

**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, 2015**

**Comprehensive Annual
Financial Report**

of the

**Pequannock Township School District
Board of Education**

Pequannock, New Jersey

For the Fiscal Year Ended June 30, 2015

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

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 Interim Business Administrator/Board Secretary
 Anthony.Mistretta@pequannock.org

November 19, 2015

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, 2015, 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 Circulars 04-04 and 15-08, *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 Pre-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, 2014 was 2,234 students, which is 15 students below the previous year's enrollment and represents a decrease of 0.67%.

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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 2014-15 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 during the 2014-2015 school year. Districtwide staff articulation meetings were scheduled to provide collaboration time to ensure vertical and horizontal articulation consistency/alignment and progression of skills and strategies Grades Pre-K-12.

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 was provided to train our staff in the Wilson reading System. This training enables our special education teachers and reading specialists to offer multisensory, interactive reading instruction to struggling readers and students with disabilities. All K-2 elementary staff were trained in Foundations to bring multisensory, explicit structured language instruction to the K-2 classroom for all students.

The middle school Social Studies and Mathematics curricula were also reviewed and revised to meet the Common Core Standards and the NJ model curriculum. The curricula were modified to fill the instructional gaps as students’ transition to the CCSS Chrome books and electronic resources were purchased and professional development opportunities were offered to increase student achievement through electronic resources and technology-based instruction.

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The high school program of study was extended to add STEM (Science, Technology, Engineering and Mathematics) electives including Robotics, Engineering and AP Computer Science. The three new STEM labs were designed and built to accommodate the implementation and expanded the program of studies including a STEM Academy for the 2015-2016 school year. Supplies were purchased to support the STEM initiative of these new courses. Additional high school courses were also revised and added to enhance student achievement including Italian, Anatomy and Physiology, CAD and other electives.

The materials and electric/printed resources in the high school media center were updated to be a more effective support for the teaching and learning process for our students and staff. This was designed to promote research and an increase in the usage of the facility by the staff and students. Over 500 Chromebooks and other technology devices were purchased districtwide to allow our students greater access to technology instruction and for use during PARCC online assessments.

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. These practices will also ensure that our students are prepared for college and the 21st century workforce through encouragement of teamwork, complex thinking skills and well-rounded programs of study.

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 District’s website has been upgraded to become more user-friendly and interactive, and the District continually reviews the website to ensure that it is accomplishing this goal. 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. Board Highlights are posted on the website the day after a Board Meeting and outlines the major action taken by the Board. The administration uses the Honeywell Alert System to stay in touch with the parents on important issues. Power point presentations and letters from the Interim Superintendent posted to the District website have also enhanced the communication with the community. The Interim Superintendent meets monthly with the Home School Association Leadership from all 5 schools to discuss pertinent issues.

The Honorable President and Members of
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Finance and Facilities: The Pequannock Township School District continues to upgrade its facilities. Throughout the 2014-15 school year, the District completed a number of capital projects including roofing projects at North Boulevard, Hillview, and Pequannock Valley Middle School. Parking lot reconfigurations and resurfacing occurred at North Boulevard and Stephen J. Gerace. The sewer hookup at Pequannock Valley Middle School was completed, and the septic tanks were drained and filled with sand. The construction of the new gymnasium at Stephen J. Gerace which began in early 2014 was completed by October 2014. Roof replacement project at Stephen J. Gerace is scheduled to begin after the dismissal of students for summer break. These projects were partially funded by the New Jersey Schools Development Authority Grant Program. The contract to install a security card access system at the District schools began and should be completed during the summer. The Pequannock Township High School Media Center received a facelift with new furniture, computers and reconfiguration/installation of the stacks. The room off of the Media Center was divided and increased the number of computers available for the staff and students.

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, 2015.

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.

The Honorable President and Members of
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Pequannock Township School District
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November 19, 2015

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.

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 Circulars 04-04 and 15-08, *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,

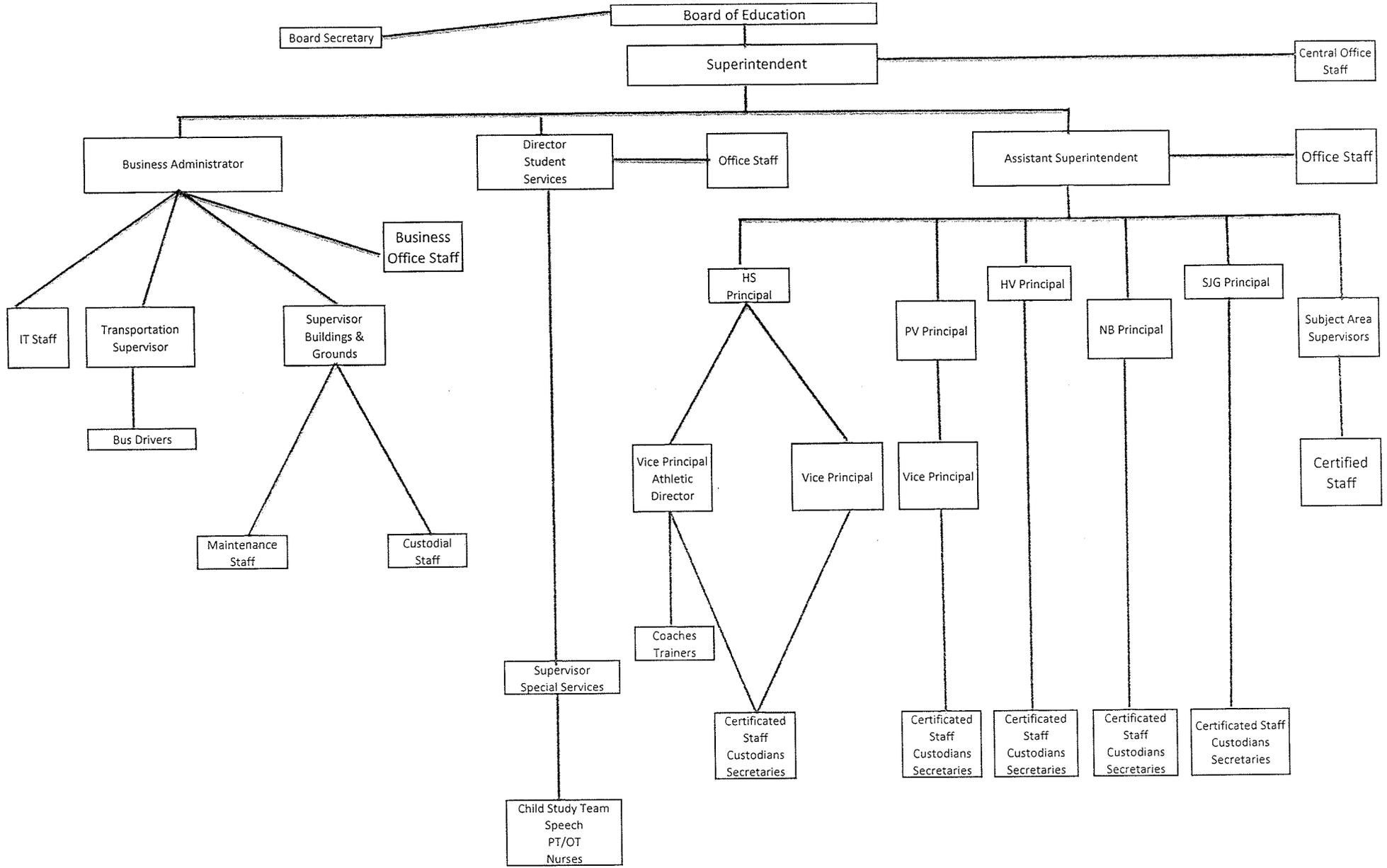


Maria Nuccetelli, Ed.D.
Interim Superintendent of Schools



Anthony J. Mistretta
Interim Business Administrator/Board Secretary

Pequannock Township Public Schools
Organizational Chart



**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2015**

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

Other Officials

Title

Maria Nuccetelli, Ed.D.	Interim 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.
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Clark, NJ 07066

Audit Firm

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Mount Arlington Corporate Center
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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, 2015, 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
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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, 2015, 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.

Emphasis of Matter

As discussed in Note 9 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 17 to the basic financial statements.

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, the required supplementary information pension schedules 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 Circulars 04-04 and 15-08, *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 Honorable President and Members
of the Board of Education
Pequannock Township School District
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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 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.

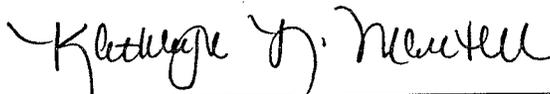
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015 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
November 19, 2015



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, 2015
(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, 2015. 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 \$770,223 during the year.
- Overall revenue was \$45,159,350 – \$44,499,345 from governmental activities and \$660,005 from business-type activities.
- Overall expenses were \$44,389,127 – \$43,758,688 from governmental activities and \$630,439 from business-type activities.
- The District expended \$4,624,457 during the fiscal year for capital projects (\$3,732,655 from the capital projects fund and \$894,802 from its capital outlay budget, and transferred \$5,795,381 from construction in progress to depreciable capital assets for the completion of the roof replacement projects at the elementary and middle schools and the gymnasium project at Stephen J. Gerace elementary school.

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.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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.

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

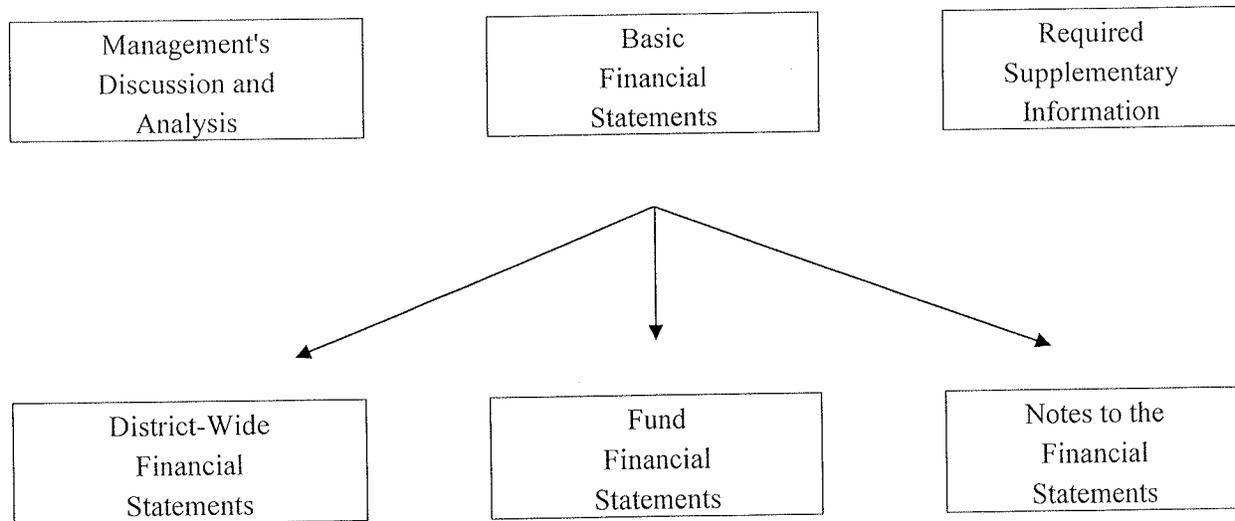


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
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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

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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.

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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 6.83%. Net position from governmental activities increased \$740,657 and net position from business-type activities increased by \$29,566.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2014/2015	2013/2014*	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015
Current and Other Assets	\$ 7,096,550	\$ 11,516,668	\$ 70,912	\$ 33,830	\$ 7,167,462	\$ 11,550,498	-37.95%
Capital Assets, Net	29,792,450	26,307,989	11,678	15,429	29,804,128	26,323,418	13.22%
Total Assets	<u>36,889,000</u>	<u>37,824,657</u>	<u>82,590</u>	<u>49,259</u>	<u>36,971,590</u>	<u>37,873,916</u>	-2.38%
Deferred Outflows of Resources	238,714				238,714		100.00%
Long-Term Debt Outstanding	22,592,014	24,161,104			22,592,014	24,161,104	-6.49%
Other Liabilities	1,408,565	2,422,148	9,376	9,522	1,417,941	2,431,670	-41.69%
Total Liabilities	<u>24,000,579</u>	<u>26,583,252</u>	<u>9,376</u>	<u>9,522</u>	<u>24,009,955</u>	<u>26,592,774</u>	-9.71%
Deferred Inflows of Resources	1,145,073				1,145,073		100.00%
Net Position:							
Net Investment in Capital Assets	15,002,450	10,897,989	11,678	15,429	15,014,128	10,913,418	37.57%
Restricted	6,680,364	9,175,464			6,680,364	9,175,464	-27.19%
Unrestricted/(Deficit)	<u>(9,700,752)</u>	<u>(8,832,048)</u>	<u>57,625</u>	<u>24,308</u>	<u>(9,643,127)</u>	<u>(8,807,740)</u>	-9.48%
Total Net Position	<u>\$ 11,982,062</u>	<u>\$ 11,241,405</u>	<u>\$ 69,303</u>	<u>\$ 39,737</u>	<u>\$ 12,051,365</u>	<u>\$ 11,281,142</u>	6.83%

* Restated

Changes in Net Position. The District's combined net position was \$20,549,126 at June 30, 2015, \$698,759 or 3.52% more than it was the year before (See Figure A-3). Net investment in capital assets increased by \$4,100,710 as a result of \$620,000 of bonded maturities and \$4,627,457 of capital acquisitions offset by depreciation expense of \$1,142,996 and \$3,751 in its governmental and business-type activities, respectively. Restricted net position decreased by \$2,495,100 due to a \$415,230 net decrease in the capital reserve, a \$2,306,256 decrease in the restricted capital projects fund balance, a \$93 decrease in the debt service fund balance, a \$23,521 decrease in the reserve for mortgage sale of building, offset by a \$250,000 increase in excess surplus.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
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Unrestricted net position decreased by \$835,387 due to a \$151,426 decrease in encumbrances, a \$310,822 decrease in restricted capital projects net position, a \$365,677 decrease in the amount assigned for subsequent year expenditures, a \$28,733 decrease due to the increase in the liability for compensated absences payable, a \$18,310 decrease due to the increase in the liability for accrued interest, as well as \$65,200 utilized in the 2014-15 budget, offset by an increase in investment for pensions of \$71,464 and a \$33,317 increase in business-type activities. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015
Revenue:							
Program Revenue:							
Charges for Services	\$ 332,878	\$ 320,291	\$ 553,402	\$ 579,114	\$ 886,280	\$ 899,405	-1.46%
Grants and Contributions:							
Operating	10,037,487	5,680,108	106,463	107,539	10,143,950	5,787,647	75.27%
General Revenue:							
Property Taxes	32,585,422	31,881,435			32,585,422	31,881,435	2.21%
Federal and State Aid Not Restricted	1,088,258	1,107,834			1,088,258	1,107,834	-1.77%
Other	455,300	629,744	140	298	455,440	630,042	-27.71%
Total Revenue	<u>44,499,345</u>	<u>39,619,412</u>	<u>660,005</u>	<u>686,951</u>	<u>45,159,350</u>	<u>40,306,363</u>	12.04%
Expenses:							
Instruction	27,729,084	23,825,175			27,729,084	23,825,175	16.39%
Pupil and Instruction Services	7,444,569	6,475,656			7,444,569	6,475,656	14.96%
Administration and Business	3,855,329	3,507,626			3,855,329	3,507,626	9.91%
Maintenance and Operations	2,913,546	2,913,742			2,913,546	2,913,742	-0.01%
Transportation	1,160,443	1,085,674			1,160,443	1,085,674	6.89%
Other	655,717	507,443	630,439	712,616	1,286,156	1,220,059	5.42%
Total Expenses	<u>43,758,688</u>	<u>38,315,316</u>	<u>630,439</u>	<u>712,616</u>	<u>44,389,127</u>	<u>39,027,932</u>	13.74%
Change in Net Position	<u>\$ 740,657</u>	<u>\$ 1,304,096</u>	<u>\$ 29,566</u>	<u>\$ (25,665)</u>	<u>\$ 770,223</u>	<u>\$ 1,278,431</u>	-39.75%

Revenue Sources. The District's total revenue for the 2014/2015 school year was \$41,159,350 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$32,585,422 of the total, or 72.16 percent (See Figure A-5). Another 24.88 percent came from state and federal aid for specific programs and contributions, 1.96 percent came from charges for services and the remaining 1.00% from other miscellaneous sources. The Pequannock Township School District primarily conducts its operations from the revenue it receives from its local taxpayers.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
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Figure A-5
Sources of Revenue for Fiscal Year 2015 and 2014

Sources of Income:	2015	Percentage	2014	Percentage
State Formula Aid	\$ 2,115,958	4.69%	\$ 2,140,228	5.31%
Property Taxes	32,585,422	72.16%	31,881,435	79.10%
Federal & State Categorical Grants	9,116,250	20.19%	4,755,253	11.80%
Charges for Services	886,280	1.96%	899,405	2.23%
Other	455,440	1.00%	630,042	1.56%
	<u>\$ 45,159,350</u>	<u>100.00%</u>	<u>\$ 40,306,363</u>	<u>100.00%</u>

The total cost of all programs and services was \$44,389,127. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (81.85 percent) (See Figure A-6). The District's administrative and business activities accounted for 8.69 percent of total costs and maintenance and operations accounted for 6.56 percent of total costs. The remaining 2.90 percent of total costs is comprised of other costs (which includes \$630,439 of costs associated with the District's food service operations, \$653,129 of interest on long-term debt, and \$2,587 of capital outlays).

Figure A-6
Expenses for Fiscal Year 2015 and 2014

Expense Category:	2015	Percentage	2014	Percentage
Instruction	\$ 27,729,084	62.47%	\$ 23,825,175	61.04%
Pupil and Instruction Services	7,444,569	16.77%	6,475,656	16.59%
Administration and Business	3,855,329	8.69%	3,507,626	8.99%
Maintenance and Operations	2,913,546	6.56%	2,913,742	7.47%
Transportation	1,160,443	2.61%	1,085,674	2.78%
Other	1,286,156	2.90%	1,220,059	3.13%
	<u>\$ 44,389,127</u>	<u>100.00%</u>	<u>\$ 39,027,932</u>	<u>100.00%</u>

Governmental Activities

Maintaining existing programs 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.

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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	
	2014/2015	2013/2014	2014/2015	2013/2014
Instruction	\$ 27,729,084	\$ 23,825,175	\$18,617,206	\$18,153,497
Pupil & Instruction Services	7,444,569	6,475,656	6,702,534	6,334,936
Administration & Business	3,855,329	3,507,626	3,372,177	3,350,104
Maintenance & Operations	2,913,546	2,913,742	2,913,546	2,913,742
Transportation	1,160,443	1,085,674	1,127,143	1,055,195
Other	655,717	507,443	655,717	507,443
	<u>\$ 43,758,688</u>	<u>\$ 38,315,316</u>	<u>\$ 33,388,323</u>	<u>\$ 32,314,917</u>

- The cost of all governmental activities this fiscal year was \$43,758,688.
- A portion of governmental activities was financed with state aid based on the SFRA formula (\$2,115,958).
- Most of the District's costs, however, were financed by \$32,585,422 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 increased by \$29,566 (Refer to Figure A-4). The increase was attributable to an decrease in expenses associated with the District's Food Service program. Overall revenue and expenses for the business-type activities have decreased.

Financial Analysis of the District's Funds

The District's financial position has been strong in the past several years, however it has declined slightly in the current year. 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
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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
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015
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	2,282,529	2,135,676			2,282,529	2,135,676	6.88%
Buildings/Building Improvements	22,149,733	16,634,438			22,149,733	16,634,438	33.16%
Machinery and Equipment	700,588	815,549	\$ 11,678	\$ 15,429	712,266	830,978	-14.29%
Total	\$29,792,450	\$26,307,989	\$ 11,678	\$ 15,429	\$29,804,128	\$26,323,418	13.22%

The District's capital assets increased \$3,480,710 or 13.22% during the year. Capital assets acquisitions totaled \$4,627,457 - \$3,732,655 from capital projects and \$894,802 from budgeted capital outlay - in its governmental activities, and consisted of equipment, site improvements, and building improvements. These acquisitions were offset by \$1,142,996 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 decreased \$1,569,090, or 6.49%. At fiscal year-end, the District had \$14,790,000 in general obligation bonds outstanding. The decrease from the prior year primarily represents \$620,000 of bond maturities - 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
	2014/2015	2013/2014	2014/2015
General Obligation Bonds (Financed with Property Taxes)	\$ 14,790,000	\$ 15,410,000	-4.02%
Net Pension Liability	7,591,402	8,569,225	-11.41%
Other Long-Term Liabilities	210,612	181,879	15.80%
	\$ 22,592,014	\$ 24,161,104	-6.49%

- The District continued to pay down its debt and retired \$620,000 of outstanding bonds.
- The compensated absences of the District increased by \$28,733.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
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Factors Bearing on the District's Future

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

- The imposed legislative "caps" on tax levy increases for New Jersey School Districts at no more than 2%.
- The continuing significant increases in the employee benefits plans exceed the general CPI and budgetary growth "caps" forcing reductions in program.
- The District's collective bargaining agreements will expire in June 2016.
- The District is operating within a five year curriculum review cycle. Costs associated with the constant updating of curriculum have a direct effect on future budgets.
- The District has been seeking alternative funding sources for infrastructure and capital needs, helping to alleviate some of the financial pressures of trying to improve facilities in a time of shrinking revenues.
- The District continues to face dramatic fluctuations of State Aid from year to year making it difficult to establish realistic long term budget projections. The District continued use of fund balance to support annual operating expenses should be reviewed to determine how this can be alleviated.
- The District realized a slight decrease 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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,839,936	\$ 38,845	\$ 3,878,781
Interfund Receivable	17,772		17,772
Receivables from Federal Government	38,207	4,361	42,568
Receivables from State Government	513,986	257	514,243
Receivables - Mortgage Note	62,845		62,845
Receivables - Other	33,415	19,176	52,591
Inventory		8,273	8,273
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	2,590,389		2,590,389
Capital Assets, Net:			
Sites (Land)	4,659,600		4,659,600
Construction in Progress			
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	25,132,850	11,678	25,144,528
Total Assets	<u>36,889,000</u>	<u>82,590</u>	<u>36,971,590</u>
DEFERRED OUTFLOWS OF RESOURCES			
Changes in Assumptions - Pensions	238,714		238,714
Total Deferred Outflows of Resources	<u>238,714</u>		<u>238,714</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	244,394		244,394
Payable to State Government	34,370		34,370
Accounts Payable - Vendors	296,477	8,353	304,830
Unearned Revenue	8,324	1,023	9,347
Notes Payable	825,000		825,000
Noncurrent Liabilities:			
Due Within One Year	790,000		790,000
Due Beyond One Year	21,802,014		21,802,014
Total Liabilities	<u>24,000,579</u>	<u>9,376</u>	<u>24,009,955</u>
DEFERRED INFLOWS OF RESOURCES			
Investment Gains - Pensions	452,406		452,406
Changes in Proportion - Pensions	692,667		692,667
Total Deferred Inflows of Resources	<u>1,145,073</u>		<u>1,145,073</u>
NET POSITION			
Net Investment in Capital Assets	15,002,450	11,678	15,014,128
Restricted for:			
Capital Projects	3,849,501		3,849,501
Debt Service	18,018		18,018
Other Purposes	2,812,845		2,812,845
Unrestricted/(Deficit)	(9,700,752)	57,625	(9,643,127)
Total Net Position	<u>\$ 11,982,062</u>	<u>\$ 69,303</u>	<u>\$ 12,051,365</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, 2015

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	\$ 20,102,745	\$ 313,874	\$ 5,129,020		\$ (14,659,851)		\$ (14,659,851)
Special Education	5,810,299		3,310,789		(2,499,510)		(2,499,510)
Other Special Instruction	635,573		100,188		(535,385)		(535,385)
School Sponsored Instruction	1,180,467		258,007		(922,460)		(922,460)
Support Services:							
Tuition	2,415,310		442,324		(1,972,986)		(1,972,986)
Student & Instruction Related Services	5,029,259		299,711		(4,729,548)		(4,729,548)
General Administrative Services	707,109				(707,109)		(707,109)
School Administrative Services	2,568,393		483,152		(2,085,241)		(2,085,241)
Central Services	526,938				(526,938)		(526,938)
Administration Information Technology	52,889				(52,889)		(52,889)
Plant Operations and Maintenance	2,913,546				(2,913,546)		(2,913,546)
Pupil Transportation	1,160,443	19,004	14,296		(1,127,143)		(1,127,143)
Interest on Long-Term Debt	653,130				(653,130)		(653,130)
Capital Outlay	2,587				(2,587)		(2,587)
Total Governmental Activities	43,758,688	332,878	10,037,487	\$ -0-	(33,388,323)	\$ -0-	(33,388,323)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	\$ 630,439	\$ 553,402	\$ 106,463			\$ 29,426	\$ 29,426
Total Business-Type Activities	<u>630,439</u>	<u>553,402</u>	<u>106,463</u>			<u>29,426</u>	<u>29,426</u>
 Total Primary Government	 <u>\$ 44,389,127</u>	 <u>\$ 886,280</u>	 <u>\$ 10,143,950</u>	 <u>\$ -0-</u>	 <u>\$ (33,388,323)</u>	 <u>29,426</u>	 <u>(33,358,897)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					31,711,157		31,711,157
Taxes Levied for Debt Service					874,265		874,265
Federal and State Aid Not Restricted					1,088,258		1,088,258
Investment Earnings					8,306	140	8,446
Miscellaneous Income					446,994		446,994
Total General Revenues					<u>34,128,980</u>	<u>140</u>	<u>34,129,120</u>
Change in Net Position					740,657	29,566	770,223
Net Position - Beginning (Restated)					<u>11,241,405</u>	<u>39,737</u>	<u>11,281,142</u>
Net Position - Ending					<u>\$ 11,982,062</u>	<u>\$ 69,303</u>	<u>\$ 12,051,365</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, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 2,550,777	\$ 12,029	\$ 1,264,938	\$ 12,192	\$ 3,839,936
Interfund Receivable	900,647			5,826	906,473
Receivables from Federal Government		38,207			38,207
Receivables from State Government	513,986				513,986
Receivables - Mortgage Note	62,845				62,845
Receivables - Other	33,415				33,415
Restricted Cash and Cash Equivalents	2,590,389				2,590,389
TOTAL ASSETS	<u>\$ 6,652,059</u>	<u>\$ 50,236</u>	<u>\$ 1,264,938</u>	<u>\$ 18,018</u>	<u>\$ 7,985,251</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payable			\$ 888,701		\$ 888,701
Payable to State Government		\$ 34,370			34,370
Notes Payable			825,000		825,000
Accounts Payable - Vendors	\$ 288,935	7,542			296,477
Unearned Revenue		8,324			8,324
Total Liabilities	<u>288,935</u>	<u>50,236</u>	<u>1,713,701</u>		<u>2,052,872</u>
Fund Balances:					
Restricted for:					
Excess Surplus - Current Year	1,250,000				1,250,000
Excess Surplus - Prior Year - For Subsequent Year's Expenditures	1,500,000				1,500,000
Capital Reserve Account	2,590,389				2,590,389
Mortgage Sale of Building	62,845				62,845

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Restricted for:					
Debt Service Fund				\$ 18,018	\$ 18,018
Capital Projects			\$ 1,259,112		1,259,112
Assigned:					
Year-End Encumbrances	\$ 386,763				386,763
For Subsequent Year's Expenditures	24,323				24,323
Unassigned/(Deficit)	548,804		(1,707,875)		(1,159,071)
Total Fund Balances	6,363,124		(448,763)	18,018	5,932,379
TOTAL LIABILITIES & FUND BALANCES	\$ 6,652,059	\$ 50,236	\$ 1,264,938	\$ 18,018	\$ 7,985,251

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

Total Fund Balances - Governmental Funds (Above)	\$ 5,932,379
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$48,670,467 and the accumulated depreciation is \$18,878,017. (See Note 6)	29,792,450
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)	(22,592,014)
Certain amounts related to the Net Pension Liability are deferred and amortized in the Statement of Activities and are not reported in the Governmental Funds:	
Changes in Assumptions - Pensions	238,714
Investment Gains - Pensions	(452,406)
Changes in Proportions - Pensions	(692,667)
Accrued Interest on Long-Term Liabilities, including Bonds Payable, is not due and payable in the current period and therefore is not reported as a liability in the funds.	(244,394)
Net Position of Governmental Activities	\$ 11,982,062

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, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 31,711,157			\$ 874,265	\$ 32,585,422
Tuition	313,874				313,874
Transportation Fees	19,004				19,004
Capital Reserve Interest	2,480				2,480
Investment Income			\$ 5,826		5,826
Budget Appropriation			615,000		615,000
Miscellaneous	446,994	\$ 6,034			453,028
Total - Local Sources	32,493,509	6,034	620,826	874,265	33,994,634
State Sources	5,831,785	237,588		374,636	6,444,009
Federal Sources		603,845			603,845
Total Revenues	38,325,294	847,467	620,826	1,248,901	41,042,488
EXPENDITURES					
Current:					
Instruction:					
Regular Instruction	11,516,691	298,818			11,815,509
Special Education Instruction	3,266,960	106,325			3,373,285
Other Special Instruction	213,033				213,033
School Sponsored Instruction	756,647				756,647
Support Services and Undistributed Costs:					
Tuition	1,972,986	442,324			2,415,310
Student & Instruction Related Services	3,782,133				3,782,133
General Administration Services	607,792				607,792
School Administration Services	1,454,611				1,454,611
Central Services	416,117				416,117

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 52,889				\$ 52,889
Plant Operations and Maintenance	2,422,188				2,422,188
Pupil Transportation	922,299				922,299
Allocated and Unallocated Benefits	9,699,036				9,699,036
Capital Outlay	897,389		\$ 3,732,655		4,630,044
Debt Service:					
Principal				\$ 1,235,000	1,235,000
Interest and Other Charges				634,820	634,820
Total Expenditures	<u>37,980,771</u>	<u>\$ 847,467</u>	<u>3,732,655</u>	<u>1,869,820</u>	<u>44,430,713</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>344,523</u>		<u>(3,111,829)</u>	<u>(620,919)</u>	<u>(3,388,225)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In			1,115,577	620,826	1,736,403
Transfers Out	(1,115,577)		(620,826)		(1,736,403)
Total Other Financing Sources/(Uses)	<u>(1,115,577)</u>		<u>494,751</u>	<u>620,826</u>	
Net Change in Fund Balances	(771,054)		(2,617,078)	(93)	(3,388,225)
Fund Balance - July 1	7,134,178		2,168,315	18,111	9,320,604
Fund Balance/(Deficit) - June 30	<u>\$ 6,363,124</u>	<u>\$ -0-</u>	<u>\$ (448,763)</u>	<u>\$ 18,018</u>	<u>\$ 5,932,379</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, 2015

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ (3,388,225)
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	\$ (1,142,996)
	Capital Outlays	<u>4,627,457</u>
		3,484,461
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 (+).		(28,733)
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.		620,000
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		977,823
Deferred Outflows:		
Changes in Assumptions		238,714
Deferred Inflows:		
Changes in Proportion		(692,667)
Net difference between projected and actual investment earnings on pension plan investments		(452,406)
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>(18,310)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 740,657</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, 2015

	<u>Business-Type Activities: Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 38,845
Receivable from Federal Government	4,361
Receivables from State Government	257
Receivables - Other	19,176
Inventory	<u>8,273</u>
Total Current Assets	<u>70,912</u>
Non-Current Assets:	
Capital Assets	93,498
Less: Accumulated Depreciation	<u>(81,820)</u>
Total Non-Current Assets	<u>11,678</u>
Total Assets	<u>82,590</u>
LIABILITIES:	
Current Liabilities:	
Prepaid Sales	2,756
Unearned Revenue	2,178
Accounts Payable - Vendors	<u>8,353</u>
Total Liabilities	<u>13,287</u>
NET POSITION:	
Net Investment in Capital Assets	11,678
Unrestricted	<u>57,625</u>
Total Net Position	<u><u>\$ 69,303</u></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, 2015

	Business-Type Activities: <u>Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 261,444
Daily Sales - Non-Reimbursable Programs	290,524
Special Events	<u>1,434</u>
Total Operating Revenue	<u>553,402</u>
Operating Expenses:	
Cost of Sales	275,901
Salaries	198,720
Payroll Taxes	31,762
Employee Benefits	17,033
Purchased Property Services	33,202
Supplies and Materials	32,201
Depreciation Expense	3,751
Miscellaneous Expenditures	<u>37,869</u>
Total Operating Expenses	<u>630,439</u>
Operating Loss	<u>(77,037)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	61,990
Special Milk Program	12,709
Food Distribution Program	27,213
State Sources:	
School Lunch Program	4,551
Local Sources:	
Interest Revenue	<u>140</u>
Total Non-Operating Revenue	<u>106,603</u>
Change in Net Position	29,566
Net Position - Beginning of Year	<u>39,737</u>
Net Position - End of Year	<u><u>\$ 69,303</u></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, 2015

	<u>Business-Type Activities: Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 536,454
Payments to Food Service Vendor	(588,426)
Payments to Suppliers	(8,692)
	(60,664)
Net Cash (Used for) Operating Activities	
Cash Flows from Investing Activities:	
Interest Revenue	140
	140
Net Cash Provided by Investing Activities	
Cash Flows from Noncapital Financing Activities:	
Receipt of Federal Reimbursements	73,087
Receipt of State Reimbursements	4,469
	77,556
Net Cash Provided by Noncapital Financing Activities	
Net Increase in Cash and Cash Equivalents	17,032
Cash and Cash Equivalents, July 1	21,813
Cash and Cash Equivalents, June 30	\$ 38,845
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (77,037)
Adjustment to Reconcile Operating Loss to Cash	
Used for Operating Activities:	
Depreciation	3,751
Federal Food Distribution Program	27,213
Changes in Assets and Liabilities:	
Increase in Prepaid Sales	1,893
Decrease in Interfund Receivable	2,017
(Increase) in Accounts Receivable	(18,841)
Decrease in Inventory	486
(Decrease) in Accounts Payable	(146)
	(60,664)
Net Cash Used for Operating Activities	\$ (60,664)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$29,230 and \$27,213, respectively, for the fiscal year ended June 30, 2015.

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, 2015

	Agency	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ASSETS:				
Cash and Cash Equivalents	\$ 182,321	\$ 238,514	\$ 4,472	\$ 164,935
Interfund Receivable - Payroll Agency Fund		29,254		
Total Assets	182,321	267,768	4,472	164,935
LIABILITIES:				
Accrued Salaries and Wages	100			
Interfund Payable - General Fund	17,772			
Interfund Payable - Unemployment Compensation Trust Fund	29,254			
Payroll Deductions and Withholdings	6,882			
Due to Student Groups	128,313			
Total Liabilities	182,321			
NET POSITION:				
Held in Trust for:				
Unemployment Claims		267,768		
Flexible Spending Claims			4,472	
Scholarships				164,935
Total Net Position	\$ -0-	\$ 267,768	\$ 4,472	\$ 164,935

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, 2015

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions - Employee	\$ 29,523	\$ 10,975	
Contributions - District	50,000		
Donations			\$ 1,910
Total Contributions	<u>79,523</u>	<u>10,975</u>	<u>1,910</u>
Investment Earnings:			
Interest	<u>539</u>	<u>16</u>	<u>520</u>
Net Investment Earnings	<u>539</u>	<u>16</u>	<u>520</u>
Total Additions	<u>80,062</u>	<u>10,991</u>	<u>2,430</u>
DEDUCTIONS:			
Unemployment Compensation Claims	41,679		
Flexible Spending Claims		9,914	
Scholarships Awarded			8,250
Total Deductions	<u>41,679</u>	<u>9,914</u>	<u>8,250</u>
Change in Net Position	38,383	1,077	(5,820)
Net Position - Beginning of Year	<u>229,385</u>	<u>3,395</u>	<u>170,755</u>
Net Position - End of the Year	<u>\$ 267,768</u>	<u>\$ 4,472</u>	<u>\$ 164,935</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, 2015

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, 2015
 (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, 2015
(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, 2015
(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, 2015 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 in the GAAP financial statements.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. These grants are recognized on the budgetary basis in full at the time of the award but are recognized on the GAAP basis as they are expended and requested for reimbursement.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

	Fund	Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 38,322,068	\$ 829,462
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:		
Current Year Encumbrances		(3,143)
Prior Year Encumbrances		21,148
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	203,809	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(200,583)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 38,325,294	\$ 847,467
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 37,980,771	\$ 829,462
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:		
Current Year Encumbrances		(3,143)
Prior Year Encumbrances		21,148
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 37,980,771	\$ 847,467
		Capital Projects Fund
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per Exhibit F-1)		\$ 434,112
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded by are not Recognized on the GAAP Basis until Expended.		(882,875)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per Exhibit B-2)		\$ (448,763)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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, 2015
(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, 2015.

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. Capital 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, 2015
(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 only \$100 as of June 30, 2015.

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, 2015
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$6,363,124 General Fund balance at June 30, 2015, \$386,763 is assigned for encumbrances; \$2,590,389 is restricted in the capital reserve account; \$1,250,000 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017; \$1,500,000 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; \$62,845 is restricted for mortgage sale of building; \$24,323 is assigned and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; and \$548,804 is unassigned which is \$200,583 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, 2016.

Capital Projects Fund: Of the \$448,763 overall deficit in the Capital Projects Fund balance at June 30, 2015, \$1,259,112 is restricted, and a \$1,707,875 deficit in unassigned which represents temporary financing on a completed capital project.

Debt Service Fund: The \$18,018 Debt Service Fund balance at June 30, 2015, is restricted of which \$12,187 has been included as anticipated revenue for the fiscal year ending June 30, 2016 and \$5,831 will be included as anticipated revenue in the fiscal year ending June 30, 2017.

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 \$200,583 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. Deficit Fund Balance/Net Position:

The District had a deficit in unrestricted net position of \$9,700,752 in governmental activities, which is primarily due to the net pension liability of \$7,591,402 and the deficit in capital projects fund along with the accrual of compensated absences and interest payable. The District had a deficit of \$1,707,875 in capital projects fund balance due to the issuance of short term bond anticipation notes (\$825,000) and non-recognition of SDA grants (\$882,875). These deficits do not indicate the District is having financial difficulties and are a permitted practice under generally accepted accounting principles.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

R. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

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 had deferred outflows of resources at June 30, 2015 for the deferred amount on refunding of debt related to the District's 2006 bonds and changes in assumptions in pensions.

The District had deferred inflows of resources at June 30, 2015 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

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.

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.

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

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 no committed resources at June 30, 2015.

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 \$386,763 for year-end encumbrances and \$24,323 for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2015.

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.

V. Management Estimates:

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)

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

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)

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

Deposits:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit.

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (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, 2015
(Continued)

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

As of June 30, 2015, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents Capital Reserve Account	Total
Checking and Savings Accounts	\$ 4,469,022	\$ 2,590,389	\$ 7,059,411

During the period ended June 30, 2015, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2015, was \$7,059,411 and the bank balance was \$8,357,095.

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, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$3,005,619
Interest Earnings	2,480
Increase by Board Resolution in June 2015	912,367
Withdrawal by Board Resolution	(1,330,077)
Ending Balance, June 30, 2015	\$2,590,389

The \$2,590,389 balance in the Capital Reserve Account at June 30, 2015 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, 2015
(Continued)

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2015, the District made transfers to capital outlay accounts - \$159,729 for the acquisition of equipment and \$365,271 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, 2015 were as follows:

	Balance 6/30/2014	Increases	Transfer Construction in Progress	Balance 6/30/2015
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Sites (Land)	\$ 4,659,600			\$ 4,659,600
Construction in Progress	2,062,726	\$ 3,732,655	\$(5,795,381)	<u>4,659,600</u>
Total Capital Assets Not Being Depreciated	<u>6,722,326</u>	<u>3,732,655</u>	<u>(5,795,381)</u>	<u>4,659,600</u>
Capital Assets Being Depreciated:				
Site Improvements	2,485,010	281,718		2,766,728
Buildings and Building Improvements	31,185,731	453,355	5,795,381	37,434,467
Machinery and Equipment	3,649,943	159,729		3,809,672
Total Capital Assets Being Depreciated	<u>37,320,684</u>	<u>894,802</u>	<u>5,795,381</u>	<u>44,010,867</u>
Governmental Activities Capital Assets	<u>44,043,010</u>	<u>4,627,457</u>		<u>48,670,467</u>
Less Accumulated Depreciation for:				
Site Improvements	(349,334)	(134,865)		(484,199)
Buildings and Building Improvements	(14,551,293)	(733,441)		(15,284,734)
Machinery and Equipment	(2,834,394)	(274,690)		(3,109,084)
	<u>(17,735,021)</u>	<u>(1,142,996)</u>		<u>(18,878,017)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 26,307,989</u>	<u>\$ 3,484,461</u>	<u>\$ - 0 -</u>	<u>\$ 29,792,450</u>
	Balance 6/30/2014	Increases	Decreases	Balance 6/30/2015
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 93,498			\$ 93,498
Less Accumulated Depreciation	(78,069)	\$ (3,751)		(81,820)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,429</u>	<u>\$ (3,751)</u>	<u>\$ - 0 -</u>	<u>\$ 11,678</u>

The District expended \$3,732,655 from the capital projects fund and transferred \$5,795,381 of the construction in progress to depreciable assets for completed projects and expended \$894,802 from the General Fund, for the purchase of equipment and improvements to sites and buildings.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 334,165
Special Education	9,204
Other Instruction	257,964
Student & Instructional Related Services	33,983
General Administrative Services	22,144
School Administrative Services	204,141
Operations and Maintenance of Plant	119,921
Pupil Transportation	161,474
	<u>\$ 1,142,996</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/14</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/15</u>
Serial Bonds Payable	\$ 15,410,000		\$ 620,000	\$ 14,790,000
Compensated Absences Payable	181,879	\$ 72,973	44,240	210,612
Net Pension Liability - PERS	8,569,225		977,823	7,591,402
	<u>\$ 24,161,104</u>	<u>\$ 72,973</u>	<u>\$ 1,642,063</u>	<u>\$ 22,592,014</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, 2015 as follows:

<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
01/15/2029	3.50% - 4.375%	\$ 11,440,000
8/12/2029	2.00% - 3.875%	3,350,000
		<u>\$ 14,790,000</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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>
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	910,000	451,150	1,361,150
2021-2025	5,180,000	1,716,962	6,896,962
2026-2030	<u>5,370,000</u>	<u>573,619</u>	<u>5,943,619</u>
	<u>\$ 14,790,000</u>	<u>\$ 4,846,681</u>	<u>\$ 19,382,156</u>

B. Bonds Authorized But Not Issued:

There were no bonds authorized but not issued as of June 30, 2015.

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, 2015 is currently payable; therefore, the long-term liability balance of compensated absences is \$210,612.

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, 2015, no liability existed for compensated absences in the Food Service Enterprise Fund.

D. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long-term portion is \$7,591,402. See Note 8 for further information on the PERS.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)

NOTE 8. TEMPORARY NOTES

The District had temporary bond anticipation notes outstanding as of June 30, 2015 as follows:

Final Maturity	Purpose	Interest Rate	Amount
7/10/2015	Improvements to Athletic Fields	0.95%	\$ 825,000

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).

A. Public Employees’ Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees’ Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$334,369 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$7,591,402 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.041%, which was a decrease of 0.008% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$262,965. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 238,714	
Changes in Proportion		\$ 692,667
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		452,406
	\$ 238,714	\$ 1,145,073

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2015	\$ (69,220)
2016	(69,220)
2017	(69,220)
2018	(69,220)
2019	43,881
Thereafter	19,307
	\$ (213,692)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 9,550,243	\$ 7,591,402	\$ 5,946,475

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State.

The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2015, the State of New Jersey contributed \$850,446 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$4,922,302.

The employee contribution rate was 6.92% effective July 1, 2014. 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$91,476,648. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.171%, which was an increase of 0.007% from its proportion measured as of June 30, 2013.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>91,476,648</u>
Total		<u><u>\$ 91,476,648</u></u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$4,922,302 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>1,741,236,574</u>
	<u>\$ 2,306,623,861</u>	<u>\$ 1,763,205,593</u>

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported as reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,496)
2020	304,620,646
Thereafter	<u>761,551,612</u>
	<u><u>\$ 543,418,268</u></u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the following table:

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$53,813,067,539	\$44,738,870,539

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. 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 the DCRP. 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.

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.

For DCRP, the District recognized pension expense of \$6,558 for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$12,811 for the fiscal year ended June 30, 2015.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 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 \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,350,083, \$1,187,179 and \$1,195,570 for 2015, 2014, and 2013, 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.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance and Health Benefits (Cont'd)

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, 2015 was not available as of the date of this report. Selected, summarized financial information as of June 30, 2014 is as follows:

	<u>Pooled Insurance Program of New Jersey</u>
Total Assets	\$ 22,450,519
Net Position	\$ 6,847,812
Total Revenue	\$ 8,106,185
Total Expenses and Adjustments	\$ 5,449,440
Change in Net Position	\$ 2,656,745
Member Dividends	\$ 1,406,890

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, 2015
(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>
2015	\$ 29,523	\$ 50,000	\$ 539	\$ 41,679	\$ 267,768
2014	34,282	50,000	506	94,393	229,385
2013	45,779	150,000	287	70,325	238,990

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, 2015
(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, 2015, there were encumbrances as detailed below in the governmental funds:

	General Fund	Special Revenue Fund	Total Governmental Funds
Year-End Encumbrances	\$ 386,763	\$ 3,143	\$ 389,906

On the District's Governmental Funds Balance Sheet as of June 30, 2015, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$3,143 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, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 900,647	
Capital Projects Fund		\$ 888,701
Debt Service Fund	5,826	
Fiduciary Fund:		
Unemployment Compensation Trust	29,254	
Payroll Agency		47,026
	\$ 935,727	\$ 935,727

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

The \$900,647 interfund receivable in the General Fund is comprised of \$888,701 for cash advanced to the Capital Projects Fund while awaiting reimbursement of grant expenditures, and \$17,772 for interest earnings and funds advanced due from Net Payroll and Payroll Agency Fund as of June 30. The \$5,826 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 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 ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

	<u>Balance 6/30/14</u> as Previously Reported	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance 6/30/14</u> as Restated
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
Statement of Net Position:			
Liabilities:			
Non-Current Liabilities	\$ 14,971,879	\$ 8,569,225	\$ 23,541,104
Total Liabilities	18,014,027	8,569,225	26,583,252
Net Position:			
Unrestricted/(Deficit)	(262,823)	(8,569,225)	(8,832,048)
Total Net Position	19,810,630	(8,569,225)	11,241,405

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

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PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability	0.0448369155%	0.0405464396%
District's proportionate share of the net pension liability	\$ 8,569,225	\$ 7,591,402
District's covered employee payroll	\$ 2,881,609	\$ 2,894,283
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	297.38%	262.29%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 337,837	\$ 334,259
Contributions in relation to the contractually required contribution	<u>(337,837)</u>	<u>(334,259)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 2,881,609	\$ 2,894,283
Contributions as a percentage of covered employee payroll	11.72%	11.55%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2014	2015
State's proportion of the net pension liability attributable to the District	0.1636336229%	0.1711547577%
State's proportionate share of the net pension liability attributable to the District	\$ 82,699,146	\$ 91,476,648
District's covered employee payroll	\$ 14,984,049	\$ 15,860,920
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	551.91%	576.74%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 31,711,157		\$ 31,711,157	\$ 31,711,157	
Tuition From Other LEA's	234,000		234,000	313,874	\$ 79,874
Transportation Fees from Other LEAs	15,000		15,000	19,004	4,004
Interest Earned on Capital Reserve Funds	1,000		1,000	2,480	1,480
Miscellaneous	104,000		104,000	446,994	342,994
Total - Local Sources	<u>32,065,157</u>		<u>32,065,157</u>	<u>32,493,509</u>	<u>428,352</u>
State Sources:					
School Choice Aid	96,306		96,306	27,516	(68,790)
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	1,380		1,380	1,380	
Additional Adjustment Aid	142,729		142,729	142,729	
PARCC Readiness Aid	22,260		22,260	22,260	
Per Pupil Growth Aid	22,260		22,260	22,260	
Extraordinary Special Education Costs Aid	300,000		300,000	320,716	20,716
Nonpublic School Transportation Costs				14,296	14,296
On-Behalf Contributions (Non-Budgeted):					
TPAF - Pension Contributions				850,446	850,446
TPAF - Post Retirement Medical Contributions				1,350,083	1,350,083
TPAF Social Security Contributions (Reimbursed)				1,177,060	1,177,060
Total State Sources	<u>2,484,748</u>		<u>2,484,748</u>	<u>5,828,559</u>	<u>3,343,811</u>
TOTAL REVENUES	<u>34,549,905</u>		<u>34,549,905</u>	<u>38,322,068</u>	<u>3,772,163</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 483,458	\$ (21,731)	\$ 461,727	\$ 428,353	\$ 33,374
Grades 1-5 - Salaries of Teachers	3,675,968		3,675,968	3,624,398	51,570
Grades 6-8 - Salaries of Teachers	2,478,049	33,648	2,511,697	2,399,243	112,454
Grades 9-12 - Salaries of Teachers	3,674,170	23,880	3,698,050	3,620,473	77,577
Regular Programs - Home Instruction:					
Salaries of Teachers	25,500		25,500	7,604	17,896
Purchased Professional - Educational Services	15,000	21,165	36,165	33,710	2,455
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	178,792	(23,880)	154,912	149,946	4,966
Purchased Professional - Educational Services	92,065	(25,536)	66,529	49,761	16,768
Purchased Technical Services	126,500	(1,500)	125,000	124,372	628
Other Purchased Services (400-500 series)	179,259	(44,667)	134,592	127,763	6,829
General Supplies	948,450	97,990	1,046,440	846,166	200,274
Textbooks	204,108	(96,889)	107,219	103,798	3,421
Other Objects	2,860		2,860	1,104	1,756
Total Regular Programs - Instruction	<u>12,084,179</u>	<u>(37,520)</u>	<u>12,046,659</u>	<u>11,516,691</u>	<u>529,968</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	375,990	(49,226)	326,764	319,011	7,753
Other Salaries for Instruction	139,643	(29,475)	110,168	73,344	36,824
Purchased Professional - Educational Services	5,900	(4,050)	1,850	1,850	
General Supplies	18,500		18,500	17,671	829
Total Learning and/or Language Disabilities	<u>540,033</u>	<u>(82,751)</u>	<u>457,282</u>	<u>411,876</u>	<u>45,406</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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:					
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 2,036,860	\$ (2,583)	\$ 2,034,277	\$ 1,964,208	\$ 70,069
Other Salaries for Instruction	303,135	(9,702)	293,433	264,192	29,241
General Supplies	11,650	(1,490)	10,160	6,774	3,386
Total Resource Room/Resource Center	<u>2,351,645</u>	<u>(13,775)</u>	<u>2,337,870</u>	<u>2,235,174</u>	<u>102,696</u>
Autism:					
Salaries of Teachers	259,579	(122,968)	136,611	134,770	1,841
Other Salaries for Instruction	132,934	115,172	248,106	246,634	1,472
Purchased Professional - Educational Services		857	857	857	
General Supplies	26,127	(12,957)	13,170	10,553	2,617
Other Objects	4,900		4,900	4,301	599
Total Autism	<u>423,540</u>	<u>(19,896)</u>	<u>403,644</u>	<u>397,115</u>	<u>6,529</u>
Preschool Disabilities - Part-time:					
Salaries of Teachers	128,532		128,532	128,532	
Other Salaries for Instruction	72,683	20,081	92,764	92,764	
General Supplies	1,550	2,000	3,550	1,499	2,051
Total Preschool Disabilities - Part-time	<u>202,765</u>	<u>22,081</u>	<u>224,846</u>	<u>222,795</u>	<u>2,051</u>
Total Special Education Instruction	<u>3,517,983</u>	<u>(94,341)</u>	<u>3,423,642</u>	<u>3,266,960</u>	<u>156,682</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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:					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 157,261	\$ 9,530	\$ 166,791	\$ 159,735	\$ 7,056
Total Basic Skills/Remedial - Instruction	<u>157,261</u>	<u>9,530</u>	<u>166,791</u>	<u>159,735</u>	<u>7,056</u>
Bilingual Education - Instruction:					
Salaries of Teachers	52,457		52,457	52,457	
General Supplies	1,850		1,850	841	1,009
Total Bilingual Education - Instruction	<u>54,307</u>		<u>54,307</u>	<u>53,298</u>	<u>1,009</u>
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	164,526	741	165,267	164,370	897
Purchased Services (300-500 series)	4,025	2,132	6,157	4,557	1,600
Supplies and Materials	10,500	(1,822)	8,678	2,334	6,344
Other Objects	6,975	(310)	6,665	2,365	4,300
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	<u>186,026</u>	<u>741</u>	<u>186,767</u>	<u>173,626</u>	<u>13,141</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	409,683	(6,241)	403,442	382,071	21,371
Purchased Services (300-500 series)	142,506	(10,197)	132,309	129,391	2,918
Supplies and Materials	46,021	(4,294)	41,727	41,230	497
Other Objects	9,225	16,097	25,322	25,226	96
Transfers to Cover Deficit (Agency Funds)		5,500	5,500	5,103	397
Total School-Sponsored Cocurricular Athletics - Instruction	<u>607,435</u>	<u>865</u>	<u>608,300</u>	<u>583,021</u>	<u>25,279</u>
Total Instruction	<u>16,607,191</u>	<u>(120,725)</u>	<u>16,486,466</u>	<u>15,753,331</u>	<u>733,135</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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 - Special	\$ 278,565	\$ 123,925	\$ 402,490	\$ 402,490	
Tuition to County Vocational Schools - Regular	412,211	354	412,565	412,091	\$ 474
Tuition to County Vocational Schools - Special	116,533	(61,041)	55,492	51,912	3,580
Tuition to County Special Services Schools/Regional Day Schools	69,092	(4,158)	64,934	64,934	
Tuition to Private Schools for the Disabled - Within the State	1,158,122	(115,232)	1,042,890	1,041,559	1,331
Total Undistributed Expenditures - Instruction	2,034,523	(56,152)	1,978,371	1,972,986	5,385
Health Services:					
Salaries	329,331	26,612	355,943	355,943	
Purchased Professional and Technical Services	60,715	(27,000)	33,715	18,268	15,447
Supplies and Materials	8,450	5,623	14,073	11,839	2,234
Total Health Services	398,496	5,235	403,731	386,050	17,681
Speech, OT, PT & Related Services:					
Salaries	284,128	(59,974)	224,154	223,653	501
Purchased Professional - Educational Services	554,112	45,886	599,998	357,143	242,855
Supplies and Materials	5,600		5,600	3,721	1,879
Total Speech, OT, PT & Related Services	843,840	(14,088)	829,752	584,517	245,235

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Other Support Services - Students - Extraordinary Services:					
Salaries	\$ 77,981	\$ 29,475	\$ 107,456	\$ 107,456	
Total Other Support Services - Students - Extraordinary Service	77,981	29,475	107,456	107,456	
Guidance:					
Salaries of Other Professional Staff	537,549	(136,399)	401,150	400,661	\$ 489
Salaries of Secretarial and Clerical Assistants	50,018	10	50,028	50,026	2
Purchased Professional - Educational Services	64,300	(2,259)	62,041	43,553	18,488
Other Purchased Professional and Technical Services	5,000	2,394	7,394	7,394	
Other Purchased Services (400-500 series)	2,000		2,000		2,000
Supplies and Materials	4,067	(135)	3,932	2,554	1,378
Other Objects	100		100		100
Total Guidance	663,034	(136,389)	526,645	504,188	22,457
Child Study Teams:					
Salaries of Other Professional Staff	746,248	(85,011)	661,237	646,290	14,947
Salaries of Secretarial and Clerical Assistants	42,231		42,231	42,093	138
Other Salaries	20,416		20,416	20,416	
Purchased Professional - Educational Services	20,620	13,100	33,720	30,133	3,587
Other Purchased Professional and Technical Services	18,639		18,639	17,990	649
Miscellaneous Purchased Services	3,300		3,300	1,163	2,137
Supplies and Materials	26,480	(129)	26,351	21,901	4,450
Other Objects	750		750	362	388
Total Child Study Teams	878,684	(72,040)	806,644	780,348	26,296

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	\$ 636,187	\$ 50,222	\$ 686,409	\$ 685,915	\$ 494
Salaries of Other Professional Staff		45,796	45,796	44,588	1,208
Salaries of Secretarial and Clerical Assistants	59,026	15,500	74,526	74,255	271
Other Purchased Professional and Technical Services	3,000		3,000		3,000
Other Purchased Services (400-500 series)	10,600		10,600	2,211	8,389
Supplies and Materials	11,912		11,912	8,177	3,735
Other Objects	5,100		5,100	3,325	1,775
Total Improvement of Instructional Services	<u>725,825</u>	<u>111,518</u>	<u>837,343</u>	<u>818,471</u>	<u>18,872</u>
Educational Media Services/School Library:					
Salaries	302,840	852	303,692	303,659	33
Salaries of Technology Coordinators	273,224	(39,886)	233,338	224,707	8,631
Purchased Professional and Technical Services	27,500	(13,032)	14,468	9,677	4,791
Supplies and Materials	22,061	6,738	28,799	13,678	15,121
Total Educational Media Services/School Library	<u>625,625</u>	<u>(45,328)</u>	<u>580,297</u>	<u>551,721</u>	<u>28,576</u>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	22,750	7,500	30,250	27,756	2,494
Other Purchased Services (400-500 series)	13,750	9,650	23,400	18,890	4,510
Supplies and Materials	4,800	(2,000)	2,800	2,711	89
Other Objects	2,000	(1,000)	1,000	25	975
Total Instructional Staff Training Services	<u>43,300</u>	<u>14,150</u>	<u>57,450</u>	<u>49,382</u>	<u>8,068</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	\$ 275,496		\$ 275,496	\$ 250,581	\$ 24,915
Legal Services	130,000	\$ 17,500	147,500	142,795	4,705
Audit Fees	41,000		41,000	41,000	
Architectural/Engineering Services	25,000		25,000		25,000
Other Purchased Professional Services	5,100		5,100	5,095	5
Purchased Technical Services	23,000	1,500	24,500	22,119	2,381
Communications/Telephone	77,000		77,000	54,610	22,390
BOE In House Training / Meeting Supplies		500	500	327	173
Judgements against the School District		1,650	1,650	1,650	
Miscellaneous Purchased Services (400-500 series)	78,000	398	78,398	61,174	17,224
General Supplies	13,268	2,500	15,768	12,408	3,360
Miscellaneous Expenditures	9,086	(1,650)	7,436	(540)	7,976
BOE Memberships / Dues	18,000		18,000	16,573	1,427
Total Support Services - General Administration	694,950	22,398	717,348	607,792	109,556
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	917,221	110,376	1,027,597	1,023,281	4,316
Salaries of Secretarial and Clerical Assistants	360,119	39,180	399,299	374,109	25,190
Purchased Professional and Technical Services	2,810	6,378	9,188	8,688	500
Other Purchased Services (400-500 series)	10,500	(3,549)	6,951	3,797	3,154
Supplies and Materials	26,985	4,297	31,282	30,177	1,105
Other Objects	15,905	(431)	15,474	14,559	915
Total Support Services - School Administration	1,333,540	156,251	1,489,791	1,454,611	35,180

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 359,837	\$ 10	\$ 359,847	\$ 359,837	\$ 10
Purchased Technical Services	25,000	838	25,838	25,788	50
Miscellaneous Purchased Services (400-500 series)	8,500	4,036	12,536	8,605	3,931
Supplies and Materials	16,264		16,264	6,717	9,547
Interest on Current Loans	25,000		25,000	13,680	11,320
Miscellaneous Expenditures	3,100		3,100	1,490	1,610
Total Central Services	<u>437,701</u>	<u>4,884</u>	<u>442,585</u>	<u>416,117</u>	<u>26,468</u>
Administrative Information Technology:					
Salaries	100,000	(42,010)	57,990		57,990
Purchased Technical Services	20,000	34,512	54,512	50,252	4,260
Supplies and Materials		3,000	3,000	2,637	363
Total Administrative Information Technology	<u>120,000</u>	<u>(4,498)</u>	<u>115,502</u>	<u>52,889</u>	<u>62,613</u>
Required Maintenance of School Facilities:					
Salaries	174,304	20,891	195,195	193,904	1,291
Cleaning, Repair and Maintenance Services	221,947	47,208	269,155	229,409	39,746
General Supplies	35,748	43,400	79,148	76,709	2,439
Other Objects		1,100	1,100	860	240
Total Required Maintenance of School Facilities	<u>431,999</u>	<u>112,599</u>	<u>544,598</u>	<u>500,882</u>	<u>43,716</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Custodial Services:					
Salaries	\$ 976,435	\$ (23,783)	\$ 952,652	\$ 937,970	\$ 14,682
Salaries of Non-Instructional Aides	76,821	7,448	84,269	63,014	21,255
Purchased Professional and Technical Services	7,000	(1,310)	5,690	5,690	
Cleaning, Repair and Maintenance Services	108,400	(14,107)	94,293	89,853	4,440
Rental of Land/Buildings (Other Than Lease Purchase Agreements)	15,750	(15,250)	500	64	436
Other Purchased Property Services	45,000	(7,500)	37,500	30,182	7,318
Insurance	167,185	(35,022)	132,163	131,378	785
Miscellaneous Purchased Services	6,800	(6,500)	300		300
General Supplies	34,949	28,750	63,699	56,533	7,166
Energy (Electricity)	405,000	(3,650)	401,350	292,444	108,906
Energy (Natural Gas)	313,000		313,000	220,144	92,856
Energy (Gasoline)	5,000		5,000	3,210	1,790
Other Objects	4,327	(3,000)	1,327	752	575
Total Custodial Services	<u>2,165,667</u>	<u>(73,924)</u>	<u>2,091,743</u>	<u>1,831,234</u>	<u>260,509</u>
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	65,000		65,000	57,000	8,000
Total Care and Upkeep of Grounds	<u>65,000</u>		<u>65,000</u>	<u>57,000</u>	<u>8,000</u>
Security					
Salaries	40,000	(5,500)	34,500	33,072	1,428
Total Security	<u>40,000</u>	<u>(5,500)</u>	<u>34,500</u>	<u>33,072</u>	<u>1,428</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Non-Instructional Aides		\$ 5,518	\$ 5,518	\$ 5,518	
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 109,523	1,885	111,408	111,408	
Between Home and School - Special	75,255	11,982	87,237	86,889	\$ 348
Other Than Between Home and School - Regular	55,100	(1,435)	53,665	50,655	3,010
Management Fee - ESC and CTSA Transportation Program	15,375	1,034	16,409	16,409	
Cleaning, Repair and Maintenance Services	30,000	18,000	48,000	47,425	575
Contracted Services:					
Other Than Between Home and School - Vendors	97,250	(24,981)	72,269	67,630	4,639
Special Education Students - Vendors	58,500	(13,200)	45,300	32,366	12,934
Special Education Students - Joint Agreements	20,604	(7,350)	13,254	13,241	13
Regular Students - ESC's and CTSA's	77,900	(60,000)	17,900	17,414	486
Special Education Students - ESC's and CTSA's	284,950	103,468	388,418	379,651	8,767
Aid in Lieu of Payments - Nonpublic Students	76,565	(5,674)	70,891	59,366	11,525
Other Purchased Professional and Technical Services		5,070	5,070	5,070	
Miscellaneous Purchased Services - Transportation	5,988	(3,956)	2,032	1,421	611
General Supplies	1,377	1,507	2,884	2,716	168
Transportation Supplies	35,700	(7,000)	28,700	24,970	3,730
Other Objects	2,500	(2,332)	168	150	18
Total Student Transportation Services	946,587	22,536	969,123	922,299	46,824

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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		\$ 410,000	\$ 384,168	\$ 25,832
Other Retirement Contributions - PERS	400,000		400,000	334,369	65,631
Other Retirement Contributions - ERIP	10,000		10,000	6,558	3,442
Unemployment Compensation	50,000		50,000	50,000	
Workmen's Compensation	256,374	\$ (20,936)	235,438	186,475	48,963
Health Benefits	5,649,416	(128,486)	5,520,930	5,148,722	372,208
Tuition Reimbursement	86,600		86,600	46,126	40,474
Other Employee Benefits	243,600	3,750	247,350	165,029	82,321
Total Unallocated Benefits	<u>7,105,990</u>	<u>(145,672)</u>	<u>6,960,318</u>	<u>6,321,447</u>	<u>638,871</u>
On-Behalf Contributions (Non-Budgeted):					
TPAF - Pension Contributions				850,446	(850,446)
TPAF Post Retirement Medical Contributions				1,350,083	(1,350,083)
TPAF Social Security Contributions (Reimbursed)				1,177,060	(1,177,060)
Total On-Behalf Contributions				<u>3,377,589</u>	<u>(3,377,589)</u>
Total Personal Services - Employee Benefits	<u>7,105,990</u>	<u>(145,672)</u>	<u>6,960,318</u>	<u>9,699,036</u>	<u>(2,738,718)</u>
Total Undistributed Expenses	<u>19,632,742</u>	<u>(74,545)</u>	<u>19,558,197</u>	<u>21,330,051</u>	<u>(1,771,854)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>36,239,933</u>	<u>(195,270)</u>	<u>36,044,663</u>	<u>37,083,382</u>	<u>(1,038,719)</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5		\$ 45,692	\$ 45,692	\$ 45,692	
Grades 6-8		15,231	15,231	15,231	
Grades 9-12		18,544	18,544	18,544	
Undistributed Expenditures:					
General Administration		11,803	11,803	11,803	
School Administration		18,049	18,049	18,049	
Central Services		3,610	3,610	3,610	
Administration Information Technology		46,800	46,800	46,594	\$ 206
Total Equipment		<u>159,729</u>	<u>159,729</u>	<u>159,523</u>	<u>206</u>
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services	\$ 13,452	4,470	17,922	12,589	5,333
Construction Services	450,709	250,296	701,005	592,213	108,792
Supplies	18,000	(2,083)	15,917	15,771	146
Infrastructure	60,000	112,588	172,588	114,500	58,088
Assessment for Debt Service on SDA Funding	2,793		2,793	2,793	
Total Facilities Acquisition and Construction Services	<u>544,954</u>	<u>365,271</u>	<u>910,225</u>	<u>737,866</u>	<u>172,359</u>
TOTAL CAPITAL OUTLAY	<u>544,954</u>	<u>525,000</u>	<u>1,069,954</u>	<u>897,389</u>	<u>172,565</u>
TOTAL EXPENDITURES	<u>36,784,887</u>	<u>329,730</u>	<u>37,114,617</u>	<u>37,980,771</u>	<u>(866,154)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,234,982)	(329,730)	(2,564,712)	341,297	2,906,009

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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		\$ (1,115,577)	\$ (1,115,577)	\$ (1,115,577)	
Total Other Financing Uses		(1,115,577)	(1,115,577)	(1,115,577)	
Excess/(Deficiency) of Revenues and Other Financing Uses Over/(Under) Expenditures	\$ (2,234,982)	(1,445,307)	(3,680,289)	(774,280)	\$ 2,906,009
Fund Balance, July 1	7,337,987		7,337,987	7,337,987	
Fund Balance, June 30	<u>\$ 5,103,005</u>	<u>\$ (1,445,307)</u>	<u>\$ 3,657,698</u>	<u>\$ 6,563,707</u>	<u>\$ 2,906,009</u>
<u>Recapitulation of Fund Balance at June 30, 2015:</u>					
Restricted:					
Excess Surplus				\$ 1,250,000	
Excess Surplus - For Subsequent Year's Expenditures				1,500,000	
Capital Reserve				2,590,389	
Mortgage Sale of Building				62,845	
Assigned:					
Year-End Encumbrances				386,763	
For Subsequent Year's Expenditures				24,323	
Unassigned				749,387	
				<u>6,563,707</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(200,583)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 6,363,124</u>	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 727	\$ 727	\$ 727	
State Sources	\$ 221,500	44,606	266,106	237,588	\$ (28,518)
Federal Sources	430,500	168,361	598,861	591,147	(7,714)
Total Revenues	<u>652,000</u>	<u>213,694</u>	<u>865,694</u>	<u>829,462</u>	<u>(36,232)</u>
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services	198,500	22,794	221,294	211,075	10,219
Tuition	375,000	67,324	442,324	442,324	
General Supplies		53,143	53,143	43,225	9,918
Textbooks	23,000	3,513	26,513	26,513	
Total Instruction	<u>596,500</u>	<u>146,774</u>	<u>743,274</u>	<u>723,137</u>	<u>20,137</u>
Support Services:					
Salaries of Other Professional Staff	30,000	(7,383)	22,617	14,288	8,329
Personal Services - Employee Benefits		5,800	5,800		5,800
Purchase Professional - Educational Services		28,541	28,541	28,541	
Purchased Professional and Technical Services	25,500	39,962	65,462	63,496	1,966
Total Support Services	<u>55,500</u>	<u>66,920</u>	<u>122,420</u>	<u>106,325</u>	<u>16,095</u>
Total Expenditures	<u>652,000</u>	<u>213,694</u>	<u>865,694</u>	<u>829,462</u>	<u>36,232</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, 2015
UNAUDITED

	General Fund	Special Revenue Fund
Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures		
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 38,322,068	\$ 829,462
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.		
Current Year Encumbrances		(3,143)
Prior Year Encumbrances		21,148
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	203,809	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(200,583)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 38,325,294	\$ 847,467
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 37,980,771	\$ 829,462
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.		
Current Year Encumbrances		(3,143)
Prior Year Encumbrances		21,148
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 37,980,771	\$ 847,467

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, 2015 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, 2015
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, 2015

	No Child Left Behind			
	Title I		Title II, Part A	Title III
	Current Year	Prior Year	Current Year	Current Year
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 18,278	\$ 15,450	\$ 28,541	\$ 4,090
Total Revenue	<u>18,278</u>	<u>15,450</u>	<u>28,541</u>	<u>4,090</u>
EXPENDITURES:				
Instruction:				
Purchased Professional - Educational Services				
Tuition				
General Supplies	3,990	15,450		4,090
Textbooks				
Total Instruction	<u>3,990</u>	<u>15,450</u>		<u>4,090</u>
Support Services:				
Salaries of Other Professional Staff	14,288			
Purchased Professional - Educational Services			28,541	
Purchased Professional and Technical Services				
Total Support Services	<u>14,288</u>		<u>28,541</u>	
Total Expenditures	<u>\$ 18,278</u>	<u>\$ 15,450</u>	<u>\$ 28,541</u>	<u>\$ 4,090</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>IDEA Part B</u>		<u>Nonpublic Technology</u>	<u>Nonpublic Textbook</u>	<u>Nonpublic Nursing</u>
	<u>Basic</u>	<u>Preschool</u>			
	<u>Current Year</u>	<u>Current Year</u>			
REVENUE:					
Local Sources					
State Sources			\$ 14,240	\$ 26,513	\$ 42,967
Federal Sources	\$ 510,025	\$ 14,763			
Total Revenue	<u>510,025</u>	<u>14,763</u>	<u>14,240</u>	<u>26,513</u>	<u>42,967</u>
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services			14,240		42,967
Tuition	442,324				
General Supplies	8,658	10,310			
Textbooks				26,513	
Total Instruction	<u>450,982</u>	<u>10,310</u>	<u>14,240</u>	<u>26,513</u>	<u>42,967</u>
Support Services:					
Salaries of Other Professional Staff					
Purchased Professional - Educational Services					
Purchased Professional and Technical Services	59,043	4,453			
Total Support Services	<u>59,043</u>	<u>4,453</u>			
Total Expenditures	<u>\$ 510,025</u>	<u>\$ 14,763</u>	<u>\$ 14,240</u>	<u>\$ 26,513</u>	<u>\$ 42,967</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Nonpublic Auxiliary Services		Nonpublic Handicapped Services		
	Compensatory Education	Nonpublic ESL	Exam and Classification	Supplementary Instruction	Corrective Speech
REVENUE:					
Local Sources					
State Sources	\$ 42,819	\$ 913	\$ 48,818	\$ 32,958	\$ 28,360
Federal Sources					
Total Revenue	<u>42,819</u>	<u>913</u>	<u>48,818</u>	<u>32,958</u>	<u>28,360</u>
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services	42,819	913	48,818	32,958	28,360
Tuition					
General Supplies					
Textbooks					
Total Instruction	<u>42,819</u>	<u>913</u>	<u>48,818</u>	<u>32,958</u>	<u>28,360</u>
Support Services:					
Salaries of Other Professional Staff					
Purchased Professional - Educational Services					
Purchased Professional and Technical Services					
Total Support Services					
Total Expenditures	<u>\$ 42,819</u>	<u>\$ 913</u>	<u>\$ 48,818</u>	<u>\$ 32,958</u>	<u>\$ 28,360</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	SJG Home and School Donation	Prevention is Key	Totals
REVENUE:			
Local Sources	\$ 465	\$ 262	\$ 727
State Sources			237,588
Federal Sources			591,147
	465	262	829,462
Total Revenue			
EXPENDITURES:			
Instruction:			
Purchased Professional - Educational Services			211,075
Tuition			442,324
General Supplies	465	262	43,225
Textbooks			26,513
	465	262	723,137
Total Instruction			
Support Services:			
Salaries of Other Professional Staff			14,288
Purchased Professional - Educational Services			28,541
Purchased Professional and Technical Services			63,496
			106,325
Total Support Services			
Total Expenditures	\$ 465	\$ 262	\$ 829,462

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, 2015

Revenue and Other Financing Sources:	
Budget Appropriation	\$ 615,000
Investment Income	5,826
Transfer from General Fund - Capital Reserve	<u>1,115,577</u>
Total Revenue and Other Financing Sources	<u>1,736,403</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	61,825
Construction Services	3,669,292
Other Objects	1,538
Operating Transfers Out:	
Transfer to Debt Service Fund Interest	5,826
Transfer to Debt Service Fund Unexpended Project	<u>615,000</u>
Total Expenditures and Other Financing Uses	<u>4,353,481</u>
Deficit of Revenue and Other Financing Sources Under Expenditures and Other Financing Uses	(2,617,078)
Fund Balance - Beginning	<u>3,051,190</u>
Fund Balance - Ending	<u>\$ 434,112</u>
Restricted	\$ 1,259,112
Unassigned/(Deficit)	<u>(825,000)</u>
	434,112
Reconciliation to Governmental Funds Statement (GAAP):	
State Sources - SDA Grant not Recognized on GAAP Basis	<u>(882,875)</u>
Fund Balance (Deficit) per Governmental Funds - GAAP	<u>\$ (448,763)</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, 2015

	<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	<u>12,990,000</u>		<u>12,990,000</u>	<u>12,990,000</u>
Expenditures and Other Financing Uses:				
Legal Services	3,480		3,480	3,480
Purchased Professional & Technical Services	2,662,354		2,662,354	2,662,354
Construction Services	8,324,009		8,324,009	8,324,009
Transfer to Debt Service Fund	600,000	\$ 615,000	1,215,000	2,000,157
Total Expenditures and Other Financing Uses	<u>11,589,843</u>	<u>615,000</u>	<u>12,204,843</u>	<u>12,990,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ 1,400,157</u>	<u>\$ (615,000)</u>	<u>\$ 785,157</u>	<u>\$ -0-</u>

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, 2015

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Budget Appropriations	\$ 560,000	\$ 615,000	\$ 1,175,000	\$ 2,000,000
Total Revenue and Other Financing Sources	<u>560,000</u>	<u>615,000</u>	<u>1,175,000</u>	<u>2,000,000</u>
Expenditures:				
Construction Services	<u>2,000,000</u>		<u>2,000,000</u>	<u>2,000,000</u>
Total Expenditures	<u>2,000,000</u>		<u>2,000,000</u>	<u>2,000,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ (1,440,000)</u>	<u>\$ 615,000</u>	<u>\$ (825,000)</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, 2015

	Prior Periods	Current Year	Totals	Project Authorization
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 882,875		\$ 882,875	\$ 882,875
Transfer from Capital Reserve	208,736	\$ 1,115,577	1,324,313	1,324,313
Total Revenue and Other Financing Sources	1,091,611	1,115,577	2,207,188	2,207,188
Expenditures:				
Purchased Professional & Technical Services	165,789	35,807	201,596	208,736
Construction Services		1,979,021	1,979,021	1,998,452
Total Expenditures	165,789	2,014,828	2,180,617	2,207,188
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ 925,822	\$ (899,251)	\$ 26,571	\$ -0-

Additional Project Information:

Project Number(s)	4080-055-14-1002; 4080-060-14-1003 4080-080-14-1004
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	98.80%
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, 2015

	<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	<u>3,350,000</u>		<u>3,350,000</u>	<u>3,350,000</u>
Expenditures:				
Legal Services	12,141		12,141	12,383
Purchased Professional & Technical Services	217,748	\$ 26,018	243,766	238,500
Construction Services	954,900	1,690,271	2,645,171	2,986,567
Other Objects		1,538	1,538	112,550
Total Expenditures	<u>1,184,789</u>	<u>1,717,827</u>	<u>2,902,616</u>	<u>3,350,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 2,165,211</u>	<u>\$ (1,717,827)</u>	<u>\$ 447,384</u>	<u>\$ -0-</u>
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		86.65%		
Original Target Completion Date		08/1/2014		

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF TEMPORARY 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, 2014</u>	<u>Issued</u>	<u>Balance Matured</u>	<u>Balance June 30, 2015</u>
Improvement of Track and Fields at Pequannock High School	\$ 2,000,000	7/11/2013	7/11/2014	0.95%	\$ 1,440,000		\$ 1,440,000	
		7/10/2014	7/10/2015	0.95%	<u> </u>	\$ 825,000	<u> </u>	\$ 825,000
					<u>\$ 1,440,000</u>	<u>\$ 825,000</u>	<u>\$ 1,440,000</u>	<u>\$ 825,000</u>
					Renewed Paid by Debt Service Fund	\$ 825,000	\$ 825,000 615,000	
					<u>\$ 825,000</u>	<u>\$ 1,440,000</u>		

PROPRIETARY FUNDS

Exhibit G-1

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 38,845
Receivable from Federal Government	4,361
Receivable from State Government	257
Receivables - Other	19,176
Inventory	<u>8,273</u>
Total Current Assets	<u>70,912</u>
Non-Current Assets:	
Capital Assets	93,498
Less: Accumulated Depreciation	<u>(81,820)</u>
Total Non-Current Assets	<u>11,678</u>
Total Assets	<u>82,590</u>
LIABILITIES:	
Current Liabilities:	
Prepaid Sales	2,756
Unearned Revenue	2,178
Accounts Payable - Vendors	<u>8,353</u>
Total Liabilities	<u>13,287</u>
NET POSITION:	
Net Investment in Capital Assets	11,678
Unrestricted	<u>57,625</u>
Total Net Position	<u>\$ 69,303</u>

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, 2015

	<u>Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 261,444
Daily Sales - Non-Reimbursable Programs	290,524
Special Events	1,434
Total Operating Revenue	<u>553,402</u>
Operating Expenses:	
Cost of Sales	275,901
Salaries	198,720
Payroll Taxes	31,762
Employee Benefits	17,033
Management Fee	33,202
Supplies and Materials	32,201
Depreciation Expense	3,751
Miscellaneous Expenditures	<u>37,869</u>
Total Operating Expenses	<u>630,439</u>
Operating Loss	<u>(77,037)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	61,990
Special Milk Program	12,709
Food Distribution Program	27,213
State Sources:	
State School Lunch Program	4,551
Local Sources:	
Interest Revenue	<u>140</u>
Total Non-Operating Revenue	<u>106,603</u>
Change in Net Position	29,566
Net Position - Beginning of Year	<u>39,737</u>
Net Position - End of Year	<u><u>\$ 69,303</u></u>

Exhibit G-3

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 536,454
Payments to Food Service Vendor	(588,426)
Payments to Suppliers	(8,692)
Net Cash (Used for) Operating Activities	(60,664)
Cash Flows from Investing Activities:	
Interest Revenue	140
Net Cash Provided by Investing Activities	140
Cash Flows from Noncapital Financing Activities:	
Receipt of Federal Reimbursements	73,087
Receipt of State Reimbursements	4,469
Net Cash Provided by Noncapital Financing Activities	77,556
Net Increase in Cash and Cash Equivalents	17,032
Cash and Cash Equivalents, July 1	21,813
Cash and Cash Equivalents, June 30	\$ 38,845
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (77,037)
Adjustment to Reconcile Operating Loss to Cash	
Used for Operating Activities:	
Depreciation	3,751
Federal Food Distribution Program	27,213
Changes in Assets and Liabilities:	
Increase in Prepaid Sales	1,893
Increase Unearned Revenue	2,017
(Increase) in Accounts Receivable	(18,841)
Decrease in Inventory	486
(Decrease) in Accounts Payable	(146)
Net Cash Used for Operating Activities	\$ (60,664)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$29,230 and \$27,213, respectively, for the fiscal year ended June 30, 2015.

FIDUCIARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>			
ASSETS:					
Cash and Cash Equivalents	\$ 128,313	\$ 54,008	\$ 182,321	\$ 238,514	\$ 164,935
Interfund Receivable:					
Payroll Agency				29,254	
Total Assets	<u>128,313</u>	<u>54,008</u>	<u>182,321</u>	<u>267,768</u>	<u>164,935</u>
LIABILITIES:					
Accrued Salaries and Wages		100	100		
Interfund Payable:					
General Fund		17,772	17,772		
Unemployment Compensation Trust		29,254	29,254		
Payroll Deductions and Withholdings		6,882	6,882		
Due to Student Groups	128,313		128,313		
Total Liabilities	<u>128,313</u>	<u>54,008</u>	<u>182,321</u>		
NET POSITION:					
Held in Trust for:					
Unemployment Claims			267,768		
Flexible Spending Claims				4,472	
Scholarships					164,935
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 267,768</u>	<u>\$ 164,935</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
ADDITIONS:				
Contributions - Employee	\$ 29,523	\$ 10,975		\$ 40,498
Contributions - District	50,000			50,000
Donations			\$ 1,910	1,910
Total Contributions	<u>79,523</u>	<u>10,975</u>	<u>1,910</u>	<u>92,408</u>
Investment Earnings:				
Interest	<u>539</u>	<u>16</u>	<u>520</u>	<u>1,075</u>
Net Investment Earnings	<u>539</u>	<u>16</u>	<u>520</u>	<u>1,075</u>
Total Additions	<u>80,062</u>	<u>10,991</u>	<u>2,430</u>	<u>93,483</u>
DEDUCTIONS:				
Unemployment Compensation Claims	41,679			41,679
Flexible Spending Claims		9,914		9,914
Scholarships Awarded			8,250	8,250
Total Deductions	<u>41,679</u>	<u>9,914</u>	<u>8,250</u>	<u>59,843</u>
Change in Net Position	38,383	1,077	(5,820)	33,640
Net Position - Beginning of the Year	<u>229,385</u>	<u>3,395</u>	<u>170,755</u>	<u>403,535</u>
Net Position - End of the Year	<u>\$ 267,768</u>	<u>\$ 4,472</u>	<u>\$ 164,935</u>	<u>\$ 437,175</u>

Exhibit H-3

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS:				
Cash and Cash Equivalents	<u>\$ 84,980</u>	<u>\$ 397,179</u>	<u>\$ 353,846</u>	<u>\$ 128,313</u>
Total Assets	<u><u>\$ 84,980</u></u>	<u><u>\$ 397,179</u></u>	<u><u>\$ 353,846</u></u>	<u><u>\$ 128,313</u></u>
LIABILITIES:				
Due to Student Groups	<u>\$ 84,980</u>	<u>\$ 397,179</u>	<u>\$ 353,846</u>	<u>\$ 128,313</u>
Total Liabilities	<u><u>\$ 84,980</u></u>	<u><u>\$ 397,179</u></u>	<u><u>\$ 353,846</u></u>	<u><u>\$ 128,313</u></u>

Exhibit H-4

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Middle School:				
Pequannock Valley	\$ 17,585	\$ 83,869	\$ 74,624	\$ 26,830
Senior High School:				
Pequannock	67,098	299,203	271,268	95,033
Interscholastic Athletics	297	2,053	2,051	299
Future Business Leaders of America		12,054	5,903	6,151
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total All Schools	<u>\$ 84,980</u>	<u>\$ 397,179</u>	<u>\$ 353,846</u>	<u>\$ 128,313</u>

Exhibit H-5

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS:				
Cash and Cash Equivalents	\$ 56,031	\$ 23,850,217	\$ 23,852,240	\$ 54,008
Total Assets	<u>\$ 56,031</u>	<u>\$ 23,850,217</u>	<u>\$ 23,852,240</u>	<u>\$ 54,008</u>
 LIABILITIES:				
Accrued Salaries and Wages	\$ 100	\$ 454,667	\$ 454,667	\$ 100
Interfund Payable - General Fund	3,596	18,413	4,237	17,772
Interfund Payable - Unemployment Compensation Trust Fund	29,254	47,792	47,792	29,254
Accounts Payable - Vendors	418	489	907	
Payroll Deductions and Withholdings	22,663	23,328,856	23,344,637	6,882
Total Liabilities	<u>\$ 56,031</u>	<u>\$ 23,850,217</u>	<u>\$ 23,852,240</u>	<u>\$ 54,008</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, 2014	Matured	Balance June 30, 2015
			Date	Amount				
Schools Renovations & Alterations	5/5/2009	\$ 12,990,000	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%			
						\$ 12,060,000	\$ 620,000	\$ 11,440,000
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
						<u>\$ 15,410,000</u>	<u>\$ 620,000</u>	<u>\$ 14,790,000</u>

Exhibit I-2

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

Exhibit I-3

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 874,265		\$ 874,265	\$ 874,265	
State Sources:					
Debt Service Aid Type II	374,636		374,636	374,636	
Total Revenues	1,248,901		1,248,901	1,248,901	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	634,825		634,825	634,820	\$ 5
Redemption of Principal	1,238,800		1,238,800	1,235,000	3,800
Total Regular Debt Service	1,873,625		1,873,625	1,869,820	3,805
Total Expenditures	1,873,625		1,873,625	1,869,820	3,805
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(624,724)		(624,724)	(620,919)	3,805
Other Financing Sources:					
Transfer from Capital Projects Fund:					
Unexpended Capital Projects	618,800		618,800	615,000	(3,800)
Investment Income				5,826	5,826
Total Other Financing Sources	618,800		618,800	620,826	2,026
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	(5,924)		(5,924)	(93)	5,831
Fund Balance, July 1	18,111		18,111	18,111	
Fund Balance, June 30	\$ 12,187	\$ -0-	\$ 12,187	\$ 18,018	\$ 5,831
<u>Recapitulation of Fund Balance at June 30, 2015:</u>					
Restricted:					
For Subsequent Year's Expenditures				\$ 12,187	
Other Purposes				5,831	
				\$ 18,018	

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

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

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

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

	June 30,				
	2011	2012	2013	2014*	2015
Governmental Activities:					
Net Investment in Capital Assets	\$ 7,260,551	\$ 11,386,194	\$ 11,779,227	\$ 10,897,989	\$ 15,002,450
Restricted	7,127,061	6,444,812	6,678,692	9,175,464	6,680,364
Unrestricted/(Deficit)	1,762,414	(580,527)	48,615	(8,832,048)	(9,700,752)
Total Governmental Activities Net Position	<u>\$ 16,150,026</u>	<u>\$ 17,250,479</u>	<u>\$ 18,506,534</u>	<u>\$ 11,241,405</u>	<u>\$ 11,982,062</u>
Business-type Activities:					
Net Investment in Capital Assets	\$ 10,804	\$ 3,947	\$ 2,667	\$ 15,429	\$ 11,678
Unrestricted	66,987	41,516	62,735	24,308	57,625
Total Business-type Activities Net Position	<u>\$ 77,791</u>	<u>\$ 45,463</u>	<u>\$ 65,402</u>	<u>\$ 39,737</u>	<u>\$ 69,303</u>
District-wide:					
Net Investment in Capital Assets	\$ 7,271,355	\$ 11,390,141	\$ 11,781,894	\$ 10,913,418	\$ 15,014,128
Restricted	7,127,061	6,444,812	6,678,692	9,175,464	6,680,364
Unrestricted/(Deficit)	1,829,401	(539,011)	111,350	(8,807,740)	(9,643,127)
Total District-wide Net Position	<u>\$ 16,227,817</u>	<u>\$ 17,295,942</u>	<u>\$ 18,571,936</u>	<u>\$ 11,281,142</u>	<u>\$ 12,051,365</u>

* Restated

Source: Pequannock Township School District Financial Reports.

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

	Fiscal Year Ending June 30, 2015									
Expenses:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities:										
Instruction:										
Regular	\$ 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	\$ 20,102,745
Special Education	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	5,810,299
Other Special Instruction	371,834	375,639	332,834	278,841	269,116	214,625	545,078	337,613	335,517	635,573
School Sponsored Instruction	676,099	694,825	610,206	587,190	609,241	653,558	756,034	889,036	974,701	1,180,467
Support Services:										
Tuition	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	2,415,310
Student & Instruction Related Services	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	5,029,259
General Administration Services	924,604	960,744	802,171	764,705	581,531	861,243	944,958	809,157	794,428	707,109
School Administration Services	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	2,568,393
Central Services	443,272	473,513	522,433	557,846	555,533	518,487	583,280	532,573	507,535	526,938
Administrative Information Technology	194,677	227,287	214,917	240,077	258,045	264,221	203,608	242,416	243,475	52,889
Plant Operations and Maintenance	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	2,913,546
Pupil Transportation	873,065	960,427	1,062,808	953,110	1,037,114	1,085,095	1,008,460	962,456	1,085,674	1,160,443
Charter Schools						21,119	22,590			
Interest on Long-term Debt	189,316	154,777	119,075	335,966	417,284	601,191	534,977	532,914	504,650	653,130
Unallocated Depreciation	211,393	58,844	350,936	173,464	102,931					
Capital Outlay				23,208	184,295				2,793	2,587
Total Governmental Activities Expenses	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	43,758,688
Business-type Activities:										
Food Service	592,744	599,184	637,106	694,376	729,498	699,178	710,854	667,338	712,616	630,439
Imagine Program		34,478	54,039	29,508		3,369				
Total Business-type Activities Expenses	592,744	633,662	691,145	723,884	729,498	702,547	710,854	667,338	712,616	630,439
Total District-wide Expenses	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	44,389,127
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	267,488	268,650	182,523	285,191	280,000	290,475	282,211	403,512	306,786	313,874
Pupil Transportation	29,896	40,736	36,646	47,076	32,987	35,429	25,755	22,073	13,505	19,004
Operating Grants and Contributions	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	10,037,487
Capital Grants and Contributions	294,886	189,811		4,144						
Total Governmental Activities Program Revenues	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	10,370,365

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

	Fiscal Year Ending June 30, 2015									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues:										
Business-type Activities:										
Charges for Services:										
Food Service	\$ 545,794	\$ 545,607	\$ 553,105	\$ 625,291	\$ 628,289	\$ 605,068	\$ 587,050	\$ 586,355	\$ 579,114	\$ 553,402
Imagine Program		75,750	43,964	923						
Operating Grants and Contributions	60,381	57,782	86,287	85,060	98,112	90,186	91,244	100,690	107,539	106,463
Total Business-type Activities Program Revenues	606,175	679,139	683,356	711,274	726,401	695,254	678,294	687,045	686,653	659,865
Total District-wide Program Revenues	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	11,030,230
Net (Expense)/Revenue:										
Governmental Activities	(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)	(33,388,323)
Business-Type Activities	13,431	45,477	(7,789)	(12,610)	(3,097)	(7,293)	(32,560)	19,707	(25,963)	29,426
Total District-wide Net (Expense)/Revenue	(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)	(33,358,897)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	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	31,711,157
Taxes Levied for Debt Service	695,424	979,346	977,709	345,474	603,675	893,390	769,537	714,845	730,986	874,265
Unrestricted Grants and Contributions	926,761	923,283	1,186,084	1,335,400	1,185,186	632,616	975,672	1,055,622	1,107,834	1,088,258
Investment Earnings	153,273	218,547	20,452	60,735	123,748	15,201	11,117	10,888	19,133	8,306
Miscellaneous Income	76,441	131,195	301,961	411,239	101,484	191,161	357,666	289,936	610,611	446,994
Transfers	(47,605)	(51,752)	(51,700)	(56,758)	(55,554)					
Total Governmental Activities General Revenues & Other Changes in Net Position	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	34,128,980
Business-type Activities:										
Investment Earnings	2,296	3,773	3,153	2,117	544	281	232	232	298	140
Capital Adjustments						(39,935)				
Total Business-type Activities General Revenues & Other Changes in Net Position	2,296	3,773	3,153	2,117	544	(39,654)	232	232	298	140
Total District-wide General Revenues & Other Changes in Net Position	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	34,129,120
Change in Net Position:										
Governmental Activities	518,157	1,449,648	1,520,681	1,280,949	979,221	559,686	1,100,453	1,307,438	1,304,096	740,657
Business-type Activities	15,727	49,250	(4,636)	(10,493)	(2,553)	(46,947)	(32,328)	19,939	(25,665)	29,566
Total Districtwide Change in Net Position	\$ 533,884	\$ 1,498,898	\$ 1,516,045	\$ 1,270,456	\$ 976,668	\$ 512,739	\$ 1,068,125	\$ 1,327,377	\$ 1,278,431	\$ 770,223

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

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved	\$2,315,270	\$2,805,933	\$3,510,739	\$ 4,735,207	\$3,962,959					
Unreserved	583,034	606,851	620,558	691,116	1,237,367					
Restricted						\$3,560,017	\$4,423,782	\$ 4,704,299	\$ 5,591,955	\$ 5,403,234
Assigned						1,074,876	945,272	1,780,852	928,189	411,086
Unassigned						960,563	937,516	744,819	614,034	548,804
Total General Fund	\$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	\$ 6,363,124
Other Governmental Funds:										
Unreserved	\$ 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	\$ 1,277,130
Committed						310,785			42,947	
Unassigned/(Deficit)							(2,000,000)	(2,000,000)	(1,440,000)	(1,707,875)
Total Other Governmental Funds	\$ 30,218	\$ 25,125	\$ 38,544	\$11,101,669	\$4,356,688	\$3,877,829	\$ 21,030	\$ (25,607)	\$ 2,186,426	\$ (430,745)
Total Governmental Funds:										
Reserved	\$2,315,270	\$2,805,933	\$3,510,739	\$ 4,735,207	\$3,962,959					
Unreserved	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	\$ 6,680,364
Committed						310,785			42,947	
Assigned						1,074,876	945,272	1,780,852	928,189	411,086
Unassigned/(Deficit)						960,563	(1,062,484)	(1,255,181)	(825,966)	(1,159,071)
Total Governmental Funds	\$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	\$ 5,932,379

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Tax Levy	\$ 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	\$ 32,585,422
Tuition Charges	267,488	268,650	182,523	285,191	280,000	290,475	282,211	403,512	306,786	313,874
Transportation Fees	29,896	40,736	36,646	47,076	32,987	35,429	25,755	22,073	13,505	19,004
Interest Earnings	153,273	218,547	4,974	60,735	128,873	15,201	11,117	10,888	19,133	2,480
Budget Appropriation									560,000	615,000
Miscellaneous	76,441	131,195	317,439	411,239	102,431	198,925	391,362	292,215	612,171	458,854
State Sources	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	6,444,009
Federal Sources	545,701	609,786	616,032	556,895	779,890	861,168	929,011	578,380	584,739	603,845
Total Revenues	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	41,042,488
Expenditures:										
Instruction:										
Regular Instruction	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	11,815,509
Special Education	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	3,373,285
Other Special Instruction	266,918	254,660	231,072	273,841	262,115	203,088	257,122	213,635	207,555	213,033
School Sponsored Instruction	505,943	502,435	608,428	606,745	609,241	653,558	658,558	652,332	717,004	756,647
Support Services:										
Tuition	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	2,415,310
Student/Instruction-related Serv.	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	3,782,133
General Administration	834,527	890,125	749,471	643,909	660,728	740,097	738,003	725,016	696,628	607,792
School Administration	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	1,454,611
Central Services	360,507	368,803	396,948	415,313	445,747	420,510	430,495	432,548	403,781	416,117
Administrative Info. Technology	158,647	185,528	184,078	187,711	199,071	198,838	182,371	191,793	197,617	52,889
Plant Operations/Maintenance	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	2,422,188
Pupil Transportation	814,863	897,050	977,462	880,920	956,396	896,063	861,911	758,934	881,959	922,299

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenditures:										
Support Services:										
Allocated Benefits			\$ 4,605,491	\$ 4,997,184	\$ 5,522,472	\$ 5,599,083				
Unallocated Benefits	\$ 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	\$ 9,699,036
Charter Schools						21,119	22,590			
Capital Outlay	389,041	223,689	90,245	2,015,375	7,191,022	951,297	4,596,668	769,666	2,766,955	4,630,044
Debt Service:										
Principal	970,000	1,000,000	1,035,000	450,000	470,000	740,000	555,000	575,000	1,160,000	1,235,000
Interest & Other Charges	201,334	167,183	131,948	104,550	481,275	591,275	561,700	538,412	514,275	634,820
Total Expenditures	<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>	<u>44,430,713</u>
Other Financing Sources (Uses):										
Bond Proceeds				12,990,000					3,350,000	
Transfers In	2,059	30,133		51,860	416,798	12,499	183,956	45,918	780,928	1,736,403
Transfers Out	(49,664)	(81,885)	(51,700)	(108,618)	(472,352)	(12,499)	(183,956)	(45,918)	(780,928)	(1,736,403)
Total Other Financing Sources (Uses)	<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>\$ (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>	<u>\$ (3,388,225)</u>
Debt Service as a Percentage of Noncapital Expenditures	3.56%	3.29%	3.19%	1.56%	2.56%	3.60%	2.97%	2.94%	4.33%	4.70%

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
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
2015	2,480	19,004	313,874	93,539	353,455	782,352

* - 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)
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
2014	16,082,600	1,750,111,700	10,840,900	102,500	222,287,100	57,757,900	361,542,500	2,418,725,200	-0-	2,418,725,200	213,080,500	1.32	2,489,750,104

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	
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
2014	1.31	0.04	1.35	0.50	0.26	2.11

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	2014			2005		
	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	
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
2015	32,585,422	32,585,422	100.00%	- 0 -

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

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST 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			
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	0.22%	150.22
2009	15,000,000	- 0 -	- 0 -	- 0 -	15,000,000	1.25%	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	1.29%	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	1.26%	941.86
2014	15,410,000	- 0 -	1,440,000	- 0 -	16,850,000	1.44%	1,077.23
2015	14,790,000	- 0 -	825,000	- 0 -	15,615,000	1.34%	1,003.08

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			
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
2015	14,790,000	825,000	-0-	15,615,000	0.646%	1,003.08

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.

Source: Pequannock Township School District Financial Reports.

Exhibit J-12

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2014
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	\$ 5,026,056	100.00%	\$ 5,026,056
Morris County General Obligation Debt	235,116,781	2.78%	<u>6,536,475</u>
Subtotal Overlapping Debt			11,562,531
Pequannock Township School District Direct Debt			<u>15,615,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 27,177,531</u></u>

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

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

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

Exhibit J-13

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt Limit	\$ 81,746,500	\$ 94,109,547	\$ 104,309,795	\$ 111,423,919	\$ 113,462,340
Total Net Debt Applicable to Limit	3,310,000	2,895,000	2,460,000	15,000,000	14,530,000
Legal Debt Margin	<u>\$ 78,436,500</u>	<u>\$ 91,214,547</u>	<u>\$ 101,849,795</u>	<u>\$ 101,849,795</u>	<u>\$ 98,932,340</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.05%	3.08%	2.36%	13.46%	12.81%

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt Limit	\$ 112,594,702	\$ 111,177,615	\$ 106,140,352	\$ 102,652,324	\$ 100,339,682
Total Net Debt Applicable to Limit	13,790,000	15,235,000	14,660,000	16,850,000	15,615,000
Legal Debt Margin	<u>\$ 99,672,340</u>	<u>\$ 98,804,702</u>	<u>\$ 91,480,352</u>	<u>\$ 85,802,324</u>	<u>\$ 84,724,682</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.25%	13.70%	13.81%	16.41%	15.56%

Legal Debt Margin Calculation for Fiscal Year 2015

	Year Ended December 31,	Equalized Valuation Basis
	2012	2,471,648,455
	2013	2,484,542,355
	2014	2,569,285,320
		<u>\$ 7,525,476,130</u>
Average Equalized Valuation of Taxable Property		<u>\$ 2,508,492,043</u>
Debt Limit (4% of Average Equalization Value) ^a		\$ 100,339,682
Net Bonded School Debt		15,615,000
Legal Debt Margin		<u>\$ 84,724,682</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
2006	15,774	\$ 66,763	\$ 1,053,119,562	4.00%
2007	16,376	69,843	1,143,748,968	3.60%
2008	16,716	71,937	1,202,498,892	4.80%
2009	16,730	67,698	1,132,587,540	8.20%
2010	15,523	68,656	1,065,747,088	8.20%
2011	15,556	71,914	1,118,694,184	8.00%
2012	15,590	74,826	1,166,537,340	8.30%
2013	15,646	75,054	1,174,294,884	5.60%
2014	15,567	75,054 *	1,168,365,618	5.10%
2015	15,567 **	75,054 *	1,168,365,618	N/A

* - Latest Morris County per capita personal income available (2013) was used for calculation purposes.

** - Latest Pequannock Township population available (2014) 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	2015		Employer	2006	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Picatinny Arsenal	5,841	2.27%	Information is Not Available		
Novartis	5,035	1.96%			
Atlantic Health System	4,463	1.74%			
ADP	2,060	0.80%			
Bayer Healthcare, LLC	1,900	0.74%			
County of Morris	1,674	0.65%			
Wyndham Worldwide Corporation	1,653	0.64%			
Saint Claire's Health System	1,642	0.64%			
BASF Corporation	1,500	0.58%			
Accenture	1,480	0.58%			
Total	<u>27,248</u>	<u>10.60%</u>			
Total County Labor Force	<u>257,024</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>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>	<u>2015</u>
Instruction:										
Regular	176.90	175.43	176.74	166.64	165.63	160.00	158.80	161.69	158.50	150.90
Special Education	57.40	58.66	60.40	63.90	63.90	66.40	66.20	62.30	65.50	67.60
Support Services:										
Student/Instruction-Related	37.25	40.45	38.20	41.84	41.84	40.30	43.90	47.56	39.90	47.20
General Administration	4.00	5.00	4.50	4.00	4.00	2.00	2.00	3.00	3.00	3.00
School Administration	18.85	15.85	18.85	19.35	19.35	18.40	18.00	19.00	16.50	17.00
Plant Operations/Maintenance	22.50	21.00	25.00	24.50	24.50	23.50	23.00	22.00	21.00	21.00
Pupil Transportation	4.50	5.50	6.00	5.50	5.50	4.50	5.00	3.97	4.70	5.00
Business & Other Support	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.00	8.00	5.00
Total	<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>	<u>316.70</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				
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%
2015	2,253	37,930,849	16,836	2.73%	211	10.5:1	10.1:1	12.0:1	10.8:1	10.3:1	2,234	2,147	-0.67%	96.11%

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>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>	<u>2015</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	366	373	375	372	367	385	373	351	349	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	399	394	391	374	337	301	301	307	305	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	364	340	325	329	324	304	305	285	291	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	612	597	557	578	619	606	570	557	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	782	774	784	772	735	734	708	749	739	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, 2015:

- 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:

Fiscal Year Ended	Hillview Elementary School	North Boulevard Elementary School	Stephen J. Gerace Elementary School	Pequannock Valley Middle School	Pequannock High School	Total School Facilities*
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
2015	60,987	68,073	46,617	149,737	175,468	500,882

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

Source: Pequannock Township School District records.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2015
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	40,000
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, 2015
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
XL Insurance Group - Cyber Liability		
Each Claim	\$ 1,000,000	\$ 25,000
Policy Aggregate	3,000,000	
Pooled Insurance Program:		
Workers Compensation	1,000,000	
Excess Workers Compensation - Safety National Statutory Limits		
Employer's Liability	1,000,000	

SINGLE AUDIT SECTION



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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2015.

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.

Mount Arlington, New Jersey
November 19, 2015



NISIVOCCIA, LLP



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



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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 Circulars 04-04 and 15-08

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 each of the District's major federal and state programs for the year ended June 30, 2015. 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 Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 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, 2015.

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 federal and 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 New Jersey's OMB Circulars 04-04 and 15-08, 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 New Jersey's OMB Circulars 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
November 19, 2015

Nisivoccia, LLP

NISIVOCCIA, LLP

Kathryn L. Mantell

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014		Cancellation of Prior Year Encumbrance	Balance at June 30, 2015	
					Budgetary Accounts Receivable	Cash Received		Budgetary Expenditures	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	IDEA408015	7/1/14-6/30/15	\$ 540,594		\$ 483,202	\$ (510,025)		\$ (26,823)
I.D.E.A. Part B, Basic	84.027	IDEA408014	7/1/13-6/30/14	489,815	\$ (43,600)	43,555	\$ 45		
I.D.E.A. Part B, Basic	84.027	IDEA408013	9/1/12-8/31/13	524,816	(519)			(519)	
I.D.E.A. Part B, Preschool	84.173	IDEA408015	7/1/14-6/30/15	17,615		10,689	(14,763)		(4,074)
I.D.E.A. Part B, Preschool	84.173	IDEA408014	7/1/13-6/30/14	14,375	(5,621)	5,621			
I.D.E.A. Part B, Preschool	84.173	IDEA408013	9/1/12-8/31/13	16,228	(120)			(120)	
Total IDEA Special Education Cluster					(49,860)	543,067	(524,788)	45	(31,536)
No Child Left Behind Consolidated Grant:									
Title I	84.010A	NCLB408015	7/1/14-6/30/15	32,617		16,308	(18,278)		(1,970)
Title I	84.010A	NCLB408014	7/1/13-6/30/14	33,900	(9,276)	24,726	(15,450)		
Title II, Part A	84.367A	NCLB408014	7/1/14-6/30/15	29,665		28,161	(28,541)		(380)
Title II, Part A	84.367A	NCLB408014	7/1/13-6/30/14	29,247	(1,101)	1,101			
Title III	84.865	NCLB408015	7/1/14-6/30/15	4,090			(4,090)		(4,090)
Total No Child Left Behind Consolidated Grant					(10,377)	70,296	(66,359)		(6,440)
Total Special Revenue Fund					(60,237)	613,363	(591,147)	45	(37,976)
Total U.S. Department of Education					(60,237)	613,363	(591,147)		(37,976)
U.S. Department of Agriculture Passed-through State Department of Agriculture:									
Child Nutrition Cluster:									
Special Milk Program	10.556	N/A	7/1/14-6/30/15	11,999		11,999	(12,709)		(710)
Special Milk Program	10.556	N/A	7/1/13-6/30/14	11,281	(349)	349			
Food Distribution Program	10.555	N/A	7/1/14-6/30/15	29,230		29,230	(27,052)		\$ 2,178
Food Distribution Program	10.555	N/A	7/1/13-6/30/14	24,870	161		(161)		
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	61,990		58,339	(61,990)		(3,651)
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	66,673	(2,400)	2,400			
Total U. S. Department of Agriculture/Child Nutrition Cluster					(2,588)	102,317	(101,912)		(4,361) 2,178
Total Federal Awards					\$ (62,825)	\$ 715,680	\$ (693,059)	\$ -0-	\$ (42,337) \$ 2,178

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, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014			Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2015		MEMO	
				Budgetary Accounts Receivable	Due to Grantor	Cash Received			GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education												
General Fund:												
Categorical Special Education Aid	15-495-034-5120-089	7/1/14 - 6/30/15	\$ 1,404,955			\$ 1,271,771	\$ (1,404,955)				\$ (133,184)	\$ 1,404,955
Equalization Aid	15-495-034-5120-078	7/1/14 - 6/30/15	421,118			381,198	(421,118)				(39,920)	421,118
Categorical Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	33,937			30,720	(33,937)				(3,217)	33,937
School Choice Aid	15-495-034-5120-085	7/1/14 - 6/30/15	27,516			24,908	(27,516)				(2,608)	27,516
Categorical Transportation Aid	15-495-035-5120-014	7/1/14 - 6/30/15	39,803			36,030	(39,803)				(3,773)	39,803
Extraordinary Aid	15-100-034-5120-473	7/1/14 - 6/30/15	320,716				(320,716)		\$ (320,716)		(320,716)	320,716
Adjustment Aid	15-495-034-5120-085	7/1/14 - 6/30/15	1,380			1,242	(1,380)				(138)	1,380
Additional Adjustment Aid	15-495-034-5120-085	7/1/14 - 6/30/15	142,729			129,206	(142,729)				(13,523)	142,729
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14 - 6/30/15	22,260			20,150	(22,260)				(2,110)	22,260
PARCC Readiness Aid	15-495-034-5120-098	7/1/14 - 6/30/15	22,260			20,150	(22,260)				(2,110)	22,260
Additional Nonpublic Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	14,296				(14,296)		(14,296)		(14,296)	14,296
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14 - 6/30/15	1,177,060			998,086	(1,177,060)		(178,974)		(178,974)	1,177,060
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13 - 6/30/14	1,170,186	\$ (4,546)		4,546						1,170,186
Categorical Special Education Aid	14-495-034-5120-089	7/1/13 - 6/30/14	1,404,955	(133,791)		133,791						1,404,955
Equalization Aid	14-495-034-5120-078	7/1/13 - 6/30/14	421,118	(40,102)		40,102						421,118
Categorical Security Aid	14-495-034-5120-084	7/1/13 - 6/30/14	33,937	(3,232)		3,232						33,937
School Choice Aid	14-495-034-5120-085	7/1/13 - 6/30/14	165,096	(15,722)		15,722						165,096
Categorical Transportation Aid	14-495-035-5120-014	7/1/13 - 6/30/14	39,803	(3,790)		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
Adjustment Aid	14-495-034-5120-085	7/1/13 - 6/30/14	75,319	(7,172)		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
Total General Fund				(588,184)		3,501,645	(3,628,030)		(513,986)		(714,569)	7,318,273
Special Revenue Fund:												
New Jersey Nonpublic Aid:												
Handicapped Services:												
Examination and Classification	15-100-034-5120-066	7/1/14 - 6/30/15	48,818			48,818	(48,818)					48,818
Supplementary Instruction	15-100-034-5120-066	7/1/14 - 6/30/15	35,940			35,940	(32,958)		\$ 2,982			32,958
Corrective Speech	15-100-034-5120-066	7/1/14 - 6/30/15	36,224			36,224	(28,360)		7,864			28,360
Textbook Aid	15-100-034-5120-064	7/1/14 - 6/30/15	26,513			26,513	(26,513)					26,513
Technology Initiative	15-100-034-5120-373	7/1/14 - 6/30/15	14,240			14,240	(14,240)					14,240
Nursing Services	15-100-034-5120-070	7/1/14 - 6/30/15	42,967			42,967	(42,967)					42,967
Auxiliary Services:												
Compensatory Education	15-100-034-5120-067	7/1/14 - 6/30/15	63,602			63,602	(42,819)		20,783			42,819
English as a Second Language	15-100-034-5120-067	7/1/14 - 6/30/15	3,654			3,654	(913)		2,741			913
Handicapped Services:												
Examination and Classification	14-100-034-5120-066	7/1/13 - 6/30/14	48,571		\$ 638			\$ 638				47,933
Supplementary Instruction	14-100-034-5120-066	7/1/13 - 6/30/14	33,859		205			205				33,654
Corrective Speech	14-100-034-5120-066	7/1/13 - 6/30/14	29,139		625			625				28,514
Auxiliary Services:												
Compensatory Education	14-100-034-5120-067	7/1/13 - 6/30/14	57,351		3,423			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				-0-
Total Special Revenue Fund						6,637	(237,588)		6,637		34,370	402,175

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2015		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
Debt Service Fund:												
Debt Service Aid	15-100-034-5120-075	7/1/14 - 6/30/15	\$ 374,636			\$ 374,636	\$ (374,636)					\$ 374,636
Total Debt Service Fund						374,636	(374,636)					374,636
Total New Jersey Department of Education				\$ (588,184)	\$ 6,637	4,148,239	(4,240,254)	\$ 6,637	\$ (513,986)	\$ 34,370	\$ (714,569)	8,095,084
New Jersey Department of Agriculture:												
Enterprise Fund:												
State School Lunch Program	15-100-010-3350-023	7/1/14 - 6/30/15	4,551			4,294	(4,551)		(257)		(257)	4,551
State School Lunch Program	14-100-010-3350-023	7/1/13 - 6/30/14	4,876	(174)		174						4,876
Total Enterprise Fund				(174)		4,468	(4,551)		(257)		(257)	9,427
Total New Jersey Department of Agriculture				(174)		4,468	(4,551)		(257)		(257)	9,427
Total State Awards				\$ (588,358)	\$ 6,637	\$ 4,152,707	\$ (4,244,805)	\$ 6,637	\$ (514,243)	\$ 34,370	\$ (714,826)	\$ 8,104,511

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015. 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 \$3,226 for the general fund and \$18,005 for the special revenue fund (of which \$5,307 is attributable to the District's prior year 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 \$850,446 and \$1,350,083, 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, 2015
(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 5,831,785	\$ 5,831,785
Special Revenue Fund	\$ 603,845	237,588	841,433
Debt Service Fund		374,636	374,636
Proprietary Fund - Food Service Enterprise Fund	101,912	4,551	106,463
Total Financial Assistance	<u>\$ 705,757</u>	<u>\$6,448,560</u>	<u>\$ 7,154,317</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

The District received grants from the New Jersey Schools Development Authority (SDA) totaling \$882,875 for the roof placement projects at Hillview Elementary, North Boulevard Elementary, and Pequannock Valley Middle School. During the fiscal year ended June 30, 2014, the District realized these grants in full and has \$882,875 grants receivable on the budgetary basis of accounting. The District realizes grant revenue on the GAAP basis of accounting when the funds are expended and submitted for reimbursement. Although the District completed the projects during fiscal year 2015, grant reimbursement requests have not been submitted and \$-0- has been realized as revenue or grants receivable on the GAAP basis.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2015. 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, 2015

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 Circulars 04-04 and 15-08*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The District's programs tested as major federal and 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	7/1/14-6/30/15	\$ 540,594	\$ 510,025
Preschool	84.173	7/1/14-6/30/15	17,615	14,763
 <u>State:</u>				
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/15	1,177,060	1,177,060
Extraordinary Aid	15-100-034-5120-473	7/1/14-6/30/15	320,716	320,716
Debt Service Aid	15-100-034-5120-075	7/1/14-6/30/15	374,636	374,636

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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*.
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Extraordinary Aid	15-100-034-5120-473	7/1/14-6/30/15	320,716	320,716
Debt Service Aid	15-100-034-5120-075	7/1/14-6/30/15	374,636	374,636

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

The District had no prior year audit findings.