Accident		
Voluntary Students - maximum benefit Berkeley Accident & Health Insurance Company	500,000	
All Athletes - Arch Insurance Company	5,000,000	
Catastrophic Cash Benefit	1,000,000	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2014
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
XL Insurance Group - Cyber Liability		
Each Claim	\$ 1,000,000	\$ 25,000
Policy Aggregate	3,000,000	
Workers Compensation (WC) - Self Insured PIP-NJ	1,000,000	
Excess WC - Safety National Statutory Limits Employer's Liability	1,000,000	

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

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*

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, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), 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 "District") as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 District'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nisivoccia, LLP

Mount Arlington, New Jersey
August 22, 2014

NISIVOCCIA, LLP

Kathryn L. Mantell

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
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Report on Compliance For Each Major Federal and State Program;
 Report on Internal Control Over Compliance Required by OMB Circular A-133
 and New Jersey's OMB Circular 04-04

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Pequannock Township School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major federal and state programs for the year ended June 30, 2014. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circular 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 District'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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

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

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

Nisivoccia, LLP

Mount Arlington, New Jersey
August 22, 2014

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, 2014

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at	Cash Received	Budgetary Expenditures	Balance at	
					June 30, 2013			Budgetary Accounts Receivable	Budgetary Accounts Receivable
U.S. Department of Education Passed-through State Department of Education:									
Special Revenue Fund:									
IDEA Special Education Cluster:									
I.D.E.A. Part B, Basic	84.027	IDEA408014	7/1/13-6/30/14	\$ 489,815		\$ 430,770	\$ (474,370)	\$ (43,600)	
I.D.E.A. Part B, Basic	84.027	IDEA408013	9/1/12-8/31/13	524,816	\$ (28,786)	57,475	(29,208)	(519)	
I.D.E.A. Part B, Preschool	84.173	IDEA408014	7/1/13-6/30/14	14,375		8,754	(14,375)	(5,621)	
I.D.E.A. Part B, Preschool	84.173	IDEA408013	9/1/12-8/31/13	16,228	(7,661)	11,384	(3,843)	(120)	
Total IDEA Special Education Cluster					(36,447)	508,383	(521,796)	(49,860)	
No Child Left Behind Consolidated Grant:									
Title I	84.010A	NCLB408014	9/1/13-8/31/14	33,900		9,174	(18,450)	(9,276)	
Title I	84.010A	NCLB408013	9/1/12-8/31/13	50,796	(2,808)	29,783	(26,975)		
Title II, Part A	84.367A	NCLB408014	9/1/13-8/31/14	29,247		25,786	(26,887)	(1,101)	
Title II, Part A	84.367A	NCLB408013	9/1/12-8/31/13	41,373	(9,840)	10,600	(760)		
ARRA - Race to the Top	84.395	N/A	9/1/11-11/30/15	2,337		2,337	(2,337)		
Total Special Revenue Fund					(49,095)	586,063	(597,205)	(60,237)	
Total U.S. Department of Education					(49,095)	586,063	(597,205)	(60,237)	
U.S. Department of Agriculture Passed-through State Department of Agriculture:									
Child Nutrition Cluster:									
Special Milk Program	10.556	N/A	7/1/13-6/30/14	\$ 11,281		\$ 10,932	\$ (11,281)	\$ (349)	
Special Milk Program	10.556	N/A	7/1/12-6/30/13	14,877	\$ (958)	958			
Food Distribution Program	10.555	N/A	7/1/13-6/30/14	24,870		24,870	(24,709)		\$ 161
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	66,673		64,273	(66,673)	(2,400)	
National School Lunch Program	10.555	N/A	7/1/12-6/30/13	64,425	(3,751)	3,751			
Total U. S. Department of Agriculture/Child Nutrition Cluster					(4,709)	104,784	(102,663)	(2,749)	161
Total Federal Awards					\$ (53,804)	\$ 690,847	\$ (699,868)	\$ (62,986)	\$ 161

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, 2014

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2013		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2014		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education												
General Fund:												
Categorical Special Education Aid	14-495-034-5120-089	7/1/13 - 6/30/14	\$ 1,404,955			\$ 1,271,164	\$ (1,404,955)				\$ (133,791)	\$ 1,404,955
Equalization Aid	14-495-034-5120-078	7/1/13 - 6/30/14	421,118			381,016	(421,118)				(40,102)	421,118
Categorical Security Aid	14-495-034-5120-084	7/1/13 - 6/30/14	33,937			30,705	(33,937)				(3,232)	33,937
School Choice Aid	14-495-034-5120-085	7/1/13 - 6/30/14	165,096			149,374	(165,096)				(15,722)	165,096
Categorical Transportation Aid	14-495-035-5120-014	7/1/13 - 6/30/14	39,803			36,013	(39,803)				(3,790)	39,803
Extraordinary Aid	14-100-034-5120-473	7/1/13 - 6/30/14	362,855				(362,855)		\$ (362,855)		(362,855)	362,855
Adjustment Aid	14-495-034-5120-085	7/1/13 - 6/30/14	75,319			68,147	(75,319)				(7,172)	75,319
Additional Nonpublic Transportation Aid	14-495-034-5120-014	7/1/13 - 6/30/14	16,974				(16,974)			(16,974)	(16,974)	16,974
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13 - 6/30/14	1,170,186			1,165,640	(1,170,186)			(4,546)	(4,546)	1,170,186
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12 - 6/30/13	1,215,223	\$ (179,785)		179,785						1,215,223
Categorical Special Education Aid	13-495-034-5120-089	7/1/12 - 6/30/13	1,412,653	(131,265)		131,265						1,412,653
Equalization Aid	13-495-034-5120-078	7/1/12 - 6/30/13	623,805	(57,964)		57,964						623,805
Categorical Security Aid	13-495-034-5120-084	7/1/12 - 6/30/13	33,391	(3,103)		3,103						33,391
Categorical Transportation Aid	13-495-035-5120-014	7/1/12 - 6/30/13	70,379	(6,540)		6,540						70,379
Extraordinary Aid	13-100-034-5120-473	7/1/12 - 6/30/13	363,080	(363,080)		363,080						363,080
Additional Nonpublic Transportation Aid	13-495-034-5120-014	7/1/12 - 6/30/13	16,298	(16,298)		16,298						16,298
Total General Fund				(758,035)		3,860,094	(3,690,243)			(384,375)		7,425,072
Special Revenue Fund:												
New Jersey Nonpublic Aid:												
Handicapped Services:												
Examination and Classification	14-100-034-5120-066	7/1/13 - 6/30/14	48,571			48,571	(47,933)			\$ 638		48,571
Supplementary Instruction	14-100-034-5120-066	7/1/13 - 6/30/14	33,859			33,859	(33,654)			205		33,859
Corrective Speech	14-100-034-5120-066	7/1/13 - 6/30/14	29,139			29,139	(28,514)			625		29,139
Textbook Aid	14-100-034-5120-064	7/1/13 - 6/30/14	23,421			23,421	(23,421)					23,421
Technology Initiative	14-100-034-5120-373	7/1/13 - 6/30/14	8,540			8,540	(8,540)					8,540
Nursing Services	14-100-034-5120-070	7/1/13 - 6/30/14	33,582			33,582	(33,582)					33,582
Auxiliary Services:												
Compensatory Education	14-100-034-5120-067	7/1/13 - 6/30/14	57,351			57,351	(53,928)			3,423		53,928
English as a Second Language	14-100-034-5120-067	7/1/13 - 6/30/14	1,746			1,746				1,746		1,746
Handicapped Services:												
Supplementary Instruction	13-100-034-5120-066	7/1/12 - 6/30/13	32,056		\$ 3,472			\$ (3,472)				28,584
Corrective Speech	13-100-034-5120-066	7/1/12 - 6/30/13	29,060		312			(312)				28,748
Anti-Bullying Aid	14-100-034-5120-067	7/1/13 - 6/30/14	558			558	(558)					558
Total Special Revenue Fund					3,784	236,767	(230,130)	(3,784)		6,637		290,676
Debt Service Fund:												
Debt Service Aid	14-100-034-5120-075	7/1/13 - 6/30/14	374,972			374,972	(374,972)					374,972
Total Debt Service Fund						374,972	(374,972)					374,972
Total New Jersey Department of Education				(758,035)	3,784	4,471,833	(4,295,345)	(3,784)	(384,375)	6,637	(588,184)	8,090,720

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2013		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2014		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Agriculture:												
Enterprise Fund:												
State School Lunch Program	14-100-010-3350-023	7/1/13 - 6/30/14	\$ 4,876			\$ 4,702	\$ (4,876)		\$ (174)		\$ (174)	\$ 4,876
State School Lunch Program	13-100-010-3350-023	7/1/12 - 6/30/13	5,051	\$ (285)		285						5,051
Total Enterprise Fund				(285)		4,987	(4,876)		(174)		(174)	9,927
Total New Jersey Department of Agriculture				(285)		4,987	(4,876)		(174)		(174)	9,927
Total State Awards				\$ (758,320)	\$ 3,784	\$ 4,476,820	\$ (4,300,221)	\$ (3,784)	\$ (384,549)	\$ 6,637	\$ (588,358)	\$ 8,100,647

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, 2014

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, 2014. 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 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 position 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 net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$4,937) for the general fund and (\$17,773) for the special revenue fund (of which \$5,307 is attributable to the District's local grants). See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension and Post-Retirement Medical Contributions revenue of \$724,056 and \$1,187,179, 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, 2014
(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 5,596,541	\$ 5,596,541
Special Revenue Fund	\$ 584,739	230,130	814,869
Debt Service Fund		374,972	374,972
Proprietary Fund - Food Service Enterprise Fund	<u>102,663</u>	<u>4,876</u>	<u>107,539</u>
Total Financial Assistance	<u>\$ 687,402</u>	<u>\$6,206,519</u>	<u>\$ 6,893,921</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2014. 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, 2014

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circular 04-04*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 04-04 or Section 510(a) of Federal OMB Circular A-133.
- The District's programs tested as major state programs for the current fiscal year consisted of the following awards:

	<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	7/1/13-6/30/14	\$ 489,815	\$ 474,370
Basic Regular	84.027	9/1/12-8/31/13	524,816	29,208
Preschool	84.173	7/1/13-6/30/14	14,375	14,375
Preschool	84.173	9/1/12-8/31/13	16,228	3,843
<u>State:</u>				
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13-6/30/14	1,170,186	1,170,186

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Summary of Auditors' Results (Cont'd):

- The threshold used for distinguishing Type A and Type B federal and state programs was \$300,000.
- The District was determined to be a "low-risk" auditee for federal and state programs.

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, 2014

Status of Prior Year Findings:

The District had no prior year audit findings.